



GOVERNANCE FOR GOOD

The ACNC's guide for
charity board members



Australian Government



Australian
Charities and
Not-for-profits
Commission

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Introduction from the Commissioner



Charities are an essential part of the fabric of Australian society and reach into every community across Australia, as well as beyond our shores.

They enrich our culture, protect our environment, educate our children, enable us to practice our faith, promote our health and wellbeing, strengthen our democracy, contribute to good public policy and advocate on behalf of individuals and communities.

Charities can do none of this without their board members. These members have the ultimate responsibility for running the charity, managing its finances, its operations and managing staff and volunteers. Being a board member can be hard work and is normally unpaid, but it can also be immensely rewarding.

Remember that as a board member, you are not on your own. We hope this guide will provide you with some helpful information, and if you need more help our ACNC staff are committed to helping support you and your charity in its important work.

Best wishes

The Hon. Dr Gary Johns



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Who is this guide for?

This guide is for people who are, or are thinking of becoming, board members of a charity registered with the Australian Charities and Not-for-profits Commission (ACNC).

We have used the term 'board members' to mean members of the governing body of a charity – the people ultimately responsible for overseeing its operations and making sure it is working towards achieving its charitable purpose. In your organisation they may be the directors of the board, members of the management committee, the governors or the trustees.



In the [Australian Charities and Not-for-profits Commission Act 2012](#) (ACNC Act), these people are described as 'responsible entities'. In our guidance we generally use the term '[Responsible Persons](#)' because it is more meaningful and easier to remember. However, for this guide we have used the term 'board members'.

Why should I read this?

Being a board member of a charity can be a very positive experience. It can give you the opportunity to make a real difference in your community, but it also comes with responsibilities. For you and your charity to succeed, you should be aware of your responsibilities and your role in helping your charity achieve its goals.

Our focus is to support charities to meet the ACNC's [Governance Standards](#), but we also work to support good governance beyond these standards.

This guide focuses on good governance and how it helps charities in the context of their obligations. We have highlighted when something is a legal obligation, rather than being optional or suggested.

Whether you are taking up the responsibilities of a board member for the first time or you are an experienced board member looking for a refresher, there is always something you can do to improve your knowledge and the governance of your charity.

Governance

What is governance?

Governance refers to the processes, activities and relationships that make sure your charity is effectively and properly run.

There is 'good governance' when charities have practices and procedures in place that help them to do their work effectively and openly, and when the roles and responsibilities of people in the charity are clearly understood. This includes the particular roles of board members and the roles of staff, volunteers and members. Of course, good governance is more than the rules of your charity and the individual behaviours of board members. It involves strong relationships between the members of your governing body and stakeholders and is much more about working as a collective than the individual responsibilities.

Why is good governance important?

Good governance helps make sure that the day-to-day work of a charity aligns with and contributes to achieving its purpose.

It is important that board members ask themselves a few questions:

- Why are we here?
- What are we doing?
- How are we doing it?

Asking these questions (and trying to answer them) helps charities to stay true to their vision and mission.

What is a charity?

The word 'charity' means different things to different people. People commonly understand charities to be organisations that exist to help others. Whether it is providing accommodation to people in need or teaching English to newly arrived migrants, charities are at the heart of the effort to make our communities safer, fairer and more vibrant places to live.

There is, however, a particular legal definition of charity. Charities must be not-for-profit, have a charitable purpose and be for the public benefit. Charities have to meet this definition and the requirements of the ACNC Act before they can be registered as a charity with the ACNC.



What are registered charities?

In this guide, we use the term ‘charity’ to refer to all types of charities registered with the ACNC. Charities may also be registered with other government agencies such as state and territory regulators or accreditation bodies.

The ACNC registers different ‘types’ or categories of charities. These are:

- advancing health
- advancing education
- advancing social or public welfare
- advancing religion
- advancing culture
- promoting reconciliation, mutual respect and tolerance between groups of individuals that are in Australia
- promoting or protecting human rights
- advancing the security or safety of Australia or the Australian public
- preventing or relieving the suffering of animals
- advancing the natural environment
- purposes beneficial to the general public that may reasonably be recognised as analogous to, or within the spirit of, any of the other charitable purposes
- promoting or opposing a change to law, policy or practices
- Public Benevolent Institution (PBI)
- Health Promotion Charity (HPC).

What is the role of the ACNC?

The ACNC is the independent national regulator of charities. We:

- register organisations as charities
- ensure that charities comply with their obligations
- help charities understand and meet their obligations through information, guidance, advice and other support
- maintain a free and searchable public register so that anyone can look up information about registered charities
- work with state and territory governments to develop a ‘report-once, use-often’ reporting framework for charities.

> For more information, read our fact sheet on who can register with the ACNC at: acnc.gov.au/whocanregister

Your charity's board

What is a governing body?

