



16 February 2017

Mr Chris Brown
National Secretary
Health Services Union (HSU)
Suite 408, 454 Collins Street
MELBOURNE VIC 3000

via email: chrisb@hsu.net.au
diana.asmar@hwu.org.au

Dear Mr Brown,

Health Services Union Victoria No. 1 Branch: financial reports for years ending 30 June 2008, 30 June 2009 and 30 June 2010

In recent years the Fair Work Commission (**the Commission**) and the Health Services Union (**HSU**) have been involved in discussions concerning the failure of the Victoria No. 1 Branch of the HSU to meet its financial reporting obligations under *the Fair Work (Registered Organisations) Act 2009 (RO Act)* for the financial years ending 30 June 2008, 30 June 2009 and 30 June 2010.

While the HSU and the Victoria No. 1 Branch have been the subject of historical adverse media reports related to financial governance processes, a range of circumstances relevant to the financial reports referred to above have occurred, including the following:

- The Victoria No. 1 Branch previously merged with the Victoria No. 5 Branch (January 2008).
- The Federal Court appointed an Administrator (August 2009) to the Branch on the basis of the Court's consideration that the Branch had ceased to function effectively. The Court declared all elected offices in the Branch vacant and ordered the election of all officers in the Branch.
- The Commission commenced Federal Court proceedings against the HSU and 3 of the former officer holders of the Victoria No. 1 Branch, Ms Pauline Fegan, Mr Jeff Jackson and Mr Shaun Hudson for contraventions under the RO Act in relation to the financial report for the years ending 30 June 2007 and 30 June 2008. Penalties were imposed on all respondents.
- New officer holders were appointed to the Branch in December 2009 however on 24 May 2010 the Victoria No. 1 Branch and the Victoria No. 2 Branches merged into the New South Wales Branch of the HSU. The New South Wales Branch was then renamed East Branch on this date and commenced operations. The Victoria No. 1 Branch ceased to exist on this date.
- Due to the well publicised adverse conduct of senior officer holders, the HSU East Branch was disbanded on 21 August 2012 pursuant to the Scheme made by Order of the Federal Court and the Victoria No. 1 Branch was reconstituted along with the New South Wales Branch and the Victoria No. 3 Branch.

As you are aware, the RO Act requires a reporting unit to lodge audited financial reports with the Commission within six months and 14 days of the end of its financial year. It is a requirement of the RO Act that:

- a General Purpose Financial Report (**GPFR**) and an operating report be prepared as soon as practicable after the end of the financial year (ss.253, 254);
- that the full report (consisting of the GPFR, operating report and auditor's report) be presented to a general meeting of members, or to a meeting of the branch Committee of Management, within six months after the end of the financial year (s.266); and
- a copy of the full report must be provided to members at least 21 days before the general meeting or if presented to a branch Committee of Management meeting within five months after the end of the financial year (s.265(5)).

The financial reports for the years ending 30 June 2008, 30 June 2009 and 30 June 2010 for the Victoria No. 1 Branch of the HSU were previously lodged with the Commission, however each were assessed as containing non-compliance issues relating to the statutory timeframes, statutory obligations or a failure to have been prepared in accordance with the Australian Accounting Standards. Part of the ongoing engagement between the Commission and the HSU has related to requests for further information from the Branch on these non-compliance issues and although some issues were addressed and rectified where possible, a range of issues remain unresolved.

The Commission's regulatory practice is to file financial reports when it is satisfied that the reports comply, or in some limited cases substantially comply, with the requirements of the RO Act, General Managers Reporting Guidelines and Australian Accounting Standards.

In summary, as a result of a broad range of circumstances and having regard to outstanding non-compliance issues, the financial reports relevant to the Victoria No. 1 Branch of the HSU for the years ending 30 June 2008, 30 June 2009 and 30 June 2010 have not previously been filed.

The Commission acknowledges that the ability of the Victoria No. 1 Branch to address these non-compliance issues has been limited by a range of factors including; the removal of the relevant office holders; the Branch ceasing to exist for a periods of time; access to financial records being limited due to various investigations and the circumstance of a previous auditor of the Victoria No. 1 Branch not providing further information in relation to an audit. These are matters which amount to limitations surrounding the capacity of the Branch to remedy the non-compliance within each above mentioned financial report

The standards set out in the RO Act are directed to ensuring that registered organisations are: accountable to their members; efficiently managed and operate effectively; and enable participation by members in the affairs of the organisation. Non-compliance by the Victoria No. 1 Branch with respect to financial reporting is a serious matter for a number of reasons, not least of all because it results in members of the Branch being unable to participate in the affairs of the organisation, contrary to the objects of the RO Act.

Officers of an organisation are also held to high standards and must comply with their general duties in relation to the financial management of the organisation. The failure by previous officials, including a previous Branch Secretary to comply with the relevant requirements and a lack of oversight by previous Committees of Management of the HSU Victoria No. 1 Branch, may also amount to contraventions of the general duties of officers as set out in Part 2 of Chapter 9 of the RO Act.

I acknowledge action taken by the current National Executive and the Victoria No. 1 Branch to ensure internal governance mechanisms are in place to ensure proper oversight of the HSU and all of its Branches. The financial report for the year ending 30 June 2013 for Victoria No. 1 Branch was filed by the Commission and disclosed the opening balances as per the Scheme agreed to on 21 August 2012. There are other no outstanding financial reports for the HSU Victoria No. 1 Branch.

As mentioned previously, it is also a relevant consideration that court proceeding against some of the former office holders of the Victoria No. 1 Branch and the HSU has occurred and penalties have been imposed regarding the financial report for the year ending 30 June 2008.

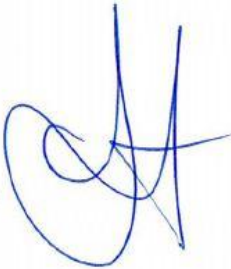
Having regard to these matters, I do not consider that it would be in the public interest to commence a formal investigation into the non-compliance issues relevant to the financial reports of the Victoria No. 1 Branch for the financial years ending 30 June 2008, 30 June 2009 and 30 June 2010.

Notwithstanding the non-compliance issues referred to above and having careful regard to all of the relevant circumstances, I advise that the Commission will close off the financial reports for the HSU Victoria No. 1 Branch for each of the financial years ending 30 June 2008, 30 June 2009 and 30 June 2010 with no further action.

However, the Commission will continue to monitor the compliance conduct of the Victoria No. 1 Branch of the HSU and take prompt and proportionate regulatory action in response to any further contraventions.

If you would like to discuss any aspect of the above, please contact me on 03) 8656 4680 or Ms Joanne Fenwick, Financial Reporting Specialist on 03) 8656 4681.

Yours Sincerely



Chris Enright

Director
Regulatory Compliance Branch
03 8661 7818
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chris.enright@fwc.gov.au

cc. Diana Asmar, Branch Secretary HSU Victoria No. 1 Branch

Our Ref: HSUVIC/0002

6 April 2010

Mr Terry Nassios
Delegate of the General Manager
Fair Work Australia
GPO Box 1994
MELBOURNE VIC 3001

Dear Sir

VICTORIA NO. 1 BRANCH OF THE HEALTH SERVICES UNION (HSU)

Further to your letter of 12 March 2010 and the enclosed correspondence thereto, we set out below our responses to your enquiries: -

1. ASA570 Going Concern

In respect of this matter, we note that: -

- We performed risk assessment procedures to determine whether any event or conditions existed casting doubt about HSU's ability to continue as a going concern for the foreseeable future, in particular, its capacity to realise its assets and pay its debts in the normal course of business;
- Such procedures included and were not limited to: -
 - i) Evaluating Management's and the Administrator's assessment of the 'going concern' assumption;
 - ii) Using our own professional judgement to determine and evaluate material uncertainties;
 - iii) Performing additional procedures as appropriate to assess in detail points i) and ii) above;
 - iv) Assessing financial report disclosures; and ultimately
 - v) Discussing our findings with Mr John Vines (appointed HSU administrator at the time of our audit), and other management (as appropriate).
- The loss of HSU in 2009 noted by you was \$1.3M (\$0.03M excluding legal fees). HSU despite that loss had a positive net asset position at 30 June 2009 of \$4.42M, generated positive operating cashflows and had in the past been profitable. Up to the date of our audit report, it



continued to pay its debts as and when they fell due. In addition, we noted during our audit that: -

- i) For the four months to 31 October 2009, HSU generated a small trading loss which accorded with budget;
 - ii) HSU was in the process (now complete) of renegotiating its finances with the National Australia Bank based upon the market value of its property, to enhance operating cashflows;
 - iii) The Administrator (at the date of our Audit Report) confirmed that he had completed his engagement, and 'management' of the entity was to return to its employees and the Committee of Management of HSU.
- Hence on the basis of the above, we concluded that there was sufficient appropriate audit evidence to support 'Management's' use of the going concern assumption in the preparation and presentation of HSU's 2009 financial report.
 - We believe we complied with ASA570 in that we obtained the necessary audit evidence for our conclusions. Such evidence, apart from factors already noted, also included:-
 - Evaluating HSU's cashflows and operating budget;
 - Obtaining representations from the Administrator; and
 - Obtaining representations from legal advisors of HSU.
 - We also note that the financial report discloses clearly the loss of HSU, the appointment of the Administrator and the abnormality of legal fees (which have culminated in the situation you refer to). We do acknowledge that disclosure of these matters in a specific note to the financial accounts may have been "better" disclosure, albeit they were each disclosed clearly and separately in the financial report. In light of our comments above, we reasonably believe that at the date of our audit report, HSU satisfied the 'going concern' assumption and that the issue of an unmodified audit report in respect of 'going concern' complied with ASA570. The financial strength of HSU and the Administrator's actions at the date of our audit report, precluded (in our view) any further disclosure being necessary in HSU's financial report (albeit, we understand that 'going concern' analysis and disclosure thereto is subjective in nature).

2. ASA550 Related Parties

In respect of this matter, we note that: -

- Through a combination of observation, enquiry, reperformance and verification procedures, we sought to identify all related parties and the nature and amount of related party transactions of HSU for the 2009 financial year. These procedures included discussions with the Administrator, Management and legal advisors of HSU, review of accounting documentation of the organisation, review of a report prepared by Pitchers Partners in 2008, and review of minutes of the Committee of Management, our objective being to ensure the financial report of HSU was fairly presented;
- In this regard, the financial report discloses: -
 - i) The names of all Committee of Management members during the year; and
 - ii) Details of all related parties transactions of which we became aware (in light of the procedures noted above).



