



Questions directors should ask

Approving a financial report

Key questions

Before approving the financial statements, every director should be able to answer:

- Do I understand the financial statements?
- Do they accurately reflect the corporation's financial position?
- Are there any significant concerns or risks?
- Can the corporation pay its debts when they are due?
- Am I comfortable signing the directors' declaration?

Preparing the financial statements

Who prepared the financial statements?

- Do they have the skills and experience to prepare them correctly?

Have all financial records and supporting documents been maintained?

For example, invoices, receipts, bank statements and asset records.

Have the financial statements been prepared in accordance with the CATSI Act and accounting standards?

Understanding the financial position

What do the financial statements tell us about the corporation's financial position?

Did the corporation make a surplus (profit) or a deficit (loss) during the year?

Has the corporation's financial position improved or worsened since last year?

- If so, why?

Are there any significant changes in income, expenses, assets or liabilities that directors should understand?

Events and risks

Have there been any significant events since the end of the reporting period that could affect the corporation's financial position?

Are there any financial risks or concerns that directors should be aware of?

Has the corporation's financial position changed since the financial statements were prepared?

- Have there been any significant events that could affect solvency, such as a loss of funding, an unexpected expense, legal action or a significant drop in income?

The financial report is prepared as at the end of the financial year. However, directors are required to assess the solvency of the corporation as at the date of signing the declaration, which can be many months later.

Directors' responsibilities

Are the directors satisfied that the financial statements give a true and fair view of the corporation's financial position and performance?

Is the corporation able to pay its debts when they are due?

- In other words, is the corporation solvent?

Are the financial statements ready to be lodged with ORIC, and who is responsible for lodging them?

Note that directors can delegate the task, but remain ultimately responsible for ensuring reports are lodged on time.

