



4 January 2018

Mr Robert Kirkham
Secretary/Treasurer
Australian Business Industrial
Level 15, 140 Arthur St
North Sydney NSW 2060
By email: industrial@australianbusiness.com.au

CC: james.mcelvogue@pwc.com

Dear Mr Kirkham,

**Australian Business Industrial
Financial Report for the year ended 30 June 2017 - [FR2017/219]**

I acknowledge receipt of the financial report of the Australian Business Industrial. The documents were lodged with the Registered Organisations Commission (the ROC) on 12 December 2017.

The financial report has now been filed. You are not required to take any further action in respect of the report lodged.

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

Please note that the financial report for the year ending 30 June 2018 may be subject to an advanced compliance review.

Reporting Requirements

New Reporting Guidelines will apply to organisations and branches with financial years commencing on or after 1 July 2017. Updates and information on the new guidelines will be provided through the ROC website and the [subscription service](#).

On the ROC website is a number of factsheets in relation to the financial reporting process and associated timelines. The most recent copy of the Reporting Guidelines and a model set of financial statements can also be found. The ROC recommends reporting units use this model as it will assist in ensuring compliance with the RO Act, the s.253 Reporting Guidelines and the Australian Accounting Standards. Access to this information may be obtained via [this link](#).

If you have any queries regarding this letter, please contact me on (02) 8293 4654 or via email at david.vale@roc.gov.au.

Yours faithfully

A handwritten signature in blue ink, appearing to read 'David Vale', is written over a horizontal line.

David Vale
Registered Organisations Commission

Section 268 Fair Work (Registered Organisations) Act 2009

CERTIFICATE BY PRESCRIBED DESIGNATED OFFICER

Certificate for the period ended 30 June 2017

I Robert Kirkham being the Secretary/Treasurer of Australian Business Industrial certify:

- that the documents lodged herewith are copies of the full report for Australian Business Industrial for the period ended 30 June 2017 referred to in s.268 of the Fair Work (Registered Organisations) Act 2009; and
- that the full report was provided to members of Australian Business Industrial on 29 September 2017; and
- that the full report was presented to a general meeting of members of Australian Business Industrial on 6 December 2017 in accordance with s.266 of the Fair Work (Registered Organisations) Act 2009.

Date	6 December 2017
Signature of prescribed designated officer	
Name of prescribed designated officer	Robert Kirkham
Title of the prescribed designated officer	Secretary/Treasurer



Australian
Business
Industrial



AUSTRALIAN BUSINESS INDUSTRIAL ANNUAL REPORT

FOR THE YEAR
ENDED 30 JUNE 2017

Invigorating business

CONTENTS

President's Report	2-4
Operating Report	5-6
General Purpose Financial Report:	
Statement of Comprehensive Income	7
Statement of Financial Position	8
Statement of Changes in Equity	9
Cash Flow Statement	10
Recovery of Wages Activity	11
Notes to and Forming Part of the Financial Statements	12-21
Committee of Management Statement	22
Independent Auditor's Report	23-25

The financial report was authorised by the Councillors on 30 August 2017.
Australian Business Industrial has the power to amend and re-issue the financial report.

President's Report 2017

A year which saw employers on the back foot.

Anti-business sentiment and punishment focussed policy

In my last annual report I commented on the fact that 2016 election was a significant wake up call to business about how it tells its story and its consistency of messaging. During the long campaign leading up to polling day the major parties were outbidding each other to crack down on unscrupulous businesses.

Business was increasingly tarred by the actions of the few. There were a number of high profile triggers for all of this but the exposure and subsequent investigation by the Fair Work Ombudsman of employment practices in 7-Eleven franchises became a powerful symbol of what's wrong with business. These bad practices coming to light helped to underpin community reaction to employers.

The government was returned with a wafer thin majority. It had argued that because penalties under the Fair Work Act were insufficient and there was little perceived risk of being caught companies were exploiting vulnerable workers. Coalition policy promised additional funding to the Fair Work Ombudsman, a migrant workers taskforce in the Ombudsman and new legislation to provide a tenfold increase in penalties where there is intentional exploitation, new obligations on franchisors for the employment practices of franchisees and giving the Fair Work Ombudsman the power to compel answers.

The opposition's policy was even more punitive, looking at twentyfold increases and higher as well as possible criminal offences. More recently in NSW the leader of the state opposition, Mr Foley, has proposed prison sentences of up to 14 years for employers who engage in "wage theft".

The Government's Fair Work Amendment (Protecting Vulnerable Workers) Bill giving effect to its election policy seems likely to pass in September.

Of course business should do the right thing, employers should comply with their obligations and those which don't are a source of unfair competition. That's not at issue. The problem is policy making in the current climate. A focus on penalties, transfer of responsibility and increasing numbers of technical compliance obligations does not guarantee good policy which improves the likelihood that employees receive fair entitlements.

The Fair Work Commission's own research and a number of statements by the Fair Work Ombudsman say the same thing – many employers have difficulty

complying with modern awards, they are just too difficult. In a recent decision a full bench headed by the President said

... an award should be able to be read by an employer or employee without needing a history lesson or a paid advocate to interpret how it is to apply in the workplace.

The same could be said about the unfair dismissal requirements – few businesses are totally confident they have got it right when they terminate an employee. Most settle with go-away money when challenged.

These difficulties are more likely to impact small businesses than larger. A small business is less likely to have the technical expertise, or the time, to navigate the system. It is more likely to be award regulated because the bargaining rules make it less likely that it will have an enterprise agreement. A small business' solution to making its obligations fit with its business reality is less likely to be fully effective.

A small example. Some small businesses strike an hourly rate above the award rate to cover off the allowances and penalty rates which an employee will attract for some of his or her working hours. This creates a breach of the award because the allowances or penalties are not paid, but if the employer and employee do not have a contract which provides that the over-award is paid to compensate for the allowances or penalties the over-award money cannot help to offset the underpayment. The business is exposed to paying not only the over-award, but also having to back pay the allowances and penalty rates, which depending on the award, might be calculated on the over-award rate.

A larger business paying an all-up rate is more likely to have a proper contractual offset term. ABI Council has been looking at this to see whether there is an achievable solution.

To his credit, the President of the Fair Work Commission, Justice Ross, has asked Bruce Billson, the former Minister for Small Business, to investigate the difficulties small business has in dealing with the Commission and its awards. Bruce's findings have not been released at the time of writing.

The Australian Taxation Office says similar things about compliance with the superannuation guarantee. The superannuation guarantee laws are not well written to support the guarantee's objective, which is timely contributions on behalf of employees into their fund, and where a contribution is missed, early rectification so that the employee doesn't lose out on the contribution or its earnings.