Specifically, we note that: -

- Ms Teagan is disclosed in the operating report as a committee member (i.e. this was her relationship to HSU). Details of the transactions in which she had an interest are set out in the Financial Report (i.e. the quantum of the same). Our audit report notes that we could not confirm whether they were authorised and/or commercial in nature, hence we believe that the audit qualification was appropriate;
- The disclosure regarding the legal proceedings (in note 10) was to our knowledge accurate at the date the audit report was prepared. Further details regarding these proceedings would have been made, had information been available at the date of our report. We understand that the nature of the legal proceedings was known by all relevant parties. We also note that we sought professional advice in relation to the necessary disclosures;
- To our knowledge, the \$15,000 you refer to owing by Mr Jackson was not recorded at 30 June 2009; that is, no debit balance existed at 30 June 2009. All disclosures in the financial report were reviewed by the Administrator and HSU Management prior to the financial report being authorised. We were not in fact aware that a Deed of Agreement had been executed. Had we been aware, this matter (as you have noted), would have been disclosed at Note 12 of the financial report. We do however believe that qualification paragraph (b) of our audit report does in fact cover this and other matters that could not be identified from our audit.
- On the basis of the above, we believe we have complied with the provisions of ASA550, that is, where possible, we have identified, documented and assessed related parties and transactions thereto for the 2009 year. We do not believe there was any intentional non-disclosure of such parties or transactions during the year by the Administrator and/or HSU Management.

3. ASA505 Litigation & Claims

In respect of this matter, we note that: -

- We discussed all known legal matters with the Administrator and Management of HSU, and obtained further evidence through our detailed review of legal invoices, legal correspondence and representations from HSU lawyers;
- We believe all legal fees owing at the reporting date were accrued for by HSU. We note, however, that at the date of the financial report, the financial impact of the contingencies disclosed in Note 10 could not be accurately assessed and that any estimate of the same may in fact have been misleading;
- Hence, based on the above and legal advice regarding the complexity of counterclaims that were occurring, the disclosure of such matters collectively (as set out in Note 10) was considered most appropriate in terms of providing useful information to financial report users.

We believe that all possible information regarding litigation was incorporated into the financial report. We also note that the operating performance of the organisation was qualified in respect of the 2009 year by us. We reasonably believe we have complied with the provisions of ASA505.

4. ASA560 Subsequent Events

On the basis that the Committee of Management statement in the Financial Report refers to the appointment of an Administrator, as does the operating report, we believe that disclosure of this subsequent event was sufficient. Having said this, we acknowledge your comments that a separate note would have been 'better' disclosure. We do however believe that we undertook all necessary



audit procedures and obtained sufficient appropriate audit evidence to ensure compliance in full with ASA560.

5. ASA701 Modifications to the Auditor Report

We believe paragraph (a) of our qualification is satisfactory given its reference to related party transactions. We do however concur, that reference to AASB124 would have been better disclosure. However, the key reason for the qualification was that we could not confirm the commerciality and authorisation of the transactions, which was clearly disclosed in that paragraph. We also advise that to our knowledge, the Expert's Report, was made available to the Committee of Management and that communication of its contents had occurred to HSU members.

Qualification paragraphs (b) and (c) of our Audit Report represent 'scope limitations', hence an 'exception' opinion was issued in respect of both matters, in accordance with ASA701, paragraph 22. We believe the disclosures in the audit report of these scope limitations were appropriate in terms of HSU's members obtaining an understanding of the issues and their impact on the financial report.

6. ASA315 / ASA330

In respect of the Pitcher Partners ("Expert's") report, we advise that: -

- At qualification paragraph (a) of our Audit Report, we made reference to being unable to confirm the veracity of certain transactions (i.e. a limitation of scope qualification was issued);
- At qualification paragraph (b) of our Audit Report, we also made reference to our inability to quantify and confirm the veracity of classes of expenditure (which were detailed in the Expert's Report that to our knowledge was provided to the Branch Committee): A "limitation of scope" qualification again was issued;
- At qualification paragraph (c), again a 'limitation of scope' paragraph was issued;
- As part of our audit of HSU for the 2009 year, we performed and documented risk assessment procedures, which included:-
 - i) Obtaining and documenting our understanding of the HSU control environment including its internal controls (this included assessment of staff competence, management philosophies, human resource procedures and management participation in financial reporting).
 - ii) Assessing governance and management of the entity;
 - iii) Assessing (through observation and enquiry) the effective operation of the internal control environment; and
 - iv) Assessing the risks of material misstatement in view of the above.

Factors considered also included:-

- The industry and regulatory environment in which HSU operates;
- The selection and application of accounting policies by HSU;
- The objectives and business strategies (which were being promulgated by the Administrator);
- Classes of transactions undertaken by HSU, including related accounting records;



- Communication and enquiries with the Administrator and Management of HSU;
- Assessing the risks of fraud;
- Assessment of transaction complexity; and
- Reviewing externally sourced information (e.g. from legal advisors)

The Expert's report (which was re-tested by us), in conjunction with the above, confirmed an inadequate control environment (hence we increased the scope of our substantive verification work and utilised our most senior staff on the engagement to minimise 'non-detection' of misstatement at the 'assertion' level).

In light of the qualification paragraphs of our Audit Report being 'limitation of scope' paragraphs, and our adoption of ASA315 and ASA330 noted above, we reasonably believe we complied with both pronouncements in the conduct of our audit.

We note that in addition to our Audit Report qualifications, a management letter was issued to HSU (which can be made available if you deem it necessary).

7. Conclusion

We would be pleased to discuss the contents of our response letter at your convenience (either by conference call or direct meeting). We believe we have complied with Section 257 of the RO Act in relation to our 2009 audit of HSU, albeit, we acknowledge the complexity and subjectivity of the issues you have noted.

We also note that we would be pleased to discuss how our audits of HSU and 'like-organisations' can be improved in 2010 to meet the requirements of the RO Act (e.g. our firm would be pleased to attend any training sessions you could offer in this regard and/or we would be pleased to provide our own 'database' information on HSU and like-organisations directly to you).

Yours faithfully

Michael Shulman
Partner

encl



FAIR WORK
AUSTRALIA

12 March 2010

Mr Marco Bolano
Secretary
Victoria No.1 Branch
Health services Union
208-212 Park Street
SOUTH MELBOURNE VIC 3205

By email: marco.bolano@hsuvic.asn.au

Dear Mr Bolano,

Financial Report for year ended 30 June 2009 – FR2009/10095

General Manager Inquiry - Victoria No 1 Branch of the Health Services Union - FR2009/201 s.330 of the Fair Work (Registered Organisations) Act 2009

I acknowledge receipt of your letter dated 12 February 2010 in response to our letter of 7 January 2010 regarding the financial report for the year ended 30 June 2009.

You have sought my advice and clarification regarding a number of issues. In light of your response, I will be initially seeking an explanation from the Branch's auditor, Mr Michael Shulman of Stannards Accountants and Advisors regarding a number of matters raised in the financial report. I have therefore written to Mr Shulman and enclose a copy of that letter for your information.

Statement of Loans, Grant and Donations

You state in your letter of 12 February 2010 that you are preparing a Statement of Loans, Grants and Donations under section 237 of the *Fair Work (Registered Organisations) Act 2009* and that you 'will have these lodged immediately'. Given that a month has now passed since the date of your letter, you are requested to lodge the Statement of Loans, Grants and Donations without further delay.

If you have any queries regarding the above matters please contact Ailsa Carruthers on (03) 8661 7767 or at ailsa.carruthers@fwa.gov.au.

Yours sincerely,

Terry Nassios
Delegate of the General Manager
Fair Work Australia



FAIR WORK
AUSTRALIA

12 March 2010

Mr Michael Shulman
Stannards Accountants and Advisors
Level 1
60 Toorak Road
SOUTH YARRA VIC 3141

By email: advisors@stannards.com.au

Dear Mr Shulman,

**Victoria No.1 Branch of the Health Services Union
Financial Report for year ended 30 June 2009 – FR2009/10095**

**General Manager Inquiry – Victoria No1 Branch of the Health Services Union – FR2009/201
s.330 of the Fair Work (Registered Organisations) Act 2009**

On 23 November 2009 the financial report of the Victoria No.1 Branch of the Health Services Union (**the Branch**) for the year ended 30 June 2009 was lodged with Fair Work Australia (**FWA**). The financial report contained an auditor's report that you had signed on 16 November 2009.

FWA is currently making inquiries under section 330 of the *Fair Work (Registered Organisations) Act 2009 (the RO Act)*. Those inquiries concern whether Part 3 of Chapter 8 of the RO Act, the reporting guidelines made under that Part, regulations made for the purposes of that Part, or the Health Services Union (**HSU**) rules relating to its finances or financial administration have been, or are being, complied with by the Branch, as well as by current and former officers and employees of the Branch. The scope of my inquiries includes the Branch's internal accounting processes and resources, preparation of financial reports by, or on behalf of, the Branch, the appointment of auditors of the Branch and the audit process that has been adopted by those auditors. The General Manager has delegated me the power conferred by section 330 of the RO Act.

On 7 January 2010 FWA sent a letter to the Branch regarding various reporting issues with respect to the financial report for the year ended 30 June 2009. FWA received a letter in reply from the Branch Secretary, Mr Marco Bolano, dated 12 February 2010. A copy of both of those letters is attached for your information. I understand from Mr Bolano's letter that he has discussed these matters with you.

Our review of the financial report has also raised a number of issues with respect to your audit regarding which we seek your comments or explanation. You are requested to respond by Monday, 22 March 2010.

I note that the accounts refer to the requirements of Schedule 1 to the *Workplace Relations Act 1996 (RAO Schedule)*. With legislative changes that commenced on 1 July 2009, financial reporting obligations that were previously set out in the RAO Schedule now appear in the RO Act, although section numbering remains the same. This letter will refer to section numbers

of the RO Act but, unless otherwise stated, the requirements of that section remain the same as under the RAO Schedule.

LEGISLATIVE FRAMEWORK

Section 257 of the RO Act sets out the powers and duties of auditors and provides, amongst other things, that:

257 Powers and duties of auditors...

(5) An auditor must, in his or her report, state whether in the auditor's opinion the general purpose financial report is presented fairly in accordance with any of the following that apply in relation to the reporting unit:

- (a) the Australian Accounting Standards;*
- (b) any other requirements imposed by this Part.*

If not of that opinion, the auditor's report must say why.

(6) If the auditor is of the opinion that the general purpose financial report does not so comply, the auditor's report must, to the extent it is practicable to do so, quantify the effect that non compliance has on the general purpose financial report. If it is not practicable to quantify the effect fully, the report must say why.

