

1991

THE LEGISLATIVE ASSEMBLY FOR THE AUSTRALIAN CAPITAL  
TERRITORY

CO-OPERATIVE SOCIETIES (AMENDMENT) BILL 1991

EXPLANATORY MEMORANDUM

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## CO-OPERATIVE SOCIETIES (AMENDMENT) BILL 1991

The Co-operative Societies Act 1939 ("the Act") regulates the incorporation and activities of building societies, credit unions, trading societies and housing and services societies.

The Act currently does not place any obligation on a society to provide a particular level of disclosure as to its financial position and performance in its annual financial statements. Schedule 5 of the Corporations Regulations of the Commonwealth made under the Corporations Act 1989 contains comprehensive and widely accepted requirements for financial reporting. The Co-operative Societies (Amendment) Bill ("the Amendment Bill") amends the Act to require societies to prepare their financial statements in accordance with prescribed requirements. The Co-operative Societies Regulations will be amended at the same time to provide that the prescribed requirements are those contained in Schedule 5 as modified to apply to co-operative societies. Societies will also be required to apply accounting standards which are approved by the Accounting Standards Review Board in the preparation of financial statements. Compliance with the applicable requirements and accounting standards will result in more detailed and complete financial reporting to society members.

In addition to providing for appropriate reporting standards, the Amendment Bill introduces provisions requiring directors of societies to produce directors' statements and reports. This is in line with the aim to upgrade the Act to reflect more responsible accounting and reporting practices.

The Amendment Bill does not have any financial implications.

Details of the Amendment Bill are included in the Attachment.

## ATTACHMENT

## CO-OPERATIVE SOCIETIES (AMENDMENT) BILL 1991

- Clause 1** provides that the Bill, upon enactment, will be known as the Co-operative Societies (Amendment) Act 1991.
- Clause 2** states that references to "Principal Act" in the Bill means the Co-operative Societies Act 1939.
- Clause 3** amends section 4 of the Principal Act, which deals with the interpretation of terms.
- Subclause (a) amends subsection (1) by inserting and defining the new terms 'deadline', 'group', 'group accounts' and 'holding society'.
- Subclause (b) amends subsection (4) by substituting a new definition for the term 'corporation', the effect of which is to extend the definition of a subsidiary, provided in subsections 4(2A), (2B) and (2C) of the Principal Act, so as to include another society.
- Clause 4** amends section 42 of the Principal Act which relates to the keeping of registers, accounts and records by the societies.
- Paragraph 4(a) removes the reference to accounts in subsection 42(1) given that requirements to keep accounts will be provided for in proposed section 42A.
- Paragraph 4(b) omits the words "or failed to comply with" from subsection 42(2) to remove any ambiguity as to the interpretation of the provision.
- Clause 5** inserts the following provisions after section 42 of the Principal Act.

Proposed section 42A:

Subsection (1) requires a society to keep its accounts in accordance with the provisions in proposed section 42A.

Subsection (2) provides that the accounts shall be kept in accordance with relevant requirements prescribed in the Co-operative Societies Regulations.

Subsection (3) states that the accounts shall be kept according to relevant approved accounting standards applicable to co-operative societies.

Subsection (4) provides that the approved accounting standards are to apply to the accounts in the manner prescribed in the Co-operative Societies Regulations.

Subsection (5) states that where the accounts of a society, which have been prepared in accordance with a prescribed requirement or approved accounting standard, do not give a true and fair view of the financial affairs of that society, it

- (a) does not have to comply with that requirement or standard to the extent that such compliance will fail to give such a true and fair view; and
- (b) is required to add the information and explanations to the accounts in order to give such a true and fair view.

Subsection (6) provides for the definitions of certain terms used in proposed section 42A.

#### Proposed section 42B:

Subsection (1) requires the directors of a society to attach a statement to the society's accounts which complies with this section and proposed section 42D.

Subsection (2) provides that the statement shall state the directors' opinion as to whether the profit and loss account and the balance sheet of the society give a true and fair view of the society's performance and state of affairs at the end of the financial year.

