



## Interim report of the financial training audit 2019

The obligation for certain officers to complete financial training has in 2019 been an education focus for the Registered Organisations Commission (ROC). As part of this focus, the ROC is undertaking an audit of compliance with s. 293K of the Fair Work (Registered Organisations) Act 2009 (the RO Act).

This interim report identifies that while evidence of non-compliance is continuing to emerge, our audit is enhancing understanding within registered organisations about the relevant obligations under the RO Act, and is directly resulting in increased compliance with s. 293K.



Section 293K of the RO Act requires every officer of a registered organisation with financial duties to complete approved training within six months of taking office, unless they hold an exemption.

### Purpose of the audit

The purpose of the voluntary audit is to educate people in registered organisations about the statutory requirements, and to increase voluntary compliance with obligations for relevant office holders to receive training that covers their duties relating to the financial management of organisations and branches. Where non-compliance has been identified during an audit, the ROC has worked, and is continuing to work, with registered organisations to achieve appropriate remediation.



EDUCATION



INCREASE CURRENT COMPLIANCE RATES



PROMOTE FUTURE COMPLIANCE

### Audit administration

An issue which has arisen with some registered organisations is determining which officers have duties relating to the financial management of their organisation or branch. The ROC is continuing to engage with registered organisations to reach consensus about which

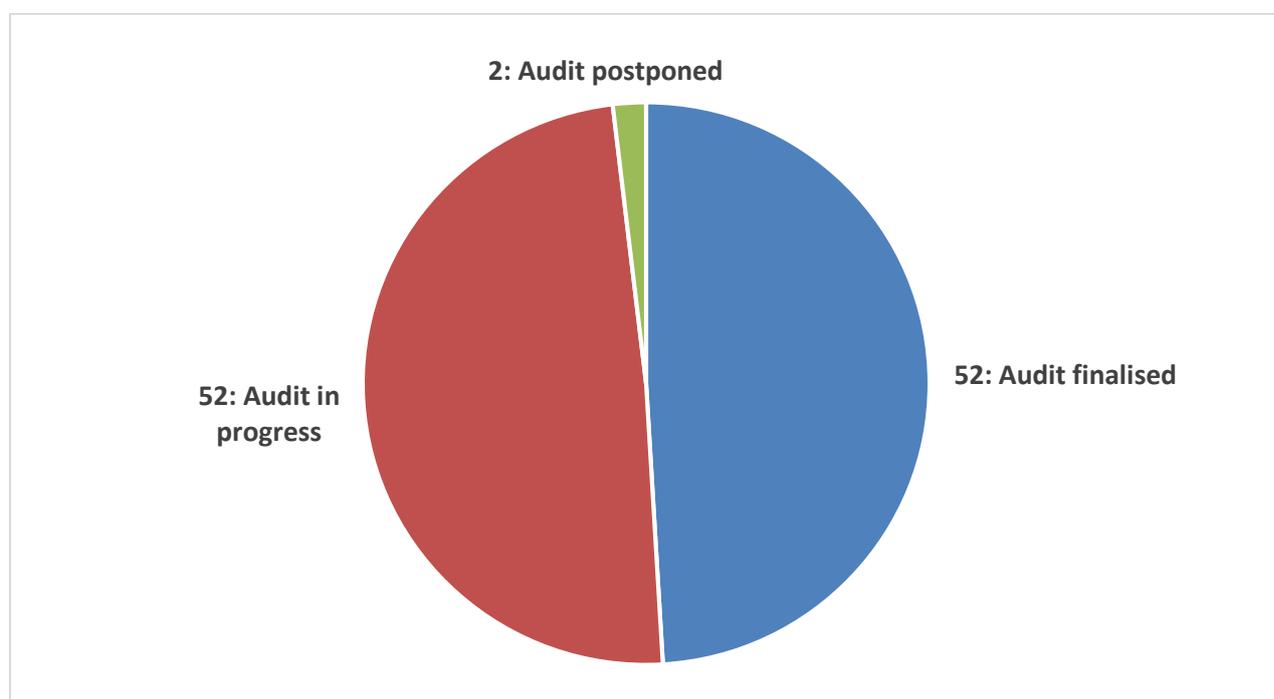
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particular officers have these duties. Registered organisations have been invited to provide information to the ROC about when relevant officers began holding their current office, data about completion of approved training, or whether the officer has been issued with an exemption under s. 293M of the RO Act.