The governing body of a charity is the group of individuals who together are ultimately responsible for overseeing its operations and making sure it is working towards achieving its charitable purpose.

For the purpose of this guide, we refer to the governing body as the 'board' and those on it as 'board members', but it or they may have another name (for example, 'committee', 'council', 'governors' or 'trustees').

Charities come in many shapes and sizes and so do their boards. Although boards are made up of a group of individuals, they only have the power to bind the charity as a group, not as individual members – it is the board as a group that can make decisions, not individuals on their own. It takes teamwork.

What is the role of the board?

The board is responsible for providing leadership and direction to a charity. It also bears ultimate legal responsibility.

Generally, boards delegate some of their responsibilities to staff or volunteers. However, there are some things that are usually reserved for the board such as appointing the most senior staff members (for example, the chief executive officer, if the charity has one), developing (or at least approving) a strategic plan, considering how organisational risks should be managed and calling meetings of the charity's members (if any).

There are some responsibilities that are common to most boards:

- accountability – making sure the charity meets its obligations, manages its finances and operates transparently
- strategy – setting the charity's long-term goals and making sure it pursues its charitable purposes
- resourcing – securing funding and other resources to support the work of the charity
- advocacy – representing the charity to the community and to its members and stakeholders (with a chief executive officer and staff, if any)
- monitoring – making sure the charity is run as required under its governing document and the law.

What is a board committee?

A board committee is different from a management committee (what we have called a 'board'). A board committee is a group that is set up for a particular focus.

Board committees can be set up because it can be hard to organise all board members to meet (at least with enough time to consider matters in detail), or perhaps because it wants to draw on the expertise of people not on the board for certain matters. Sometimes these are called sub-committees, standing committees or ad-hoc committees.

For example, your board may appoint a finance committee that includes an independent person with accounting experience to ensure your charity's financial position is looked at more closely and regularly than the board may be able to do. In this way, the committee provides the board with better information to help

it make decisions, but the board retains overall responsibility.

These types of committees can be ongoing or project-specific. For example, a committee might be established to recruit and induct new board members or to oversee a particular project and may only operate for a limited period of time.

Committees may make recommendations to the board, but they generally do not make decisions for the charity on their own behalf.

Your charity may have rules about how to establish committees, what they can be used for and who can be a member. Make sure you check your rules before establishing a committee.

The board members should help your charity to stay focused on its objectives, manage its finances effectively and comply with the legal, operational and ethical requirements of your charity.

People on your charity's board

What are board members?

Board members are the people who are either elected (usually by the charity's members) or appointed by nomination (for example, under legislation or under a trust deed) to be a member of the charity's governing body. These people are sometimes also called directors, committee members, or trustees. Just being appointed does not generally give you any individual authority to bind the charity (for example to sign a contract on its behalf) – it is the board as a group that has this power.

What are 'officers' of the board?

Although boards act as a group, some board members take on extra responsibilities. For example, most boards will appoint a chair (or president), who will be responsible for running meetings and providing leadership to the board.

Some boards appoint a treasurer to be responsible for looking at the charity's finances in more detail and to help provide them with information they need to make financial decisions. But don't forget – all board members need to understand the charity's financial position, not just the treasurer.

Can anyone else attend board meetings?

Not everyone who attends a board meeting is a member of the board.

If your charity has paid staff, the senior staff member (for example, the CEO or coordinator), is likely to attend board meetings (or at least part of them). Your charity's CEO may be a member of the board – it can depend on your charity's rules. Generally though, the CEO and other senior staff are not on the board and do not have a vote in board decisions.

Some boards have a secretary whose role includes keeping a written record of board decisions (minutes) and other tasks that help board meetings run smoothly such as preparing agendas. Often they are the person that notifies the regulator of any changes to the membership of the board, the charity's rules and other changes. Other staff, volunteers, consultants or your charity's auditor may attend board meetings if they are invited – perhaps to discuss a particular issue.

Who can be a board member?

Eligibility is different for each charity. To find out who is eligible to be a board member for your charity, check your charity's rules and any legislation that applies to it.

For example, you cannot be a board member of a charity that is a company registered with the Australian Securities and Investments Commission (ASIC) if you have been disqualified from directing companies by ASIC.

If your charity's board is looking to appoint new members, you might find our [quick tips for choosing a new board member](#) useful.

If you are on the board of a registered charity you will be considered a 'Responsible Person' of the charity.

Your charity has an obligation to notify the ACNC if there are any changes to the people on its board – the charity's 'Responsible Persons'.



Common questions about board members



Can board members resign?

Yes. Board members can resign at any time. Check your charity's governing rules to find out whether there are any steps you need to take – you may need to notify the chair or secretary in writing. The charity must notify the ACNC of the resignation and any other relevant government agencies.

