

# ASSOCIATIONS INCORPORATION REFORM REGULATIONS 2023

Making a less burdensome environment for  
associations.

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## Introduction

Master Electricians Australia (MEA) is the trade association representing electrical contractors recognised by industry, government and the community as the electrical industry's leading business partner, knowledge source and advocate. Our website is [www.masterelectricians.com.au](http://www.masterelectricians.com.au)

MEA supports option 2. It upholds the purposes of the Act while removing onerous burdens faced by associations. Review and accountability mechanisms protecting members still exist, the changes merely reflect that burden of the current regulations are too high on a portion of associations. The costs of the suggested changes are minimal at worst and are responsive to the current environment in which associations operate.

## Response Questions

### 1. Are the Regulations effective in protecting members of associations from harm?

The Associations Incorporation Reform Regulations 2012 (the current regulations) are a necessary ancillary tool to the Associations Incorporation Reform Act 2012 (the Act). As noted in the Regulatory Impact Statement (RIS), the Act is difficult to enforce without regulations to support it. Furthermore, the current regulations provide model rules which are easily adopted by associations and enable fees to be prescribed allowing for regulatory administration cost recovery. The current regulations provide a security for members of associations, funding bodies and members of the public (the stakeholders).

### 2. Will the proposed modifications impact on the risk of harm?

While the Associations Incorporations Reform Regulations Exposure Draft (the modified regulations) theoretically jeopardises “protect[ing] the rights and interests of members and of incorporated associations, funding bodies and the general community”<sup>1</sup>, realistically they do not. Please refer to questions 4 and 6-8 below for MEA's full response on each proposed rule change respectively. Furthermore, the amendments to conflict of interest, introduced in rule 65(4)&(5), enhance stakeholder protection.

### 3. Do the model rules remain fit-for-purpose?

Part 1 of the Act explains its two purposes; firstly associations ability to be recognised as a legal entity and secondly to impose governance, financial accountability on associations and provide member rules. These two purposes highlight a need for balance between associations' interests and that of stakeholders. Regulations should not be disproportionately onerous on associations while sufficient protections of stakeholders' rights and interests should exist.

MEA believes the modified regulations reflects this balance. A greater portion of associations now have less onerous reporting standards to comply with and an opportunity to voluntarily cancel their registration. The benefits of the modified regulations outweigh the costs of compliance with the

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<sup>1</sup> Deloitte, *Regulatory Impact Statement – Associations Incorporation Reform Regulations 2023* (August 2023) [5].

current regulations. All associations remain subject to governance and accountability mechanisms which maintains security for members.

#### 4. Do associations already provide digital alternatives to in person meetings? And would mandating these alternatives impose a material burden on associations?

The modified regulations do not significantly vary from the current regulations, they merely extend the ability for associations to operate in a more advanced technological capacity. Rule 62 is a good example where the modified regulations have removed the words “who [are] not physically present at a committee...”<sup>2</sup> leaving interpretation open to allow for fully remote meetings. Rule 54(5) in the amended regulations is another good example, where the words “if the election is held in person”<sup>3</sup> have been added, further exemplifying the ability for associations to function remotely. It is clear from the additional/changed wording throughout the modified regulations that remote meetings are not mandatory; they merely provide associations with the opportunity to do so, meaning there is not material burden imposed on associations.

Furthermore, since COVID-19, the use of remote communication software such as Zoom or Microsoft Teams have largely become part of normal daily operations. The portion of associations that would need to invest in such software to allow for remote meetings is likely to be small, and the cost for those associations that have not subscribed to such software is minimal. Teams most expensive option costs \$18.70 user/month<sup>4</sup>.

Members of associations often travel interstate or internationally. This creates not only a large cost for travel expenses, but also consumes a lot of time. It therefore follows that remote meetings save costs and make scheduling easier.

#### 5. Will the proposed changes impact some associations significantly more than others (e.g. smaller associations)?

Yes. The associations with revenues between \$250,000 - \$3million will experience the biggest impact through reduced financial regulatory requirements as they shift tiers. Additionally, small associations with asset values between \$10,000 - \$50,000 are a portion of associations that solely benefit from the regulations.

Overall, large associations (greater than \$3million) do not immensely benefit from the modified regulations. Arguably, they are likely to have the biggest cost savings from use of technology amendments.

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<sup>2</sup> *Associations Incorporation Reform Regulations 2012* (Vic) r 62(1).