“...an award should be able to be read by an employer or employee without needing a history lesson or a paid advocate to interpret how it is to apply in the workplace.”¹”

A climate in which all sides in politics seek to demonstrate they are better at cracking down on business malpractice does not generally support good policy making.

Rather, “business can’t be trusted” becomes the established norm, despite the fact that many businesses routinely support their communities, sponsor community activities and seek to respond to their employee’s needs. Most employees do not distrust their own employer.

Intrusive, complicated obligations impact all employers, not just those doing the wrong thing. The difficult challenge is to craft obligations so that they support their objective and deal with the outlier seeking to avoid the obligation without encumbering those doing the right thing. The harder obligations are to comply with, the more likely they will be breached.

The 4-Yearly Review of Awards

The 4-yearly review of awards was again the major ongoing business of the year and it consumed Council time as well as demanding huge resources. ABI is represented by Australian Business Lawyers and Advisors in the Fair Work Commission and also seeks ABLA’s advice in the more difficult legal issues which seem to be cropping up more frequently during the review.

Current examples of unexpected legal issues are whether the abandonment of employment provision in the manufacturing award is something which can be written in a modern award, and whether awards which require employees to give notice when they want to quit can also provide that the employer can deduct the amount of unworked notice from their termination payment if they fail to give the notice required under the award.

Over time the review has grown and extended. For example, parties with an interest in the Pharmacy Industry Award decided that they wanted to redraft the award to make it more accessible to users in that industry. This idea has given rise to a plain language re-draft process which now affects 14 awards with the promise of more to come. Plain language is to be applauded, but complicated conditions are still complicated. The process consumes an immense amount of resources.

Closer to home, ABI sought to vary a small number of awards which required that a terminating employee was given his or her final pay at the time of termination

so that the terminating employee could be paid on the business’ usual EFT pay cycle. We also sought to remove penalties for late payment of wages from a small number of awards when wages are paid by EFT.

We were basically successful in getting a clause which allowed payment on termination of cycle or no later than 7 days after termination, but because most awards did not provisions about final payments the clause has been extended to cover them all. The Commission also formed the view that monthly pay cycles should be by agreement and has asked for reasons why this should not be a standard clause. ABI is opposing this proposal and the Commission is yet to issue its concluded view.

Except for the Joinery award which was referred to another bench, we were successful in the late payment claim.

Penalty rates

ABI made claims to reduce the public holiday penalty rate in the Restaurant Industry Award and the Sunday and public holiday rates in the General Retail Industry Award and the Hair and Beauty Industry Award. We discontinued the Hair and Beauty Award claim because of insufficient evidence. Our claims were largely successful in the Commission, but there has been a great deal of political misinformation about the decision and its impact.

Taken together all the employer penalty rate claims were to reduce penalty rates in seven modern awards applying in the retail and hospitality sector which is a labour intensive service sector, reliant on discretionary spend, with low profit margins.

The Commission granted the reductions in penalty rates because they no longer met the modern awards objective. It decided that the award rates should be reduced as a matter of fairness to employers and employees covered by these awards. The Commission found that current Sunday and public holiday penalties were restricting trading, lowering staffing levels and restricting the type and range of services provided to the community. It also found that penalty rates under the Fair Work Act were not intended to discourage employers from operating during “unusual” hours, they were intended to compensate employees for the “disutility” of working those hours.

Most recently the unions have appealed the decision. The appeal will be heard by a full bench of the Federal Court and ABI has briefed a barrister to appear.

¹ Para 32, Decision, 4 yearly review of modern awards – plain language re-drafting – Tranche 2 awards, [2017] FWCFB 4447

Annual Wage Review

The 2017 annual wage review decision was for a 3.3% increase to the national minimum wage and award wages. This was significantly more than we argued for and also higher than we expected. In a period of low inflation the increase was generous.

Aside from the disappointment about the size of the outcome there is a concern about what seems to be a change in thinking by the Minimum Wage Panel. The Panel appears to be forming the view that the labour market is able to absorb higher increases to minimum wages without triggering a reduction in the amount of work on offer to award-reliant employees than it had previously thought.

Council has been looking at ways to challenge this view in the next annual wage review.

Legislation

Council has been very active considering the many bills which have been tabled in parliament as well as looking at reforms which can help to restore the balance. It has worked closely with the Australian Chamber of Commerce and Industry. The arrangement where Dick Grozier also works for the Australian Chamber continues.

ABI elections

2016 – 17 has also been a year of elections for ABI. ABI's council was declared elected in July 2016, for the first time under the new 4 year term. Since then there have been two resignations each of which has required a new election. The first, triggered by Kathleen Collin's resignation because she changed jobs, resulted in the election of Brooke Jennings. The second, triggered by Anni Brownjohn who resigned to devote her full energy to recovering from Cyclone Debbie, is currently in train.

The Australian Electoral Commission conducts ABI's elections.

ABI Rules

Disclosures - ABI's rules require its officers to disclose any material personal interests relevant to ABI's operations that they or their close relatives acquire and also any remuneration received from external boards because of being an officer of ABI, or because nominated by ABI. As well, the remuneration of the 5 most highly paid officers must be disclosed. Councillors are officers, but under its rules ABI's councillors are not remunerated, and ABI does not directly employ. Councillors are reimbursed for validated travel expenditure but most make no claim.

There were no material personal interests requiring disclosure.

In the 2016–17 year I also chaired the NSW Business Chamber's workplace policy committee for which I received \$9,592 inclusive of superannuation guarantee contribution. This is also reported in the new Officer and Related Party Disclosure Statement circulated with the annual report.

Training – Our rules also require all councillors to undertake approved training within 6 months of becoming a councillor. All councillors have successfully completed their approved training.

Council is also looking at whether it can simplify the rules following recent amendments to the Fair Work (Registered Organisations) Act.

Thank you

A difficult year with lots on and the complicated problem of how to get employers' needs properly heard.

Thank you to my councillors for all the work they have put in and their willingness to think outside the usual. Thanks, too, to the support from the NSW Business Chamber.

Whilst it's not a comprehensive list of those who supported ABI during the year, I'd like to especially mention Luis Izzo of Australian Business Lawyers and Advisors who not only helped to firm up views in key matters but also stood in as Executive Officer for part of the year, Alana Matheson of the Australian Chamber of Commerce and Industry who gave us a deeper understanding of how the Australian Chamber was thinking of things, Rebecca Burdick (workforce skills) and Elizabeth Greenwood (workers compensation and WHS) NSWBC's wonderful policy officers who kept council up to date on their policy areas, and as always Dick Grozier.



Kerry Wilson
President

North Sydney
31 August 2017

Australian Business Industrial Operating Report 30 June 2017

The Committee of Management of Australian Business Industrial ("the Organisation") presents its report for the financial year ended 30 June 2017.

Review of principal activities, the results of those activities and any significant changes in the nature of those activities during the year

The Organisation represents the interests of its members in the Federal Industrial Relations jurisdiction.