(7) The auditor's report must describe:

- (a) any defect or irregularity in the general purpose financial report; and*
- (b) any deficiency, failure or shortcoming in respect of the matters referred to in subsection (2) or section 252.*

(8) The form and content of the auditor's report must be in accordance with the Australian Auditing Standards.

...

(11) If:

- (a) the auditor suspects on reasonable grounds that there has been a breach of this Act or reporting guidelines; and*
- (b) the auditor is of the opinion that the matter cannot be adequately dealt with by comment in a report or by reporting the matter to the committee of management of the reporting unit;*

the auditor must immediately report the matter, in writing, to the General Manager.

Note: This subsection is a civil penalty provision (see section 305).

1. Australian Auditing Standard ASA 570 Going Concern

Australian Auditing Standard ASA 570 Going Concern outlines the auditor's responsibility in the audit of a financial report with respect to the going concern assumption used in the preparation of the financial report as follows:

- When planning and performing audit procedures and in evaluating the results thereof, the auditor shall consider the appropriateness of management's use of the going concern assumption in the preparation of the financial report (paragraph 5);

- The auditor shall enquire of management as to its knowledge of events or conditions and related business risks beyond the period of assessment used by management that may cast significant doubt on the entity's ability to continue as a going concern (paragraph 27);
- When events or conditions have been identified which may cast significant doubt on the entity's ability to continue as a going concern, the auditor shall:
 - a) review management's plans for future actions based on its going concern assessment;
 - b) gather sufficient appropriate audit evidence to confirm or dispel whether or not a material uncertainty exists through carrying out audit procedures considered necessary, including considering the effect of any plans of management and other mitigating factors; and
 - c) endeavour to obtain written representations from management regarding its plans for future action (paragraph 31).
- When consideration of mitigating factors, in particular management's plans, have had a significant effect upon the auditor in forming the opinion that the going concern basis is appropriate, the auditor shall specifically consider the adequacy of the disclosure of the following matters in the financial report:
 - a) the principal conditions which caused the auditor to question the going concern basis, including as appropriate, management's evaluation of their significance and possible effects; and
 - b) management's plans and other mitigating factors, including as appropriate, relevant prospective financial information.

If the disclosures considered necessary by the auditor are not made, the auditor shall express a qualified opinion on the basis of the lack of disclosure in accordance with ASA 701 Modifications to the Auditor's Report (Paragraph 36);

- If adequate disclosure is not made in the financial report, the auditor shall express a qualified or adverse opinion, as appropriate. The report shall include specific reference to the fact that there is a material uncertainty that may cast significant doubt about the entity's ability to continue as a going concern (Paragraph 41).

There are no disclosures in the financial report in respect of going concern. The financial report discloses a loss for the year and the balance sheet indicates that current liabilities are significantly in excess of current assets. The Operating Report (whilst not forming part of the general purpose financial report (**GPFR**)) states 'The operating result of the organisation for the year ended 30 June 2009 was a loss of \$1,306,350. This mainly arose from significant legal fees incurred by the organisation.' The Operating Report also states that 'there was continued abnormally high legal expenditure for the period to 17 August 2009 at which time an Administrator appointed by the Federal Court to manage the affairs of the union took up his appointment'. These matters appear to indicate that uncertainties existed in respect of the application of the going concern principle.

You are requested to explain your compliance with ASA 570 with respect to the above matters.

2. Australian Auditing Standard ASA 550 Related Parties.

Australian Auditing Standard ASA 550 Related Parties establishes mandatory requirements and provides explanatory guidance on the auditor's responsibilities and audit procedures regarding related parties and transactions with such parties, as follows:

The auditor shall perform audit procedures designed to:

- (a) obtain sufficient appropriate audit evidence regarding the:
 - (i) identification and
 - (ii) disclosure in accordance with the applicable financial reporting framework, by those charged with governance and management of related parties and the effect of related party transactions that are material to the financial report; and
- (b) reduce to an acceptably low level the risks of material misstatement in the financial report resulting from the existence of related parties and related party transactions. (Paragraph 5)

Note 13 of the financial report makes disclosures in respect of Related Parties. I have sought information from the Branch regarding whether these disclosures provide sufficient detail to meet the requirements of Australian Accounting Standard AASB 124. In doing so, I sought an explanation regarding three matters that appear to be related party transactions:

- 1) Note 12 of the GPFR discloses transactions to the value of \$34,812 with 'an entity related to Ms P Fegan'. Other than the value of those transactions, the report does not provide further information regarding the transactions and does not disclose the nature of the related party relationship.
- 2) Note 10 to the accounts states as follows:

Contingent Liability

Legal proceedings have been instituted for and against the Branch and its representatives in respect of various matters. The Branch has agreed to indemnify its representatives and members against any further liability arising from these actions. Should the decision in these actions be awarded against the Branch by any Court, damages and costs as determined by the Court would have to be paid by the Branch.

There is no disclosure in the GPFR of any related party transactions that relate to legal fees incurred by members of the Branch Committee of Management that are described in Note 10 and that are indemnified by the union.

- 3) A Deed of Agreement was executed on 30 June 2009 between the HSU and various members of the Branch's Committee of Management, including its then Secretary Mr Jeff Jackson. Clause 8 of that Deed provides that Mr Jackson shall repay \$15,000 to the Branch over a six month period from 30 June 2009. Even though it was outstanding as at 30 June 2009, there is no disclosure in the financial report of any transaction or outstanding balance of respect of the \$15,000.

I note that your auditor's report makes reference to an 'Expert Report' in which related party transactions are identified.

You are requested to explain your compliance with ASA 570 in the conduct of your audit and, in particular, to explain why the matters outlined above do not appear to have been identified.

3. Australian Auditing Standard ASA 508 Enquiries regarding Litigation and Claims.

Australian Auditing Standard ASA 508 Enquiries regarding Litigation and Claims sets out mandatory requirements on gaining sufficient appropriate audit evidence regarding legal matters affecting the entity, as follows:

- The auditor shall obtain sufficient appropriate audit evidence regarding:
 - (a) whether all material legal matters have been identified;
 - (b) the probability of any material revenue or expense arising from such matters and the estimated amount thereof; and
 - (c) the adequacy of the accounting treatment of such matters including their disclosure in the financial report (Paragraph 5)
- When legal matters have been identified or when the auditor believes they may exist, the auditor shall endeavour to obtain written representations from all lawyers with whom management has consulted on material legal matters (Paragraph 11)
- The auditor shall request management to prepare the representation letter to the entity's lawyers, with a request that the lawyers respond directly to the auditor. The auditor shall send the representation letter to the entity's lawyers (Paragraph 13)
- The auditor shall enquire of management about new legal matters referred to the entity's lawyers subsequent to the date of the request for a representation letter to the entity's lawyers and prior to signing the auditor's report (Paragraph 33)

The financial report identifies in Note 10 that a contingent liability exists with respect to legal proceedings. There is no description of the nature of each class of contingent liability or an estimate of any financial effect. Given the extent of legal proceedings with which the Branch and/or members of the Committee of Management have been involved, such disclosures could reasonably have been expected. In particular, information regarding the possible financial effect of the ongoing matters could reasonably have been expected.

You are requested to explain your compliance with ASA 508 in the conduct of your audit.

4. Australian Auditing Standard ASA 560 Subsequent Events

Australian Auditing Standard ASA 560 Subsequent Events requires the auditor to consider the effects of subsequent events on the financial report and the Audit Report as follows:

- The auditor shall perform audit procedures designed to obtain sufficient appropriate audit evidence that all events up to the date of the auditor's report that may require adjustment of, or disclosure in, the financial report have been identified (Paragraph 8);
- When the auditor becomes aware of events that materially affect the financial report, the auditor shall consider whether such events are properly accounted for and adequately disclosed in the financial report (Paragraph 12).

There are no such matters disclosed in the financial report. As stated above, the Operating Report states that 'there was continued abnormally high legal expenditure for the period to 17 August 2009 at which time an Administrator appointed by the Federal Court to manage the affairs of the union took up his appointment.' I note, however, that there is no disclosure on the face of, or in the notes to, the financial report of the fact that an administrator was appointed by the Federal Court of Australia on 4 August 2009, despite the fact that the Auditor's Report was dated 16 November 2009, being more than three months after the appointment of the administrator.

You are requested to explain your compliance with ASA 560 in the conduct of your audit.

5. Australian Auditing Standard ASA 701 Modifications to the Auditor's Report

The Audit Report contains three qualifications as follows

- a) Subsequent to the completion of the 2008 financial report, an expert report commissioned by the branch concluded that related party transactions had occurred. These transactions were quantified by the Expert Report as amounting to \$38,412 (2009 financial year) and \$108,936 (2008 financial year). We cannot confirm the veracity of these transactions (i.e. whether they were appropriately authorised and whether they were commercial in nature).
- b) Subsequent to the completion of the 2008 financial report, an Expert Report commissioned by the branch concluded that there was no documentation substantiating some expenditure (in particular, certain wage payments to staff, expense reimbursements to staff and travel reimbursements). We cannot quantify the total, nor the veracity of such expenditure in 2008 and 2009, given the absence of appropriate internal controls operating in the branch over those years.
- c) We were appointed auditors of the Branch for the 2009 financial year. We cannot confirm the veracity of the financial position report by the branch as at 30 June 2008. To the extent that the financial position was misstated at 30 June 2008, the financial performance (surplus/(deficit)) of the Branch would be misstated in the 2009 financial year.

These qualifications do not appear to fully comply with the relevant Australian Auditing Standard ASA 701 Modifications to the Auditor's Report.

For example, the first qualification did not specify that the Branch had breached Australian Accounting Standard AASB 124 Related Party Disclosures as required by ASA 701. As a result, insufficient information was provided to the readers of the Audit Report (being primarily the members of the Branch) to enable them fully to understand the nature of the qualification.

I am not aware whether the Expert Report has been circulated to members of the Branch. If it has not then members do not have the benefit of knowing the detail of the Expert Report, which could inhibit their understanding of the nature of the qualifications.

The second and third qualification paragraphs refer to a lack of reliable information upon which an Audit Report could be based. In such circumstances an auditor would often consider issuing a qualified report based upon a 'limitation of scope' or a 'disclaimer' type opinion in their report as stipulated by ASA 701. Your Audit Report, however, was issued as a 'subject to' opinion and it is not clear how you were able to determine that a limitation of scope or a disclaimer was unnecessary.

You are requested to explain your compliance with ASA 701 with respect to the abovementioned qualifications in your Audit Report.

