



FINANCIAL GOVERNANCE & SUSTAINABILITY

Grant Compliance: A Contract, Not a Courtesy

Late or incomplete acquittals can delay payments and count against you in future funding rounds

A grant is not free money with paperwork attached. It is a contract, and the moment your association accepts one, it has taken on a legal obligation to spend the funds precisely as agreed and to prove it. Boards that treat acquittal as an administrative afterthought, something staff handle once the real work of delivering the program is done, are underestimating both the seriousness of the obligation and their own board-level accountability for it.

Which rules apply to your association?

The law depends on how your association is set up. A **company limited by guarantee** follows the Corporations Act 2001 (Cth) and its constitution. An **incorporated association** follows its state or territory associations Act and its rules. A **registered charity** also follows the ACNC Act and the ACNC Governance Standards, and some Corporations Act rules are replaced for charities that are companies. Check your own governing documents, and get advice before decisions with legal consequences.

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A Contract, Not A Courtesy

Accepting a grant creates a contractual obligation, requiring strict compliance with the spending directives, reporting requirements, and any other conditions set out in the funding agreement. The consequences of a breach are not administrative slaps on the wrist. Depending on the agreement, they can include the immediate cessation of payments, a legal requirement to repay funds already spent, real reputational damage, and exclusion from future funding rounds with the same body. Late or incomplete acquittals can delay payments and count against an organisation in future funding rounds.

The Governance Point Most Boards Miss

Preparing an acquittal report is legitimately an operational task, properly delegated to staff consistent with the delegation discipline discussed earlier in this series. Overseeing whether grant funds are being managed lawfully and in line with the organisation's purpose is a different matter entirely, and it is not something the board can delegate away. For a company limited by guarantee, section 190 of the Corporations Act means directors remain responsible for how delegated powers are exercised unless they reasonably relied on a reliable and competent delegate. Incorporated associations should check their state or territory Act and constitution, but the practical expectation of active board oversight is the same. Many funding agreements require a non-audited acquittal to be certified by the board, the chief executive or another authorised officer, so check who must sign yours and what they are certifying. The point of that certification is that someone at that level has reviewed the report, not simply signed whatever staff prepared.

A Useful Fact Most Boards Do Not Know

Commonwealth grant policy contains a specific principle worth knowing. Commonwealth grants are administered under the Commonwealth Grants Rules and Principles 2024, supported by Finance guidance in Resource Management Guide 410 (which replaced RMG 412). When setting acquittal and reporting requirements, officials must have regard to information collected by Australian Government regulators, and should not ask grantees for information that is available from other sources. This connects directly to the tax status discussion earlier in this series: an organisation's registration status, for example with the ACNC, is not just a tax and reporting question, it can reduce duplicate reporting on Commonwealth grants. Ask your funding body how this applies to your grant rather than assuming a reduced acquittal, and remember that state, territory and private funders set their own requirements. Grant compliance failures rarely start with dishonesty. They start with an organisation that never separated restricted grant funds from its general operating funds clearly enough to answer, with confidence, exactly how every dollar of a specific grant was spent.

Matching Effort To What Is Actually Required

- Read the specific acquittal and reporting requirements in each funding agreement at the point of signing, not months later when the first report falls due, since requirements vary meaningfully between funders and even between grants from the same funder.
- Track restricted grant funds separately from general operating funds from day one, since an inability to cleanly separate the two is one of the most common causes of reporting errors and compliance risk.
- Understand which acquittal tier your funding agreement requires, whether an independent audit, a non-audited financial statement or a simpler declaration, rather than assuming maximum rigour is always required. Thresholds and triggers vary by funder and are set out in each agreement.
- Build an acquittal calendar across all active grants, connecting to the annual governance calendar discussed earlier in this series, so reporting deadlines are tracked centrally rather than left to whoever happens to remember a specific grant's terms.
- Ensure the board, or the officer the agreement names, reviews acquittal reports before they are certified, not just administrative preparation by staff, consistent with the board's oversight of delegated functions discussed throughout this series.
- Ask for a quarterly grant register showing each grant's spend against budget, milestones, acquittal due dates and any variations sought.

A grant funder is, in a sense, trusting your association with money on the promise that you will account for it properly. Acquittal is not the bureaucratic tail end of a grant. It is the ongoing proof of exactly that trust, and treating it with anything less than the seriousness of the original funding decision is where compliance failures actually begin.

This is one of the practical governance topics built into our Board Director course, alongside the papers, tools and frameworks that turn the principle into your board's actual practice. [Explore the course](#)

Annie Gibbins

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BOARDROOM ACTION WORKSHEET

Grant Compliance: A Contract, Not a Courtesy

Turn the resource into evidence, a decision and an accountable next step. Keep the completed record in your association's approved board records system.

1 What is the issue or decision?

State the governance question in one clear sentence.

2 What evidence do we already have?

Record the facts, source documents and stakeholder evidence available now.

3 What evidence is still needed?

Identify the legal, regulatory, financial, member or operational information still required.

4 What is the agreed next action?

Capture the owner, timeframe and how the matter will return to the board.

Action owner	Review date	Board decision or resolution

General education, not legal, financial, tax, clinical or governance advice. Confirm specifics at the relevant primary source or with your own qualified adviser. Nexus Leadership is operated by Lipstick Consulting Pty Ltd · ABN 15 619 120 482.

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