### **Preliminary outcomes of the audit**

The audit is ongoing as the ROC endeavours to finalise outstanding engagements with registered organisations over the coming months. The ROC has finalised consultation with 52 registered organisations, a further 52 audits are in progress and two audits have been postponed due to a pending amalgamation.

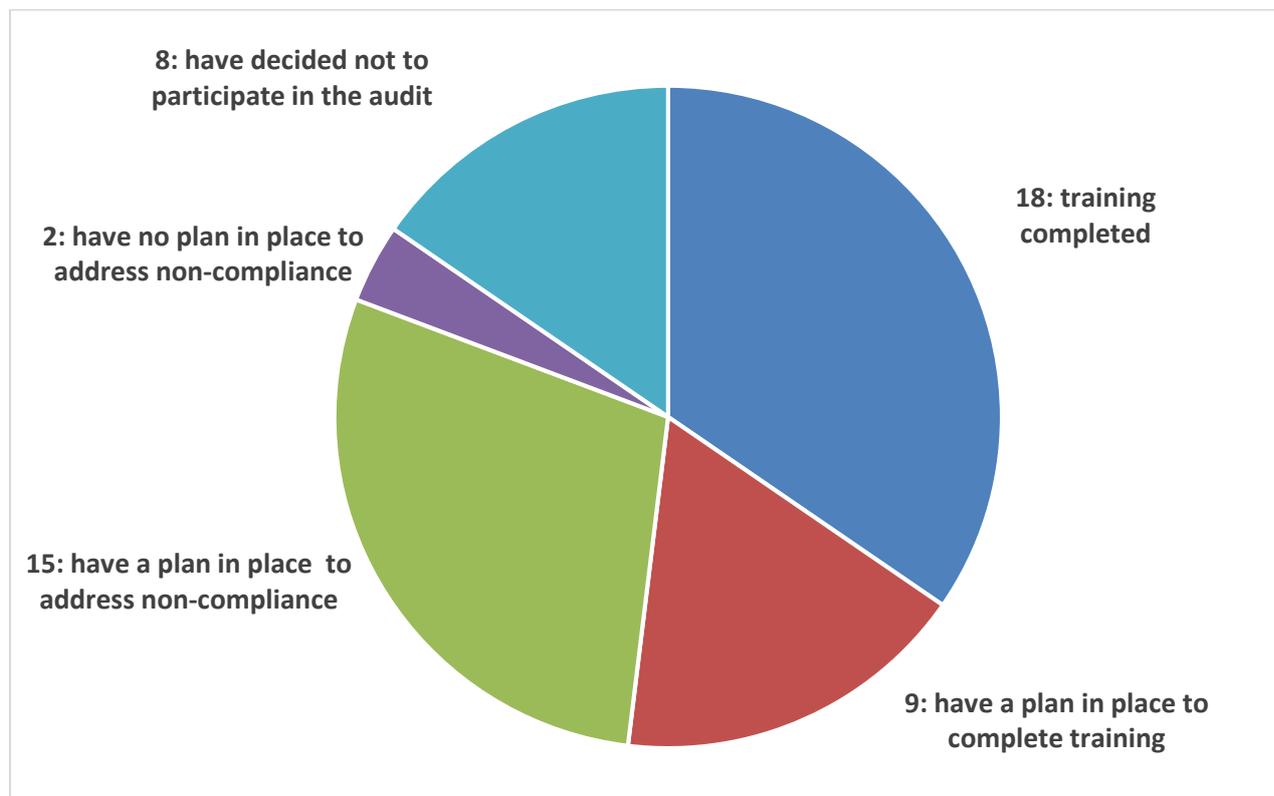
#### *Status of financial training audits at 24 October 2019*



It has been pleasing to note that notwithstanding the audit is voluntary, many registered organisations agreed to participate. Of the 52 finalised matters, 27 registered organisations have ensured or are ensuring their statutory obligations for office holders are being met and relevant office holders have either received approved training or exemptions within the required timeframes. Fifteen organisations who have not yet achieved compliance have put remedial plans in place. As at 24 October 2019, eight registered organisations have declined our invitation to participate.

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*Interim audit results*



*NB: This chart is a graphic representation of the finalised audit matters. Data accurate at 24 October 2019.*

The finalised audits have revealed a common cause of non-compliance with s. 293K is a misunderstanding of the law. In particular, in the circumstance where an officer with financial duties completes approved training and subsequently commences *in a different elected office* that also has financial duties, the RO Act requires such an officer to either complete approved training or obtain an exemption under s. 293M within six months of commencing *in the office*. This means for example, that an elected committee of management member who receives approved training and is subsequently elected to the office of President, Secretary, Treasurer etc. (sometimes years later) will be required to participate in further approved training or seek an exemption under s. 293M. You can read more about the legislation in our factsheet [FS 025 Officer Financial Training](#).