The Organisation is an Organisation of Employers and was registered under the Fair Work (Registered Organisations) Act 2009 on 19 October 2009.

Membership of Australian Business Industrial includes members of NSW Business Chamber Limited and a formal affiliation agreement exists between the organisations.

The Organisation is exempt from Income Tax under section 50.1 of the Income Tax Assessment Act 1997.

The net profit of the Organisation was \$445 for the year (2016: loss \$9,209).

The main area of activity during the year was representing members in the various proceedings in the Fair Work Commission's 4-yearly review of modern awards in which it has been heavily involved. The organisation has worked closely with the Australian Chamber of Commerce and Industry in common issues and it has also engaged with the Commonwealth Government about workplace legislation.

There were no significant changes in the nature of the Organisation's activities during the year.

Significant changes in financial affairs

There were no significant changes in financial affairs during the year.

Right of members to resign

Rule 17 provides a right for members to resign from the Organisation and members may resign in accordance with section 174 of the *Fair Work (Registered Organisations) Act 2009*.

Officers and employees who are superannuation fund trustee(s) or director of a company that is a superannuation fund trustee

No officer or member of the reporting unit holds a position as a trustee or director of a superannuation entity or exempt public sector superannuation scheme where the criterion for holding such position is that they are an officer or member of the organisation.

Number of members

The number of persons that were, at the end of the financial reporting year, recorded in the register of members is 4,363 (2016: 4,195).

Number of employees

There were no employees during or at the end of the financial year.

Names of Committee of Management members and period positions held during the financial year

The name of each person who has been a member of the committee of management at any time during the reporting period is:

Name	Position	Date
Kerry Wilson	President	Re appointed 25 August 2016
Bruce Mackenzie	Vice President	Re appointed 25 August 2016
Tom Bowers	Vice President	Appointed 25 August 2016
Jane Cleary	Councillor	Resigned Vice President 25 August 2016 and continuing as a Councillor
Robert Kirkham	Secretary / Treasurer	Appointed 25 August 2016
Colin Bosworth	Secretary / Treasurer	Resigned Secretary / Treasurer 25 August 2016
Brian Eichhorn	Councillor	Resigned 20 July 2016
David Long	Councillor	Re appointed 20 July 2016
Jessica Liley	Councillor	Re appointed 20 July 2016
Jennifer Schembri	Councillor	Resigned 20 July 2016
Brad Gething	Councillor	Re appointed 20 July 2016
Gerry Carr	Councillor	Re appointed 20 July 2016
Anni Brownjohn	Councillor	Re appointed 20 July 2016 / Resigned 26 June 2017
John Prineas	Councillor	Resigned 20 July 2016
Andrew Vlachos	Councillor	Re appointed 20 July 2016
Jane Brady	Councillor	Appointed 20 July 2016
Kathleen Collins	Councillor	Appointed 20 July 2016 / Resigned 07 November 2016
Annabel Leete	Councillor	Appointed 20 July 2016
Ian Lilley	Councillor	Appointed 20 July 2016
Brooke Jennings	Councillor	Appointed 17 March 2017

Committee members have been in office for the full reporting period unless otherwise stated.

Matters subsequent to the end of the financial year

In the opinion of the Councillors, no matter, circumstance or event of a material and unusual nature has arisen since the end of the financial year and the date of this report which is likely to affect significantly the operations of the Organisation.

This report is made in accordance with a resolution of Councillors.



Kerry Wilson
Councillor

North Sydney
30 August 2017



Robert Kirkham
Councillor

Australian Business Industrial
Statement of Comprehensive Income for the year ended 30 June 2017

	Notes	2017 \$	2016 \$
Revenue			
Membership subscription	3A	218,150	209,750
Capitation fees received	3B	-	-
Levies	3C	-	-
Interest	3D	749	1,232
Total revenue		<u>218,899</u>	<u>210,982</u>
Other Income			
Grants and/or donations	3E	-	-
Total other income		<u>-</u>	<u>-</u>
Total income		<u>218,899</u>	<u>210,982</u>
Expenses			
Employee expenses	4A	-	-
Captitation fees	4B	-	-
Affiliation fees	4C	-	-
Administration expenses	4D	(212,274)	(215,041)
Grants or donations	4E	-	-
Legal costs	4F	-	-
Audit fees	10	(6,180)	(5,150)
Penalties	4G	-	-
Total expenditure		<u>(218,454)</u>	<u>(220,191)</u>
Profit (loss) before income tax		445	(9,209)
Income tax expense		-	-
Profit (loss) after income tax		<u>445</u>	<u>(9,209)</u>
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income (loss) for the year		<u>445</u>	<u>(9,209)</u>
Total comprehensive income (loss) for the year attributable to:			
<i>Members of Australian Business Industrial</i>		<u>445</u>	<u>(9,209)</u>

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Australian Business Industrial
Statement of Financial Position as at 30 June 2017

	Notes	2017 \$	2016 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	76,503	86,214
Trade and other receivables	6	239,527	230,779
Total current assets		<u>316,030</u>	<u>316,993</u>
Total assets		<u>316,030</u>	<u>316,993</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade payables	7	220,000	220,541
Other payables	7	6,380	7,247
Total current liabilities		<u>226,380</u>	<u>227,788</u>
Total liabilities		<u>226,380</u>	<u>227,788</u>
Net assets		<u>89,650</u>	<u>89,205</u>
EQUITY			
Retained profits	9	89,650	89,205
Total equity		<u>89,650</u>	<u>89,205</u>

The above statement of financial position should be read in conjunction with the accompanying notes.

Australian Business Industrial
Statement of Changes in Equity for the year ended 30 June 2017

	Notes	2017	2016
		\$	\$
Total equity at the beginning of the financial year		89,205	98,414
Total comprehensive income / (loss) for the year		445	(9,209)
Total equity at the end of the financial year	9	<u>89,650</u>	<u>89,205</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Australian Business Industrial
Cash Flow Statement for the year ended 30 June 2017

	Notes	2017 \$	2016 \$
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from customers (including GST)		10,340	234,795
Receipts from other reporting units/controlled entities		-	-
Cash paid to suppliers and employees (including GST)		(20,800)	(240,607)
Cash paid to employees		-	-
Payments from other reporting units/controlled entities		-	-
Interest received	3D	749	1,232
Net cash used by operating activities	11	(9,711)	(4,580)
		(9,711)	(4,580)
Net decrease in cash and cash equivalents		(9,711)	(4,580)
Cash and cash equivalents at the beginning of period		86,214	90,794
Cash and cash equivalents at the end of the period	5	76,503	86,214

The above statement of cash flows should be read in conjunction with the accompanying notes.