Subsection (3) states that the directors, when forming their opinion, are to consider such circumstances which have occurred, and new information, since the end of the financial year that would affect the determination of an amount or a particular in the accounts when the statement is made.

Subsection (4) provides that if adjustments are not made

in the accounts to reflect the circumstances and information referred to in subsection (3) above that are relevant to the understanding of the accounts, the directors' statement must include the necessary information and explanation so as to avoid the accounts from being misleading.

Subsection (5) requires the directors to state their opinion as to whether, at the time when the statement is made, there are reasonable grounds to believe that the society will be able to pay its debts as and when they are due.

Subsection (6) provides that the statement must state whether the accounts comply with all the applicable accounting standards.

Subsection (7) requires that where the accounts have not complied with a particular accounting standard, the statement has to

- (a) state the reason the accounts would not present a true and fair view of the financial affairs of the society; and
- (b) give particulars of the financial effect on the accounts from failing to comply with that accounting standard.

Subsection (8) provides that it is to be stated in the statement if the society has been inactive throughout the period from the start of the financial year to the day the statement is made.

Proposed section 42C sets out the same provisions as in section 42B, with the exception of subsection 42B(5) which is excluded. The provisions are modified to the extent that they apply to holding societies and their subsidiaries and the accounts of the group.

Proposed section 42D provides that a directors' statement under proposed sections 42B or 42C must

- (a) be made in accordance with the resolution of the directors;
- (b) be made not later than 42 days before the day of the deadline after the financial year. The term 'deadline' is defined in subclause 3(a) as being the fourteenth day before the last day of the period within which the society is required to hold an annual general meeting for that financial year;
- (c) state the day on which it is made; and

- (d) be signed by at least two directors.

**Proposed section 42E:**

Subsection (1) requires the directors of a society which is not a holding society to produce a report in accordance with this section and proposed sections 42G and 42H.

Subsection (2) states that if the society was a wholly-owned subsidiary of another society at the end of the financial year then the report does not have to comply with paragraphs (4)(e), (f), (g) and (h).

Subsection (3) provides that a directors' report is not required where the society is inactive throughout the period from the start of, to the end of the deadline after, the financial year. The deadline means the fourteenth day before the last day of the period the society is to have the annual general meeting for that financial year.

Subsection (4) stipulates that the report must

- (a) state the names of the directors in office on the day the report is made;
- (b) state the society's principal activities and any significant change in the nature of those activities during the financial year;
- (c) state the net amount of the society's profit or loss for the financial year after providing for income tax;
- (d) state the amount of dividends, if any, that the directors recommend should be paid;
- (e) state the amounts of dividends that have been paid or declared since the start of the financial year and to indicate which of those amounts have been shown in a previous report under the Principal Act or a corresponding law;
- (f) include a review of the society's operations during the financial year and the results of those operations;
- (g) give particulars of any significant change in the society's state of affairs which occurred during the financial year;

- (h) give particulars of any matter or circumstance that has arisen since the end of the financial year which has had, or, in later financial years, may have, a significant effect on
  - (i) the society's operations;
  - (ii) the results of those operations; or
  - (iii) the society's state of affairs;
- (i) refer to likely developments in the society's operations and the expected results of those operations in later financial years.

Proposed section 42F sets out the same provisions as in section 42E which are modified to the extent that they apply to holding societies and their subsidiaries.

Proposed section 42G provides that if it is in the directors' opinion that it would be prejudicial to the society's interests to include any information required under either paragraph 42E(i) or 42F(i) then

- (a) the information need not be included; and
- (b) if it is not included, the report must state so.

Proposed section 42H requires a directors' report for a financial year to

- (a) be made in accordance with a resolution of the directors;
- (b) be prepared not more than 42 days before the day of the deadline after the financial year, the deadline being the fourteenth day before the last day of the period the society is to have the annual general meeting for that financial year;
- (c) specify the day on which it is made; and
- (d) be signed by at least two directors.