



FINANCIAL GOVERNANCE & SUSTAINABILITY

Audit Committee vs FAR Committee: When One Isn't Enough

The treasurer belongs on your finance committee. That may be exactly why they shouldn't sit on your audit one

The combined Finance, Audit and Risk committee this series recommended earlier for a growing association is an appropriate structure at the size it was recommended for. It is not a permanent answer. As an association grows further, the two functions that committee was always quietly holding together, building and monitoring the organisation's finances, and independently scrutinising how well that has been done, start to pull in different directions.

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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Two Different Jobs, Often Held By The Same People

A finance committee's core job is to support the board in budgeting and financial planning, monitor cash flow, and review financial statements on an ongoing, operationally close basis. An audit committee's core job is structurally different: it serves as the board's independent liaison with the external auditor or reviewer, where your association's legislation, size, constitution or funders require one, oversees fraud risk and internal controls, and provides independent scrutiny of the very financial management the finance function has been closely involved in producing. These two functions, while related, generally work better operating as a system of checks and balances rather than being held by exactly the same people wearing the same hat throughout.

The Specific Conflict Most Combined Committees Quietly Carry

Here is the concrete governance point worth naming precisely. Audit committee independence requires members who are independent of management and free of conflicts in relation to the financial reporting being reviewed. Some governance guidance recommends that the treasurer not sit on, or at least not chair, a separate audit committee, because the treasurer is inherently positioned close to the very financial management and reporting the audit committee exists to scrutinise independently. Weigh this against your board's size and skills. In a small association's combined FAR committee, the treasurer is almost always a natural, sensible member, deeply engaged, financially literate, useful to have in the room. That same closeness is what becomes a structural conflict the moment the committee's job shifts toward independently assessing the quality of the audit and the financial reporting the treasurer has been closely involved in producing. This is not a criticism of any individual treasurer's integrity. It is a structural point:

the person best positioned to help build the budget is frequently the wrong person to independently scrutinise how well that same budget's execution has held up.

What An Independent Audit Committee Actually Requires

Where an association's growth warrants separating the two functions, an effective audit committee needs members who are independent of management, willing to exercise real professional scepticism rather than deference, and includes at least one member with relevant financial expertise capable of assessing audit risk and evaluating the auditor's own competency, not simply accepting the audit report at face value. Its remit properly extends beyond the annual audit itself into fraud risk and internal controls, connecting directly to the fraud prevention discipline discussed earlier in this quarter, and oversight of the organisation's whistleblower processes discussed earlier in this series.

- Recognise that the combined FAR committee model is a legitimate, appropriate stage in an association's growth, not a permanent structure to be defended indefinitely once the organisation has outgrown it.
- Treat the treasurer's position on an independent audit function as a structural question to revisit specifically as the organisation grows, not a permanent, unexamined assumption.
- Ensure any separated audit committee includes at least one financially literate, independent member capable of assessing audit quality rather than simply receiving the audit report as presented.
- Give a separated audit committee explicit oversight of fraud risk, internal controls, and whistleblower processes, connecting directly to the fraud prevention and whistleblower disciplines discussed elsewhere in this series, rather than confining its remit narrowly to the annual audit alone.
- Revisit this specific structural question periodically as part of the board composition review discipline discussed earlier in this series, since the right committee structure for a smaller association is not the right one indefinitely as it grows.

There is no single point at which every association must split a combined committee, and a smaller organisation forcing this separation before it has the volunteer capacity to staff two functioning committees well can do more harm than good. The judgment worth making deliberately is whether your organisation has reached the point where the independence an audit function requires is being quietly compromised by convenience, rather than defaulting to the combined model simply because it has always been the arrangement in place.

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](#)

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BOARDROOM ACTION WORKSHEET

Audit Committee vs FAR Committee: When One Isn't Enough

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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