Australian Business Industrial
Recovery of Wages Activity for the year ended 30 June 2017

	Notes	2017	2016
		\$	\$
RECOVERY OF WAGES ACTIVITY			
Cash assets in respect of recovered money at beginning of year			
Receipts		-	-
Payments		-	-
Cash assets in respect of recovered money at end of year		<u>-</u>	<u>-</u>

1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for Australian Business Industrial ("the Organisation").

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and apply for the reporting period and the *Fair Work (Registered Organisation) Act 2009*.

Historical cost convention

The financial statements have been prepared on an accruals basis in accordance with the historical cost convention, except for investments, which are at fair value through profit or loss. Unless stated otherwise the accounting policies described below are consistent with those applied in the prior year.

Comparative amounts

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

(b) Critical accounting judgements and key sources of estimation uncertainty

Critical judgements in applying the company's accounting policies

There are no critical judgements that management has made in the process of applying the organisation's accounting policies at balance date that have a significant effect on the amounts recognised in the financial statements.

Key sources of estimation uncertainty

There are no key assumptions or sources of estimation uncertainty at balance date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(c) New Australian Accounting Standards

Adoption of New Australian Accounting Standard Requirements

No accounting standard has been adopted earlier than the application date stated in the standard.

The accounting policies adopted are consistent with those of the previous financial year.

Future Australian Accounting Standards Requirements

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2017 reporting periods and have not been early adopted by the organisation. The organisation's assessment of the impact of these new standards and interpretations is set out below.

AASB 15 Revenue from Contracts with Customers

Nature of change

The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers revenue arising from the sale of goods and the rendering of services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Impact

Management is currently assessing the effects of applying the new standard on the organisation's financial statements and has identified the following areas that are likely to be affected:

- the application of AASB 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue.
- accounting for certain costs incurred in fulfilling a contract – certain costs which are currently expensed may need to be recognised as an asset under AASB 15, and

At this stage, the company is not able to estimate the effect of the new rules on the organisation's financial report. The company will make more detailed assessments of the effect over the next twelve months.

Mandatory application date / Date of adoption by the organisation.

Mandatory for financial years commencing on or after 1 January 2018, but available for early adoption.

Expected date of adoption by the organisation:
1 July 2018.

(d) Fair value measurement

The carrying amounts of trade and other receivables and trade and other payables are valued at their fair value due to their short-term nature. There are no assets or liabilities contained in the financial statements that are materially different to their fair value.

(e) Foreign currency

The financial statements are presented in Australian dollars, which is the Organisation's functional and presentation currency.

(f) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of discounts.

The organisation recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the organisation and specific criteria have been met for each of the organisation's activities as described below.

The organisation bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the organisation's major business activities as follows:

- i. Membership subscriptions comprise annual subscriptions for the year and are recognised as revenue on a monthly basis over the period of the membership

- ii. Sponsorship income is brought to account when control is obtained over sponsorship funds

- iii. Interest income is recognised when earned.

(g) Cash and cash equivalents

For the purpose of presentation in the cash flow statement, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(h) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is used when there is objective evidence that the organisation will not be able to collect all amounts due according to the original terms of the receivables.

The amount of the impairment loss is recognised in the statement of comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of comprehensive income.

(i) Trade and other payables

These amounts represent liabilities for goods and services provided to the organisation prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(j) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of GST, unless the GST incurred is not recoverable from the Australian Taxation Office. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST component of cash flows arising from investing or financing activities which are recoverable from, or payable to the Australian Taxation Office, are presented as operating cash flows.

(k) Income tax

Australian Business Industrial is a not-for-profit employers' association and hence is exempt from income tax under section 50.15 of the *Income Tax Assessment Act 1997*.

2 Financial risk management

The Organisation's activities expose it to credit risk and liquidity risk. The Organisation's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Organisation. The Organisation uses different methods to measure different types of risk to which it is exposed. These methods include regular review of trade receivables ageing analysis for credit risk.

The Organisation has no substantial financial assets or liabilities that are exposed to interest rate risk.

a. Credit Risk

Credit risk arises from exposure to counterparties that may not meet their contractual obligations with the Organisation. The Organisation's exposure to credit risk primarily arises from its trade receivables.

The maximum exposure to credit risk at reporting date to recognised financial assets is the carrying amount of those assets, net of any provisions for doubtful debts, as disclosed in the balance sheet and notes to the financial statements.

The Organisation does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Organisation.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (where available).

Credit quality of financial assets held at balance date	2017	2016
	\$	\$
Cash at bank		
- Westpac (Rated AA3 by Moody's Investors Service, Inc)	76,503	86,214
	<u>76,503</u>	<u>86,214</u>
Trade receivables		
(Counterparties without external credit rating)	239,415	229,790
Trade receivables	<u>239,415</u>	<u>229,790</u>

Past due but not impaired trade receivables

Financial Liabilities	0-30 days	31-60 days	61-90 days	90+ days	Total
	\$	\$	\$	\$	\$
As at 30 June 2017					
Trade receivables	239,415	-	-	-	239,415
	<u>239,415</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>239,415</u>
As at 30 June 2016					
Trade receivables	229,680	-	55	55	229,790
	<u>229,680</u>	<u>-</u>	<u>55</u>	<u>55</u>	<u>229,790</u>

b. Liquidity Risk

The Organisation's liquidity risk arises from the risk that it will encounter difficulty in meeting its obligations associated with financial liabilities. The Organisation manages liquidity risk by continuously monitoring forecast and actual cash flows and matching profiles of financial assets and liabilities.

The table below shows the contractual maturity of the Organisation's financial liabilities.

Financial Liabilities	On Demand	Less than 1 year	1 and 2 years	2 and 5 years	More than 5 years	Total
	\$	\$	\$	\$	\$	\$
As at 30 June 2017						
Trade and other payables	226,380	-	-	-	-	226,380
	<u>226,380</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>226,380</u>
As at 30 June 2016						
Trade and other payables	227,788	-	-	-	-	227,788
	<u>227,788</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>227,788</u>

	Notes	2017 \$	2016 \$
3 Income			
3A Membership subscription		218,150	209,750
3B Capitation fees received	20	-	-
3C Levies	19	-	-
3D Interest		749	1,232
		<u>218,899</u>	<u>210,982</u>
Other Income			
3E Grants and/or donations	17	-	-
		<u>218,899</u>	<u>210,982</u>
4 Expenses			
4A Employee Expenses	18		
Employee Expenses - holders of office		-	-
Employee Expenses - other than office holders		-	-
Total employee expenses		<u>-</u>	<u>-</u>
4B Capitation fees	20	-	-
4C Affiliation fees	21	-	-
4D Administration expenses			
Consideration to employers for payroll deductions	18	-	-
Compulsory levies	19	-	-
Fees/allowances - meeting and conferences		-	-
Conference and meeting expenses		2,079	1,636
Consultants		200,000	200,000
Travel Expenses		4,907	6,092
Printing and stationery		816	3,547
Office expenses		1,672	2,430
Other		2,800	1,336
Total administration expenses	13	<u>212,274</u>	<u>215,041</u>
4E Grants or donations	17	-	-
Grants:			
Total paid that were \$1,000 or less		-	-
Total paid that exceeded \$1,000		-	-
Donations:			
Total paid that were \$1,000 or less		-	-
Total paid that exceeded \$1,000		-	-
Total grants and donations		<u>-</u>	<u>-</u>