6. Expert Report

The Expert Report that is referred to in your report is presumed to be the report prepared by Pitcher Partners and dated March 2009. The Pitcher Partners Report details lack of substantiating documentation on numerous occasions (some of which are quantified), namely with respect to:

- i. *Authorisation procedures in general* – the Branch does not raise written purchase orders and no formal quote is kept on file or reconciled to delivery dockets or invoices; no authorisation documentation is created or kept as evidence of approval of any expenditure; expense forms and receipts for reimbursement are often not completed or only partially completed; there are no formal approval processes for travel and

accommodation expenses; on numerous occasions credit card payments were made without appropriate documentation being completed and in the absence of supporting invoices; payments by cheque and electronic funds transfer are not formally approved [see pages 8-10 of the Report];

- ii. *Urban Giftware* – no purchase orders were raised, no delivery dockets were kept and no goods inwards book was kept [see page 11 of the Report];
- iii. *Payment of Additional Salary to Jeff Jackson* – no evidence of Mr Jackson's salary as set by the Branch Committee of Management was available; no documentation exists to support the instruction to Ms Wills to make the 3 payments of \$5,000 each [see page 13 of the Report];
- iv. *Leave Taken by Jeff Jackson* – there was a variance of 30 days of leave between entries in the leave register and the number of days of leave that was paid out to Mr Jackson; there were no formal leave forms completed by Mr Jackson [see page 14 of the Report];
- v. *Mr Hudson's credit card* – Mr Hudson was reimbursed for purchases on his credit card where no substantiating documentation was found [see page 17 of the Report];
- vi. *Ms Wills' credit card* – there was no evidence of authorisation of expenses on Ms Wills' credit card [see page 19 of the Report];
- vii. *Mr Jackson's credit card* – Mr Jackson was reimbursed for purchases on his credit card where there was no substantiating documentation or evidence of authorisation [see page 20 of the Report];
- viii. *Travel Expenses* – authorisation of travel could not be confirmed as purchase orders are not raised and no other documentary evidence was kept [see page 23 of the Report]

All of the above issues referred to in the Expert Report would suggest prima facie that it would be difficult for an auditor to have sufficient reliable information upon which to base an Audit Report.

Given that your Audit Report did not state that the scope of your work as auditor was limited (as contemplated by paragraph 31 of ASA 701), it is presumed that you had available to you all necessary information in respect of any the matters referred to in the Expert Report.

As a result, questions arise regarding whether you have fully complied with the mandatory requirements of ASA 315 (Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement) and ASA 330 (The Auditors Procedures in Response to Assessed Risks).

ASA 315 includes the following requirements:

- The auditor shall obtain an understanding of the entity and its environment, including its internal control, sufficient to identify and assess the risks of material misstatement of the financial report whether due to fraud or error, and sufficient to design and perform further audit procedures'. (Paragraph 5)
- The auditor shall perform the following risk assessment procedures to obtain an understanding of the entity and its environment, including its internal control:
 - (a) enquiries of those charged with governance, management and others within the entity;
 - (b) analytical procedures; and
 - (c) observation and inspection. (Paragraph 11)

- The auditor shall obtain an understanding of internal control relevant to the audit' (Paragraph 52).

ASA 330 includes the following requirements:

- The auditor shall perform audit procedures to evaluate whether the overall presentation of the financial report, including the related disclosures, is in accordance with the applicable financial reporting framework (Paragraph 88).
- Based on the audit procedures performed and the audit evidence obtained, the auditor shall evaluate whether the assessments of the risks of material misstatement at the assertion level remain appropriate (Paragraph 90).
- The auditor has not obtained sufficient appropriate audit evidence as to a material financial report assertion, the auditor shall attempt to obtain further audit evidence. If the auditor is still unable to obtain sufficient appropriate audit evidence, the auditor shall express a qualified opinion or a disclaimer of opinion (Paragraph 97).

You are requested to explain your compliance with ASA 315 and ASA 330 in the conduct of your audit and why the matters raised in the Expert Report were not outlined in your Audit Report.

I look forward to receiving your reply by Monday, 22 March 2010.

If you have any queries regarding the above matters please contact Ms Ailsa Carruthers on (03) 8661 7767 or at ailsa.carruthers@fwa.gov.au.

Yours sincerely,

A handwritten signature in dark ink, appearing to read 'Terry Nassios'. The signature is stylized with a horizontal line at the top, a vertical line extending downwards, and a curved line extending to the right.

Terry Nassios
Delegate of the General Manager
Fair Work Australia



12 February 2010

Strictly Private & Confidential

Mr. Terry Nassios
Delegate of General Manager
Fair Work Australia
GPO Box 1994
MELBOURNE VIC 3001

Email: alisa.carruthers@fwa.gov.au

Dear Mr. Nassios

**Health Services Union Victoria No. 1 Branch – FR 2009/2001
Financial report for the year ended 30 June 2009 – FR 2009/10095**

I refer to your correspondence of 7 January 2010 and respond as follows.

We referred the matters below to the auditors for that financial year being Stannards Accountants and Advisors and comment in order of the points noted in your letter.

1. Going concern assumption

At the time of presentation and adoption of the financial statements both the auditors and the Federal Court appointed administrator signed the financial statements on the basis of a going concern. Whilst there was comment in regard to the going concern and in particular to the very point that you made being the current liabilities exceeding the current assets, the issue of going concern was addressed by the administrator and our Committee of Management. We have addressed the current asset to current liability ratio in two ways, being:

- (i) The abnormal situation of having a deficit for the year has been addressed largely with the reduction in legal fees and administration costs and
- (ii) Banking finance has been sourced and is in the process of being secured whereby the funding in the short term will be for a \$100,000 current liability and \$1.7 million long term funding. The outcome of this is that the current assets would exceed the current liabilities. We expect this to be finalised by the 15 March 2010.

Please note that the Branch has positive net assets in excess of \$4 million and operating cash flows for the year were positive. We have confirmation from the



**Health Services Union
Victorian Branch**

independent auditors Stannards, that they believed that the HSU was a going concern and could meet its liabilities as and when they fell due.

2. Financial Dependency

We refer to your comments regarding this but are not aware of any financial dependency with any other reporting unit. Would you please clarify if you are aware of any other organisation or reporting unit that we may be reliant on.

3. Related party disclosures

- (i) We advise that the related party transaction of \$34,812 with an entity related to Ms P Fegan was for the purchases of goods and services. The goods and services purchased were for merchandise products used by the Branch. We are advised that Ms Fegan's partner owns the business and that Ms Fegan is not involved.
- (ii) The matter of legal fees incurred by the Branch on behalf of the related party being Mr. Jackson is noted. I acknowledge that the amount owing by Mr. Jackson should have been disclosed separately in the financial statements to comply with AASB124. We have referred this matter to our auditors. Please advise if you require any further disclosure to our members or to Fair Work Australia.

4. Contingent Liabilities

The contingent liability of the financial affect of legal proceedings for the year ended 30 June 2009 was very complex and has been ongoing over a considerable period of time. The financial impact of the same could not be quantified at the time of preparation of the 2008 financial statements. Further the duties of the Court appointed administrator have now been finalised and the management of the Branch is with myself and the Committee of Management. I acknowledge that the extent of the legal proceedings and the financial affect were substantial however, at the time of preparation these were not able to be quantified. We are now in a position where we know the impact and can report directly to members as to the outcomes all be it that some matters are continuing. We believe that we complied to the best of our abilities with the statutory requirements but we undertake to ensure that full disclosure will be given to our members as soon as available.

5. Events after balance date

We referred this matter to our auditors and their comment to us in line with that of the administrator was "given the disclosure of the appointment of an administrator in the State of Affairs, no further disclosure was deemed necessary".

My view is that further particulars could have been advised but was outside the timeframe and abilities of the various parties at that time. Whilst I do not know what



**Health Services Union
Victorian Branch**

the eventual outcome is I will seek to have this determined and undertake to provide a separate report of affairs to the members. Please advise if you think this is acceptable or if a different course of action is recommended.

6. Statement of loans, Grant and donations

We are preparing a statement as recommended and note your comments and will have these lodged immediately.

The other matters noted in your correspondence of 7 January 2010 have all been noted and brought to the attention of our auditors and Committee of Management. We are endeavoring to enhance our reporting requirements and disclosures and will ensure compliance with all the Fair Work Australia requirements.

I thank you for your assistance in these matters and from my point of view will seek to work closely with you to provide full disclosure and an optimum service to our members.

Yours sincerely

Marco Bolano



FAIR WORK
AUSTRALIA

22 January 2010

Mr Marco Bolano
Secretary
Victoria No.1 Branch
Health services Union
208-212 Park Street
SOUTH MELBOURNE VIC 3205

By email: Marco.Bolano@hsuvic.asn.au

Dear Mr Bolano,

Financial Report for year ended 30 June 2008 – FR2008/231
Financial Report for year ended 30 June 2009 – FR2009/10095

General Manager Inquiry - Victoria No 1 Branch of the Health Services Union - FR2009/201 s.330 of the Fair Work (Registered Organisations) Act 2009

I refer to your email to Ailsa Carruthers of 21 January 2010 in which you have advised that you will be able to provide a response by Friday, 12 February 2010 to my letters to you dated 24 December 2009 and 7 January 2010 regarding the financial statements of the Victoria No.1 Branch of the Health Services Union (**the Branch**) for the years ended 30 June 2008 and 30 June 2009 respectively.

I look forward to receiving your response as indicated.

If you have any queries in the meantime please contact Ailsa Carruthers on (03) 8661 7767 or at ailsa.carruthers@fwa.gov.au.

Yours sincerely,

Terry Nassios
Delegate of the General Manager
Fair Work Australia



FAIR WORK
AUSTRALIA

7 January 2010

Mr Marco Bolano
Secretary
Victoria No.1 Branch
Health services Union
208-212 Park Street
SOUTH MELBOURNE VIC 3205

By email: info@hsuvic.asn.au

Dear Mr Bolano,

Financial Report for year ended 30 June 2009 – FR2009/10095

General Manager Inquiry - Victoria No 1 Branch of the Health Services Union - FR2009/201 s.330 of the Fair Work (Registered Organisations) Act 2009

Receipt is acknowledged on 23 November 2009 of the financial report of the Victoria No.1 Branch of the Health Services Union (**the Branch**) for the year ended 30 June 2009.

This letter is divided into two parts. Your response is requested by Friday, 29 January 2010 regarding the matters that are discussed in Part A. The matters set out in Part B are for your information and guidance in preparing future financial reports and do not require a response at this time.