Consider what effect your resignation will have on the charity before choosing to resign. Ideally, try to give a period of notice. If you are also an employee of the charity you will need to check your employment contract to see whether there is anything about how to resign as a board member. Sometimes if you resign as a staff member you will also cease to be a board member.



Can board members be paid?

Generally, people on the board can be paid if the payment advances the charity's charitable purpose and the payments are clearly authorised (such as by a meeting of the charity's members). Check if your charity has any rules about paying (or not paying) board members.

If your charity is a trust, the trustees (directors) cannot be paid unless the trust deed specifically sets out that they are to be paid. Charities that are companies registered with ASIC that omit the word 'limited' from their company name must not pay their board members fees.

Payment of reasonable expenses is different to payment for services. Board members can be reimbursed for reasonable expenses they paid while carrying out their duties as a board member.

Check the fundraising regulation in the states and territories in which your charity operates as there may be rules about paying board members if you are fundraising.



Can board members be personally liable as a board member?

If you are complying with your legal duties, in most cases you will not be personally liable as a board member. However, this depends on the particular action and the type of charity you are on the board of. For example, board members may be personally liable for criminal or serious misconduct, or legal action taken against an unincorporated charity.

Under the ACNC Act, board members of registered incorporated charities may be personally liable for deliberate actions or omissions that breach the ACNC Act if they have acted dishonestly, with gross negligence or are reckless.

The ACNC Act treats the board members of different types of charities in different ways. For registered unincorporated associations, the obligations and liabilities are on each individual who is a director at the time. For trusts, the obligations and liabilities are imposed on the trustees. If the trustee is a body corporate (an incorporated organisation) then the obligation and liabilities are imposed on the individuals who were the directors of the company at the time.



Can board members be employees of their charity?

Your charity may have rules that set out whether members of the board can also be employees of the charity. If your charity's rules do not prohibit this, the board members can also be employees of the charity. However, be aware that this can give rise to conflicts of interest that must be managed correctly.

Consider reading our guide '[Managing Conflicts of Interest](#)' at acnc.gov.au/conflictsofinterest.



How long does a term on a board last?

The terms of appointment for board members vary between charities but will generally be set out in a charity's rules. For example, some charities will have three year terms (possibly with one third of the board retiring and two thirds continuing each year), but others will only be appointed for a year at a time. Some have a maximum term. There's no one-size-fits-all time period, so look for a model that works for your charity.



Can a board member tell a staff or volunteer member what to do?

No. If your charity has staff or volunteers, individual board members cannot direct their work unless the board member has been given authority to do so (such as by a decision of the board or if they are a more senior employee of the charity and are directing them as part that role). Generally, the board can only direct the charity's CEO as a collective, but individual board members may also be authorised by the board to do so.

It is important to be clear about the roles of staff members, volunteers and board members. Everyone should understand what their role is and how it fits with others within a charity. This can help to avoid misunderstandings that can lead to disputes. To find out more, read our [quick tips on internal disputes](#) at acnc.gov.au/internaldisputes.



Can a member tell a board member what to do?

In most cases, no. Board members are independent and generally cannot be directed by any general member of a charity.



Can boards delegate their responsibilities?

Some responsibilities of boards may be delegated to others, although this depends on a charity's rules and any legislation that applies to the charity. Remember, even if some responsibilities can be delegated, the board still bears ultimate legal responsibility for any decisions. In charities with paid staff, most boards will delegate responsibilities to a CEO. In others, the delegation can be to a particular volunteer or sub-committee of volunteers. Whatever the case, it is important to set out in writing what the delegation is, especially if powers of the board are being delegated.



Can a board member be removed?

A charity may have rules that set out if a board member can be removed before the end of their term of appointment and how. Some rules allow for a board member to be removed by a majority vote at a meeting of the members.

A charity's rules will often set out certain situations where a board member automatically stops being a board member. For example, if the board member fails to attend a certain number of meetings throughout the year or becomes bankrupt.

The ACNC Act also gives the ACNC the power in certain serious and specific situations to suspend or remove board members of a registered charity and also to appoint an 'acting responsible entity' to act in the place of the removed board members. We will generally only take this step in very exceptional circumstances.

Your charity's governing document

Your charity's governing document sets out many of the charity's powers, objects and processes. The governing document helps you make sure your charity is run well and on track.

All charities have rules of some kind, whether they are written in a formal document or are verbal agreements between members. They should be part of every charity's life. When written, a governing document is often called a constitution, a charter, articles, rules or rulebooks. In this guide, we call them 'rules'.

Your charity's rules might be kept in more than one document. For example, your charity might have a constitution that sets out how it will be run and a mission statement that sets out its purpose.

Why are rules important?

Rules are important because they help give some certainty about how your charity is run and establish procedures that everyone involved can rely on. Rules bind you (as a board member), the charity and its members.

