



What's in the corporation's rule book?

Under the *Corporations (Aboriginal and Torres Strait Islander) Act 2006* (CATSI Act) a corporation must have a written constitution or rule book. Your rule book must contain, at the minimum:

- the corporation's name and objectives
- a dispute resolution mechanism for disputes within the corporation
- the number of directors' meetings to be held each year.

ORIC has a range of rule book tools available to help corporations develop a rule book that complies with the CATSI Act and suits their needs. They are available on the website www.oric.gov.au or in hard copy.

What's usually in a rule book?

Name section 85-1

The name of the corporation must include the words 'Aboriginal corporation' or 'Torres Strait Islander corporation' or 'Aboriginal and Torres Strait Islander corporation' or 'Indigenous corporation' or 'Torres Strait Islander and Aboriginal corporation'. If the corporation is a registered native title body corporate, those words or the abbreviation RNTBC must be a part of the corporation's name. Corporations can also have the words Indigenous Corporation Number (or ICN) followed by the corporation's ICN as its name.

If you want to change your corporation name you will have to apply to the Registrar (see CATSI Act Division 88).

Objectives section 66-1(2)

Your rule book must have at least one objective—that is, a purpose, aim or activity that the corporation has been established for.

Members chapter 4

How does a person become a member of a corporation? How will a person stop being a member? Will the corporation only have Aboriginal or Torres Strait Islander members? Will members be liable for corporation debts?

These are questions your corporation will need to answer to make a rule book that suits your corporation's needs.

Directors chapter 6

How will you appoint directors? How will directors resign or be removed? Will directors need to be members? Will the corporation only have Aboriginal or Torres Strait Islander directors? How many directors will you have and how long will their appointments be for?

These are questions your corporation will need to answer to make a rule book that suits your corporation's needs.

ORIC recommends you include the duties of directors and other officers in your corporation's rule book. For more information see ORIC's rule book tools or fact sheet *Duties of directors and other officers*.

Meetings chapter 5

A rule book should have rules about annual general meetings and general meetings, such as, when to hold them, how to give notice, business for the meetings, resolutions, chairing, quorum and voting.

Many of the rules in the CATSI Act about meetings are replaceable so you can change them to suit your corporation's needs.

Directors' meetings section 212-1

A rule book must say how often directors' meetings will be held. ORIC recommends at least four times per year.

Dispute resolution clause section 66-1(3A)

This rule sets out the steps that must be taken to try to resolve any dispute involving members and/or directors.

Other rules sections 66-1(5) and 66-5(3)

The rule book may also include other rules not already covered by the set laws or replaceable rules in the CATSI Act—for example, some rule books may include some guiding principles on how the corporation proposes to conduct its business, or rules about sub-committees, or rules about advisory groups (such as an elders group).

Other rules could be about:

- how to deal with assets and money
- banking and signing cheques
- record keeping.

Good internal operations

The CATSI Act shifts the focus from external to internal accountability—that is, being answerable to the members—as a more appropriate way of achieving good corporate governance.

Internal accountability—the need for directors to act in the best interests of the corporation as a whole, and the corporation being responsive to the interests of its members.

For example:

- Procedures for the annual general meeting are a way of making the corporation and its managers accountable to the members.
- Duties of directors and other officers are a way of making the managers of the corporation accountable to the corporation (and therefore responsible to the members).
- By having to report to members, those corporations which are required to prepare financial or directors' reports are effectively accountable to their members who are the owners of the corporation (and not just to funding bodies and creditors).

External accountability—the corporation having to explain or justify its performance to external parties, such as, regulatory authorities, funding agencies, parliament and the general public.

Under the CATSI Act reporting requirements have changed. Large or any size corporation with a consolidated gross operating income (CGOI) of \$5 million or more has to provide a general report, audited financial statements, as well as a directors' report.

Medium corporations with a CGOI of less than \$5 million and small corporations with a CGOI of \$100 000 or more but less than \$5 million have to provide a general report and an audited financial report based on reports to government funders (if eligible).