The audit engagements have provided positive opportunities for staff of the ROC to explain s. 293K of the RO Act and share education tools to facilitate future compliance.



#### **Case study example one:**

Two officers of a registered organisation completed approved training in their capacity as members of the committee of management. The officers were subsequently elected as the President and Vice President respectively. Consultations with the registered organisation revealed the officers did not complete training or obtain an exemption within six months of commencing as President and Vice President.

The ROC provided guidance about how to apply for an exemption. At the conclusion of the consultation, the registered organisation submitted exemption applications with the ROC on behalf of the President and Vice President.

Some registered organisations who identified non-compliance with s. 293K expressed the view their officers had significant experience within registered organisations and relevant qualifications which equipped them with the necessary skills to understand the financial responsibilities of their office. In these circumstances, the registered organisations were encouraged to remediate non-compliance by applying for an exemption on behalf of those officers under s. 293M.



#### **Case study example two:**

Prior to the commencement of the ROC's compliance audit, a registered organisation engaged the ROC for assistance with meeting their obligations under s. 293K. A ROC staff member visited the registered organisation to hear their concerns about the costs of training and the existing high level of financial expertise of office holders. These matters were also raised during the audit.

The ROC provided advice about the exemption regime under s. 293M, including how to apply for an exemption and the threshold required to be met. The registered organisation agreed to promptly lodge exemption applications on behalf of the officers in an effort to remediate the breaches of the law. The exemptions were subsequently granted as the Commissioner's delegate was satisfied the officers had a proper understanding of financial duties of their office.

### **Other compliance**

The ROC's financial training audit has also had a positive impact on other elements of regulatory compliance, in particular the annual return of information. The timing of the financial training audit was intentionally aligned with the lodgement by registered organisations of their annual returns by 31 March 2019. The reason this strategy was chosen was to reduce the resource impact on registered organisations. The annual return

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includes a list of offices and office holders of the registered organisation, and this list was used as a basis for audit consultations.

As a consequence, the assessment of annual returns and audit consultations were often performed by the ROC simultaneously. The financial training audit contributed to the identification of errors in the annual returns of information and directly resulted in an increase to the overall quality and accuracy of annual returns in 2019.



**Case study example three:**

During a consultation to reach agreement with a registered organisation about the officers who exercise financial duties, it was identified that the registered organisation had incorrectly omitted a number of officers from its annual return in 2019 and for the three years prior.

Following the audit consultation, the registered organisation corrected the error by lodging an amended annual return for 2019 and notifying the ROC of outstanding notifications of change which it had inadvertently failed to lodge during the intervening years.

The financial training audit also highlighted examples of registered organisations going beyond the requirements of the RO Act to ensure their officers have an understanding of the legislative amendments which took effect in 2017.



**Case study example four:**

A registered organisation identified that some of its officers completed approved training prior to the 2017 legislative amendments. The officers have continued to hold the same offices and were therefore compliant with the RO Act.

However, in recognition of the importance of officers understanding the current legislative regime, the registered organisation voluntarily arranged for these officers to complete updated approved training. The financial training audit prompted the registered organisation to take this action.



**Case study example five:**

The audit revealed that a registered organisation was fully compliant with s. 293K of the RO Act. In consultations with the registered organisation the ROC was advised that in addition to ensuring all officers receive training within six months of commencing office, the registered organisation arranges for an approved trainer to deliver training at an annual general meeting every two years to ensure officers have renewed understanding of their financial duties.

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## Summary

The financial training audit is a continuing project which is just over half completed. Some organisations have advised us they are committed to compliance and are willing to participate in the audit but have requested us to delay the process for a period to enable a proper focus by the organisation of the relevant issues. We have agreed with those requests.

Other organisations have declined to participate and of course the full picture of compliance won't be known until all audits have been finalised. The initial results of the audit make it clear while there is a level of non-compliance with s. 293K, there has been some misunderstanding about the operation of the section and we will undertake more educative work around these issues.

At the same time, the objectives of the project, including an increase in compliance, are being met. The ROC is committed to providing education materials and support around the obligation for certain officers to complete approved training, beyond the duration of the project and is giving consideration to publishing the list of organisations who have voluntarily participated in the audit.

If you have any questions about the financial training audit you can send an email to [regorgs@roc.gov.au](mailto:regorgs@roc.gov.au), or call us on 1300 341 665.