



28 November 2019

Earl Setches
Divisional Secretary
Communications, Electrical, Electronic, Energy, Information, Postal, Plumbing and Allied Services
Union of Australia - Plumbing Division
Sent via email: info@pteu.asn.au
CC: michael.shulman@stannards.com.au

Dear Earl Setches,

**Communications, Electrical, Electronic, Energy, Information, Postal, Plumbing and Allied Services Union of Australia - Plumbing Division
Financial Report for the year ended 30 June 2019 – (FR2019/209)**

I acknowledge receipt of the financial report of the Communications, Electrical, Electronic, Energy, Information, Postal, Plumbing and Allied Services Union of Australia - Plumbing Division (**the reporting unit**). The documents were lodged with the Registered Organisations Commission (**the ROC**) on 30 October 2019.

I also acknowledge receipt of a certificate of the auditor confirming the total members of the reporting unit for the year ended 30 June 2019 which was lodged with the ROC on 25 November 2019.

The financial report has now been filed.

The financial report was filed based on a primary review. This involved confirming that the financial reporting timelines required under s.253, s.265, s.266 and s.268 of the Fair Work (Registered Organisations) Act 2009 (**RO Act**) have been satisfied, all documents required under s.268 of the RO Act were lodged and that various disclosure requirements under the Australian Accounting Standards, RO Act and reporting guidelines (**RGs**) have been complied with. A primary review does not examine all disclosure requirements.

Please note that the financial report for the year ending 30 June 2020 may be subject to an advanced compliance review.

You are not required to take any further action in respect of the report lodged. I make the following comments to assist you when you next prepare a financial report. The ROC will confirm these concerns have been addressed prior to filing next year's report.

General purpose financial report

Nil activities disclosure

Item 21 of the RGs states that if any of the activities identified within items 10-20 of the RGs have not occurred in the reporting period, a statement to this effect must be included either in the financial statements, the notes or in the officer's declaration statement. I note that the notes includes the following duplicate nil activity disclosures:

- “Agree to receive financial support from another reporting unit to continue as a going concern” is disclosed in both note 1(n) and note 24;
- “Pay to a person fees or allowances to attend conferences or meetings as a representative of the reporting unit” is disclosed in both statement of comprehensive income and note 24; and
- “Have a payable to employer as consideration for that employer making payroll deductions of membership subscriptions”, “have a payable in respect of legal costs relating to litigation” and “have a payable in respect of legal costs relating to other legal costs” are disclosed in both note 6 and note 24.

Please note that nil activities only need to be disclosed once.

I also note that the notes contained nil activity information for all prescribed RG categories except the following:

- Have a liability for long service leave for employees (other than holders of offices) (RG 16(d)(ii)).

Please ensure in future years that the above mentioned item is disclosed in either the financial statements, the notes or in the officer’s declaration statement as per the RGs.

Disclosure of employee expenses to office holders and other employees

The RGs require reporting units to disclose in the statement of comprehensive income or in the notes to the financial statements employee expenses to holders of office (item 14(f)) and employee expenses to other employees (item 14(g)).

I note that note 7 *Employee Benefits* does not distinguish between employee expenses for office holders and other employees. Please ensure in future years that employee expenses are disclosed according to the RGs.

Inconsistency in disclosure of financial information

The statement of comprehensive income discloses expenses incurred with holding meeting of Members or any conference or meetings of councils, committees, panels or other bodies of \$56,680 for the 2019 financial year (2018: \$104,927). Note 24 *Other Disclosures*, however includes a nil disclosure of expenses or allowances in connection with holding meetings of members of the Union and any conferences or meetings of councils, committees, panels or other bodies for the holding of which the Union was wholly or partly responsible.

The statement of changes in equity and note 15 *General Fund* disclose a balance of retained earnings of \$1,242,680 for the 2019 financial year (2018: \$1,190,705). Note 1(o) *Fund Analysis*, however includes a nil disclosure in relation to a balance in the general fund. It would appear that retained earnings is the reporting unit’s general fund.

In future years, please ensure that items within the financial report are disclosed consistently.

Operating report

Number of members

Regulation 159(a) requires the operating report to provide:

“the number of persons that were at the end of the financial year to which the report relates, recorded in the register of members for section 230 of the Act and who are taken to be members of the reporting unit under section 244 of the Act.”

Please note that regulation 159(a) does not distinguish between ‘financial’ and ‘unfinancial’ members. The number to be reported must be the total number of eligible members, including both financial and unfinancial members. The operating report referred to the number of ‘financial members’.

The auditor’s certificate lodged on 25 November 2019 confirms that the total members of the reporting unit for the year ended 30 June 2019 is 19,065, including financial members of 18,311.

Please ensure in future years that the operating reports will need to report 'total members' at the end of the financial year, not just the number of financial members.

Reporting Requirements

The ROC website provides a number of factsheets in relation to the financial reporting process and associated timelines. The website also contains the s.253 RGs and a model set of financial statements.

The ROC recommends that reporting units use these model financial statements to assist in complying with the RO Act, the s.253 RGs and Australian Accounting Standards. Access to this information is available via [this link](#).

If you have any queries regarding this letter, please contact me on (03) 9603 0764 or via email at kylie.ngo@roc.gov.au.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Kylie', with a long horizontal stroke extending to the right.

Kylie Ngo
Registered Organisations Commission

AUDITOR'S CERTIFICATE**COMMUNICATIONS ELECTRICAL ELECTRONIC ENERGY INFORMATION POSTAL PLUMBING AND
ALLIED SERVICES UNION OF AUSTRALIA – PLUMBING DIVISION FEDERAL BRANCH**

As auditor for the Communications, Electrical, Electronic, Energy, Information, Postal, Plumbing and Allied Services Union of Australia – Plumbing Division Federal Branch (*'the Branch'*), I certify that the Branch for the year ending 30 June 2019:

- (a) Kept and maintained a register of members of the branch as required by paragraph 230(1)(a) and subsection 230(2) of the *Fair Work (Registered Organisations) Act 2009*; and
- (a) (i) 19,065 total members; and
- (ii) 18,311 financial members.



Michael B Shulman

Registered Auditor Number: 163888

Date: 30/9/19

Partners

Marino Angelini, CA
Michael Shulman, CA
Nello Traficante, CPA
Jason Wall, CA
Peter Angelini, CA
Nick Jeans, CPA

**Communications, Electrical, Electronic, Energy,
Information, Postal, Plumbing and Allied
Services Union of Australia
ABN 40 655 883 201**

Plumbing Division – National Office

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2019

Operating Report
For the year ended 30 June 2019

Principal activities

The principal activities of the Plumbing Division – National Office during the Financial Year were to provide representation and support to its Members. There were no significant changes to the principal activities during the year.

Review of results

The net result of operations for the year was a surplus of \$51,903 (2018 surplus of \$50,043). The Organisation continued to represent its Members in industrial and other matters, focusing particularly on training and educational projects to advance the industry. During the year, it also paid ongoing attention to corporate governance, ensuring that it complied with legislative requirements. As at the reporting date, it had accumulated net assets of \$1.24 million, and it had no interest bearing debt. The Organisation is well placed to meet the future needs of the industry and moreover its Members, through enhanced representation and training services.

Significant Changes in the Financial Affairs

In the opinion of the Members of the Plumbing Division – National Office, there were no significant changes in the Organisation's financial affairs during the financial year.

Resignation of Members

As per section 174 of the *Fair Work (Registered Organisations) Act 2009*, a Member of an Organisation may resign from Membership by written notice addressed and delivered to a person designated for the purpose in the rules of the Organisation or a branch of the Organisation.

Number of Members

As at 30 June 2019, the number of financial Members of the Organisation recorded in the Register of Members was 18,311 (2018: 18,168)

Number of Employees

As at 30 June 2019, the number of full time equivalent employees was nil (2018: nil).

Divisional Council Members

During the Financial Year ended 30 June 2019 the following persons were Members of the Committee of Management for the whole period, unless indicated otherwise:

| | |
|--|--|
| E Setches (General Secretary) | P McCrudden (Divisional President and Trustee) |
| G O'Halloran (Assistant General Secretary) | G Menzies (Trustee) |
| S McCarney (until 13.05.19) | T Samartzopoulos (National Councillor) |
| M Wiech (National Councillor) | C Seet (National Councillor) |
| N Kelly (Trustee) | C Tsiakoulas (from 13.05.19) |
| B Bintley (National Councillor) | |

Operating Report
For the year ended 30 June 2019 (cont'd)

Trustee of Superannuation Entity

Mr Earl Setches, holds the position as a Director/Trustee of CBUS Construction & Building Industry Superannuation Scheme, by virtue of his position as an Officer of the Union.

Future Developments

In the opinion of the Committee of Management, there is not likely to be any future development that will materially affect the Union's operation in subsequent years.

Signed in accordance with a resolution of the Plumbing Division – National Office.