	Notes	2017 \$	2016 \$
4F Legal Costs - other legal matters	22	-	-
4G Penalties - via RO Act or RO Regulations	23	-	-
5 Current assets - cash and cash equivalents			
Cash at bank		76,503	86,214
6 Current assets - trade and other receivables			
Trade receivables		239,415	229,790
Receivables from other reporting units		-	-
Less provision for doubtful debts		-	-
Net trade receivables		239,415	229,790
Other receivables			
GST receivable (net) from ATO		112	989
Total other receivables		112	989
Total trade and other receivables (net)		239,527	230,779
7 Current liabilities - trade and other payables			
Trade payables		220,000	220,541
Payables to other reporting units		-	-
GST payable (net)		-	-
Consideration to employers for payroll deductions		-	-
Legal costs		-	-
Other payables		6,380	7,247
		226,380	227,788
8 Provisions			
Employee provisions		-	-
		-	-
9 Retained profit			
Movement in retained profits was as follows:			
Balance at 1 July		89,205	98,414
Net profit / (loss) for the year		445	(9,209)
Balance at 30 June		89,650	89,205

	2017	2016
	\$	\$
10 Remuneration of auditors		
PricewaterhouseCoopers Australian firm:		
Audit of financial statements	6,180	5,150
Other services	-	-
Total remuneration of auditors	<u>6,180</u>	<u>5,150</u>
11 Reconciliation of profit / (loss) after income tax to net cash inflow from operating activities		
Operating profit / (loss)	445	(9,209)
(Increase)/ decrease in trade debtors	(9,625)	4,070
(Increase) / decrease in other receivables	877	(529)
Increase/ (decrease) in trade creditors	(541)	541
Increase/ (decrease) in other payables	(867)	547
Net cash from operating activities	<u>(9,711)</u>	<u>(4,580)</u>

The cash flow information above relates to Australian Business Industrial and no other reporting unit or controlled entity.

12 Related party transactions

12A Transactions with NSW Business Chamber Limited

Revenue received for membership	217,650	208,800
Expenses paid for consulting, meeting, printing, stationary & office costs, audit fees	209,833	211,952
Amounts owed by NSWBC at 30/06/17	239,415	229,680
Amounts owed to NSWBC at 30/06/17	220,000	220,000

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances for sales and purchases at year end are unsecured and interest free and settlement occurs in cash. For the year ended 30 June 2017, the Organisation has not recorded any impairment of receivables relating to amounts owed by related parties (2016: \$NIL). All related party receivables and payables have been settled at the time of preparing these financial statements.

12B Key management personnel other remuneration

President received remuneration from NSWBC for chairing the Workplace Relations Committee	9,592	9,592
Councillors	-	-

Terms and conditions of key personnel other remuneration

ABI's rules require its officers to disclose any material personal interests and also any remuneration received from external boards because of being an officer of ABI. As well, the remuneration of the 5 most highly paid officers must be disclosed. Councillors are officers, but under its rules ABI's councillors are not remunerated, and ABI does not directly employ. Councillors are reimbursed for validated travel expenditure.

2017 2016
\$ \$

13 Administration of financial affairs by a third party

NSW Business Chamber collects the following revenue and pays the following expenses on behalf of the Organisation. Each entity raises invoices to recover these transactions from each other.

Revenue

Membership Subscription	217,650	208,800
-------------------------	---------	---------

Expenses

Conference and meeting expenses	2,079	1,636
Consultants	200,000	200,000
Printing and stationery	816	3,547
Office expenses	758	1,620
Audit Fees	6,180	5,150
Total expenses	209,833	211,953

NSW Business Chamber Limited provides accounting services to the Organisation at no cost. The services provided are: accounts payable, accounts receivable, general accounting including the preparation of budgets, monthly financial reporting and annual Financial Statements.

14 Organisation's Details

The registered office and principal place of business is Level 15, 140 Arthur Street, North Sydney, NSW 2060 Australia.

15 On-going Support

The Organisation receives on-going financial support from NSW Business Chamber Limited. An affiliation deed between the two entities confirms NSW Business Chamber Limited's commitment to the Organisation. The financial support will continue in accordance with the affiliation deed dated 28 March 2012, and is interest free. Repayments are only payable by consent of the Organisations' Council. There is no set termination date in the affiliation deed.

16 Acquisition of assets and or liabilities

There were no acquisitions of assets or liabilities during the financial year.

17 Donations and Grants

The Organisation did not receive or pay any donations or grants during the year.

18 Recovery of Wages

The Organisation did not have to engage in the recovery of wages during the year.

19 Compulsory Levies

The Organisation does not raise compulsory levies and as such did not derive any income. No compulsory levies were imposed on the Organisation during the year.

20 Capitation Fees

The Organisation did not receive or pay any capitation fees during the year.

21 Affiliation Fees

The Organisation did not pay any affiliation fees during the year.

22 Legal Costs

The Organisation did not pay any legal costs for litigation or legal costs for other matters during the year.

23 Penalties

No penalties were imposed or paid by the Organisation during the year.

24 Section 272 *Fair Work (Registered Organisations) Act 2009*

In accordance with the requirements of the *Fair Work (Registered Organisations) Act 2009*, the attention of members is drawn to the provisions of subsections (1) to (3) of section 272, which reads as follows:

Information to be provided to members or the General Manager of Fair Work Australia:

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

25 Events after the reporting period

There were no events that occurred after 30 June 2017, and/or prior to the signing of the financial statements, that would affect the ongoing structure and financial activities of the Organisation.

Committee of Management Statement for the period ended 30 June 2017

On 30 August 2017 the members of the committee of management of Australian Business Industrial ("the Organisation") passed the following resolution in relation to the general purpose financial report (GPFR) for the period ended 30 June 2017.

The committee of management declares 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 General Manager of the Fair Work Commission;
- (c) the financial statements and notes give a true and fair view of the financial performance, financial position and cash flows of the Organisation for the financial year to which they relate;
- (d) there are reasonable grounds to believe that the Organisation will be able to pay its debts as and when they become due and payable; and
- (e) during the financial year to which the GPFR relates and since the end of that year:
 - (i) meetings of the committee of management were held in accordance with the rules of the Organisation; and
 - (ii) the financial affairs of the Organisation have been managed in accordance with the rules of the Organisation; and
 - (iii) the financial records of the Organisation have been kept and maintained in accordance with the RO Act; and
 - (iv) where information has been sought in any request by a member of the Organisation or General Manager duly made under section 272 of the RO Act, this has been provided to the member or General Manager; and
 - (v) where any order for inspection of financial records has been made by the Fair Work Commission under section 273 of the RO Act, there has been compliance.
- (f) No revenue has been derived from undertaking recovery of wages activity during the reporting period.