I note that the accounts refer to requirements of Schedule 1 of the Workplace Relations Act 1996 (RAO Schedule). The Fair Work (Registered Organisations) Act 2009 (**RO Act**) commenced on 1 July 2009 and financial reporting obligations that were previously set out in the RAO Schedule now appear in the RO Act, although section numbering remains the same. This letter will refer to section numbers of the RO Act but, unless otherwise stated, the requirements of that section remain the same as under the RAO Schedule.

A. MATTERS REGARDING WHICH YOUR RESPONSE IS REQUIRED

A response to the matters raised in Part A is sought by Friday, 29 January 2010.

Our review of the financial report has raised the following issues regarding which we seek your comments or explanation. You may wish to discuss these matters with your auditor.

1. Going Concern Assumption

Australian Accounting Standard AASB 101 *Presentation of Financial Statements* requires the Committee of Management to make an assessment of an entity's ability to continue as a going concern. In particular, paragraph 25 provides as follows:

...When management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, those uncertainties shall be disclosed.

11 Exhibition Street
Melbourne VIC 3000
GPO Box 1994
Melbourne VIC 3001

Telephone: (03) 8661 7767
International: (613) 8661 7777
Facsimile: (03) 9655 0401
Email: ailsa.carruthers@airc.gov.au

There is no mention in the financial report of any matters in respect of going concern or the ability of the reporting unit to meet its obligations.

A review of the financial report reveals the following:

Current Assets	\$1,036,850
Current Liabilities	\$2,843,769

Page 7 of the Operating Report states that 'The operating result of the organisation for the year ended 30 June 2009 was a loss of \$1,306,350. This mainly arose from significant legal fees incurred by the organisation.' The Operating Report also states that 'there was continued abnormally high legal expenditure for the period to 17 August 2009 at which time an Administrator appointed by the Federal Court to manage the affairs of the union took up his appointment'.

This situation suggests that there could be uncertainty as to the ability of the reporting unit to settle the liabilities.

In light of the above, you are requested to explain the reporting unit's compliance with paragraph 25 of AASB101.

2. Financial Dependency

Reporting Guidelines which are issued by the General Manager of Fair Work Australia pursuant to section 255 of the RO Act require certain matters to be disclosed in the General Purpose Financial Report (**GPFR**) of a reporting unit. In particular, paragraph 8 provides as follows:

8. A reporting unit must disclose in the notes to the financial statements:

- (a) where the reporting unit is dependent on another reporting unit of the organisation for a significant volume of revenue or financial support and that dependency is not clearly discernible from a separate line in the profit and loss statement or the balance sheet:
 - (i) the name of the reporting unit on which there is an economic dependency;*
 - and*
 - (ii) the amount of revenue or financial support derived from the other reporting unit.**

In conjunction with the issues raised at Heading 1 above regarding going concern, there is no disclosure in the financial report of any financial dependency on another reporting unit of the Health Services Union.

You are requested to explain your compliance with paragraph 8 of the Reporting Guidelines.

3. Related Party Disclosures.

Australian Accounting Standard AASB 124 *Related Party Disclosures* requires disclosure of information necessary to draw attention to the possibility that the reporting unit's financial position and profit and loss may have been affected by the existence of related parties and by transactions and outstanding balances with such related parties. In particular, paragraph 17 provides as follows:

If there have been transactions between related parties, an entity shall disclose the nature of the related party relationship as well as information about the transactions and outstanding balances necessary for an understanding of the potential effect of the

relationship on the financial statements. These disclosure requirements are in addition to the requirements in paragraph 16 to disclose key management personnel compensation. At a minimum, disclosures shall include:

- (a) the amount of the transactions;*
- (b) the amount of outstanding balances*

There are three matters that appear to be related party transactions regarding which your explanation is sought:

- i. Note 12 of the GPFR discloses transactions to the value of \$34,812 with 'an entity related to Ms P Fegan'. Other than the value of those transactions, the report does not provide further information regarding the transactions and does not disclose the nature of the related party relationship.
- ii. Note 10 to the accounts states as follows:

Contingent Liability

Legal proceedings have been instituted for and against the Branch and its representatives in respect of various matters. The Branch has agreed to indemnify its representatives and members against any further liability arising from these actions. Should the decision in these actions be awarded against the Branch by any Court, damages and costs as determined by the Court would have to be paid by the Branch.

There is no disclosure in the GPFR of any related party transactions that relate to legal fees incurred by members of the Branch Committee of Management that are described in Note 10 and that are indemnified by the union.

- iii. A Deed of Agreement was executed on 30 June 2009 between the Health Services Union and various members of the Branch's Committee of Management, including its then Secretary Mr Jeff Jackson. Clause 8 of that Deed provides that Mr Jackson shall repay \$15,000 to the Branch over a six month period from 30 June 2009. Even though it was outstanding as at 30 June 2009, there is no disclosure in the financial report of any transaction or outstanding balance of respect of the \$15,000.

You are requested to explain your compliance with AASB 124 in respect of these three matters.

4. Contingent Liabilities

Australian Accounting Standard AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* requires certain disclosures to be made in respect of identified contingent liabilities. In particular, paragraph 86 provides as follows:

Unless the possibility of any outflow in settlement is remote, an entity shall disclose for each class of contingent liability at the reporting date a brief description of the nature of the contingent liability and, where practicable:

- (a) an estimate of its financial effect, measured under paragraphs 36-52;*
- (b) an indication of the uncertainties relating to the amount or timing of any outflow; and*
- (c) the possibility of any reimbursement.*

As set out above, the financial report identifies in Note 10 that a contingent liability exists with respect to legal proceedings. There is no description of the nature of each class of contingent liability or an estimate of any financial effect. Given the extent of legal proceedings with which the Branch and/or members of the Committee of Management have been involved, members of the Branch who are reading the financial report could expect such disclosures. In particular, members could expect information regarding the possible financial effect of the ongoing matters.

You are requested to explain your compliance with AASB 137.

5. Events after the Balance Sheet Date.

Australian Accounting Standard AASB 110 *Events after the Balance Sheet Date* requires the disclosure of events and the accounting for events that occur between the balance sheet date (30 June 2009) and the date that the Committee of Management Statement was signed, being the date upon which the financial report was authorised for issue (16 November 2009). (I draw your attention to a note in Part B below regarding an apparent error of the Administrator concerning the date of the resolution that is referred to in the Committee of Management Statement.)

There are no such matters disclosed in the financial report. As stated under Heading 1, the Operating Report states that 'there was continued abnormally high legal expenditure for the period to 17 August 2009 at which time an Administrator appointed by the Federal Court to manage the affairs of the union took up his appointment.' I note, however, that there is no disclosure on the face of, or in the notes to, the financial report of the fact that an administrator was appointed by the Federal Court of Australia on 4 August 2009.

If the information is material, the financial report should make this disclosure as part of the financial report. The disclosure should cover matters up to 16 November 2009.

You are requested to explain your compliance with AASB 110.

6. Statement of Loans, Grant and Donations

The Income Statement discloses an item of expenditure for donations of \$13,921. Our records do not, however, show that the Branch has lodged a Statement of Loans, Grants and Donations under section 237 of the RO Act. Subsection (1) requires a reporting entity to lodge such a Statement within 90 days of the end of the financial year (that is, by 28 September 2009) setting out the relevant particulars in relation to each loan, grant or donation *of an amount exceeding \$1,000* made during the financial year.

Should any of the individual amounts paid as donations exceed the \$1,000 threshold, you are required to lodge a Statement of Loans, Grants and Donations without further delay. A pro-forma statement is included for your assistance.

PART B – MATTERS RAISED FOR YOUR INFORMATION AND FUTURE REFERENCE

The matters raised in this Part are for your information and do not require a response at this time. They should, however, be taken into account in preparing future financial reports.

Operating Report – Periods for which Positions Held

Regulation 159(c) of the Fair Work (Registered Organisations) Regulations 2009 (RO Regulations) requires the Operating Report to state the 'period for which' each Committee of Management member has held office (emphasis added).

The Operating Report provides the name of those people who were members of the Branch Committee of Management 'at any time during the financial year...' The period for which these

officers held office is not clear from this statement and it therefore fails to meet the requirements of regulation 159(c).

In future, you are required to state clearly the period for which each member of the Committee of Management held office. By way of example, the Operating Report could state that all members of the Committee of Management held office for the entire financial year 'except where otherwise stated' and then include in brackets after their names the dates upon which officers either assumed or left office. Alternatively, the information could be provided in table format.

Notice under Section 272(5) of the RO Act

The Notes to the GPFR are required to include a notice drawing attention to the fact that information that is prescribed by the RO Regulations is available to members on request (see Guideline 8(c) of the Reporting Guidelines, which requires disclosure of the notice required by section 272(5) of the RO Act).

Page 17 of the accounts that have been lodged includes what is intended to be an extract of subsections 272(1), (2) and (3) of the RAO Schedule. What is included, however, is an extract of section 274 of the Workplace Relations Act 1996 as it existed prior to the introduction of the RAO Schedule.

Since the commencement of the RO Act, the GPFR must include a copy of subsections 272(1), (2) and (3) of the RO Act. You are therefore required to ensure that the following extract appears in all future financial reports:

272 Information to be provided to members or General Manager

(1) A member of a reporting unit, or the General Manager, may apply to the reporting unit for specified prescribed information in relation to the reporting unit 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 reporting unit.

(3) A reporting unit must comply with an application made under subsection (1).

Note: This subsection is a civil penalty provision (see section 305).

Committee of Management Statement

The Committee of Management Statement states that a resolution was passed by the Federal Court appointed Administrator of the Branch (in his capacity as Committee of Management of the Branch) on 4 August 2009.

This is clearly an error as the Administrator did not take up his appointment under clause 6 of the Scheme that is attached to the Order of Justice Tracey until 17 August 2009. The date of 4 August 2009 is presumably intended to be a reference to the date of the Order of Justice Tracey.

Designated Officer's Certificate

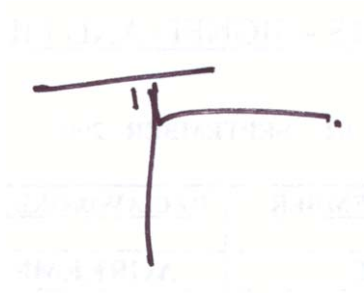
Page 6 of the financial report is a 'Designated Officer's Certificate' that was signed by the Administrator and dated on 16 November 2009. This is separate to the 'Designated Officer's Certificate' that was prepared under section 268 of the RO Act and was signed by the Administrator and dated on 19 November 2009 and is attached to the front of the financial report.