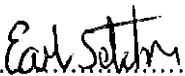

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Dated this 28th day of Aug 2019

CERTIFICATE BY PRESCRIBED DESIGNATED OFFICER
FOR THE YEAR ENDED 30 JUNE 2019

I, Earl Setches, being the Secretary of the Communications, Electrical, Electronic, Energy, Information, Postal, Plumbing and Allied Services Union of Australia Plumbing Division certify:

- (i) That the documents lodged herewith are copies of the full report for the Union for the period ended 30 June 2019 referred to in Section 268 of the *Fair Work (Registered Organisations) Act 2009*; and
- (ii) That the full report was provided to members of the reporting unit on 18 Sept 2019; and
- (iii) That the full report was presented to a general meeting of the reporting unit on 21 Oct 19 in accordance with Section 266 of the *Fair Work (Registered Organisations) Act 2009*.

.....

Earl Setches (Secretary)

Designated Officer

Dated this 21st day of OCTOBER 2019.

Section 255(2A) Expenditure Report
For the year ended 30 June 2019

The Committee of Management presents the expenditure report as required under subsection 255(2A) on the Reporting Unit for the year ended 2019.

| | Note | 2019 \$ | 2018 \$ |
|--|------|----------------|----------------|
| CATEGORIES OF EXPENDITURE | | | |
| Remuneration and other employment-related costs and expenses - employees | | 48,080 | 48,058 |
| Advertising | | - | 695 |
| Operating Costs | | 201,635 | 283,085 |
| Donations to Political Parties | | 105,000 | 12,000 |
| Legal Costs | | 1,394 | 62,491 |
| Total | | 356,109 | 406,329 |


.....
Signature of Designated Officer

..... Earl Setches Federal Secretary
Name and Title of Designated Officer

..... 28th Aug. 2019
Dated

OFFICER DECLARATION STATEMENT

I, Earl Setches, being the Secretary of the Communications, Electrical, Electronic, Energy, Information, Postal, Plumbing and Allied Services Union of Australia Plumbing Division, declare that all activities required to be disclosed during the reporting period ended 30 June 2019 have been disclosed in the financial report.


.....

Earl Setches - Secretary

Designated Officer

Dated:28th Aug.....2019.....

**STATEMENT OF PROFIT AND LOSS
FOR THE YEAR ENDED 30 JUNE 2019**

| | Notes | 2019 \$ | 2018 \$ |
|--|-----------|----------------|----------------|
| Income | | | |
| Per Capita Contributions | 10 f (i) | 407,998 | 456,364 |
| Other Contributions | 10 f (ii) | - | - |
| Interest Received | | 14 | 8 |
| Grants | | - | - |
| Financial Support - Branches | | - | - |
| Donations | | - | - |
| Other income | | - | - |
| | | <u>408,012</u> | <u>456,372</u> |
| Expenses | | | |
| General Secretary and President Expense Allowance | 7 | 42,800 | 42,800 |
| Overnight, Tea Money and Other Allowances | | 1,155 | 24,753 |
| Expenses incurred with holding meeting of Members or any conferences or meetings of councils, committees, panels or other bodies | | 56,680 | 104,927 |
| Advertising | | - | 695 |
| Affiliation Fees - CEPU | | 75,932 | 77,716 |
| Affiliation Fees - Political Party | | - | - |
| - Other | | - | - |
| Audit Fees and Other Services | 11 | 11,100 | 19,600 |
| Bank Charges | | 22 | (82) |
| Delegate Fees | | - | 1,314 |
| Bad & Doubtful Debts Expense | | - | - |
| Depreciation | | 1,732 | 2,995 |
| Entertainment Expenses | | 3,464 | 8,014 |
| Consideration to employers for payroll deductions | | - | - |
| Penalties – via RO Act or RO Regulations | | - | - |
| Grants | | - | - |
| Conferences and meetings – Fees & allowances | | - | - |
| Donations | 12 | 111,000 | 18,000 |
| Campaign Expenses | 13 | - | - |
| Work Cover Premium | | 521 | 431 |
| Legal and Professional Fees – Litigation | | - | - |
| Legal and Professional Fees – Other | | 1,394 | 62,491 |
| Long Service Leave | 7 | 572 | 550 |
| Industrial Relations Levy – CEPU | | - | - |
| Other Compulsory or Voluntary Levy | | - | - |
| Postage, Stationery & Printing | | 10,524 | 13,537 |
| Subscriptions – Non Political | | 2,375 | 1,695 |
| Management Fees – Victorian Branch | 14 | - | - |
| Sponsorship | | 11,218 | 10,000 |
| Sundry Costs | | 7,846 | - |
| Superannuation | 7 | 4,708 | 4,708 |
| Payroll Tax and FBT Expenses | | 4,983 | 3,769 |
| Telephone | | - | 41 |
| Taxis and Parking | | 6,712 | 7,033 |
| Motor Vehicle Expenses | | 1,371 | 1,342 |
| Termination Payments | 7 | - | - |
| | | <u>356,109</u> | <u>406,329</u> |
| Net (Loss) / Profit for the Year | | 51,903 | 50,043 |

The accompanying notes form part of these financial statements

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019**

| | 2019 \$ | 2018 \$ |
|---|------------|------------|
| Profit/(loss) for the period | 51,903 | 50,043 |
| Other comprehensive income for the period | - | - |
| Total comprehensive income/(loss) for the period | 51,903 | 50,043 |
| Total comprehensive income/(loss) attributable to: Members of the Organisation | 51,903 | 50,043 |

The accompanying notes form part of these financial statements

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

| | Notes | 2019 \$ | 2018 \$ |
|----------------------------|-------|------------|------------|
| Current Assets | | | |
| Cash and Cash Equivalents | 3 | 170,739 | 234,162 |
| Receivables | 4 | 1,155,356 | 1,033,445 |
| Total Current Assets | | 1,326,095 | 1,267,607 |
| Non Current Assets | | | |
| Plant and Equipment | 5 | 7,545 | 38,284 |
| Total Non Current Assets | | 7,545 | 38,284 |
| Total Assets | | 1,333,640 | 1,305,891 |
| Current Liabilities | | | |
| Payables | 6 | 60,337 | 85,063 |
| Provisions | 8 | 30,695 | 30,123 |
| Total Current Liabilities | | 91,032 | 115,186 |
| Total Liabilities | | 91,032 | 115,186 |
| Net Assets | | 1,242,608 | 1,190,705 |
| Equity | | | |
| General Fund | 15 | 1,242,608 | 1,190,705 |
| Total Equity | | 1,242,608 | 1,190,705 |

The accompanying notes form part of these financial statements

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019**

| | 2019 | 2018 |
|--|-------------|-------------|
| | \$ | \$ |
| Accumulated Profit/(Deficit) – Beginning of the Year | 1,190,705 | 1,140,662 |
| Profit/(Loss) for the Year | 51,903 | 50,043 |
| Total Accumulated Profit/(Deficit) – End of the Year | 1,242,608 | 1,190,705 |

The accompanying notes form part of these financial statements

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019**

| | Notes | 2019 Inflows/ (Outflows) \$ | 2018 Inflows/ (Outflows) \$ |
|--|-------|--------------------------------------|--------------------------------------|
| Cash flows from Operating Activities | | | |
| Per Capita Contributions and other Branch receipts | | 407,998 | 665,689 |
| Interest Received | | 14 | 8 |
| Payments to CEPU – National Office | | (63,350) | (77,716) |
| Payments to CEPU Communications Division | | (3,167) | (2,925) |
| Payments to Branches | | (100,785) | (90,150) |
| Payments to Suppliers and Employees | | (333,140) | (239,981) |
| Net Cash (Used in) Provided by Operating Activities | 9(b) | <u>(92,430)</u> | <u>254,925</u> |
| Cash Flows from Investing Activities | | | |
| (Payments for)/Receipts in relation to Plant and Equipment | | 29,007 | (35,150) |
| Net Cash Used in Investing Activities | | <u>29,007</u> | <u>(35,150)</u> |
| Net Increase/(Decrease) in Cash Held | | (63,423) | 219,775 |
| Cash and Cash Equivalents at Beginning of Year | | <u>234,162</u> | <u>14,387</u> |
| Cash and Cash Equivalents at End of Year | 9(a) | <u>170,739</u> | <u>234,162</u> |

The accompanying notes form part of these financial statements

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

1. Summary of Accounting Policies

This financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the requirements of the *Fair Work (Registered Organisations) Regulations 2009* and the *Fair Work (Registered Organisations) Act 2009*.

Basis of Preparation

The financial report complies with Australian Accounting Standards which include Australian Equivalents to International Financial Reporting Standards (AIFRS).

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. The Union is a 'not for profit' Organisation.

Cost is based on fair values of consideration given in exchange for assets.

The accounting policies set out below have been consistently applied, unless otherwise stated.

Accounting Policies

(a) Property, Plant and Equipment

Cost and valuation

Plant and equipment are measured at cost or on a fair value basis. At each reporting date, the value of assets in this asset class is reviewed to ensure that it does not differ materially from the asset's book value at that date. Any significant increase or decrease is recognised in accordance with accounting standards.

All other fixed assets are also measured at the lower of cost and fair value.