This declaration is made in accordance with a resolution of the Committee of Management.



Kerry Wilson
Councillor

North Sydney
31 August 2017



Robert Kirkham
Councillor



Independent auditor's report

To the members of Australian Business Industrial

Our opinion

In our opinion, in all material respects:

- the accompanying financial report presents fairly, the financial position of Australian Business Industrial (the Registered Organisation) as at 30 June 2017 and its financial performance and its cash flows for the year then ended in accordance with
 - a) Australian Accounting Standards
 - b) Reporting Guidelines or Part 3 of Chapter 8 of the *Fair Work (Registered Organisation) Act 2009 (the RO Act)*.
- the committee of management's use of the going concern basis of accounting in the preparation of the Registered Organisation's financial statements is appropriate.

What we have audited

The financial report comprises:

- the statement of financial position as at 30 June 2017
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the cash flow statement for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- the declaration of the councillors
- the committee of management statement

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

We are independent of the Registered Organisation in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.



Information other than the financial report and auditor's report thereon

The committee of management of the Registered Organisation is responsible for the other information. The other information comprises the President's report and Operating report included in the Registered Organisation's annual report for the year ended 30 June 2017 but does not include the financial report and our auditor's report thereon. The other information is expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the financial report, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the other information not yet received as identified above, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action to take.

Responsibilities of the committee of management and councillors for the financial report

The committee of management of the Registered Organisation is responsible for the preparation and fair presentation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the RO Act, and for such internal control as committee of management determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the committee of management is responsible for assessing the ability of the Registered Organisation to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless committee of management either intend to liquidate the Registered Organisation or to cease operations, or have no realistic alternative but to do so.

The councillors are responsible for overseeing the Registered Organisation's financial reporting process.

Auditor's responsibilities for the audit of the financial report

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



A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report of Australian Business Industrial for the year ended 30 June 2017 included on Australian Business Industrial's web site. The councillors of the Registered Organisation are responsible for the integrity of Australian Business Industrial's web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

Report on the recovery of wages activity financial report

Opinion

No revenue has been derived by the Registered Organisation from undertaking recovery of wages activity during the reporting period, as disclosed in the committee of management statement, and therefore no opinion can be provided in relation to recovery of wages activity.

Responsibilities

The committee of management is responsible for the preparation and presentation of the recovery of wages activity financial report in accordance with the reporting guidelines of the General Manager. Our responsibility is to express an opinion on the recovery of wages activity financial report, based on our audit conducted in accordance with Australian Auditing Standards.

A handwritten signature in blue ink, appearing to read 'PwC', is positioned above the company name.

PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to read 'James McElvogue', is positioned above the name and title.

James McElvogue
Partner
Registered Company Auditor #285109
Member of the CAANZ #93952
Holder of Public Practice Certificate #93952
Registered Auditor under the RO Act #AA2017/168

Sydney
30 August 2017

Australian Business Industrial

ABN 59 687 108 073

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Locked Bag 938, North Sydney NSW 2059

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e industrial@australianbusiness.com.au



8 August 2017

Mr Robert Kirkham
Secretary/Treasurer
Australian Business Industrial
By Email: industrial@australianbusiness.com.au

Dear Mr Kirkham,

**Re: Lodgement of Financial Report - [FR2017/219]
*Fair Work (Registered Organisations) Act 2009 (the RO Act)***

The financial year of the Australian Business Industrial (the reporting unit) ended on 30 June 2017. This is a courtesy letter to remind you of the reporting unit's obligations regarding financial reporting.

Loans Grants and Donations Statement

The reporting unit is required to lodge a statement showing the relevant particulars in relation to each loan, grant or donation of an amount exceeding \$1,000 for the reporting unit during its financial year. Section 237 of the RO act requires this statement to be lodged with Registered Organisations Commission (the ROC) within 90 days of the end of the reporting unit's financial year, that is on or before 28 September 2017.

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

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

Financial report

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

We emphasise that the reporting unit is required to present its audited financial report to a meeting (either of members or of the committee of management, depending on your rules) no later than 31 December 2017 (s.266). The full financial report must be lodged with the ROC within 14 days of that meeting (s.268).

When assessing your financial report, we will continue to focus closely on timelines as well as how loans, grants and donations are reported. The financial report must break down the amounts of grants and donations and these figures will be compared to the loans, grants and donations statement (see attached *Loans Grants and Donations* fact sheet FS 009).

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

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

Auditor's report

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

REMINDER

YOUR AUDITOR MUST BE REGISTERED (s.256)