Small corporations with less than \$100 000 CGOI have to provide a general report only. For more information about reporting see ORIC's fact sheet *Corporation size and financial reporting*.

The CATSI Act balances better flexibility of corporate design while improving internal accountability. This balance is achieved by the corporation's internal governance framework which includes its own rule book, replaceable rules and laws which cannot be replaced.

Further information

freecall: 1800 622 431
(not free from mobiles)

email: info@oric.gov.au

website: www.oric.gov.au

What is the internal governance framework?

Under the CATSI Act, corporations have an internal governance framework—that is, different sets of rules that affect how a corporation operates.

The CATSI Act allows Indigenous people to create rules which best suit their local needs. The internal governance framework emphasises good internal operations and the set laws under the CATSI Act provide a backbone for this.

The different parts of the internal governance framework are explained in more depth below.

The rule book

The rule book is made up of the special rules of a corporation and includes information such as its name and objectives, as well as any of the replaceable rules that a corporation has decided to change. The rule book can also include set laws from the CATSI Act or extra rules that corporations create that suit their circumstances, as long as they comply with the CATSI Act.

The rule book is supported by set laws under the CATSI Act that apply to all corporations, and by replaceable rules.

Replaceable rules

The CATSI Act adopts a framework of replaceable rules similar to the *Corporations Act 2001*.

A replaceable rule is one set out in the CATSI Act that a corporation can either accept as is or replace with a rule that better suits the corporation's own needs and circumstances. If a corporation replaces one of these rules, it must put the changed rule in its rule book. When corporations adopt a rule book they must also agree to adopt all of the replaceable rules that are not written in their rule book.

These rules allow corporations to adopt good governance procedures or tailor their rule book to their particular circumstances.

Set laws under the CATSI Act

The set laws under the CATSI Act apply to all corporations and cannot be changed like a replaceable rule. They cover things that are essential for ensuring good governance, such as members being able to ask directors to call a general meeting. Corporations can apply to the Registrar to be exempted from some of the set laws.

ORIC has produced a range of rule book tools for corporations to use to create their own rule book. In these tools ORIC has included some replaceable rules and set CATSI laws to encourage good governance.

This list sets out the main provisions of the CATSI Act that deal with the internal governance of Aboriginal and Torres Strait Islander corporations. It shows the rules that can be included in a corporation's rule book for good governance and that can be replaced.

List of internal governance rules —set laws and replaceable rules

Subject of provision	Provision
Chapter 3—Basic features of an Aboriginal and Torres Strait Islander corporation	
Resolution of disputes	section 66-1(3A)
Chapter 4—Members and observers	
How does a person become a member?	section 144-1
Application to corporation	section 144-5 <i>subsection (2) can be replaced</i>
Determination of applications for membership	section 144-10 <i>subsection (7) can be replaced</i> <i>subsection (8) can be exempted</i>
Fees for membership and being an observer	section 144-15
Obligation to contribute on winding up	section 147-1
Corporation may impose other membership obligations	section 147-5
Liability of corporation members	section 147-10
Cessation of membership	section 150-1
Resignation	section 150-10 <i>subsection (2) can be replaced</i>
Cancellation of membership—general	section 150-15
Member not eligible for membership etc.	section 150-20 <i>this section can be replaced</i>
Member not contactable	section 150-25 <i>this section can be exempted</i>
Member is not an Aboriginal and Torres Strait Islander person	section 150-30 <i>this section can be exempted</i>
Member misbehaves	section 150-35 <i>this section can be exempted</i>
Different classes of members	section 153-1
Observers	section 158-5 <i>subsection (2) can be replaced</i>
What protections apply to variations or cancellations of class rights?	Division 172
Corporation or directors may allow member to inspect books	section 175-15 <i>this section can be replaced</i>
Chapter 5—Meetings	<i>this chapter can be exempted</i>
Director may call meetings	section 201-1 <i>this section can be replaced</i>
Request by members for directors to call general meetings	section 201-5
When must directors comply with members' request?	section 201-10
When must a requested meeting be held?	section 201-15
Amount of notice for general meetings	section 201-20
Notice of general meeting to members, officers and observers	section 201-25 <i>subsections (2), (5) and (6) can be replaced</i>
Auditor entitled to notice and other communications	section 201-30
Contents of notice of general meeting	section 201-35
Members' resolutions	section 201-40
Notice of members' resolutions	section 201-45
Members' statements to be distributed	section 201-50
Purpose	section 201-55
Time and place for general meeting	section 201-60
Technology	section 201-65
Quorum	section 201-70 <i>subsections (1), (2), (5) and (6) can be replaced</i>
Chairing general meetings	section 201-75 <i>this section can be replaced</i>
Auditor's right to be heard at general meetings	section 201-80
Adjourned meetings	section 201-85 <i>subsection (2) can be replaced</i>
Who may appoint a proxy	section 201-90 <i>this section can be replaced</i>
Rights of proxies	section 201-95
Appointing a proxy	section 201-100
Proxy documents	section 201-105
Body corporate representative	section 201-110