Depreciation

Depreciation is calculated on the prime cost or diminishing value method and is brought to account over the estimated economic lives of all equipment and art works. Depreciation rates applied are:

| | 2019 | 2018 |
|--------------------------------|-------------|-------------|
| Art work | 2.5% | 2.5% |
| Furniture and Office Equipment | 25% | 25% |

(b) Employee Benefits

Short-term employee benefits

Provision is made for the Union's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and vesting sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Union's obligations for short-term employee benefits such as wages, salaries and vesting sick leave are recognised as part of current trade and other payables in the Statement of Financial Position. The Union's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the Statement of Financial Position.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018 (cont'd)**

1. Summary of Accounting Policies (cont'd)

(b) Employee Benefits (cont'd)

Long-term employee benefits

Provision is made for employee's long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any measurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The Union's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Union does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

Contributions are made by the Union to employee superannuation funds and are expensed when incurred. The Union is not obliged to contribute to these funds other than to meet its liabilities under the superannuation guarantee system and is under no obligation to make up any shortfall in the funds' assets to meet payments due to employees.

The number of staff employed at 30 June 2019 was nil (2018: nil).

(c) Income Tax

No provision for income tax is necessary as "Trade Unions" are exempt from income tax under Section 50-15 of the *Income Tax Assessment Act 1997*.

(d) Revenue Recognition

Per capita and other contributions income are recognised in the Statement of Profit and Loss on an accrual basis. Amounts recognised are calculated based on membership at each branch. Interest revenue is recognised on an accrual basis. Other revenue is recognised on an accrual basis.

No change to comparative information were required given the adoption of AABS15: Revenue from Contracts with Customers.

All revenue is recognised at the point of sale/service recognition, and is sourced in Australia. There are no unsatisfied performance obligations.

(e) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset a part of an item of expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

(f) Bad and Doubtful Debts

Bad debts are written off when identified. If no provision for bad and doubtful debts has previously been recognised, write offs for bad debts are recognised as expenses in the Income Statement.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019 (cont'd)**

1. Summary of Accounting Policies (cont'd)

(g) Impairment of Assets

At each reporting date, the Union reviews carrying amounts of its assets to determine whether there is any indication that those assets have been impaired. If such indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over the recoverable amount is expensed to the Income Statement.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(h) Cash and Cash Equivalents

For the purpose of the Cash Flow Statement, cash and cash equivalents include cash on hand, cash at bank and investments in money market instruments net of bank overdraft.

(i) Recovery of Wages Activity

There was no 'recovery of wages' activity in 2019 and/or 2018.

(j) Critical Accounting Estimates and Judgements

The Committee of Management evaluates estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Union.

Key Estimates – Impairment

The Union assesses impairment at each reporting date by evaluating conditions specific to it that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined and reflected in this report.

(k) Fair Value Measurement

The Union measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Union would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market value may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs).

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019 (cont'd)**

1. Summary of Accounting Policies (cont'd)

(k) Fair Value Measurement (cont'd)

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statement.

(l) Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Union becomes a party to the contractual provisions to the instrument. For financial assets, this is the date that the Union commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments (except for trade receivables) are initially measured at fair value plus transaction costs except where the instrument is classified as "at fair value through profit or loss" in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Trade receivables are initially measured at the transaction price if the trade receivables do not contain a significant financing component or if the practical expedient was applied as specified in AASB 15: *Revenue from Contracts with Customers*.

Classification and subsequent measurement

Financial liabilities

Financial liabilities are subsequently measured at:

- amortised cost; or
- fair value through profit or loss.

A financial liability is measured at fair value through profit or loss if the financial liability is:

- a contingent consideration of an acquirer in a business combination to which AASB 3: Business Combinations applies;
- held for trading; or
- initially designated as fair value through profit or loss.

All other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense in the profit or loss over the relevant period.

The effective interest rate is the internal rate of return of the financial asset or liability. That is, it is the rate that discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019 (cont'd)**

1. Summary of Accounting Policies (cont'd)

(I) Financial Instruments (cont'd)

A financial liability is held for trading if it is:

- incurred for the purpose of repurchasing or repaying in the near term;
- part of a portfolio where there is an actual pattern of short-term profit-taking; or
- a derivative financial instrument (except for a derivative that is in a financial guarantee contract or a derivative that is in effective hedging relationships).

Any gains or losses arising on changes in fair value are recognised in profit or loss to the extent that they are not part of a designated hedging relationship.

The change in fair value of the financial liability attributable to changes in the issuer's credit risk is taken to other comprehensive income and is not subsequently reclassified to profit or loss. Instead, it is transferred to retained earnings upon derecognition of the financial liability.

If taking the change in credit risk in other comprehensive income enlarges or creates an accounting mismatch, then these gains or losses should be taken to profit or loss rather than other comprehensive income.

A financial liability cannot be reclassified.

Financial Assets

Financial assets are subsequently measured at:

- amortised cost;
- fair value through other comprehensive income; or
- fair value through profit or loss.

Measurement is on the basis of two primary criteria:

- the contractual cash flow characteristics of the financial asset; and
- the business model for managing the financial assets.

A financial asset that meets the following conditions is subsequently measured at amortised cost:

- the financial asset is managed solely to collect contractual cash flows; and
- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

A financial asset that meets the following conditions is subsequently measured fair value through other comprehensive income:

- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates; and
- the business model for managing the financial asset comprises both contractual cash flows collection and the selling of the financial asset.

By default, all other financial assets that do not meet the measurement conditions of amortised cost and fair value through other comprehensive income are subsequently measured at fair value through profit or loss.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019 (cont'd)**

1. Summary of Accounting Policies (cont'd)

(I) Financial Instruments (cont'd)

The entity initially designates a financial instrument as measured at fair value through profit or loss if:

- it eliminates or significantly reduces a measurement or recognition inconsistency (often referred to as an "accounting mismatch") that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different basis;
- it is in accordance with the documented risk management or investment strategy and information about the groupings is documented appropriately, so the performance of the financial liability that is part of a group of financial liabilities or financial assets can be managed and evaluated consistently on a fair value basis; and
- it is a hybrid contract that contains an embedded derivative that significantly modifies the cash flows otherwise required by the contract.

The initial designation of financial instruments to measure at fair value through profit or loss is a one-time option on initial classification and is irrevocable until the financial asset is derecognised.

Equity instruments

At initial recognition, as long as the equity instrument is not held for trading or is not a contingent consideration recognised by an acquirer in a business combination to which AASB 3 applies, the entity made an irrevocable election to measure any subsequent changes in fair value of the equity instruments in other comprehensive income, while the dividend revenue received on underlying equity instruments investment will still be recognised in profit or loss.

Regular way purchases and sales of financial assets are recognised and derecognised at settlement date in accordance with the Union's accounting policy.

Derecognition

Derecognition refers to the removal of a previously recognised financial asset or financial liability from the statement of financial position.

Derecognition of financial liabilities

A liability is derecognised when it is extinguished (ie when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability, is treated as an extinguishment of the existing liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities, is recognised in profit or loss.

Derecognition of financial assets

A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019 (cont'd)**

1. Summary of Accounting Policies (cont'd)

(l) Financial Instruments (cont'd)

All the following criteria need to be satisfied for the derecognition of a financial asset:

- the right to receive cash flows from the asset has expired or been transferred;
- all risk and rewards of ownership of the asset have been substantially transferred; and
- the entity no longer controls the asset (ie has no practical ability to make unilateral decision to sell the asset to a third party).

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of a debt instrument classified as fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

On derecognition of an investment in equity which the entity elected to classify under fair value through comprehensive income, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

The entity recognises a loss allowance for expected credit losses on:

- financial assets that are measured at amortised cost or fair value through other comprehensive income;
- lease receivables;
- contract assets;
- loan commitments that are not measured at fair value through profit or loss; and
- financial guarantee contracts that are not measured at fair value through profit or loss.

Loss allowance is not recognised for:

- financial assets measured at fair value through profit or loss; or
- equity instruments measured at fair value through other comprehensive income.

Expected credit losses are the profitability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument.

The entity used the following approaches to impairment, as applicable under AASB9:

- the general approach;
- the simplified approach;
- the purchased or originated credit-impaired approach; and
- low credit risk operational simplification.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019 (cont'd)**

1. Summary of Accounting Policies (cont'd)

(I) Financial Instruments (cont'd)

General approach

Under the general approach, at each reporting period, the entity assesses whether the financial instruments are credit-impaired, and:

- If the credit risk of the financial instrument has increased significantly since initial recognition, the entity measures the loss allowance of the financial instruments at an amount equal to the lifetime expected credit losses; and
- If there is no significant increase in credit risk since initial recognition, the entity measures the loss allowance for the financial instrument at an amount equal to 12-month expected credit losses.

Simplified approach

The simplified approach does not require tracking of changes in credit risk at every reporting period, but instead requires the recognition of lifetime expected credit loss at all times.

This approach is applicable to:

- trade receivables; and
- lease receivables.