The Certificate that is dated 16 November 2009 appears to be what used to be known as an 'Accounting Officer's Certificate'. The Accounting Officer's Certificate was a document required

under the former financial reporting requirements of the Workplace Relations Act 1996. This certificate is not required under either the RAO Schedule or the RO Act as it has, in effect, been replaced by the Operating Report.

If you have any queries regarding the above matters please contact Ailsa Carruthers on (03) 8661 7767 or at ailsa.carruthers@fwa.gov.au.

Yours sincerely,

A handwritten signature in dark ink, appearing to be 'Terry Nassios', written over a faint, yellowed background of a document. The signature consists of a horizontal line at the top, a vertical line extending downwards from the center, and a horizontal line extending to the right from the top of the vertical line.

Terry Nassios
Delegate of the General Manager
Fair Work Australia



Health Services Union
Victorian Branch

19 November 2009

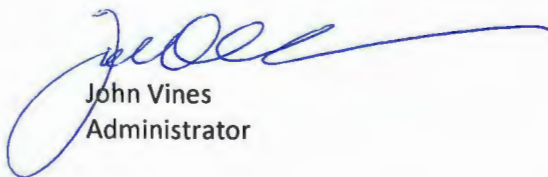
Mr Terry Nassios
Delegate of the General Manager
Fair Work Australia
11 Exhibition Street
MELBOURNE VIC 3000

Dear Mr Nassios,

Re: s268 Audited Financial Report

Please find attached the documentation in relation to the above matter for the 2008/2009 financial year.

Yours sincerely,



John Vines
Administrator

Designated Officer's Certificate

s268 *Fair Work (Registered Organisations) Act 2009*

I John Vines being the Federal Court appointed Administrator of the Health Services Union Victoria No 1 Branch certify:

- that the documents lodged herewith are copies of the full report, referred to in s268 of the *Fair Work (Registered Organisations) Act 2009*; and
- that the full Report was provided to members on by publication on the Organisation's website on 4 December 2009 and members' attention will be drawn to the publication of the Report via a notice in the next issue of the Organisation's journal, PinPoint to be distributed to members on 15 December 2009; and
- that the full report was presented to a meeting of the committee of management of the reporting unit on 19 November 2009 ; in accordance with section 266 of the *Fair Work (Registered Organisations) Act 2009*.

John Vines

Signature

Date: *19/11/09*



**HEALTH SERVICES UNION
VICTORIA NO 1 BRANCH**

ABN: 92 480 180 237

**FINANCIAL STATEMENTS AND REPORTS
FOR THE PERIOD ENDED 30 JUNE 2009**

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**AUDITOR'S INDEPENDENCE DECLARATION
TO THE COMMITTEE OF MANAGEMENT OF THE
HEALTH SERVICES UNION VICTORIA NO 1 BRANCH**

We declare that, to the best of our knowledge and belief, during the year ended 30 June, 2009 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



Michael Shulman
Partner
Holder of Current Public Practice Certificate

Dated 16/11/09

Independent Auditors Report Health Services Union Victoria No 1 Branch

SCOPE

The Financial report and Committee of Management's responsibility

The financial report comprises the income statement, balance sheet, statement of changes in equity, statement of cash flows, and accompanying notes to the financial statements for the year ended 30 June 2009.

The Committee of Management is responsible for the preparation and true and fair presentation of the financial report in accordance with the requirements imposed by Part 3 of Chapter 8 of Schedule 1 of the Workplace Relations Act 1996. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

We have audited the financial statements of the Health Services Union Victoria No 1 Branch ("the Branch") for the financial year ended 30 June 2009. We have conducted an independent audit of these financial statements in order to express an opinion on them to the members of the Branch.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the accounts are free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with the Workplace Relations Act 1996 and other mandatory professional reporting requirements so as to present a view which is consistent with our understanding of the Branch's financial position and the results of its operations.

The audit opinion expressed in this report has been formed on the above basis.

INDEPENDENCE

In accordance with ASIC Class Order 05/83, we declare that to the best of our knowledge and belief, that the auditor's independence declaration set out in this the financial report, has not been changed as at the date of providing our audit opinion.



Independent Auditors Report Health Services Union Victoria No 1 Branch (Cont'd)


AUDIT OPINION

In our opinion:-

- i) there were kept by the Branch in respect of the year satisfactory accounting records detailing the sources and nature of the income (including income from members) and the nature and purposes of the expenditure of the Branch (except as set out below in the "Qualification Paragraphs") (a) and (b));
- ii) the general purpose financial report is prepared under the historical cost convention and is presented fairly in accordance with applicable Australian Accounting Standards and the requirements imposed by Part 3 of Chapter 8 of Schedule 1 of the Workplace Relations Act 1996. Except for the comments contained in the "Qualifications Paragraph" (c), the financial report is properly drawn up so as to give a true and fair view of:
 - a) the financial affairs of the Branch as at 30 June, 2009;
 - b) the income and expenditure and net result of the Branch for the period ended on that date; and
- iii) in relation to recovery of wages activity, there has been no recovery of wages activity during the year .

Qualifications

- (a) Subsequent to the completion of the 2008 financial report, an Expert Report commissioned by the Branch concluded that related party transactions had occurred. These transactions were quantified by the Expert Report as amounting to \$38,412 (2009 financial year) and \$108,936 (2008 financial year). We cannot confirm the veracity of these transactions (i.e. whether they were appropriately authorised and whether they were commercial in nature).
- (b) Subsequent to the completion of the 2008 financial report, an Expert Report commissioned by the Branch concluded that there was no documentation substantiating some expenditure (in particular, certain wage payments to staff, expense reimbursements to staff and travel reimbursements). We cannot quantify the total, nor the veracity of such expenditure in 2008 and 2009, given the absence of appropriate internal controls operating at the Branch over those years.
- (c) We were appointed auditors of the Branch for the 2009 financial year. We cannot confirm the veracity of the financial position report by the Branch as at 30 June, 2008. To the extent that the financial position was misstated at 30 June, 2008, the financial performance (surplus/(deficit)) of the Branch would be misstated in the 2009 financial year.


Stannards Accountants & Advisors


Michael B Shulman (CA)
Partner and Holder of Public Practice Certificate

Dated 16/11/09

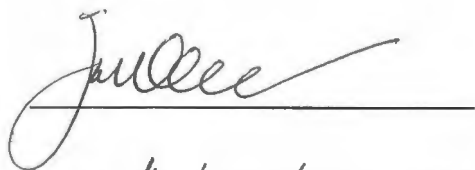
Committee of Management Statement

On the *14th* day of *August* 2009 the Federal Court appointed Administrator of the Health Services Union of Victoria No1 Branch in his capacity as Committee of Management of the Branch passed the following resolution in relation to the general purpose financial report (GPFR) of the reporting unit for the financial year ended 30 June 2009.

The Committee of Management declares that to the best of its knowledge in relation to the GPFR that in its opinion:

- (a) the financial statements and notes comply with the Australian Accounting Standards;
- (b) the financial statements and notes comply with the reporting guidelines of the Industrial Registrar;
- (c) 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;
- (d) 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;
- (e) during the financial year to which the GPFR relates and since the end of that year and subject to the qualifications in the auditor's report.
 - 1) meetings of the Committee of Management were held in accordance with the rules of the organisation including the rules of a branch concerned; and
 - 2) 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; and
 - 3) the financial records of the reporting unit have been managed in accordance with the RAO Schedule and the RAO Regulations; and
 - 4) the financial records of the reporting unit have been kept, as far as practicable, in a consistent manner to each of the reporting units of the organisation; and
 - 5) the information sought in any request of a member of the reporting unit or a Registrar duly made under section 272 of the RAO Schedule has been furnished to the member or the Registrar; and
 - 6) there has been compliance with any order for the inspection of financial records made by the Commission under section 273 of the RAO Schedule

For Committee of Management:



A handwritten signature in cursive script, appearing to read 'Julie', is written over a horizontal line.

Dated: *16 November* 2009

Designated Officer's Certificate

I, John Damien Vines, in my capacity as Federal Court appointed Administrator of the Health Services Union Victoria No 1 Branch being the officer responsible for keeping the accounting records of the Health Services Union Victoria No 1 Branch, certify that as at 30 June 2009 the number of members of the Branch was 15424.

In my opinion and subject to the qualifications contained in the independent auditor's report

1. the attached financial report shows a true and fair view of the Branch results as at 30 June 2009;
2. a record has been kept of all monies paid by, or collected from, members and all monies so paid or collected have been credited to the bank account to which monies are to be credited, in accordance with the rules of the organisation;
3. before any expenditure was incurred by the branch approval of the incurring of the expenditure was obtained in accordance with the rules of the organisation;
4. with regard to funds of the branch raised by compulsory levies or voluntary contributions from members, or funds other than the General Fund operated in accordance with the rules, no payments were made out of any such fund for the purposes other than those for which the fund was operated;
5. no loans or other financial benefits (except as stated in the financial report), other than remuneration in respect of their full time employment with the organisation, were made to persons holding office in the branch;
6. the register of members of the branch was maintained in accordance with the Act.


Branch Secretary

Dated *16 November* 2009

**Operating Report
for the Year Ended 30 June 2009**

In accordance with Section 254 of the Workplace Relations Act 1996 ("the ACT"), your Committee of Management report as follows.

Principal Activities

The principal activity of the organisation during the year was that of a registered trade union. No significant change occurred in the nature of those activities during the year.

Operating Result

The operating result of the organisation for the year ended 30 June 2009 was a loss of \$1,306,350. This mainly arose from significant legal fees incurred by the organisation.

Significant Changes

The Financial affairs of the organisation during the year were impacted by abnormal expenditure on legal fees. The Committee of Management is aware that there was continued abnormally high legal expenditure for the period to 17 August 2009 at which time an Administrator appointed by the Federal Court to manage the affairs of the union took up his appointment.

Rights of Members

Subject to the rules of the organisation and Section 174 of the Act, members have the rights to resign from membership of the organisation by written notice addressed to and delivered to the secretary of the organisation.

Superannuation Office Holders

There are no officers and/or members for organisation that are directors of companies that are trustees of superannuation funds which require one or more of their directors to be a member of a registered organisation.