The ACNC will look at your charity's rules to see if they show your charity's charitable purposes. This can be part of the evidence the ACNC needs to see to make sure your charity is entitled to be registered. The public will be able to view the rules of registered charities on the online ACNC Charity Register.

Your charity's rules will generally set out:

- that it is a not-for-profit
- its charitable purpose
- the powers of its board
- how to become a member and the rights and obligations of members
- how members of the board (and any office bearers such as a president or treasurer) are elected or appointed
- how meetings of members and meetings of the board are called and held

- how authority is delegated to the board, staff or volunteers, and
- what will happen if it needs to be wound up.

> **Setting out your charitable purpose and not-for-profit nature in your charity's rules is an easy way to help you meet Governance Standard 1.**

See page 12 for more information about the Governance Standards.

It is important that your charity's rules accurately reflect how it operates. If the rules are not followed, the charity will not be able to rely on them when there is uncertainty. Which is when you need them most.

How do we show our charity is a not-for-profit?

For your organisation to be considered a charity, it must be a not-for-profit.

Generally, your organisation is a not-for-profit if it does not operate for the profit, personal gain or other benefit of particular people, such as its members, the people who run it or their friends or relatives. This applies both while the organisation is operating and if it winds up.

Your organisation's rules are a good place to show that it is a not-for-profit. They will contain clauses that prevent it from providing any private benefit to its members. Find out more about the [meaning of not-for-profit and how to show that your organisation is a not-for-profit](https://www.acnc.gov.au/notforprofit) at [acnc.gov.au/notforprofit](https://www.acnc.gov.au/notforprofit)

What is public benefit?

Charities must be for the 'public benefit'. This means that they must benefit the general community or a sufficient section of the community.

For example, an organisation will not be a charity if it exists only to make money for the members of its board – this is a private benefit. And private benefit does not just have to be money – it could be a service or goods or anything else the charity provides. The people involved with a charity, such as its staff or volunteers can benefit from the work of the charity where this benefit is in line with the charity's charitable purpose (for example, the board members of a self-help group can still benefit from involvement with the charity).

How do I show my charity's charitable purpose?

All charities must have a charitable purpose. A charity's purpose is the reason it was set up, or what its activities work to achieve. Some people also refer to this as the charity's mission.

The rules are a good place to show the charitable purpose. Being able to show that your organisation has a charitable purpose is important when applying to register with the ACNC.

Find out more about [the meaning of 'charitable purpose'](https://www.acnc.gov.au/charitablepurpose) at [acnc.gov.au/charitablepurpose](https://www.acnc.gov.au/charitablepurpose).

How does my charity adopt or change the rules?

If you are drafting your charity's first set of rules, or just making changes to existing rules, your charity will need to formally adopt them. Your charity may have existing rules that set out how this must be done, or, if it is incorporated, the legislation that applies to your charity may set out requirements for how to adopt new rules. If your charity is a company limited by guarantee then the *Corporations Act 2001* (the Corporations Act) applies. If it is an incorporated association then the legislation of the state or territory in which it is registered applies. Make sure you are familiar with these requirements before you start making any changes.

When you apply for registration, you must provide a copy of your charity's rules to the ACNC. You need to notify the ACNC if you make any changes to your charity's rules. Read more about [notifying the ACNC of changes to your charity](https://www.acnc.gov.au/obligations) at [acnc.gov.au/obligations](https://www.acnc.gov.au/obligations).



ACNC Governance Standards

> The ACNC's approach to governance will be to focus on providing information and guidance to help charities comply.

To be registered with the ACNC, all charities* must comply with the [Governance Standards](#). These are a set of core, minimum requirements for the governance of charities. They do not cover all aspects of governance, nor ensure best practice in governance. We provide [tools and resources](#) to promote good governance practices beyond these standards at acnc.gov.au.

The Governance Standards will generally be applied as a set of high-level principles, rather than as prescriptive rules. This means your charity can generally

choose how to comply, as long as it can demonstrate to us that this is appropriate for your charity's situation. We are flexible in our approach to enforcing the Governance Standards, and we focus on achieving our regulatory objectives of promoting public trust and confidence, and supporting a robust and vibrant sector.

Although we have a focus on providing information and guidance to help charities comply with the Governance Standards, we will consider stronger action where there are serious or deliberate breaches, such as money being diverted to non-charitable purposes, non-disclosure of serious conflicts of interest, or gross financial negligence.

More detailed guidance about the [Governance Standards](#) is available on the ACNC website at acnc.gov.au/governancestandards.

* Except a particular category of charities called Basic Religious Charities (for more information visit acnc.gov.au/basicreligiouscharity).