<sup>3</sup> *Ibid* r 54(5)

<sup>4</sup> Microsoft, ‘Microsoft Teams’, *Find the right Microsoft Teams for your needs* (Web Page)

[https://www.microsoft.com/en-AU/microsoft-teams/compare-microsoft-teams-options-b?ef\\_id=k\\_6db3bd57596d1eb7caa7d9a91d22b29c\\_k\\_&OCID=AIDcmmuk39gq73\\_SEM\\_k\\_6db3bd57596d1eb7c\\_aa7d9a91d22b29c\\_k\\_&msclkid=6db3bd57596d1eb7caa7d9a91d22b29c](https://www.microsoft.com/en-AU/microsoft-teams/compare-microsoft-teams-options-b?ef_id=k_6db3bd57596d1eb7caa7d9a91d22b29c_k_&OCID=AIDcmmuk39gq73_SEM_k_6db3bd57596d1eb7c_aa7d9a91d22b29c_k_&msclkid=6db3bd57596d1eb7caa7d9a91d22b29c)

6. Do the proposed changes to dispute resolution processes within associations impose a significant burden on associations? Will this burden be higher on particular associations?

It is unlikely the proposed changes will impose greater burden on a particular association.

7. Does the reduction of financial reporting requirements for some associations represent a significant risk to rights of members?

MEA believes the benefits of altering the revenue thresholds for reporting standards outweighs any associated risk. The minimum reporting requirements legislated under the Act remain effective meaning all associations are still mandated to provide at least a profit and loss statement, balance sheet, cash flow statement and associated notes at the AGM with a resolution to be passed. Transparency, review and accountability mechanisms of associations' finances remain.

Those with revenues under \$500,000 are relatively small and typically have uncomplex finances. Removing the costly and time-consuming requirement to have external accountants and auditors is appropriate. Members at the AGM should be able to identify and query and material movements in the financials. This sentiment extends those associations between \$1M-\$3M which now fall under tier 2, which no longer require an external auditor to review their financials. These associations remain subject to the scrutiny of an external accountant and the AGM members.

Overall, associations impacted by the threshold changes will experience reduced costs and save time. Reporting requirements will become less complex, aligned with the nature of the associations' financial activities. While there is an inherent risk that associations intentionally or accidentally misreport finances without any/reduced external review, the risk is often immaterial and unlikely to make an impact on the decision making of the stakeholders. Furthermore, the regulations do not prohibit any association from adopting an auditor, this can still be chosen via members' votes, it simply removes the legislative obligations to do so.

8. Does the lifting of the asset ceiling for voluntary cancellation represent a significant risk to rights of members, or creditors, of an association?

MEA believes the net benefit of lifting the asset ceiling for voluntary cancellation is positive. As mentioned in the report, the current cost of cancelling registration is financially burdensome and time consuming. MEA believes the increased ceiling of \$50,000 remains immaterial. The 27.2%<sup>5</sup> of cancellations between 2015-2023 illustrates the cap is too low while the portion of associations that fall under this increased ceiling is trivial. The net risk to the associations is minimal and the alternative of leaving the cap at its current level is proving to be financially burdensome both from an association and regulatory perspective.

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<sup>5</sup> Deloitte, *Regulatory Impact Statement – Associations Incorporation Reform Regulations 2023* (August 2023) [48].

## Conclusion

MEA supports option two. The Act's goal is to provide associations with the ability to be recognised as legal entities while also providing governance and financial accountability standards to protect members. Any regulations are ancillary to this, designed to assist with the regulation and compliance of the Act. The amended regulations maintain protection mechanisms for stakeholders while reducing unnecessary burdens faced by many associations.

To this end, the modified rules remain aligned with the purpose of the Act. The integration of remote meetings is necessary in today's business environment. Software such as Zoom and Microsoft Teams makes meetings more accessible for members and provides significant cost savings.

The amended revenue thresholds for reporting standards does not pose a material risk to members and funding bodies. The minimum financial reporting standards presented in AGMs remain unchanged, maintaining an element of transparency and accountability. The change in threshold merely reflects that the current tier levels are too burdensome on a portion of associations.

Lifting the voluntary cancellation ceiling to \$50,000 will minimise 'ghost' associations which partly reflects the ceiling being too high. This does not pose material risk to stakeholders as \$50,000 remains an overall trivial figure. Furthermore, some associations are winding up their business regardless of the ceiling value, creating additional regulatory cost in hiring liquidators to identify them.

MEA appreciates that the proposed changes appear to reduce protection for consumers in theory, however, in reality the net risk to consumers is so immaterial it does not outweigh benefits associations will experience from reduced regulatory burden.

It is for these reasons that MEA supports option 2.