Other Prescribed Information

In accordance with Regulation 159 of the Workplace Relations (Registration of Accountability or Organisations) Regulations:-

- (a) the number of persons that were at the end of the financial year recorded in the register of members for Section 120 of the RAO Schedule and who are taken to be members of the registered organisation under Section 240 of the RAO Schedule was 15424.
- (b) The number of persons who were at the end of the financial year employees of the organisation including both full and part-time employees measured on a full-time equivalent basis was 34.
- (c) The names of those people who have been members of the Committee of Management of the organisation at any time during the financial year are:-

Name

**Jeff Jackson
Shaun Hudson
Pauline Fegan
Sonya McCormack
Toni Joyce
Donna Conquo
April Johnston
Maria Toro
Bill Ricketts
Stuart Marshall**

**Anastasia Hondros
Jenny Banks
Phillip Bain
Chrisoula Grouios
Joan Kemp
Dolores Bannon
John Touvinen
Angelo Dritsas
Matthew Boxell
Joanne Stemmer**

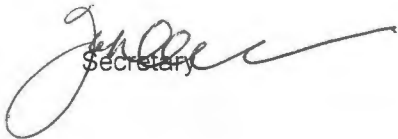
**Operating Report
for the Year Ended 30 June 2009 (Cont'd)**

Other Relevant Information

Under the Federal Court order, the Administrator has the powers of the Branch President, Branch Secretary and Branch Committee of Management and signs this report in that capacity.

Signed for and on behalf of the Committee of Management

Dated: *16 November* 2009


Secretary

HEALTH SERVICES UNION VICTORIA NO 1 BRANCH

**Balance Sheet
as at 30 June 2009**

	Note	2009 \$	2008 \$
MEMBERS' FUND			
Accumulated Funds at beginning of the year		5,723,660	5,706,274
Operating surplus (deficit) for the year		(1,306,350)	17,386
TOTAL MEMBERS FUNDS		4,417,310	5,723,660
CURRENT ASSETS			
Cash on hand and at bank	3	261,127	242,782
Accounts Receivable	4	81,880	51,624
Investments	5	693,573	780,443
TOTAL CURRENT ASSETS		1,036,580	1,074,849
NON-CURRENT ASSETS			
Property, Plant and Equipment	6	6,367,880	6,504,782
TOTAL ASSETS		7,404,460	7,579,631
CURRENT LIABILITIES			
Bank Overdraft	7	224,802	284,108
Accounts Payable	8	1,695,536	643,959
Provision for Annual Leave		552,516	457,767
Provision for Long Service		370,915	340,560
TOTAL CURRENT LIABILITIES		2,843,769	1,726,394
NON-CURRENT LIABILITIES			
Provision for Long Service Leave		143,381	129,577
TOTAL LIABILITIES		2,987,150	1,855,971
NET ASSETS		4,417,310	5,723,660

The accompanying notes form part of this financial report.

Income Statement

For the Period Ended 30 June 2009

	Note	2009 \$	2008 \$
REVENUE			
Subscriptions		5,545,792	5,331,315
Interest Received		50,687	69,450
Rental Income Received		60,000	37,358
Rental Recovery – National Office		52	16,601
Sundry Income		203,996	246,904
		5,860,527	5,701,628
EXPENDITURE			
Audit Fees		7,500	7,500
Advertising		6,000	1,240
Affiliation Fees & Levies		78,587	76,602
Bank Charges		40,997	37,358
Capitation Fee – National Council		237,378	331,060
Cleaning		26,663	27,438
Computer Expenses		218,320	199,508
Consultant Fees		14,647	60,013
Courier		748	889
Depreciation		167,961	124,166
Donations		13,921	11,800
Doubtful Debts		5,290	-
Education & Training Expenses		6,130	156,143
Employer union fee deduction charges		(5,392)	8,035
Entertainment Expenses		17,619	19,068
Fines & Penalties		2,352	1,164
Fringe Benefits Tax		33,357	117,057
Insurance		141,194	109,243
Interest Paid		42,734	32,057
Journal Publications		64,646	26,910
Legal Fees		1,274,133	33,652
Light, Power & Heating		24,434	24,410
Loss on Disposal of Fixed Assets		-	94,328

Income Statement
For the Period Ended 30 June 2009

	Note	2009 \$	2008 \$
EXPENDITURE (CONT'D)			
Meeting Expenses (including delegates conferences)		256,984	35,489
Motor Vehicle Expenses		96,994	83,624
Motor Vehicle Rental		172,322	191,878
Office Machine Rental		63,324	45,030
Payroll Tax		150,851	143,666
Postage		116,975	90,113
Printing & Stationery		233,162	72,043
Provision for Annual Leave		269,327	102,233
Provision for Long Service Leave		81,372	(115,171)
Rates & Taxes		29,913	61,915
Repairs & Maintenance – Buildings		68,945	115,130
Repairs & Maintenance – Office Equipment		17,160	19,020
Salaries & Allowances - Officials		378,347	391,906
Salaries & Allowances – Employees		2,255,918	2,403,813
Staff Amenities & Recruitment		36,648	11,843
Superannuation		323,727	313,973
Sundry Expenses		(843)	1,520
Telephone		164,912	159,245
Welfare/Fighting Fund		1,600	7,624
Workcover		30,020	49,707
		7,166,877	5,684,242
OPERATING SURPLUS (DEFICIT) FOR THE YEAR		(1,306,350)	17,386

The accompanying notes form part of this financial report

**Statement of Changes in Organisation Funds & Reserves
For the Period Ended 30 June 2009**

	Organisation Funds \$	Total \$
Balance – 1 July 2007	5,706,274	5,706,274
Profit for Year	17,386	17,386
Balance – 30 June 2008	5,723,660	5,723,660
(Loss) for Year	(1,306,350)	(1,306,350)
Balance – 30 June 2009	4,417,310	4,417,310

The accompanying notes form part of this financial report

Statement of Cash Flows
For the Period Ended 30 June 2009

	Note	2009 \$	2008 \$
CASHFLOWS ROM OPERATING ACTIVITIES			
Subscriptions		5,545,792	5,331,315
Other Revenue		233,792	221,989
Interest Received		50,687	69,450
Payments to Suppliers & Employees		(5,765,696)	(5,642,147)
Interest Paid		(42,734)	(32,057)
Net Cash Provided by/(Used in) Operating Activities	9(b)	21,841	(51,450)
CASH FLOW FROM INVESTING ACTIVITIES			
Payment for property, plant and equipment		(31,060)	431,783
Net Cash Used In Investing Activities		(31,060)	431,783
Net Increase/(Decrease) in cash held		(9,219)	380,333
Cash at Beginning of Year		739,117	358,784
Cash at End of Year	9(a)	729,898	739,117

The accompanying notes for part of this financial report

**Notes to the Financial Statements
For the Period Ended 30 June 2009**

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general financial report which has been prepared in accordance with Accounting Standards, Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the Workplace Relations Act 1996. The financial report is prepared on the basis of historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair value of the consideration given in exchange for assets. The accounting policies have been consistently applied, unless otherwise stated.

The following is a summary of the significant accounting policies adopted by the entity in the preparation of the financial statements.

a) Property, Plant & Equipment

Property, Plant and Equipment are brought to account at cost. The depreciable amount of all fixed assets are depreciated over their estimated useful lives commencing from the time the asset is held ready for use.

The various straight line rates are used as follows:

(i)	Furniture & fittings	- 10%pa
(ii)	Office equipment	- 15% - 33% pa
(iii)	Buildings	- 2.5% pa

b) Income Tax

No provision for income tax is required as the Branch is exempt from income tax under Section 50-15 (3.2) of the Income Tax Assessment Act 1997.

c) Employee Entitlements

Provision is made for the Branch's liability for annual leave and long service leave arising from services rendered by employees to balance date.

These provisions have been calculated under terms of and conditions outlined by the Australian Conciliation and Arbitration Commissions, Private Arbitration dated 2nd October 1985, and the respective awards that apply to employees.

Contributions are made by the Branch to various Superannuation Funds and are charged as expenses when incurred. The Branch has no legal obligation to meet any shortfall in these fund's obligation to provide benefits to employees or officials on retirement.

**Notes to the Financial Statements
For the Period Ended 30 June 2009 (Cont'd)**

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

d) Leases

Leased assets classified as finance leases are capitalised as fixed assets. The amount initially brought to account is the present value of minimum lease payments.

A finance lease is one which effectively transfers from the lessor to the lease substantially all the risks and benefits incident to ownership of the leased property.

Capitalised leased assets are amortised on a straight line basis over the estimated useful life of the asset.

Finance lease payments are allocated between interest expense and reduction of lease liability over the term of the lease. The interest expense is determined by applying the interest rate implicit in the lease to the outstanding lease liability at the beginning of each lease payment period.

Lease payments under operating leases, where substantially all the risks and benefits remain with the lessor, are charged as an expense in the period in which they are incurred.

e) Impairment of Assets

At each reporting date, the Branch reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that the value of those assets have been impaired. If such an 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 its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

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

f) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call and bank overdrafts. Bank overdrafts are shown within current liabilities on the balance sheet.

g) Revenue

Interest revenue is recognised on a proportional basis taking into account the interest rate applicable to the financial assets.

Revenue from the rendering of a service or delivery of goods is recognised upon the delivery of the service or goods to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

**Notes to the Financial Statements
For the Period Ended 30 June 2009 (Cont'd)**

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

h) 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 or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

i) Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations, exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

Loans and Receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Held to maturity Investments

These investments have fixed maturities, and it is the Branch's intention to hold these investments to maturity. Any held to maturity investments held by the Branch are stated at amortised cost using the effective interest rate method.

Available for sale financial assets

Available for sale financial assets include any financial asset not included in the above categories. Available for sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Financial liabilities

Non derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

**Notes to the Consolidated Annual Accounts
For the Period Ended 30 June 2009 (Cont'd)**

1. ACCOUNTING METHODS & POLICIES (CONT'D)

Impairment

At each reporting date, the Branch assess whether there is objective evidence that a financial instrument has been impaired. In the case of available for sale financial instruments, 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.

j) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

2. INFORMATION TO BE PROVIDED TO MEMBERS OR REGISTRARS

In accordance with the requirements of the Workplace Relations Act 1996, the attention of members is drawn to the provisions of sub-sections (1), (2) and (3) of section 274 which reads as follows:

- (1) A member of an organisation, or a Registrar, may apply to the organisation for specified prescribed information in relation to the organisation.
- (2) An organisation shall, on application made under subsection (1) by a member of the organisation or a Registrar, make the specified information available to the member or Registrar in such manner, and within such time, as is prescribed.
- (3) A Registrar may only make an application under subsection (1) at the request of a member of the organisation concerned, and the Registrar shall provide to a member information received because of any application made at the request of the member.