The five Governance Standards

- 01** **Standard 1: Purposes and not-for-profit nature of a registered entity**

Registered charities must be not-for-profit and work towards their charitable purpose. A charity must be able to demonstrate this to the ACNC and provide information about its purpose to the public (for example, by having a copy of its rules on the ACNC Charity Register).
- 02** **Standard 2: Accountability to members**

Charities must take reasonable steps to be accountable to their members and provide their members adequate opportunity to raise concerns about how the charity is governed. This standard only applies to charities that have members.
- 03** **Standard 3: Compliance with Australian laws**

A charity must not commit a serious offence (such as fraud) under any Australian law or breach a law that may result in a civil penalty of at least 60 penalty units.
- 04** **Standard 4: Suitability of board members ('Responsible Persons')**

Charities must take reasonable steps to ensure that their board members are not disqualified from managing a corporation (under the Corporations Act) or currently disqualified from being a board member for a registered charity by the ACNC Commissioner. Charities must take reasonable steps to remove board members who do not meet these requirements.
- 05** **Standard 5: Duties of board members ('Responsible Persons')**

Charities must take reasonable steps to make sure that their board understands and carries out the duties set out in this standard. See page 14 for more information.

Your duties and responsibilities as a board member

As a board member, you have duties and responsibilities to your charity. Even though most board members of charities are volunteers, you still have legal duties that you must meet to ensure your charity is well-governed, as well as an important responsibility to put the interests of the charity ahead of your own personal interests.

The specific duties of board members vary depending on a charity's legal structure. Generally, you need to be careful and conscientious in your role and act with common sense and integrity.

Your charity can, in some situations, be liable if you don't follow your duties. In particular, one of the Governance Standards (Standard 5) requires that charities take reasonable steps to make sure that their board members know and understand their more significant legal duties and that they carry out these duties.

The more significant duties of board members of registered charities are:

1. To act with reasonable care and diligence

As a board member, you must show a standard of care and diligence that a reasonable person would use if they were in your place. In practice, do your best to participate. Before meetings, read and try to understand any materials you have been given about topics the board will be considering. Try to turn up to meetings on time. If you are unable to attend a meeting, give reasonable notice and try to catch up afterwards.

If you have any questions about any of your board's business, always ask the other board members or staff and make sure to leave time for thinking about your decision. If you do not feel comfortable making a decision on something, it may be worth asking for more time. You should feel confident to independently make decisions and not just follow the crowd. Sometimes you should request that your separate view be recorded in the minutes.

? **Ask yourself** – would someone who was observing me think that I was being careful and conscientious in my duties?

2. To act in the best interest of your charity and for a proper charitable purpose

When acting as a board member you must make decisions that are in the best interest of your charity and to further its charitable purpose.

If you are on the board as a representative or nominee of another organisation, you will generally have to make decisions that are in the best interest of the charity (rather than, for example, the organisation that nominated you).

? **Ask yourself** – is this decision in the best interest of my charity and does it further its charitable purpose?

3. Not to improperly use information or your position

Sometimes as a board member you will come across information that could be used for your personal or other interests. Any special knowledge that you gain as a board member must only be used for the benefit of the charity and never to further personal or other interests.

For example, you might learn about the details of a tendering process or the private details of staff or clients. Keeping this information private is one of your responsibilities as a board member and this information must not be used except in the interests of your charity.

? **Ask yourself** – am I using information I have obtained as a board member for the benefit of my charity?

In your role as a board member you may also come across times where you could use your position for personal gain or to benefit someone else such as a family member or friend.

For example, using your position as a board member to get services for a friend or family member who otherwise isn't eligible.

? **Ask yourself** – am I using my position as a board member for the benefit of my own interests or the interests of my family or others I have a relationship with?

4. To manage financial affairs responsibly

Many charities receive donations from the public, government and taxation concessions or exemptions, and must have financial management practices to ensure that their resources are used effectively and protected from misuse.

Charities should have appropriate and tailored financial systems and processes. They should be suitable to the size and circumstances of the charity and the complexity of its financial affairs.

? **Ask yourself** – are there systems and processes to ensure that my charity's resources are being effectively put towards its charitable purpose and are protected from misuse?

5. To disclose and manage conflicts of interest

Conflicts of interest occur when your duty to act in the best interests of your charity is or may be in conflict with the opportunity or potential to get a personal benefit (or a benefit for a person or organisation you have a relationship with).

If you have a conflict of interest (or even a perceived conflict), inform the charity board as soon as possible. Generally, it is best (and often required by your rules or any legislation that applies to your charity) not to take part in discussion or decision-making where you have a conflict of interest.

Conflicts of interest are common and do not have to be a serious problem. However, if a conflict of interest is not managed properly, it may damage your charity's reputation and, in serious cases, even break the law. Even simply the perception that a conflict exists requires you to take steps to ensure you do not breach your obligations.

For more information, consider reading our [guide on Managing conflicts of interest](https://www.acnc.gov.au/conflictsofinterest) at [acnc.gov.au/conflictsofinterest](https://www.acnc.gov.au/conflictsofinterest).