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

Contact

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

Yours faithfully,

Michael Moutevelis

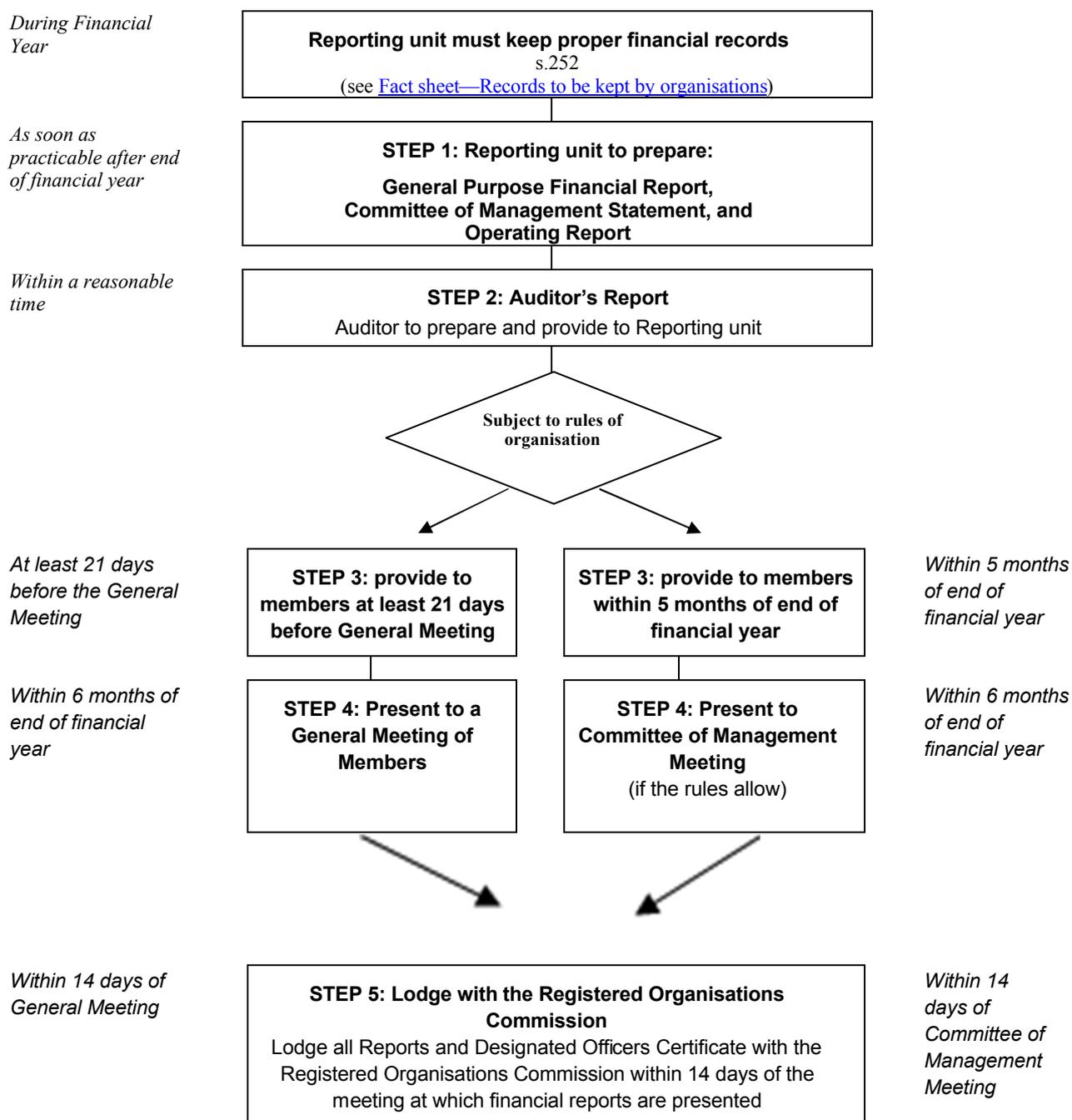
Registered Organisations Commission



Fact sheet

Summary of financial reporting timelines – s.253 financial reports

See Fact sheet—Financial reporting for an explanation of each of these steps.





Fact sheet

Loans, Grants & Donations

The Loans, Grants & Donations Requirements

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

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

The Loans, Grants & Donations Statement

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

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

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

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

Common misconceptions

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

Misconception	Requirement
 Only reporting units must lodge the Statement.	 All branches and organisations, regardless of whether they lodge a financial report, must lodge the statement within 90 days of the end of the financial year. An organisation cannot lodge a single statement to cover all of its branches.
 Employees can sign the Statement.	 The statement must be signed by an elected officer of the relevant branch.

	Statements can be lodged with the financial report.		The deadline for the statement is much shorter (90 days) and if it is lodged with the financial report it is likely to be late.
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Grants & Donations within the Financial Report

Item 16(e) of the Commissioner's Reporting Guidelines requires the reporting unit to separate the line items relating to grants and donations into grants or donations that were \$1000 or less and those that exceeded \$1000.

As such, the note in the financial report relating to grants and donations will have four lines. In the [ROC's Model Statements](#) the note appears as follows:

Note 4E: Grants ~~OR~~ donations*

Grants:	[Current year]	[Previous year]
Total paid that were \$1,000 or less	-	-
Total paid that exceeded \$1,000	-	-
Donations:		
Total paid that were \$1,000 or less	-	-
Total paid that exceeded \$1,000	-	-
Total grants or donations	-	-

The Commissioner's Reporting Guidelines requires that these line items appear in the financial report even if the figures are NIL.

Implications for filing the Financial Report

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

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

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

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

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

Further information

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



Guidance Note

Illustrative Auditor's Report under section 257 of the *Fair Work (Registered Organisations) Act 2009*

Prepared and issued by the Registered Organisations Commission

Version	Date published
1	4 August 2017

1. Introduction

The purpose of this guidance note is to provide Registered Organisations with guidance on the revised Australian Auditing Standard ASA 700 *Forming an Opinion and Reporting on a Financial Report* (ASA 700), as issued by the Auditing and Assurance Standards Board ('AUASB').

An 'Illustrative Auditor's Report' is included to assist Registered Organisations to understand the new auditing requirements.

2. Background to the revised Auditing Standard

From 15 December 2016, the structure of the Auditor's Report changed as a result of revisions made to the Australian Auditing Standards (ASAs). The changes impact all auditors' reports prepared in accordance with the ASAs.

The purpose of the change is to:

- enhance the communicative value of the Auditor's Report;
- give prominence to the most important matters by re-ordering the content;
- enhance reporting on going concern matters (if applicable), and provide enhanced descriptions of the respective responsibilities of management and the auditor, in relation to going concern;
- provide an affirmative statement on auditor's independence and fulfilment of relevant ethical responsibilities;
- provide more information to users on the auditor's responsibilities, and the key features of an audit and;
- provide details of other information the auditor has received at the date of the Auditor's Report, and is expected to receive after the date of the Auditor's Report¹.

3. Key changes included in the illustrative Auditor's Report

Description	Auditing standard ref.	Comments
Structure of the auditor's report	ASA 700.21-52	The form and structure of the audit report have been reorganised due to changes in the Australian Auditing Standards.
Basis for opinion	ASA 700.28c	Requires references in the audit report to the applicable ethical standards e.g. APES 110 <i>Code of Ethics for Professional Accountants</i> .
Other information	ASA 700.32 ASA 720	ASA 720 now requires that the auditor 'read and consider' if the Other Information (including but not limited to the Operating Report) is materially inconsistent with the financial statements, or the auditor's knowledge obtained in the audit.
Committee of Management's responsibilities for the preparation of the financial report	ASA 700.33-36	ASA 700.34b has been added to reflect changes made in ASA 570. The changes emphasise that it is management's responsibility for assessing whether the use of the going concern assumption is appropriate. The auditors' roles and responsibilities related to going concern have not changed.
Auditor's responsibilities for the audit of the financial report	ASA 700.37-40	These paragraphs have been expanded to clarify the detailed nature and scope of the auditor's existing responsibilities and procedures, and to make an explicit relationship of material misstatements to fraud or error.
Report on other legal and	ASA 700.43-45	This section is only applicable if there are other matters to report as required by other legislation.

