Financial accounts

In a retirement village

Under the *Retirement Villages Act 1999* operators are required to provide residents with appropriate financial accounts about the retirement village's income and expenditure. This information explains what operators and residents need to know.

What financial accounts are required under the Act?

Retirement village operators must prepare the following accounts of the income and expenditure of the retirement village:

- quarterly accounts
- annual accounts.

There is an important distinction between the accounts of the village and the accounts of the operator. The Act does not refer to the overall balance sheet of the company or organisation operating the village. Generally, the accounts of the village refer to the recurrent income and operating expenditure of the village itself.

What must be in the accounts?

The quarterly accounts must detail the income and expenditure of the village for the quarter.

The annual accounts must include:

- details of the income and expenditure of the village during the financial year, including income and expenditure of the capital works fund (if any)
- the balance of the capital works fund, if there is one
- amounts received from certain claims on the village's insurance
- details of any interests, mortgages, and other charges affecting the village property (other than property owned by residents)
- a statement that specifies whether payments owing to former residents were paid in full and on time, and, if not – the details of, and reasons for, the delay
- a statement from the auditor or operator about the operator's capacity to meet the liabilities relating to the village in the following financial year and details of any matters that may prevent the operator from meeting those liabilities.

What format should the accounts take?

The format of the accounts must correspond as closely as possible with the layout of the proposed annual budget. The accounts should only contain details of the income and expenditure of the village. Details of nursing homes and hostels should be excluded.

Can accounts be consolidated?

An operator who operates two or more villages can provide consolidated accounts but, when providing the accounts to residents of a particular village, must include a separate statement of income and expenditure for that village.

Do the accounts have to be audited?

The annual accounts of the village must be audited each year, unless the total recurrent charges collected in the village's financial year are $50,000 or less and the residents have consented not to have the accounts audited. A person qualified to audit accounts for the purposes of the Corporations Law must audit the annual accounts. Quarterly accounts do not have to be audited.

Do residents have a say in the appointment of the auditor?

If the audit fees are to be paid by the residents, the consent of residents is required to the appointment of an auditor in the same way residents must consent to the expenditure of the auditing fees and the fees must be itemised in the budget. This applies even where one auditor audits the accounts of a number of villages for the same operator. Residents' consent is not needed if the same auditor as for the previous financial year is reappointed or if the operator chooses to pay the cost of auditing out of its own funds.

Who must receive copies of the accounts?

Copies of the quarterly accounts must be given to the residents committee within 28 days after the end of the quarter. After the 28 days, a resident may ask the operator for a copy of the quarterly accounts, and the operator must provide this within 7 days. Quarterly accounts do not have to be given to the residents committee if the total recurrent charges collected in the financial year are $50,000 or less and the residents have consented not to receive quarterly accounts.

Copies of the annual accounts must be given to the residents committee, as well as any resident who asks for a copy, within 4 months after the end of the village's financial year. If there is no residents committee, a copy of the annual accounts must be displayed on a notice board in a common area for at least one month and be provided to any resident who requests a copy.

What should residents do after receiving the accounts?

The accounts should be checked to ensure that expenditure is in line with that previously consented to for the period, other than minor variations. Any questions or concerns should be discussed with the operator.

What happens to a surplus or deficit?

Generally, any surplus carries over to the next financial year. Alternatively, the residents can consent to a proposal for the expenditure of the whole or part of the surplus, or for the operator to distribute the whole or part of the surplus to the existing residents in equal shares. A proposal may be made by the operator or the residents committee (if any).

Generally, a deficit must be made good by the village operator, with some limited exceptions, and generally cannot be carried forward, be paid for by residents or through an increase in recurrent charges, or be covered in whole or in part by the recurrent charges or capital works fund. A deficit may be carried forward to a subsequent financial year to the extent that the deficit is caused by certain urgent capital maintenance, or is caused by increases in the cost of utilities (except telephones), statutory charges including rates and taxes, wages and salaries increased under an award or industrial agreement, and public liability and workers compensation insurance.

Further information

If you have any questions or need more information, please contact the Fair Trading Specialist Support Unit on 9895 0297 or toll free on 1800 625 963.