In measuring the expected credit loss, a provision matrix for trade receivables is used taking into consideration various data to get to an expected credit loss (ie delivery of its customer base, appropriate groupings of its historical loss experience, etc).

Purchased or originated credit-impaired approach

For financial assets that are considered to be credit-impaired (not on acquisition or originations), the Union measures any change in lifetime expected credit loss as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Any adjustment is recognised in profit or loss as an impairment gain or loss.

Evidence of credit impairment includes:

- significant financial difficulty of the issuer or borrower;
- a breach of contract (eg default or past due event);
- a lender has granted to the borrower a concession, due to the borrower's financial difficulty, that the lender would not otherwise consider;
- the likelihood that the borrower will enter bankruptcy or other financial reorganisation; and
- the disappearance of an active market for the financial asset because of financial difficulties.

Low credit risk operational simplification approach

If a financial asset is determined to have low credit risk at the initial reporting date, the entity assumes that the credit risk has not increased significantly since initial recognition and, accordingly, can continue to recognise a loss allowance of 12-month expected credit loss.

FOR THE YEAR ENDED 30 JUNE 2019 (cont'd)

1. Summary of Accounting Policies (cont'd)

(l) Financial Instruments (cont'd)

In order to make such a determination that the financial asset has low credit risk, the entity applies its internal credit risk ratings or other methodologies using a globally comparable definition of low credit risk.

A financial asset is considered to have low credit risk if:

- there is a low risk of default by the borrower;
- the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and
- adverse changes in economic and business conditions in the longer term, may, but not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Recognition of expected credit losses in financial statements

At each reporting date, the Union recognises the movement in the loss allowance as an impairment gain or loss in the statement of profit and loss and other comprehensive income.

The carrying amount of financial assets measured at amortised cost includes the loss allowance relating to that asset.

Assets measured at fair value through other comprehensive income are recognised at fair value with changes in fair value recognised in other comprehensive income. The amount in relation to change in credit risk is transferred from other comprehensive income to profit or loss at every reporting period.

For financial assets that are unrecognised (eg loan commitments yet to be drawn, financial guarantees), a provision for loss allowance is created in the statement of financial position to recognise the loss allowance.

Financial instruments are initially measured at cost on trade date, which includes the transaction costs, when the related contractual rights or obligations exist.

Subsequent to the initial recognition, the Committee of Management assess whether there is objective evidence that a financial instrument has been impaired. A prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen, impairment losses are recognised in the Income Statement.

(m) New Accounting Standards for Application in Future Periods

The AASB has issued a number of new and amended Accounting Standards that have mandatory application dates for future reporting periods, some of which are relevant to the entity. The Directors have decided not to early adopt any of the new and amended pronouncements. Their assessment of the pronouncements that are relevant to the entity but applicable in future reporting periods is set out below:

- AASB 16: *Leases* (applicable to annual reporting periods beginning on or after 1 January 2019).

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019 (cont'd)**

1. Summary of Accounting Policies (cont'd)

(m) New Accounting Standards for Application in Future Periods

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: *Leases* and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard are as follows:

- new lessee accounting requirements for leases at significantly below-market terms and conditions (commonly known as "peppercorn leases") principally to enable the lessee to further its objectives. This requires the lessee to recognise the leased asset / right-of-use asset at fair value per AASB 13, the lease liability per AASB 117/AASB 16 and the residual as income (after related amounts) at the inception of the lease per AASB 1058;
- recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-to-use assets in line with AASB 116: *Property, Plant and Equipment* in profit or loss and unwinding of the liability in principal and interest components;
- inclusion of variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date;
- application of a practical expedient to permit a lessee to elect not to separate non-lease components and instead account for all components as a lease; and
- inclusion of additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108: *Accounting Policies, Changes in Accounting Estimates and Errors* or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

The Committee of Management anticipates that the adoption of AASB 16 will not impact the entity's financial statements.

(n) Going Concern

The Union is not reliant on the agreed financial support of any other reporting unit or entity nor has it agreed to provide financial support to any other reporting unit or entity so they can continue as a going concern.

(o) Fund Analysis

For the financial year ended 30 June 2019, there was no applicable fund or accounts operated in respect of compulsory levies, voluntary contributions or required by the rules of the Union; and there was no transfer and/or withdrawal from a fund, account, asset or controlled entity which is kept for a specific purpose. There was no balance held within a general fund, nor any compulsory or voluntary contributions and funds invested in specific assets.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019 (cont'd)**

2. Information to be provided to Members or The Commissioner, Registered Organisations Commission

In accordance with the requirements of the *Fair Work (Registered Organisations) Act 2009*, the attention of Members is drawn to the provisions of sub-sections (1), (2) and (3) of Section 272 which reads as follows:-

- (1) A Member of an Organisation, or the Commissioner, may apply to the Organisation for specified prescribed information in relation to the Organisation to be made available to the person making the application.
- (2) The application must be in writing and must specify the period within which, and the manner in which, the information is to be made available. The period must not be less than 14 days after the application is given to the Organisation.
- (3) An Organisation must comply with an application made under subsection (1).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019 (cont'd)

| | 2019 \$ | 2018 \$ |
|--|------------------|------------------|
| 3. Cash and Cash Equivalents | | |
| Cash at Bank | 170,739 | 234,162 |
| | <u>170,739</u> | <u>234,162</u> |
| 4. Receivables | | |
| Advances and per capita due by branches | 1,155,356 | 1,033,445 |
| Provision for Bad and Doubtful Debts | - | - |
| | <u>1,155,356</u> | <u>1,033,445</u> |
| a. Terms and Conditions | | |
| Details of the amounts owing from related parties are outlined at Note 10. No debtors are outside of agreed trading terms. | | |
| b. Credit Losses | | |
| There is no allowance for credit losses against trade and other receivables, nor has there been any provision movement or write off during the year (2018: \$nil). | | |
| 5. Plant and Equipment | | |
| Artwork at Cost | 3,864 | 3,864 |
| Less accumulated Depreciation | (1,024) | (927) |
| | <u>2,840</u> | <u>2,937</u> |
| Equipment at Cost | 26,474 | 25,028 |
| Less accumulated Depreciation | (21,769) | (19,184) |
| | <u>4,705</u> | <u>5,844</u> |
| Motor Vehicles at Cost | - | 30,455 |
| Less accumulated Depreciation | - | (952) |
| | <u>-</u> | <u>29,503</u> |
| Total Plant and Equipment | <u>7,545</u> | <u>38,284</u> |

Movements in carrying amounts for plant and equipment between the beginning and the end of the current financial year:

| <u>2019</u> | Equipment \$ | Artwork \$ | Vehicles \$ | Total \$ |
|---------------------------------|-----------------|---------------|----------------|---------------|
| Balance at Beginning of Year | 5,844 | 2,937 | 29,503 | 38,284 |
| Additions | 1,446 | - | - | 1,446 |
| Disposals | - | - | (30,453) | (30,453) |
| Depreciation Expense | (2,585) | (97) | 950 | (1,732) |
| Carrying Amounts at End of Year | <u>4,705</u> | <u>2,840</u> | <u>-</u> | <u>7,545</u> |
| <u>2018</u> | Equipment \$ | Artwork \$ | Vehicles \$ | Total \$ |
| Balance at Beginning of Year | 3,135 | 2,994 | - | 6,129 |
| Additions | 4,695 | - | 30,455 | 35,150 |
| Depreciation Expense | (1,986) | (57) | (952) | (2,995) |
| Carrying Amounts at End of Year | <u>5,844</u> | <u>2,937</u> | <u>29,503</u> | <u>38,284</u> |

FOR THE YEAR ENDED 30 JUNE 2019 (cont'd)

| | 2019 \$ | 2018 \$ |
|--------------------------------|------------|------------|
| 6. Payables | | |
| Creditors and Accrued Expenses | 60,337 | 85,063 |

There were \$nil (2018: \$nil) of legal fees and/or payroll deductions from employers included in creditors and accrued expenses.

Terms and Conditions

Creditors and other payables are settled within the terms of payments offered, which is usually within 30 days. These balances are unsecured and no interest is applicable on these accounts. All payables are expected to be settled within 12 months.

7. Employee Benefits

Employee Benefits paid during the year:

| <u>2019</u> | \$ | | \$ |
|-----------------------------------|--------|---|--------|
| Wages and Salaries and Allowances | 42,800 | - | 42,800 |
| Annual Leave and Sick Leave | - | - | - |
| Long Service Leave and Retirement | 572 | - | 572 |
| Termination Payment | - | - | - |
| Superannuation | 4,708 | - | 4,708 |
| Total | 48,080 | - | 48,080 |
| <u>2018</u> | | | |
| Wages and Salaries and Allowances | 42,800 | - | 42,800 |
| Annual Leave and Sick Leave | - | - | - |
| Long Service Leave and Retirement | 550 | - | 550 |
| Termination | - | - | - |
| Superannuation | 4,708 | - | 4,708 |
| Total | 48,058 | | 48,058 |

| 8. Provisions | 2019 \$ | 2018 \$ |
|--|------------|------------|
| Current | | |
| Employee Benefits | 30,695 | 30,123 |
| | 30,695 | 30,123 |
| Provision for long service leave in respect of: Elected Officials | 6,378 | 6,133 |
| Provisions for Retirement Gratuity in respect of: Elected Officials | 24,317 | 23,990 |
| | 30,695 | 30,123 |

There are no other provisions for annual leave, separation and redundancy or other payables for officeholders or other employees (2018: \$nil).

