**AUDIT REQUIREMENTS**

**September 2019**

An annual financial audit is requirement of all ADFAS Constitutions. This document explains that requirement in light of statutory changes in all states and territories.

**Background:**

There was a time when all incorporated associations (such as ADFAS Societies) were required by law to have their accounts audited annually by a professionally qualified auditor, usually a registered company auditor within the meaning of the Corporations Act.

It is of course essential that each society be familiar with the statutory requirements in its own jurisdiction and take legal advice about that if uncertain. However, nowadays, in each jurisdiction incorporated associations are generally exempt from formal audit requirements in any financial year in which revenue is below a prescribed amount (which varies between jurisdictions) or (in some jurisdictions) they meet certain other prescribed requirements, for example as to the value of assets.

**The Society Constitutions:**

Despite those statutory reforms the constitutions of each society still require the appointment of an auditor and an annual audit. Each constitution contains the following provision:

"Funds - Audits

(1) At least once in each financial year, the accounts of the Society shall be examined by the Auditor;

(2) A copy of a statement as to the income and expenditure of the Society during its last financial year, and the assets and liabilities of the Society at the end of its last financial year, together with a copy of the auditor's report, shall be made available to members at the Annual General Meeting."

In addition, each of the society constitutions contains a provision that the business of the AGM is to include the receipt and consideration of the auditor’s report.

**Retention of the constitutional audit requirements is recommended:**

Notwithstanding the statutory changes it is considered to be in the best interests of societies, their members and the public that the constitutional audit requirements be retained so that some form of independent annual examination (audit) of societies’ accounts is undertaken. But it should now be possible in most cases to achieve that in a less formal manner, likely to involve less expense.

**Implementation of those requirements:**

There is no constitutional requirement that an auditor appointed under a society’s constitution have any particular standing or status or qualification. Nevertheless, it is advisable that a society selects as its auditor a suitably qualified and skilled person (e.g. an accountant) who is independent of the society (i.e., not a member of or closely related to a member of the society). However, there is no reason why a society may not choose to appoint a registered company auditor if it prefers to take a more cautious approach.

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