Financial Reporting

Obligations and requirements

Melbourne 4 May 2018
Overview of topics

- Background
- Obligations & requirements
- Compliance rates & common issues
- General information
- Moving forward
Background
What we do

Review and assess
- Loans, grants and donations statements
- Financial reports
- Auditor applications

Advise ROC compliance team
- Inquiries
- Investigations
- Protective disclosure
Assessment of financial reports

Assessed either via an advance review or a primary review

Over the last five years all reporting units have been assessed via an advanced review

Focus on high and medium risk reporting units
Assessment of financial reports

**Advanced review**
- Assessed against all requirement under the:
  - Australian accounting standards
  - RO Act
  - Reporting guidelines
- May be required to amend financial report

**Primary review**
- Assessed against the following:
  - Financial reporting timelines
  - All required documents lodged
  - Various disclosure requirements under the Australian accounting standards, RO Act and Reporting Guidelines
- Previous issues raised must be remedied before the financial report will be ‘filed’ by the ROC
Obligations and requirements
## Financial reporting requirements

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Section</th>
</tr>
</thead>
<tbody>
<tr>
<td>Keep proper financial records</td>
<td>252</td>
</tr>
<tr>
<td>Lodge with the ROC a loans, grants and donations statement</td>
<td>237</td>
</tr>
<tr>
<td>Prepare general purpose financial report</td>
<td>253</td>
</tr>
<tr>
<td>Prepare operating report</td>
<td>254</td>
</tr>
<tr>
<td>Ensure there is an auditor</td>
<td>256</td>
</tr>
<tr>
<td>Provide a copy of the full report to members</td>
<td>265</td>
</tr>
<tr>
<td>Present the full report to a meeting</td>
<td>266</td>
</tr>
</tbody>
</table>
Registered auditors

Auditor of a reporting unit can be:
- An individual who is a registered auditor; or
- A firm, at least one of whose members is a registered auditor; or
- A company, at least one of whose directors, officers or employees is a registered auditor

There must be an auditor of a reporting unit at any time when an auditor is required for the purposes of the RO Act (s.256(1))
Registered auditors

For the 30 June 2017 financial reporting period, four reporting units had a non-registered auditor conduct their audit.

The subsections relating to Auditors of a reporting unit are civil penalty provisions.
Compliance rates and common issues
Compliance rates are based on the items included in the primary checklist.
Common non-compliance issues

- Financial reporting timeframes
- Provision and lodgement of all required documents and signing/dating of documents by a designated officer
- Reporting guidelines and nil disclosures
- Loans, grants and donations statements
Financial reporting timeframes under the RO Act

- GPFR and operating report to be prepared
- Committee of management statement - resolution passed by the committee of management in relation to the GPFR (1st meeting)
- Auditor prepares and provides a signed auditor’s report
Financial reporting timeframes

**General Meeting of members**
- Provide full report to members at least 21 days before General Meeting
- Present full report to a General Meeting of members within 6 months of the end of the financial year (2nd meeting)
- Lodge full report and the designated officer’s certificate with the ROC within 14 days of the 2nd meeting

**Committee of management meeting**
- Provide full report to members within 5 months of the end of financial year
- Present full report to committee of management meeting within 6 months of the end of the financial year (2nd meeting)
- Lodge full report and the designated officer’s certificate with the ROC within 14 days of the 2nd meeting
Financial reporting timeframes – key points

Two meetings need to be held in relation to the financial report:

- Committee of management meeting – resolution passed in relation to the GPFR, **and**
- General meeting of members **or** a committee of management meeting – presentation of the full report

Auditor’s report must be signed and dated **after** the date of the 1\textsuperscript{st} meeting as the committee of management statement is to be included in the audit

Lodgement is within 14 days **after** the 2\textsuperscript{nd} meeting. You do not need to wait 14 days
Financial reporting timeframes – key points

[Insert name of reporting unit]

s.268 Fair Work (Registered Organisations) Act 2009

SAMPLE CERTIFICATE BY PRESCRIBED DESIGNATED OFFICER
Certificate for the year ended [xxxx] 2017

I [name] being the [title of office] of the [name of the reporting unit] certify:

- that the documents lodged herewith are copies of the full report for the [name of the reporting unit] for the period ended referred to in s.268 of the Fair Work (Registered Organisations) Act 2009; and

- that the full report was provided to members of the reporting unit on [insert date]; and

- that the full report was presented to [a general meeting of members OR a meeting of the committee of management] of the reporting unit on [insert date] in accordance with s.266 of the Fair Work (Registered Organisations) Act 2009.

Signature of prescribed designated officer: .................................................................

Name of prescribed designated officer: .................................................................

Title of prescribed designated officer: .................................................................

Dated: .................................................................

This is the date of the 2nd meeting

Must be signed and dated after the date of the 2nd meeting
Required documents to be provided to members

The full report consists of the:

- Operating report
- Committee of management statement
- General purpose financial report
- Auditor’s report
Required documents to be lodged with the ROC

• The full report
• Designated officer’s certificate

The operating report, committee of management statement, GPFR and auditor’s report must be copies of the reports provided to members.
All documents provided to members and lodged with the ROC **must** be signed and dated.

Designated officer – is an officer of the reporting unit who under the rules is responsible for undertaking the functions necessary to enable compliance.
Nil disclosure and loans, grants and donations statements

• The Reporting Guidelines require that certain pieces of information must be present in the statements or the notes even if they are NIL.

• Grants and donations amounts (exceeding $1,000) in the GPFR should match the loans, grants and donations statement.
The fifth edition reporting guidelines for the purposes of s.253 of the RO Act have been published in the *Gazette*

The operative date applies to each financial year of a reporting unit that begins on or after 1 July 2017
Reporting Guidelines - changes

- Responsibility of the reporting guidelines transferred to the Commissioner
- New report required under subsection 255(2A) of the RO Act
- Removal of the requirement to prepare and audit a separate report relating to recovery of wages activities
- Nil disclosures can be made in an ‘officer’s declaration statement’
Fact sheet has been prepared relating to the new report required under subsection 255(2A) of the RO Act

New reporting guidelines and fact sheet will be available on the ROC website

Notification via the subscription service
The financial report that is prepared, provided to members and lodged with the ROC should be only that of the federally-registered entity.
Issues to consider:

- Keeping financial records
- Preparing a GPFR and operating report
- Declarations within the committee of management statement
- Rules of the organisation
- Ownership of assets and obligations for liabilities
- Engagement of staff
Inconsistent reporting of financial transactions within RO

Common inconsistencies include:

- Capitation paid/received
- Accounts receivable/payable
- Cash flows incoming/outgoing
- Other items paid/received
  - Rent
  - Meeting expenses
  - Affiliation fees
Using the model financial statements

• Only include the accounting policies and notes that are relevant to the reporting unit

• ‘Nil’ disclosures that are compulsory are identified with an asterisk
Financial reporting information
The ROC website has a number of fact sheets and sample documents relating to the financial reporting process. Theses include:

- **Fact sheets:**
  - Records to be kept by registered organisations
  - Financial reporting process
  - Summary of financial reporting timelines
  - Loans, grants and donations

- **Sample documents:**
  - Model financial statements
  - Loans, grants and donations statement
  - Timeline planner

- **Checklists:**
  - Advanced assessment
  - Primary assessment

- **Reporting guidelines**
Moving forward
Where to from here?

Feedback/suggestions/options

- Courtesy and reminder letters
- Fact sheets and sample document
- Next 5 year plan for the assessment of financial reports
- Other options