FOR THE YEAR ENDED 30 JUNE 2019 (cont'd)

Provision for Employee Benefits

Provision for employee benefits represents amounts accrued for annual leave and long service leave.

The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience, the Union does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the Union does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

| | 2019 \$ | 2018 \$ |
|--|-----------------|----------------|
| 9. Note to Cash Flow Statement | | |
| (a) Reconciliation of Cash and Cash Equivalents | | |
| For the purposes of the Cash Flow Statement, cash and cash equivalents include cash on hand and at bank. Cash and cash equivalents at the end of the reporting period are reconciled to related items in the balance sheet as follows: | | |
| Cash at Bank | 170,739 | 234,162 |
| | <u>170,739</u> | <u>234,162</u> |
| (b) Reconciliation of Net Cash Provided by Operating Activities to Net (Loss) / Profit | | |
| Net (Loss) / Profit | 51,903 | 50,043 |
| Depreciation | 1,732 | 2,995 |
| Change in Operating Assets and Liabilities | | |
| Increase/(Decrease) in Trade Creditors and Accruals and Provisions | (24,154) | 67,712 |
| Decrease/(Increase) in Receivables | (121,911) | 134,175 |
| Net Cash Provided by Operating Activities | <u>(92,430)</u> | <u>254,925</u> |

10. Related Party Information

(a) The names of persons who formed part of the Divisional Council during the year were:

| | | | |
|-------------|--------------|------------------|-----------|
| E Setches | G O'Halloran | D Broadley | B Bintley |
| P McCrudden | S McCarney | M Wiech | C Seet |
| G Menzies | N Kelly | T Samartzopoulos | |

(b) Amounts received or due and receivable from the Union (ie. allowances paid) to the Divisional Council Members were \$42,800 (2018: \$42,800). An amount of \$572 was provided for long service leave (2018: \$550).

(c) Amounts paid to a superannuation scheme in respect of retirement of the Divisional Council Members were \$4,708 (2018: \$4,708).

(d) Other transactions between the Divisional Council were conducted on normal commercial terms in respect of the supply.

FOR THE YEAR ENDED 30 JUNE 2019 (cont'd)

10. Related Party Information (cont'd)

| (e) Remuneration of Key Officers | Short-Term Remuneration 2019 | | Post – Employment Benefits | | Other Benefits | |
|-------------------------------------|------------------------------------|----------|-------------------------------|---------|----------------|------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| | \$42,800 | \$42,800 | \$4,708 | \$4,708 | - | - |

No termination benefit or share based payments were received by any Officer this year.

The Officeholders received no 'non cash' benefits (2018: \$nil). No Officeholder of the Union during the year and/or the prior year had any material personal interest in a matter that he/she has or did acquire, or a relative of the Officeholder has or did acquire.

No Officeholder or Officer of the Union (this year or last year) received any remuneration in their own name because they were a member of, or held position with a Board or other Organisation because:-

- i) The Officeholder held such a position with the Board or other Organisation only because they were an Officeholder of the Union; or
- ii) They were nominated for the position by the Union; or
- iii) They received remuneration from any third party, in connection with the performance of their duties as an Officeholder of the Union.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019 (cont'd)

| | 2019 \$ | 2018 \$ |
|---|------------|------------|
| 10. Related Party Information (cont'd) | | |
| (f) Transactions between the national office and state branches: | | |
| (i) Per capita Contributions | | |
| Victorian Branch | 260,376 | 175,200 |
| Western Australia | 15,200 | 15,710 |
| New South Wales Branch | 54,531 | 112,022 |
| ACT Branch | - | - |
| Queensland Branch | 77,891 | 153,432 |
| Total | 407,998 | 456,364 |
| (ii) Other Levies (Voluntary or Compulsory) | | |
| Victorian Branch | - | - |
| Western Australia | - | - |
| New South Wales Branch | - | - |
| ACT Branch | - | - |
| Queensland Branch | - | - |
| Total | - | - |
| (iii) Amounts receivable/(payable) at reporting date – other branches | | |
| Victoria Branch | 827,802 | 818,636 |
| Western Australia Branch | 267,570 | 151,585 |
| New South Wales Branch | 59,984 | 63,224 |
| Queensland Branch | - | - |
| ACT Branch | - | - |
| | 1,155,356 | 1,033,445 |
| Balances Reconciliation- related entities | | |
| Victoria Branch | | |
| Carrying amount at beginning of the year | 818,636 | 750,917 |
| Per Capita Charge | 260,376 | 175,200 |
| Levy Charge | - | - |
| Other Charges | - | - |
| Receipts | (251,210) | (121,339) |
| Payments | - | 13,858 |
| Carrying amount at end of the year | 827,802 | 818,636 |
| Western Australia Branch | | |
| Carrying amount at beginning of the year | 151,585 | 69,502 |
| Per Capita Charge | 15,200 | 15,710 |
| Levy Charge | - | - |
| Loan advanced/(Receipts) | 100,785 | 66,373 |
| Carrying amount at end of the year | 267,570 | 151,585 |
| New South Wales Branch | | |
| Carrying amount at beginning of the year | 63,224 | 185,682 |
| Per Capita Charge | 54,531 | 112,022 |
| Levy Charge | - | - |
| Payments | - | 8,360 |
| Receipts | (57,771) | (242,840) |
| Carrying amount at end of the year | 59,984 | 63,224 |

FOR THE YEAR ENDED 30 JUNE 2019 (cont'd)

10. Related Party Information (cont'd)

| | 2019 | 2018 |
|--|-------------|-------------|
| | \$ | \$ |
| Queensland Branch | | |
| Carrying amount at beginning of the year | - | 146,519 |
| Per Capita Charge | 77,891 | 153,432 |
| Levy Charge | - | - |
| Payments | - | 1,559 |
| Receipts | (77,891) | (301,510) |
| Carrying amount at end of the year | <u>-</u> | <u>-</u> |
| ACT Branch | | |
| Carrying amount at beginning of the year | | - |
| Loan advanced | - | - |
| Per Capita Charge | - | - |
| Levy Charge | - | - |
| Loan forgiveness | - | - |
| Carrying amount at end of the year | <u>-</u> | <u>-</u> |

Included in total payables is an amount of \$19,716 owing to CEPU National Office and \$154 payable to CEPU Communications Division. The former arises comes from affiliations, the latter being reimbursement of payroll tax.

11. Auditor's Remuneration

| | | |
|---------------------------|---------------|---------------|
| Audit of financial report | 5,500 | 7,000 |
| Other services | 5,600 | 12,600 |
| | <u>11,100</u> | <u>19,600</u> |

12. Donations

| | | |
|---------------------|----------------|---------------|
| Political Party | 105,000 | 12,000 |
| Non Political Party | 6,000 | 6,000 |
| | <u>111,000</u> | <u>18,000</u> |
| Donations > \$1,000 | 111,000 | 18,000 |
| Donations < \$1,000 | - | - |
| | <u>111,000</u> | <u>18,000</u> |

13. Campaign Expenses

| | | |
|--|----------|----------|
| Contribution to Trade Union Industrial Campaign Fund | - | - |
| Contribution to Political Parties | - | - |
| | <u>-</u> | <u>-</u> |

14. Management Fees

| | | |
|--|----------|----------|
| Amount paid to Victorian Branch for secondment of Official | <u>-</u> | <u>-</u> |
|--|----------|----------|

15. General Fund

| | | |
|---------------------------------------|------------------|------------------|
| Retained Surplus at beginning of year | 1,190,705 | 1,140,662 |
| Net Profit/(Loss) | 51,903 | 50,043 |
| Retained Surplus at end of year | <u>1,242,608</u> | <u>1,190,705</u> |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019 (cont'd)

16. Financial Instruments

The Union's financial instruments consist mainly of cash at bank, accounts receivable and payable and loans. The overall risk management strategy seeks to assist the Union in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

The main purpose is to raise finance for the Union operations. The Union does not have any derivatives instruments at 30 June 2019 and is not exposed to foreign currencies fluctuations.

(a) Credit Risk

The Union's maximum exposure to credit risk at balance date in relation to each class recognised financial assets is the carrying amount of those assets as indicated in the Statement of Financial Position.

| | 2019 Not Due Not Impaired \$ | 2019 Past Due or Impaired \$ | 2018 Not Due Not Impaired \$ | 2018 Past Due or Impaired \$ |
|---|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| Advances and per capita amounts due by branches | 1,155,356 | - | 1,033,445 | - |
| | 1,155,356 | - | 1,033,445 | - |

These amounts are owing by related entities. They are not secured but are considered a low credit risk based on experience of repayment.