? **Ask yourself** – would an independent observer be sure that I was only acting in the best interests of my charity? Or might they think I was acting in some way for my own interest?

6. Not to allow a charity to operate while insolvent

You must ensure that your charity can pay its debts when they are due. This is called being solvent. If your charity is unable to do this then it will be insolvent. As a board member, you must not allow your charity to continue to take on new debts (for example, wages, rent, equipment lease payments) if you know it will not be able to pay the bills when they are due.

? **Ask yourself** – will my charity be able to pay its debts when they fall due?

Governing your charity

The most important part of your work in a charity is making sure that your charity can do what it was set up to do. However, as a board member you must make sure that is also properly governed.

Do we have to hold meetings?

Often, to get the work of your charity done, your board will need to hold meetings.

Some can be informal (such as over the phone or around your kitchen table), while others must follow certain requirements. Your charity's rules and any legislation that applies to your charity may set out:

- how many meetings you must have and when to have them
- who needs to be at the meetings (there may be a quorum requirement, where a certain number of people must be present for the meeting to be valid)
- whether minutes need to be taken, how to keep them and who can read them
- who can vote on certain topics and how voting happens.

Be familiar with any requirements your charity may have for holding meetings, and be clear about what kind of meeting you are holding. For example, the way you run a board meeting, and the responsibilities of the people attending, will be different to a meeting with general members (even if the board and the members are the same people).

You may like to read our [quick tips on holding annual general meetings](#) at acnc.gov.au/agm.

Do we have to keep records?

Keeping records allows you to have an accurate account of your charity's important information. You should consider what kind of information it is important for your charity to keep and whether there are any privacy or any other legal considerations for the sorts of records it keeps. For example, your charity might keep records on:

- finances: bank statements, and receipts to show any money coming in or going out (including any payments or donations, funding contracts or receipts)
- operations and administration: meeting minutes and records of staff and volunteers (particularly for board meetings and annual general meetings)
- charity activities: annual reports or other documents show what kind of activities your charity has been doing.

The ACNC requires registered charities to keep records, usually for seven years. In particular charities must keep records that correctly record:

- (and explain) its transactions, financial position and performance to enable true and fair financial statements to be prepared and audited (if needed), and
- its operations.

How do we manage the people involved in our charity?

The people involved in your charity are at the heart of what it does – whether they are paid staff or volunteer members, it is important to consider how you manage their involvement.

Having staff is an important responsibility. Make sure that they have a safe workplace and that their conditions are lawful, fair, and clear to both the staff and the board. There are resources available that can help you. For more guidance that may be useful, visit agencies such as:

- [Safe Work Australia](#) – health and safety laws
- [Fair Work Ombudsman](#) and [Australian Human Rights Commission](#) – employment and equal opportunity
- [Australian Taxation Office \(ATO\)](#) – employees and taxation.*

Make sure your charity is clear about who is a board member, a staff member, a volunteer or a contractor – the responsibilities to each person will depend on their status with the charity.

In smaller charities, sometimes these roles will be less clear and often the roles of volunteers, board members and staff will overlap. While the people may be the same, the roles are different and so are the responsibilities.

Some charities will choose to use ‘contractors’ who are paid by the charity but who are not ongoing employees. Be familiar with the specific tax conditions for having contractors, before your charity uses one. Visit the ATO’s website for guidance on contractors and tax.

Volunteers are a precious resource for charities and it is important to make sure your charity’s volunteers are supported, safe and valued. Volunteers require training and support, so consider forming a plan on how your charity will recruit, train and supervise its volunteers.

Even if your charity has a treasurer (or someone with accounting experience) on the board, it is important that all the other board members also take their obligation to monitor the charity’s financial position seriously. All board members should feel comfortable asking questions about financial matters and should be able to understand the charity’s financial statements.

* [safeworkaustralia.gov.au](#)
[fairwork.gov.au](#)
[humanrights.gov.au](#)
[ato.gov.au](#)



Overseeing your charity's finances

An important responsibility for your charity's board is to make sure it has the resources it needs to conduct activities, meet its debts and achieve its purpose.

What about raising money?

There are a number of ways your charity can raise money. Charities commonly raise money through membership fees, donations from the public, government funding and holding events.

No matter which way your charity raises money, it is important that the board members understand the obligations that come with receiving money. Your charity may have to comply with [fundraising regulation in states or territories](#), meet obligations under a government funding contract, or comply with obligations as a trader. It is important to consider these obligations before you start raising money. And it is important to know that the ACNC does not regulate fundraising.

For a list of [fundraising regulators](#), visit acnc.gov.au/fundraising.

Do we need financial controls?

