

# Sport and Recreation Fact Sheet: Associations Incorporation Act Reform

*With over 16,000 sporting clubs in Victoria that are Incorporated Associations any changes to the legislation which regulates these organisations is going to have broad implications across the community sporting sector. This fact sheet explains the changes and how they may affect clubs.*

## What does it mean for sporting clubs?

The Associations Incorporations Act 1981 has over the past 2-3 years been subject to draft changes by Consumer Affairs Victoria (the government department responsible for registering incorporated associations).

The proposed changes have passed through the Victorian Parliament as the Associations Incorporation Reform Act 2012 and are due to come into effect on 1 November 2012.

Whilst many community sporting clubs may not necessarily be aware of the Act, the changes include a number of key proposals that will impact on the running of community sporting clubs as well as larger sport governing bodies that are incorporated associations.

There are numerous changes to the act however Key reforms include the following:

- Codification of duties for office holders

- Indemnity for office holders
- Tiered reporting procedures
- Use of technology at committee and general meetings

## Codification of duties for office holders

The new Act spells out legal duties applying to office holders including the duty to not make improper use of information or position, discharging duties with reasonable care and diligence, operating in good faith and for a proper purpose and a duty to prevent the association from trading while it is insolvent. The Act also introduces civil penalties (fines of up to \$20,000) for office holders who have failed to carry out these duties.

Additionally under the new Act, an 'office holder' can be defined to include a person who is involved in key decisions that affect the operations of an association or who is influential in the affairs (financial or other), without necessarily being a member of the committee or the secretary.



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## Indemnity for office holders

Creates an obligation on all incorporated associations to indemnify office holders against any liability incurred in good faith by that office holder on behalf of the incorporated association in the course of performing his or her duties. For example, if an office holder is sued for something they have done on the association's behalf in good faith and must pay damages, the association must reimburse the office holder. The association must provide the indemnity from its assets – the government does not fund this indemnity. If an association does not have insurance cover, the indemnity is only available to the extent of its assets.

## Tiered reporting procedures

A new three-tiered reporting framework will replace the current 'prescribed' and 'non-prescribed' reporting requirements. The tiers are based on an association's total revenue:

Tier one: \$0 – \$250,000

Tier two: \$250,000 – \$1,000,000

Tier three: more than \$1,000,000.

Under the new reporting arrangements, only tier-three associations will be required to have their financial statements audited.

Tier-two associations will be required to have their financial statements reviewed by an independent accountant – a process that typically costs about one third of a formal audit. Tier-one associations do not need to have their financial statements reviewed. However, a majority of members present at a general meeting may vote to do so.

## Use of technology at committee and general meetings

The new Act specifically allows associations to hold valid committee meetings and general meetings in two or more venues at the same time via the use of technology (eg teleconference or computer) provided that the technology allows meeting participants to 'clearly and simultaneously communicate with each other'. The changes outlined cover only a few of the many changes proposed in the new Act.

Whilst there are transition periods, all registered incorporated associations will be required to comply with these new laws once they come into effect.