(b) Interest rate risk

The Union's maximum exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised are as follows:

| <u>Financial Instruments</u> | <u>Non-interest bearing</u> | | <u>Floating interest rate</u> | | <u>Total</u> | |
|------------------------------|-----------------------------|------------|-------------------------------|------------|--------------|------------|
| | 2019 \$ | 2018 \$ | 2019 \$ | 2018 \$ | 2019 \$ | 2018 \$ |
| (i) Financial Assets | | | | | | |
| Cash and Bank deposits | - | - | 170,739 | 234,162 | 170,739 | 234,162 |
| Receivables | 1,155,356 | 1,033,445 | - | - | 1,155,356 | 1,033,445 |
| Total financial assets | 1,155,356 | 1,033,445 | 170,739 | 234,162 | 1,326,095 | 1,267,607 |
| (ii) Financial liabilities | | | | | | |
| Accounts Payable | 60,337 | 85,063 | - | - | 60,337 | 85,063 |
| Total Financial liabilities | 60,337 | 85,063 | - | - | 60,337 | 85,063 |
| Net financial Assets | 1,095,019 | 948,382 | 170,739 | 234,162 | 1,265,758 | 1,182,544 |

(iii) Weighted average interest rate of financial assets and liabilities above:

| | 2019 | 2018 |
|------------------------|-------|-------|
| Cash and Bank Deposits | 0.01% | 0.01% |

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019 (cont'd)**

(c) Net fair values

The net fair values of the Union's financial assets and financial liabilities are not expected to be significantly different from each class of asset and liability as disclosed above and recognised in the Statement of Financial Position as at 30 June 2019.

(d) Sensitivity Analysis

Sensitivity analysis in market interest rates on the Union is as follows;

| Increase/(Decrease) | Impact on surplus and equity | |
|---------------------|------------------------------|------------|
| | 2019 \$ | 2018 \$ |
| 1% | 1,707 | 2,341 |
| (1%) | (1,707) | (2,341) |

(e) Liquidity Risk

All financial liabilities are due and payable within 1 year. The entity manages liquidity risk by review of cash projections, cash commitments and other operating commitments in Committee of Management meetings.

17. Recovery of Wages Activity

The Union has not undertaken recovery of wages activity nor has it derived revenues for the financial year in respect of such activity.

18. Fair Value Measurement

The Union measures and recognises the following assets and liabilities at fair value on a recurring basis after initial recognition:

- financial assets at fair value through profit or loss;
- available-for-sale financial assets; and
- freehold land and buildings.

The Union does not subsequently measure any liabilities at fair value on a recurring basis, or any assets or liabilities at fair value on a non-recurring basis.

a. Fair Value Hierarchy

AASB 13: Fair Value Measurement requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

| Level 1 | Level 2 | Level 3 |
|--|--|---|
| Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. | Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. | Measurements based on unobservable inputs for the asset or liability. |

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

FOR THE YEAR ENDED 30 JUNE 2019 (cont'd)

18. Fair Value Measurement (cont'd)

a. Fair Value Hierarchy (cont'd)

Valuation techniques

The Union selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Union are consistent with one or more of the following valuation approaches:-

- Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities/
- Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
- Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Union gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

The following tables provide the fair values of the Union's assets and liabilities measured and recognised on a recurring basis after initial recognition and their categorisation with the fair value hierarchy.

| | 30 June 2019 | | | |
|--|--------------|---------|---------|-------|
| | Level 1 | Level 2 | Level 3 | Total |
| | \$ | \$ | \$ | \$ |
| Recurring fair value measurements | | | | |
| <i>Financial assets</i> | - | - | - | - |
| Financial assets at fair value through profit and loss: | - | - | - | - |
| Total financial assets recognised at fair value | - | - | - | - |
| <i>Non-financial assets</i> | | | | |
| Freehold land & buildings | - | - | - | - |
| Total non-financial assets recognised at fair value | - | - | - | - |

FOR THE YEAR ENDED 30 JUNE 2019 (cont'd)

18. Fair Value Measurement (cont'd)

| | 30 June 2018 | | | |
|--|--------------|---------|---------|-------|
| | Level 1 | Level 2 | Level 3 | Total |
| | \$ | \$ | \$ | \$ |
| Recurring fair value measurements | | | | |
| <i>Financial assets</i> | - | - | - | - |
| Financial assets at fair value through profit and loss: | - | - | - | - |
| Total financial assets recognised at fair value | - | - | - | - |
| <i>Non-financial assets</i> | | | | |
| Freehold land & buildings | - | - | - | - |
| Total non-financial assets recognised at fair value | - | - | - | - |

b. Valuation Techniques and Inputs Used to Measure Level 2 Fair Values

| Description | Fair Value at 30 June 2019 & 30 June 2018 \$ | Valuation Technique(s) | Inputs Used |
|--|---|---|---|
| <i>Financial assets</i> | | | |
| Financial assets at fair value through profit or loss: | - | Market approach: valuation techniques that reflect prices and other relevant information generated by market transactions for identical or similar assets | Market unit price |
| <i>Non-financial assets</i> | | | |
| Financial assets at fair value | - | Market approach: valuation techniques that reflect the current equivalent market price of an asset at its current service capacity | Price per square metre, market borrowing rate |

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018 (cont'd)**

18 Fair Value Measurement (cont'd)

c. Disclosed Fair Value Measurements

The following assets and liabilities are not measured at fair value in the Statement of Financial Position, but their fair values are disclosed in the notes:-

- accounts receivable and other debtors; and
- accounts payable and other payables.

The following table provides the level of the fair value hierarchy within which the disclosed fair value measurements are categorised in their entirety and a description of the valuation techniques(s) and inputs used:

| Description | Fair Value at Hierarchy Level | Valuation Technique(s) | Inputs Used |
|---------------------------------------|-------------------------------|--|--|
| <i>Assets</i> | | | |
| Accounts receivable and other debtors | 3 | Income approach using discounted cash flow methodology | Market interest rates for similar assets |
| | | | |
| Description | Fair Value at Hierarchy Level | Valuation Technique(s) | Inputs Used |
| <i>Liabilities</i> | | | |
| Accounts payable and other payables | 3 | Income approach using discounted cash flow methodology | Market interest rates for similar assets |

19 Commitments

Capital expenditure commitments - \$nil (2018 : \$nil).

20 Contingent Liability or Assets

There was no contingent liability or assets at 30 June 2019 (2018: \$nil)

21 Segment Reporting

The Union provides services to Members employed in executing plumbing, gas fitting, pipe fittings and domestic engineering works.

22 Expenses – Financial Affairs Administered by Other Entities

For the financial year ended 30 June 2019, no external costs were paid for administration of the Union's financial affairs by other entities.

23 Union's Details

The principal place of business of the branch is:

52 Victoria Street
CARLTON SOUTH VIC 3053

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018 (cont'd)**

24 Other Disclosures

The Union did not receive financial support from any other reporting unit during the year. Except as disclosed in the Statement of Profit and Loss, there were no expenses or allowances in connection with holding meetings of members of the Union and any conferences or meetings of councils, committees, panels or other bodies for the holding of which the Union was wholly or partly responsible.

There were no payables to employers as consideration for the employers making payroll deductions of membership subscriptions at reporting date, nor payables for any legal services at reporting date (except as disclosed in Note 8),

The Union did not receive periodic or membership subscriptions (2018 :\$nil).

The Union did not make a payment to a former related party during the year (2018 :\$nil).

No fees or allowances were paid to persons to attend conferences or meetings as a representative of the Union.

Acquisition of assets and or liabilities that do not constitute a business combination

The Union did not acquire an asset or liability due to an amalgamation under Part 2 of Chapter 3 of the RO Act, or a restructure of the branches of the organisation, or a determination or revocation by the General Manager of the Fair Work Commission under subsections 245(1) or 249(1) of the RO Act.

25 Subsequent Events

There were no subsequent events of significance after the reporting date.

DIVISIONAL COUNCIL STATEMENT

On the 28th Aug of 2019, the Divisional Council of the Communications, Electrical, Electronic, Energy, Information, Postal, Plumbing and Allied Services Union of Australia, Plumbing Division – National Office passed the following resolution in relation to the general purpose financial report of the reporting unit for the financial year ended 30 June 2019.

The Divisional Executive declares in relation to the GPFR that in its opinion:

- (a) the financial statements and notes comply with the Reporting Guidelines and Part 3 of Chapter 8 of the *Fair Work (Registered Organisations) Act 2009* and Australian Accounting Standards;
- (b) the financial statements and notes give a true and fair view of the financial performance, financial position and cash flows of the reporting unit for the financial year to which they relate;
- (c) there are reasonable grounds to believe that the reporting unit will be able to pay its debts as and when they become due and payable;
- (d) during the financial year to which the general purpose financial report relates and since the end of that year:
 - i) meetings of the Division Council were held in accordance with the rules of the Organisation including the rules of a branch concerned;
 - ii) the financial affairs of the reporting unit have been managed in accordance with the rules of the Organisation including the rules of a branch concerned;
 - iii) the financial records of the reporting unit have been kept and maintained in accordance with the *Fair Work (Registered Organisations) Act 2009*, and the *Fair Work (Registered Organisations) Regulations 2009*;
 - iv) the information sought in any request of a Member of the reporting unit or the Commissioner, duly made under section 272 of the *Fair Work (Registered Organisations) Act 2009* has been furnished to the Member or Commissioner;
 - v) the financial records of the reporting unit have been kept, as far as practicable, in a consistent manner to each of the other reporting units of the Organisation; and
 - vi) there have been no orders for inspection of financial records made by Fair Work Commission under section 273 of the *Fair Work (Registered Organisations) Act 2009* during the period.