¹ Adapted from 'Auditor Reporting FAQs' – Auditing and Assurance Standards Board - <http://www.auasb.gov.au/Publications/Auditor-Reporting-FAQs.aspx>

Description	Auditing standard ref.	Comments
regulatory requirements		<p>Under sections 257(6) and (7) of the <i>Fair Work (Registered Organisations) Act 2009</i> ('RO Act'), the auditor is required to report on any instances of non-compliance or deficiency or shortcoming with respect to financial record-keeping, and section 257(2) of the RO Act requires auditors to report on access restrictions to the financial records of the organisation.</p> <p>This section is not required if there are no matters to report.</p>

4. Key changes not reflected in the illustrative Auditor's Report

Description	Auditing standard ref.	Comments
Key Audit Matters	ASA 700.30-31, A41 ASA 701	<p>ASA 701 provides additional disclosures for entities listed on a securities exchange to communicate key audit matters ('KAMs') in the auditor's report. KAMs are those matters that, in the auditor's judgement, are of most significance to the audit of the financial statements of the current financial period.</p> <p>At this point in time, the ROC does not require the inclusion of KAMs.</p>

The numbered references in the Illustrative Auditor's Report refer to the explanatory paragraphs in section 5 of this Guidance Note 'Illustrative Auditor's Notes'. The Illustrative Auditor's Report is also included in the 'Model Financial Statements' published on the Registered Organisations Commission's website.

<To be printed on Auditor letterhead>

Independent Audit Report to the Members of <name of Reporting Unit>

Report on the Audit of the Financial Report

Opinion

I have audited the financial report of <name of Reporting Unit> (the Reporting Unit), which comprises the statement of financial position² as at <balance date>, the statement of comprehensive income³, statement of changes in equity⁴ and statement of cash flows⁵ for the year ended <date>, notes to the financial statements, including a summary of significant accounting policies; and the Committee of Management⁶ Statement.

In my opinion, the accompanying financial report presents fairly, in all material aspects, the financial position of <name of Reporting Unit> as at <balance date>, and its financial performance and its cash flows for the year ended on that date in accordance with:

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

I declare that management's use of the going concern basis in the preparation of the financial statements of the Reporting Unit is appropriate.

Basis for Opinion

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Information Other than the Financial Report and Auditor's Report Thereon⁷

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

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

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit or otherwise appears to be materially misstated.

² Refer to paragraph 9 in Section 5 Illustrative Auditor's Report Notes in this Guidance Note

³ Ibid paragraph 9

⁴ Ibid paragraph 9

⁵ Ibid paragraph 9

⁶ Ibid paragraph 10; note if this is changed to another descriptor all other references in the Report should be changed to the other descriptor

⁷ Ibid paragraph 7

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of Committee of Management for the Financial Report

The Committee of Management of the Reporting Unit is responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the RO Act, and for such internal control as the Committee of Management determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Reporting Unit to express an opinion on the financial report. I am responsible for the direction, supervision and performance of the Reporting Unit audit. I remain solely responsible for my audit opinion.

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

I declare that I am an approved auditor, a member of [name of appropriate professional accounting body] and hold a current Public Practice Certificate.

[Report on Other Legal and Regulatory Requirements]⁸

[In accordance with the requirements of section 257(7) of the RO Act, I am required to describe any deficiency, failure or shortcoming in respect of the matters referred to in section 252 and 257(2) of the RO Act.

My opinion on the financial report is not modified in respect of the following matter(s) because, in my opinion, it has been appropriately addressed by [Reporting Unit] and is not considered material in the context of the audit of the financial report as a whole:

[Example:

a) [Reporting Unit] failed to keep [name of other record] as required by section 252 of the RO Act for the period 1 July 20XX to 4 July 20XX inclusive.]]

[Report on the Recovery of Wages Activity financial report]⁹

Opinion on the recovery of wages activity financial report

The scope of my work extended to the recovery of wages activity and I have audited the recovery of wages activity financial report for the year ended <date>.

In my opinion, the financial statements and notes and recovery of wages activity financial report properly and fairly report all information required by the reporting guidelines of the General Manager, including:

- (a) any fees charged to, or reimbursements of expenses claimed from, members and others for recovery of wages activity; and
- (b) any donations or other contributions deducted from recovered money.

Responsibilities

The Committee of Management is responsible for the preparation and presentation of the recovery of wages activity financial report in accordance with the reporting guidelines of the General Manager. My responsibility is to express an opinion on the recovery of wages activity financial report, based on my audit conducted in accordance with Australian Auditing Standards.

<Audit Firm Name>

<Name>

Partner

⁸ Ibid paragraph 11

⁹ Ibid paragraph 11

<City>
<Date>

Registration number (as registered by the RO Commissioner under the RO Act)¹⁰: <insert number>

¹⁰ Ibid paragraph 12

5. Illustrative Auditor's Report Notes

For the purpose of this illustrative Auditor's Report, the following circumstances are assumed:

1. The financial report is prepared by management of the Reporting Unit in accordance with Australian Accounting Standards and the RO Act.
2. The terms of the audit engagement reflect the description of management's responsibility for the financial report in *ASA 210 Agreeing the Terms of Audit Engagements*.
3. The auditor has concluded an unmodified opinion is appropriate based on the audit evidence obtained.
4. The relevant ethical requirements that apply to the audit are the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants*.
5. Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern in accordance with *ASA 570 Going Concern*.
6. The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with *ASA 701 Communicating Key Audit Matters in the Independent Auditor's Report*.
7. The section on 'Information Other than the Financial Report and Auditor's Report Thereon' is customised depending on the nature of the Other Information received and when this information was received. The template provided assumes that the nature of the Other Information is the Operating Report and that it was received on or before the date of the audit report. If there is Other Information that accompanies the financial report in addition to the Operating Report, or if the Operating Report or any additional Other Information was not received on or before the date of the audit report, please refer to the requirements stated in *ASA 720 The Auditor's Responsibilities Relating to Other Information* for example wording.
8. The subheading 'Report on Other Legal and Regulatory Requirements' is only applicable where the auditor includes 'Other reporting responsibilities' in accordance with *ASA 700 Forming an Opinion and Reporting on a Financial Report*. Please delete the 'Report on Other Legal and Regulatory Requirements' section if there is no deficiency, failure or shortcoming to report.
9. Please ensure that the financial statement descriptions used in the Auditor's Report agree with those used in the financial report, for example, 'balance sheet' or 'statement of financial position'.
10. Use of 'Committee of Management' in the model auditor's report represents those charged with governance for the registered organisation, and can be replaced with other descriptors as appropriate for the organisation, for example, 'Council of Management', 'Executive Committee', etc.
11. If the Registered Organisation has not undertaken any recovery of wages activity during the reporting period the auditor's report should state that fact with reference

to the Committee of Management Statement, and no opinion can be provided in relation to recovery of wages activity.

12. Auditors must be registered by the Registered Organisations Commissioner. Your registration number under the RO Act will commence with the letters 'AA'.

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This guidance note is not intended to be comprehensive. It is designed to assist with making an application to the Registered Organisations Commission and its work. The Registered Organisations Commission does not provide legal advice.