Keeping an eye on your charity's finances is crucial to ensuring it has access to the resources it needs. Regularly review your charity's financial position and its ability to pay for its upcoming expenses. Ensure that processes for money-handling are safe and secure and protect against fraud and financial crime. It can be hard to believe, but theft does happen in charities – it is uncommon, but simple steps can help prevent problems.

Some boards will appoint a finance committee to look into the charity's finances more deeply. This committee usually

reviews financial reports to the board in greater detail and provides advice to the board on the charity's financial position. The charity's financial information should be presented in a clear way that can be understood by the members of the board and anyone else who has to deal with it.

Consider whether your charity needs to (by law) appoint an auditor.

For more information, read our guide, [Managing Charity Money](#) at acnc.gov.au/managingcharitymoney.

What if things go wrong?

When facing financial trouble, there are steps a charity can take to manage it and to reduce the risk of it happening again.

If you are familiar with your charity's finances (how much money it has, where it comes from and what it is being spent on) this will allow you to respond to any trouble quickly and effectively. Acting early gives you more options and could help you prevent your charity from closing down.

More resources

Make sure you are familiar with your obligations (including financial reporting) to the ACNC and to other government agencies. You can take a look at our:

- [list of other regulators](#), and the obligations your charity may have to them, at acnc.gov.au/otherregulators
- [guidance on financial and other reporting](#) to the ACNC at acnc.gov.au/reporting
- [fundraising information](#) at acnc.gov.au/fundraising.

Your charity may have other obligations to manage its finances or make financial reports to other government agencies.

Your charity's obligations to the ACNC

If your charity is registered with the ACNC, it has obligations it must meet to maintain its registration.

The obligations of registered charities can be grouped into three types: obligations to notify us of certain changes, to keep records and to report to us each year. Your charity does not have to pay a fee to the ACNC for meeting any of the obligations as long as it does so within the required time period.

Your charity may have to pay a penalty if it doesn't meet its obligations on time. Your charity must also make sure it continues to meet the requirements for ACNC registration, including complying with the Governance Standards and pursuing its charitable purpose.

What about other regulators my charity must deal with?

As with other types of organisations, charities must meet a range of legal requirements imposed by government agencies at local, state and territory, and Commonwealth levels. Sometimes this regulation is specific to charities, sometimes it will apply to charities and other not-for-profits (such as fundraising and legal structure) and sometimes it will apply to charities and business (such as work health and safety regulation). Often there will be different requirements depending on the type of activities the charity does (such as working with children or providing aged care services).

Read our [list of other regulators that may affect charities](https://www.acnc.gov.au/otherregulators) at [acnc.gov.au/otherregulators](https://www.acnc.gov.au/otherregulators).

What does my charity have to notify the ACNC of?

If your charity changes its legal name, its Address For Service (the contact details you have given the ACNC to use to contact your charity), its board members or its governing rules, you must notify the ACNC. It is important to keep your charity's entry on the ACNC Charity Register up to date – otherwise people searching for your charity may think it has closed down.

You must also let us know if you think your charity isn't meeting its obligations and is no longer entitled to be registered with the ACNC. For example, if your charity's purposes are no longer charitable, you must notify us.

Find out more about [notifying the ACNC of changes to your charity](https://www.acnc.gov.au/notify) at [acnc.gov.au/notify](https://www.acnc.gov.au/notify)



Does the ACNC require us to keep records?

Registered charities need to keep both financial and operational records. There is no requirement that charities use a particular system, process or format for keeping records. They must be easy to access and made available to the ACNC upon request. Records must usually be kept for seven years.

Financial records are documents that explain your charity's financial transactions, position and performance and allow financial reports to be prepared and audited (if required).

Operational records are any other documents about your charity's activities (operations). These may include meeting minutes, reports, and written details of your charity's activities, programs or services. Most charities have this information and summarise it in an annual report. Charities need to keep records that allow us to assess whether they remain entitled to registration and are complying with obligations.

Find out more about [record-keeping obligations to the ACNC](#) at acnc.gov.au/recordkeeping

Does my charity have to report to the ACNC?

Registered charities must report each year to the ACNC.

The reporting requirements vary depending on the size of the charity. Small charities do not need to provide as much information as medium or large charities, which usually need to provide financial reports.

Registered charities have to provide an Annual Information Statement (AIS) to the ACNC. The Statement is due six months from the end of your charity's reporting period. This is done online and there are no fees.



For more information, visit acnc.gov.au/reporting

When your charity changes or things go wrong

Sometimes things change – what you thought would work when your charity started might not work best later on and sometimes things don't go exactly as planned. Be aware of potential risks to your charity and try to have a plan in place to handle them.

What if we have an internal dispute?

Internal disputes need to be taken seriously, but there are things you can do to resolve them. Internal disputes involve disagreements between groups or individuals within a charity. For example, if a member of staff disputes a decision made by the charity's board about how the charity is run. The ACNC does not have the power to deal with internal disputes in charities unless there is a serious risk to public trust and confidence. It is not our role to mediate disputes, but there are other organisations that can help.