For the Divisional Council

.....
Earl Sotv

Dated this 28th day of Aug 2019

AUDITOR'S INDEPENDENCE DECLARATION

TO THE COMMITTEE OF MANAGEMENT OF COMMUNICATIONS, ELECTRICAL, ELECTRONIC, ENERGY, INFORMATION, POSTAL, PLUMBING AND ALLIED SERVICES UNION OF AUSTRALIA PLUMBING DIVISION – NATIONAL OFFICE

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2019 there have been:-

- (i) no contraventions of the auditor independence requirements in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Stannards Accountants & Advisors

Stannards Accountants and Advisors



MB Shulman
Registered Current Company Auditor (163888)
Holder of Current Public Practice Certificate
Approved Auditor (FWC Act and Regulations- AA2017/45)

Date this 28..... day of August..... 2019

INDEPENDENT AUDIT REPORT

To the Members of Communications, Electrical, Electronic, Energy, Information, Postal, Plumbing and Allied Services Union of Australia Plumbing Division – National Office (Union)

Report on the Audit of the Financial Report

Auditor's Opinion

We have audited the accompanying general purpose financial report of the Union, which comprises the statement of financial position as at 30 June, 2019, and the Statement of Profit and Loss, Statement of Comprehensive Income, Statement of Cash Flows, Statement of Changes in Equity for the year then ended, a summary of significant accounting policies, other explanatory notes, the Committee of Management Statement, the Subsection 255(2A) report and the Officer Declaration Statement.

In our opinion under the *Fair Work (Registered Organisations) Act 2009*, the general purpose financial report is presented fairly in accordance with any of the following that apply in relation to the reporting unit:

- a) Australian Accounting Standards, and Australian Accounting Interpretations;
- b) Any other requirements imposed by the Reporting Guidelines or Part 3 of Chapter 8 of the *Fair Work (Registered Organisations) Act 2009*.

In our opinion, there were kept by the Organisation satisfactory accounting records detailing the source and nature of all income and the nature of all expenditure.

As part of our audit of the Organisation for the year ended 30 June 2019, we are of the opinion that the Committee of Management's use of the going concern basis of accounting in the preparation of its financial statements is appropriate.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibility under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Union in accordance with the independence requirements of the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other responsibilities in accordance with the Code.

We confirm that the independence declaration by which has been given to the Committee of Management, would be in the same terms if given to the Committee as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Information Other than the Financial Report and Auditor's Report Thereon

The Committee of Management is responsible for the other information. The other information obtained at the date of this auditor's report is in the Operating Report accompanying the financial report.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDIT REPORT (Cont'd)

Committee of Management Responsibility for the Financial Report

The Committee of Management is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the Reporting Guidelines of the Commissioner, Registered Organisations Commission. This responsibility includes establishing and maintaining internal controls relevant to the preparation and true and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making estimates that are responsible in the circumstances.

In preparing the financial report, the Committee of Management is responsible for assessing the Union's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Committee of Management either intends to liquidate the Union or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Union's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the auditing in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Union's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Committee of Management.
- Conclude on the appropriateness of the Committee of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Union's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Union to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the business activities within the Union to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Union audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDIT REPORT (Cont'd)

We communicate with the Committee of Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Committee of Management with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Committee of Management, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We can describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: <http://www.auasb.gov.au/Home.aspx>.

No revenue has been derived from undertaking recovery of wages activity during the 2019 financial year.

I declare that I am an auditor registered under the RO Act.

Stannards Accountants & Advisors

Stannards Accountants and Advisors



Michael Shulman

Registered Company Auditor (163888)

Holder of Current Public Practice Certificate

Approved Auditor (FWC Act and Regulations – AA2017/45)

Dated: 28 August 2019



2 July 2019

Earl Setches

Divisional Secretary / Fed Vice President

Communications, Electrical, Electronic, Energy, Information, Postal, Plumbing and Allied Services

Union of Australia - Plumbing Division

Sent via email: info@pteu.asn.au

Dear Earl Setches,

Re: Lodgement of Financial Report - FR2019/209
Fair Work (Registered Organisations) Act 2009 (the RO Act)

The financial year of the Communications, Electrical, Electronic, Energy, Information, Postal, Plumbing and Allied Services Union of Australia - Plumbing Division (the reporting unit) ended on 30 June 2019. This is a courtesy letter to remind you of the reporting unit's obligations regarding financial reporting.

Loans Grants and Donations Statement

The reporting unit is required to lodge a statement showing the relevant particulars in relation to each loan, grant or donation of an amount exceeding \$1,000 for the reporting unit during its financial year. Section 237 of the RO Act requires this statement to be lodged with the Registered Organisations Commission (the ROC) within 90 days of the end of the reporting unit's financial year, that is on or before 28 September 2019.

The attached fact sheet *Loans Grants and Donations* (FS 009) summarises the requirements of the Loans Grants and Donations Statement. A sample statement of loans, grants or donations is available on our [website](#).

It should be noted that s.237 is a civil penalty provision. If a loan, grant or donation over \$1000 has been made, failure to lodge a statement of loans, grants and donations (including failure to lodge on time) may result in legal proceedings being issued with the possibility of a pecuniary penalty (up to \$105,000 for each contravention for a body corporate and up to \$21,000 for each contravention for an individual) being imposed upon your organisation and/or an officer whose conduct led to the contravention.

Financial report

The RO Act sets out a particular chronological order in which your financial report must be prepared, audited, provided to members, presented to a meeting and then lodged with the ROC. The attached document *Summary of Financial Reporting timelines* (FS 008) summarises these requirements.

We emphasise that the reporting unit is required to present its audited financial report to a meeting (either of members or of the committee of management, depending on your rules) no later than 31 December 2019 (s.266). The full financial report must be lodged with the ROC within 14 days of that meeting (s.268).

When assessing your financial report, we will continue to focus closely on timelines as well as how loans, grants and donations are reported. The financial report must break down the amounts of

grants and donations and these figures will be compared to the loans, grants and donations statement (see attached *Loans Grants and Donations* fact sheet FS 009).

You can visit our website for more information regarding [financial reporting](#), and fact sheets regarding [financial reporting processes and requirements](#). A model set of financial statements developed by the ROC is also available on our website. It is not obligatory to use this model but it is a useful resource to ensure compliance with the RO Act, the Reporting Guidelines and the Australian Accounting Standards.

It should be noted that s.268 of the RO Act is a civil penalty provision. Failure to lodge the full financial report (including failure to lodge on time) may result in legal proceedings being issued with the possibility of a pecuniary penalty (up to \$105,000 for each contravention for a body corporate and up to \$21,000 for each contravention for an individual) being imposed upon your organisation and/or an officer whose conduct led to the contravention (s.268).

Auditor's report

When assessing the financial report we will also focus on the structure and content of the auditor's report to ensure that it complies with the revisions made to the Auditing Standards which came into effect from 15 December 2016. Please find [here](#) a link to guidance note *Illustrative Auditor's Report* (GN 004) relating to these requirements (which can also be located on our website).

REMINDER

YOUR AUDITOR MUST BE REGISTERED (s.256)

You must ensure that your auditor is registered by the Registered Organisations Commissioner. A list of registered auditors is available on our [website](#).

Contact

Should you require any clarification in relation to the above, please email regorgs@roc.gov.au.