**Notes to the Financial Statements
For the Period Ended 30 June 2009 (Cont'd)**

	2009 \$	2008 \$
3. CASH ON HAND AND AT BANK		
Cash on Hand	890	890
Cash at Bank – Operating Accounts	260,237	241,892
	261,127	242,782
4. RECEIVABLES		
Trade Debtors	87,170	51,624
Allowance for Doubtful Debts	(5,290)	-
	81,880	51,624
5. INVESTMENTS		
Fund on Deposit	693,573	780,443
	693,573	780,443
6. PROPERTY, PLANT AND EQUIPMENT		
208-212 Park St, South Melbourne – at cost	4,888,986	4,888,986
Less: Accumulated Depreciation	(95,905)	(47,015)
208-212 Park St Improvements – at cost	1,348,297	1,337,134
Less: Accumulated Depreciation	(80,438)	(26,669)
Total Freehold Land & Building	6,060,940	6,152,436
Furniture & Fittings – at cost	243,983	236,328
Less accumulated depreciation	(34,352)	(10,153)
	209,631	226,175
Office Equipment – at cost	222,497	210,246
Less: Accumulated Depreciation	(138,080)	(100,603)
	84,417	109,643
Motor Vehicles – at cost	18,182	18,182
Less: Accumulated Depreciation	(5,290)	(1,654)
	12,892	16,528
	6,367,880	6,504,782
Property, plant & equipment Balance – 1 July 2008	6,504,782	4,763,891
Additions (net)	31,059	1,865,057
Depreciation	(187,961)	(124,166)
Balance – 30 June 2009	6,367,880	6,504,782
7. BANK OVERDRAFT		
Bank Overdraft – Operating Account	224,802	284,108
	224,802	284,108
8. ACCOUNTS PAYABLE		
Trade Creditors & Accruals	1,695,536	643,959
	1,695,536	643,959

Notes to the Financial Statements

For the Period Ended 30 June 2009 (Cont'd)

	2009 \$	2008 \$
9. CASH FLOW INFORMATION		
(a) Reconciliation of Cash		
For the purposes of the Statement of Cashflows, cash includes cash on hand, cash at bank and investments in money market instruments.		
Cash at the end of the reporting period is reconciled to the related items in the balance sheet as follows:		
Cash on Hand	890	890
Cash at Bank	260,237	241,892
Investment Accounts	693,573	780,443
Bank Overdraft	(224,802)	(284,108)
	729,898	739,117
Movement in Cash		
(b) Reconciliation of Net Cash Provided by Operating Activities to Operating Surplus		
Operating Surplus/(Deficit)	(1,306,350)	17,386
Non-cash flows in Operating Surplus/(Deficit)	167,961	124,166
Changes in Assets and Liabilities		
(Increase/Decrease in Accounts Receivable	(30,256)	7,099,074
(Increase)/Decrease in Property, Plant & Equipment	-	(2,296,841)
Increase/(Decrease) in Creditors & Accruals	1,051,577	(4,965,697)
Increase/(Decrease) in Monies Held in Trust	-	(16,600)
Increase/(Decrease) in Employee Provisions	138,909	(12,938)
Net Cash Provided by/(Used in) Operating Activities	21,841	(51,450)

Notes to the Financial Statements For the Period Ended 30 June 2009 (Cont'd)

2009 2008
\$ \$

10. CONTINGENT LIABILITY

Legal proceedings have been instituted for and against the Branch and its representatives in respect of various matters. The Branch has agreed to indemnify its representatives and members against any liability arising from these actions. Should the decision in these actions be awarded against the Branch by any Court, damages and costs as determined by the Court would have to be paid by the Branch.

11. FINANCIAL INSTRUMENTS

(a) Terms, conditions and accounting policies

The Branch's terms, conditions and accounting policies of financial instruments are those adopted by businesses in Australia generally.

(b) Interest rate risk

The Branch's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised are not significant.

(c) Credit Risk

The Branch has no significant exposure to credit risk.

(d) Net Fair Values

The net fair values of the Branch'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 balance sheet as at 30 June 2009.

	Weighted Average Effective Interest Rate %	Floating Interest Rate \$	Fixed Interest Rate 1 year or less \$	Maturities 1 to 5 years \$	over 5 years \$	Non Interest Bearing \$	Total \$
30 June 2009							
Assets:							
Cash	2.9	954,700	-	-	-	-	954,700
Debtors		-	-	-	-	81,880	81,880
Total financial assets		954,700	-	-	-	81,880	1,036,580

Notes to the Financial Statements For the Period Ended 30 June 2009 (Cont'd)

11. FINANCIAL INSTRUMENTS (CONT'D)

	Weighted Average Effective Interest Rate %	Floating Interest Rate \$	Fixed Interest Rate Maturities			Non Interest Bearing \$	Total \$
			1 year or less \$	1 to 5 years \$	over 5 years \$		
Liabilities:							
Creditors		-	-	-	-	1,695,536	1,695,536
Bank bills and Overdraft		-	224,802	-	-	-	224,802
Total financial liabilities		-	224,802	-	-	1,695,536	1,920,338
Net financial (liabilities)		954,700	(224,802)	-	-	(1,613,656)	(883,758)
30 June 2008							
Total financial assets	3.6	1,023,225	-	-	-	51,624	1,074,849
Total financial liabilities	5.6	-	284,108	-	-	643,959	928,067
Net financial assets		1,023,225	(284,108)	-	-	(592,335)	146,782

A 2% change in interest rates would change profit before tax by \$14,597.

e) Net Fair Values of Financial Assets and Liabilities

The net fair values of:-

- Term receivables, government and fixed interest securities and bonds are determined by discounting the cash flows, at the market interest rates of similar securities, to their present values
- Other asset and liabilities approximate their carrying values

	Carrying Amount 2009 \$	Fair Value 2009 \$
Financial assets		
Cash	261,127	261,127
Receivables and Investments	775,453	775,453
Financial liabilities		
Payables	1,695,536	1,695,536
Overdraft	224,802	224,802
	Carrying Amount 2008 \$	Fair Value 2008 \$
Financial assets		
Cash	242,782	242,782
Receivables and Investments	832,067	832,067
Financial liabilities		
Payables	643,959	643,959
Overdraft	284,108	284,108

**Notes to the Financial Statements
For the Period Ended 30 June 2009 (Cont'd)**

	2009 \$	2008 \$
12. EMPLOYEE BENEFITS		
Aggregate employee benefits including on-costs:		
Annual Leave and Long Service Leave	1,066,812	927,904
The present value of employee entitlements not expected to be settled within twelve months of balance date has been calculated using the following:	%	%
Assumed rate of increase in salaries and wages	3	4
Discount rate	8	9
Settlement term (years)	10	10

13. RELATED PARTIES

The Operating Report contains the names of all Branch Committee members.

No member of the Branch Committee recovered remuneration for services rendered.

During the year, transactions amount to \$34,812 (2008: \$108,936) were incurred with an entity related to Ms P Fegan.

14. SEGMENT REPORTING

The Branch operates predominantly in the one business and geographical segment, being in the private and public sector providing services to its members in respect of industrial relations matters.



Fair Work Australia

4 August 2009

Mr Jeff Jackson
Branch Secretary
Health Services Union-Victorian No. 1 Branch
jeff.jackson@hsuvic.asn.au

Dear Mr Jackson,

**Lodgement of Financial Documents for year ended 30 June 2009 [FR2009/10095]
Fair Work (Registered Organisations) Act 2009 (the RO Act)**

The financial year of the Health Services Union-Victorian No. 1 Branch (the “reporting unit”) has recently ended. This is a courtesy letter to remind you of the obligation to prepare and process the reporting unit’s financial documents. The full financial report must be lodged with Fair Work Australia within a period of 5 months and 14 days or 6 months and 14 days, depending on your rules, of the end of the financial year.

The RO Act sets out a particular chronological order in which financial documents and statements must be prepared, audited, provided to members and presented to a meeting. The attached *Timeline/Planner* summarises these requirements.

In addition, financial reporting fact sheets and sample documents can be found on our new Fair Work Australia website. You will find that the legislative requirements remain largely unchanged to that of the former requirements under Schedule 1 of the Workplace Relations Act 1996. The information can be viewed at [FWA Registered Organisations Fact Sheets](#).

This office encourages you to lodge all financial reports electronically (e.g. as pdf files) at orgs@fwa.gov.au. Alternatively, you can forward the documents by fax to (03) 9655 0401.

If you need any further information or if you believe you will be unable to lodge the full financial report within the period mentioned above please contact me on (03) 8661 7817 or by email at robert.pfeiffer@fwa.gov.au.

Yours sincerely,

Robert Pfeiffer
Tribunal Services and Organisations
Fair Work Australia

TIMELINE/ PLANNER

Financial reporting period ending:	/ /
------------------------------------	-----

Prepare financial statements and Operating Report.
--

(a) A Committee of Management Meeting must consider the financial statements, and if satisfied, pass a resolution declaring the various matters required to be included in the Committee of Management Statement.	/ /
(b) A #designated officer must sign the Statement which must then be forwarded to the auditor for consideration as part of the General Purpose Financial Report (GPFR).	

As soon as practicable after end of financial year

Auditor's Report prepared and signed and given to the Reporting Unit - s257	/ /
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*Within a reasonable time of having received the GPFR
(NB: Auditor's report must be dated on or after date of Committee of Management Statement*

Provide full report free of charge to members – s265 The full report includes: <ul style="list-style-type: none"> the General Purpose Financial Report (which includes the Committee of Management Statement); the Auditor's Report; and the Operating Report. 	/ /
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(a) if the report is to be presented to a General Meeting (which must be held within 6 months after the end of the financial year), the report must be provided to members 21 days before the General Meeting,

or
(b) in any other case including where the report is presented to a Committee of Management meeting, the report must be provided to members within 5 months of end of financial year.*

Present full report to:	
(a) General Meeting of Members - s266 (1),(2); OR	/ /
(b) where the rules of organisation or branch allow* - a Committee of Management meeting - s266 (3)	/ /

Within 6 months of end of financial year

Within 6 months of end of financial year

Lodge full report in the Industrial Registry, together with the #Designated Officer's certificate** – s268	/ /
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Within 14 days of meeting

* the full report may only be presented to a committee of management meeting if the rules of the reporting unit provide that a percentage of members (not exceeding 5%) are able to call a general meeting to consider the full report.

The Committee of Management Statement and the Designated Officer's certificate must be signed by the Secretary or another officer who is an elected official and who is authorised under the rules (or by resolution of the organisation) to sign the statement or certificate – s243.

++ The Designated Officer's certificate must state that the documents lodged are copies of the documents provided to members and presented to a meeting in accordance with s266 – dates of such events must be included in the certificate. The certificate cannot be signed by a non-elected official.