It is often a good idea to have a provision in your charity's rules that sets out how a dispute will be resolved. It is always better to have the process in place before your charity needs it.

For more, read our [quick tips on internal disputes](https://www.acnc.gov.au/internaldisputes) at [acnc.gov.au/internaldisputes](https://www.acnc.gov.au/internaldisputes)

What if we have a conflict of interest?

Conflicts of interest can happen often. If these are properly managed they do not have to cause a problem. A conflict of interest occurs when a person who has a duty to act in the best interests of the charity has the opportunity or potential to 'use' that information or their position for their own personal benefit (or for the benefit of a person or organisation they have a relationship with).

Disclose any conflicts of interest to the board as soon as you are aware of them. Unless the board consents, you should not participate in any discussion or decision-making on issues where you have a conflict of interest. It is usually better if you leave the room until the discussion of these is over.

For more, read our guide at [acnc.gov.au/conflictsofinterest](https://www.acnc.gov.au/conflictsofinterest)

➤ Be sure that everyone involved with your charity understands their role and responsibilities and acts quickly to resolve any disputes.

Remember, disputes can destabilise a charity and can distract it from carrying out its charitable purpose.

What if my charity winds up?

'Winding up' means closing down your charity. There are many reasons that charities choose to wind up. Some charities wind up because they have achieved their mission or because they merge their operations with another charity. In other cases, they wind up because they can no longer pay their debts. Whatever the reason for winding up, your charity may have procedures in its rules (or in legislation) that it must follow. Contact your charity's [incorporating regulator](#) to check if there are any procedures it needs to follow. It is also in your charity's best interest to [notify the ACNC](#) so that it no longer has to meet its obligations to the ACNC.

! Remember, from the date your charity ceases to be registered with the ACNC it will lose its eligibility to receive Commonwealth tax concessions and access to certain other concessions, benefits and exemptions.

Can my charity's registration be revoked?

Your charity might decide that it no longer wants to be registered with the ACNC. A charity may request that its registration be cancelled (revoked) because it is winding up or because its purposes are no longer charitable. Whatever the reason, if your charity decides that it no longer wants to be registered, complete the form '[Application to revoke registration as a charity](#)' to cancel its registration.

The ACNC was established to make sure the community continues to have high levels of trust and confidence in the charity sector. This protects the reputations of charities doing the right thing. In cases where charities are guilty of serious misconduct, the ACNC has the power to revoke a charity's registration.

What if my charity becomes insolvent?

Being insolvent means that your charity cannot pay its debts when they are due to be paid. If you think your charity may be insolvent, or at risk of becoming insolvent, you should seek professional advice immediately. You may need to notify your state or territory regulator if it is incorporated.

Top 10 tips for board members

- 01 Know what the charitable purpose of your charity is and make sure everyone is working towards it. If you are unsure, ask yourself whether your actions promote your charity's charitable purpose.
- 02 Be clear about your role and make sure that the roles and responsibilities of everyone at your charity are well understood, whether these are volunteers, members, board members, clients or employees.
- 03 Understand your charity's financial position and be familiar with its financial statements – everyone on the board shares a responsibility to make sure the charity's finances are managed well.
- 04 Keep your responsibilities and legal duties as a board member in mind when making decisions as a board member, particularly difficult ones.
- 05 Have a copy of your charity's rules: read them, understand them, follow them and if you are ever unsure, ask other board members or get professional advice.
- 06 Although board members act as a group, do not just follow the crowd. You should always do what you think is best for your charity, even if sometimes it means taking a different view to other board members.
- 07 Understand your charity's obligations to government agencies and make sure your charity is meeting them.
- 08 Listen to the other board members and work as part of a team. The board shares a collective responsibility for the charity and you should see board members as colleagues.
- 09 Be confident to declare and manage conflicts of interest responsibly. Most members of a board will encounter conflicts of interest and you should feel confident to handle them responsibly.
- 10 Always act in the best interests of your charity – as a board member you have a responsibility to put the interests of your charity above your own personal interests.

Resources for charities

There are a number of resources on governance (including websites, guides and factsheets) available to charities from both government and non-government sources. We have listed some of these below.

Australian Institute of Company Directors

www.companydirectors.com.au

Community Door

communitydoor.org.au

Connecting Up

www.connectingup.org

CPA Australia

www.cpaaustralia.com.au

Governance Institute of Australia

www.governanceinstitute.com.au

Institute of Chartered Accountants Australia

www.charteredaccountants.com.au

Not-for-profit Law at JusticeConnect

www.nfplaw.org.au

Not-for-profit Compliance Support Centre

www.nfpcompliance.vic.gov.au

Our Community

www.ourcommunity.com.au

Philanthropy Australia

www.philanthropy.org.au