Yours faithfully,

Kylie Ngo

Registered Organisations Commission

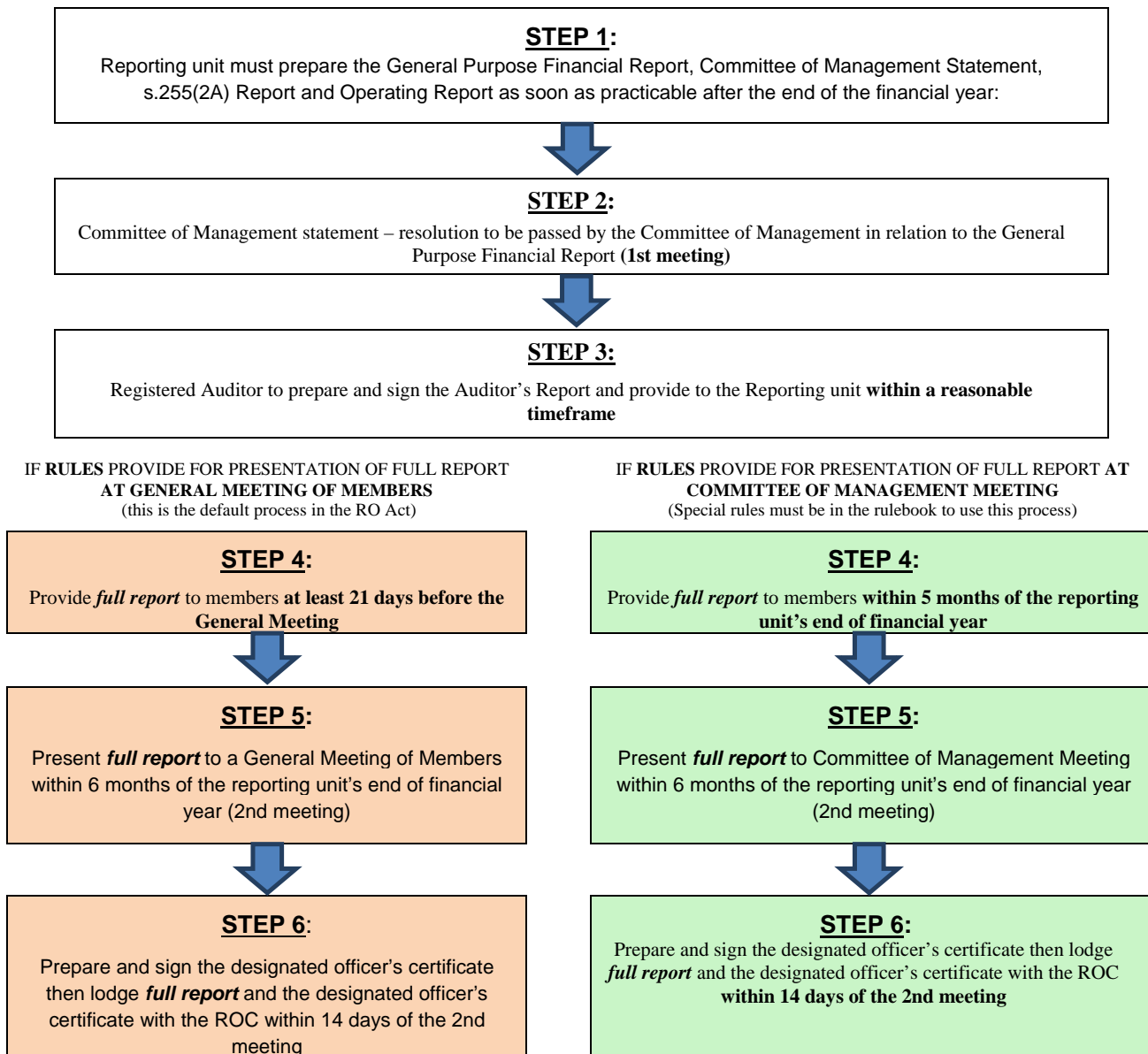


Fact sheet

Summary of financial reporting timelines – s.253 financial reports



















General Information:

- The **full report** consists of the General Purpose Financial Report, Committee of Management Statement, Operating report, s.255(2A) Report and signed Auditors' Report
- For an explanation of each of the steps below see our [Fact sheet—financial reporting process](#).



Misconceptions

Over the years, staff of the Commission have noted that there are some common misunderstandings made in relation to the Financial Reporting Process. They include:

| Misconception | Requirement |
|--|---|
|  The Committee of Management statement is just copied from the Reporting Guidelines |  The Committee of Management statement must have the date of the Committee of Management resolution recorded upon it and it must be signed and dated BEFORE the auditor signs their report Further, if any of the statements within it need to be modified to suit the reporting unit (for instance not holding meetings) these changes must also be made |
|  The Auditor's Report does not need to be signed until just before it is lodged with the ROC |  The Auditor's Report must be signed and dated BEFORE the full report (including the Auditor's Report) is sent to members and presented to the second meeting |
|  The Designated Officer's Certificate must be signed before the report is sent to members |  The Designated Officer's Certificate declares what the reporting unit HAS ALREADY DONE to provide the report to members and present it to the meeting. It must be signed and dated AFTER sending the report to members and the second meeting |
|  Documents can be dated when they should have been signed or when the events in the document occurred |  Documents must always be dated at the date they are actually signed by an officer or auditor |
|  Any auditor can audit a financial report |  Only registered auditors can audit the financial report |
|  The Committee of Management statement can be signed at any time |  The resolution passing the Committee of Management Statement must occur and the statement signed and dated BEFORE the auditor's report is signed and dated |
|  Any reporting unit can present the Full Report to a second COM meeting |  Only reporting units with a 5% rule in their rulebook are able to present their report to a second Committee of Management Meeting. Otherwise, it must be presented to a General Meeting of members |
|  Everything can be done at one Committee of Management meeting |  If the rules allow for presenting the report to the Committee of Management, there must still be <u>two meetings</u> . The first meeting resolves the Committee of Management statement (including signing and dating it). Between the two meetings the Auditor's report is signed and dated. Only then can the full report be presented to the second Committee of Management meeting (if the rules allow) |
|  The reporting unit has 6 months and 14 days to lodge their financial report with the ROC |  The reporting unit must lodge the financial report within 14 days of the second meeting |

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This fact sheet is not intended to be comprehensive. It is designed to assist in gaining an understanding of the Registered Organisations Commission and its work. The Registered Organisations Commission does not provide legal advice.



Fact sheet

Loans, Grants & Donations

The Loans, Grants & Donations Requirements

The *Fair Work (Registered Organisations) Act 2009* (the RO Act) requires an organisation or branch to lodge a loans, grants and donations statement (the statement) within **90 days** of the ending of the financial year.

Under the Commissioner's Reporting Guidelines, a reporting unit's General Purpose Financial Report (the financial report) must break down the amounts of grants and donations (see below). The figures in the financial report will be compared to the loans, grants and donations statement.

The Loans, Grants & Donations Statement

Section 237 of the RO Act applies to every loan, grant and donation made by an organisation or branch during the financial year that exceeds \$1000. The following information must be supplied to the Registered Organisations Commission (the ROC) for each relevant loan, grant or donation:







- the amount,
- the purpose,
- the security (if it is a loan),
- the name and address of the person to whom it was made,* and
- the arrangements for repaying the loan.*

*The last two items are not required if the loan, grant or donation was made to relieve a member of the organisation (or their dependent) from severe financial hardship.

The statement must be lodged within 90 days of the end of the financial year and the ROC has a [Template Loans, Grants and Donations Statement](#) on its website. The ROC encourages branches and organisations to lodge the statement even if all of the figures are NIL.

Common misconceptions

Over the years, staff of the Commission have noted that there are some common misunderstandings made in relation to the Statement. They include:

| Misconception | Requirement |
|---|--|
|  Only reporting units must lodge the Statement. |  All branches and organisations, regardless of whether they lodge a financial report, must lodge the statement within 90 days of the end of the financial year. An organisation cannot lodge a single statement to cover all of its branches. |
|  Employees can sign the Statement. |  The statement must be signed by an elected officer of the relevant branch. |
|  Statements can be lodged with the financial report. |  The deadline for the statement is much shorter (90 days) and if it is lodged with the financial report it is likely to be late. |

Grants & Donations within the Financial Report

Item 14(e) of the Commissioner's Reporting Guidelines requires the reporting unit to separate the line items relating to grants and donations into grants or donations that were \$1000 or less and those that exceeded \$1000.

As such, the note in the financial report relating to grants and donations will have four lines.

In the [ROC's Model Statements](#) the note appears as follows:

Note 4E: Grants or donations*

| | 2017 | 2016 |
|--|----------|----------|
| Grants: | | |
| Total expensed that were \$1,000 or less | - | - |
| Total expensed that exceeded \$1,000 | - | - |
| Donations: | | |
| Total expensed that were \$1,000 or less | - | - |
| Total expensed that exceeded \$1,000 | - | - |
| Total grants or donations | - | - |

The Commissioner's Reporting Guidelines requires that these line items appear in the financial statements, the notes or in the officer's declaration statement, even if the figures are NIL.

Implications for filing the Financial Report

During their review of the financial report staff of the ROC may confirm that the figures in the financial report match the disclosures made in the statement. Any inconsistencies in these figures will be raised with the organisation or branch for explanation and action.

This may involve lodging an amended loans, grants or donations statement. Any failure to lodge a loans, grants or donations statement or lodging a statement that is false or misleading can attract civil penalties under the RO Act.

If a reporting unit did not fully comply with these requirements in their last financial report, its filing letter will have included a statement reminding the reporting unit of its obligations.

It is strongly recommended that all reporting units review their filing letters from the previous financial year to ensure any targeted concerns are addressed in their latest financial report. Failure to address these individual concerns may mean that a financial report cannot be filed.

Previous financial reports and filing letters are available from the website.

Further information

If you have any further questions relating to the loan, grant and donation disclosure requirements in the statement or the financial report, please contact the ROC on regorgs@roc.gov.au