Subject of provision	Provision
How many votes a member has	section 201-115 <i>this section can be replaced</i>
Objections to right to vote	section 201-120 <i>this section can be replaced</i>
How voting is carried out	section 201-125 <i>this section can be replaced</i>
Matters on which a poll may be demanded	section 201-130
When a poll is effectively demanded	section 201-135
When and how polls must be taken	section 201-140 <i>this section can be replaced</i>
Corporation must hold first general meeting within three months of registration	section 201-145
Corporation must hold AGM	section 201-150
Extension of time for holding AGM	section 201-155
Business of AGM	section 201-160
Questions and comments by members on corporation management at AGM	section 201-165
Questions by members of auditors at AGM	section 201-170
Circulating resolutions	section 204-1
Resolutions of one member corporations	section 204-5
Constitution to provide for meetings	section 212-1
Calling directors' meetings	section 212-5 <i>this section can be replaced</i>
Use of technology	section 212-10
Chairing directors' meetings	section 212-15 <i>this section can be replaced</i>
Quorum at directors' meetings	section 212-20
Passing of directors' resolutions	section 212-25 <i>this section can be replaced</i>
Circulating resolutions of corporation with more than one director	section 215-1 <i>this section can be replaced</i>
Resolutions and declarations of one director corporation	section 215-5
Minutes	section 220-5
Members' access to minutes	section 220-10
Chapter 6—Officers	
Minimum number of directors	section 243-1
Maximum number of directors	section 243-5 <i>this section can be exempted</i>
Eligibility for appointment as a director	section 246-1
Majority of director requirements	section 246-5
Consent to act as director	section 246-10
Corporation may appoint a director	section 246-15 <i>this section can be replaced</i>
Directors may appoint other directors to make up a quorum	section 246-20 <i>this section can be replaced</i>
Term of appointment	section 246-25 <i>subsections (1) and (3) can be replaced subsection (2) can be exempted</i>
Alternate directors	section 246-30 <i>this section can be replaced</i>
How does a person cease to be a director?	section 249-1
Director may resign	section 249-5 <i>subsection (2) can be replaced</i>
Removal by members	section 249-10
Removal by other directors	section 249-15
Remuneration	section 252-1
How a secretary or contact person is appointed	section 257-20
Terms and conditions of office for secretaries	section 257-45 <i>this section can be replaced</i>
Terms and conditions of contact person's appointment	section 257-50 <i>this section can be replaced</i>
Duties in relation to disclosure of, and voting on matters involving, material personal interests	Division 268
Powers of directors	section 274-1 <i>this section can be replaced</i>
Negotiable instruments	section 274-5 <i>this section can be replaced</i>
Delegation	section 274-10
Right of access to corporation books	section 274-15
Member approval needed for related party benefit	Part 6-6 <i>this Part can be exempted</i>