



Rotation of Auditors

The *Fair Work (Registered Organisations) Act 2009* (RO Act) requires an organisation or branch that is a reporting unit to:

- **have a registered auditor** to audit their financial report
- **rotate their registered auditor** after certain periods.

This is a serious obligation; non-compliance may result in financial penalties.



A financial report can only be audited by a registered auditor.

You can find the list of [registered auditors](#) on our website.

Our [Registration of Auditors fact sheet](#) explains how to become a registered auditor.

What does 'rotate an auditor' mean?

The RO Act limits the time that auditors can play a **significant role** in the audit of a reporting unit's financial reports (section 256A). An individual must not play a significant role in the audit of a reporting unit for more than:

- Five consecutive financial years; or
- Five out of seven consecutive financial years.



Example – the auditor is an individual

HIJ union has a contract with Angela Roberts to audit its financial reports. Angela is a registered auditor under the RO Act.



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Angela conducted the audit of HIJ's financial reports for:

1. 1 July 2016 to 30 June 2017
2. 1 July 2017 to 30 June 2018
3. 1 July 2018 to 30 June 2019
4. 1 July 2019 to 30 June 2020

Angela has also been contracted to undertake the 1 July 2020 to 30 June 2021 audit.

After this report, Angela will have played a significant role in HIJ union's audit for five consecutive financial years.

HIJ union must use a different registered auditor to audit its 2021-2022 financial report.

What does 'play a significant role' mean?

The RO Act defines when someone plays a significant role in the audit of a financial report. There is one definition for when the position of auditor is held by an individual and another for when the position of auditor is held by a company or firm (section 256A(4)).

If the auditor **is an individual**, that individual plays a significant role if they are the registered auditor for the reporting unit for the financial year.

If the auditor **is a firm or company**, an individual (who is a registered auditor acting on behalf of the firm or company) plays a significant role if they participate in the:

- preparation of an audit report in relation to the financial report of the reporting unit for the financial year or part of it; or
- conduct of an audit in relation to the reporting unit for the financial year or part of it.



Example – the auditor is a company

MNO employer association has a contract with We Are Auditors to audit its financial report.

Mark Nguyen is a registered auditor employed by We Are Auditors. He prepared the audit report of MNO's financial reports for:

1. 1 December 2016 to 30 November 2017
2. 1 December 2017 to 30 November 2018
3. 1 December 2018 to 30 November 2019
4. 1 December 2019 to 30 November 2020

We Are Auditors have been engaged by MNO to complete its audit for the 1 December 2020 to 30 November 2021 financial year. We Are Auditors have assigned this task to Mark.

After this report, Mark will have played a significant role in MNO employer association's audit for five consecutive financial years.

MNO employer association can keep engaging We Are Auditors. However, We Are Auditors must assign a different registered auditor for the 2021-2022 financial year and Mark cannot participate in that process.

Consecutive financial years

A registered organisation can choose its own financial year by defining its financial year end in its rules (if the rules are silent the default financial year is 1 July to 30 June). In most instances a financial year means a period of 12 months which, as in the examples above, will begin and end on the same dates each year. However, this is not always the case.

When a registered organisation has **changed its financial year** this will shorten the period of actual time a person can act as the reporting unit's registered auditor. This is because the RO Act creates a smaller



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transitional financial year and it is included in the number of consecutive financial years an auditor can play a significant role (sections 6, 240).

For information on how to change your rules, please contact the [Fair Work Commission](#).



Example – there has been a financial year change

ZYX union had a 30 September financial year end. Their registered auditor, Sophie Kaur, audited its financial reports for:

1. 1 October 2016 to 30 September 2017
2. 1 October 2017 to 30 September 2018

In June 2018, ZYX had rules certified by the Fair Work Commission that changed its financial year. It now ends on 31 December.

This caused a transitional financial year from 1 October 2018 until 31 December 2018. Sophie then audited financial reports for

3. 1 October to 31 December 2018 (transitional financial year)
4. 1 January to 31 December 2019
5. 1 January to 31 December 2020

Sophie has already audited five consecutive financial years even though she has only been ZYX's registered auditor since 2017. ZYX must have a different registered auditor for its 2021 financial report.

How to remove an auditor that has been appointed too long

A reporting unit may only remove an auditor during the term of their appointment by complying with section 263 of the RO Act. This helps to ensure members have access to an audit of the financial report that is transparent, accurate and free from coercion.

If you have appointed a registered auditor who is not able to complete your audit due to the rotation provisions you must raise this with the auditor immediately because that auditor is not permitted to continue or complete the audit and if they do, financial penalties might apply and other action might be required. A range of options are available if this occurs and it might be as simple as the auditor resigning the appointment.



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Each case will be different and so we recommend you engage with the Commission about the particular circumstances of your case by contacting us by email to regorgs@fwc.gov.au.



Need more information? Listen to our podcast!

We've released a podcast about the auditor rotation requirement.

[Episode 23: Is it time to change your auditor?](#) provides answers to the most frequently asked questions. The podcast also includes practical hints and tips to help reporting units establish a relationship with a new auditor.



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Frequently asked questions

What if the auditor was 'transitionally registered' when they did the first year?

From 1 May 2017, a transitional period of three months allowed an 'approved auditor' (the previous definition of 'auditor' under the RO Act) to be transitionally recognised as a registered auditor. Under the transitional provisions, audits performed by a 'transitionally registered' auditor will be counted in the total of consecutive financial years.

How soon can we use the same auditor again?

If the auditor has completed an audit for five consecutive financial years for your reporting unit, you must wait until AFTER two financial year audits have been completed by another registered auditor before the earlier auditor can again play a significant role in the audit of your financial report.

Does it include financial years that ended before the requirement started in 2017?

The Commission counts every audit that the auditor has completed since 1 May 2017, including audits of financial years that began before 1 May 2017 if the audit was signed after 1 May 2017.