



Submission to:-

**The Senate Education and Employment Legislation Committee**

**INQUIRY INTO THE FAIR WORK (REGISTERED ORGANISATIONS) AMENDMENT BILL 2014 [NO.2]**

Submission by:-

Master Plumbers Association of NSW

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## **INQUIRY INTO THE FAIR WORK (REGISTERED ORGANISATIONS) AMENDMENT BILL 2014 [NO.2]**

### **INTRODUCTION**

The Master Plumbers and Mechanical Contractors Association of NSW (MPANSW) is a registered employer organisation providing representation, training and extensive advisory services to a broad base of members in the plumbing, gas and mechanical services sector in NSW and the ACT. The principal activities of the Association are to provide business services, industry representation, training and advice on industrial relations and employment to the membership. Our members range from major contracting companies through to sole traders and are a highly reputable group to lobby government in support of various plumbing, business and environmental reforms and recommendations.

The Association restricts its comments on the Bill to Employer Organisational structure only.

The Master Plumbers Association of NSW as defined in its rules represents holders of a Plumbing Contractor's license in NSW. The vast majority of those contractors are incorporated companies and this is reflected on the Executive Committee of the Association which is elected annually through an election process under the auspices of the Australian Electoral Commission.

### **GOVERNANCE OF REGISTERED EMPLOYER ORGANISATIONS**

The desire to provide amendments to improve the governance and financial transparency of registered organisations and provide an appropriately empowered and independent regulator that will ensure compliance with the Registered Organisations Act is to be commended.

In terms of removing red tape etc it should be noted that many persons within Registered Organisations will have other roles as directors of companies and as such will be familiar with those requirements. To overlay differing requirements would not seem to be prudent or setting an even playing field with ASIC registered companies. The role of officers and directors are very similar in that they hold positions of trust and have authority over the financial operation of their respective organisations.

Transparency and accountability is critical to ensuring that member interests are protected and that funds are not used for personal gain or inappropriate purposes.

MPA NSW agrees that registered organisations have an important role in the workplace relations system and our members and the public must have confidence in both operations and accountability or the system itself will be undermined. By aligning the requirements of the Registered Organisations Bill to be the same requirements as required by the Corporations Act will achieve the aim of achieving transparency and reducing red tape without introducing additional and potentially overlapping requirements.

Costs may also be minimised as there is currently access to structured training for company directors and the costs associated with developing a new set of resources and providing training to a limited audience can be avoided. To meet the FWC requirements requires an outlay of some \$20,000 from MPA NSW.

In terms of requirements for company directors, the following guidelines are a clear picture of educational and behavioural needs (taken from the ASIC website):

### **Financial knowledge**

*Directors are important gatekeepers in the financial system in the provision of meaningful and useful information through financial reports. The quality of the financial report is key to ensuring confident and informed markets and users.*

### **What you should know**

*Directors are required to have sufficient knowledge of accounting principles and practices. You should ensure that you are appropriately educated and up-to-date on the current accounting standards and financial reporting requirements of the Corporations Act, particularly where these are relevant to your company and any changes affecting your company's financial report.*

### **What you must do**

*You must have an appropriate level of financial knowledge, understand your company's business and how it is reflected in the financial report, and apply your knowledge of transactions and events to the financial report.*

*Financial knowledge includes knowledge of matters such as financial reporting, financial products or instruments, financial assessments for capital and funding decisions, financial processes and controls, and how decisions can impact on the future financial health of a company. The extent and areas of financial knowledge required may vary depending upon the companies of which you are a director and factors such as the industry and the use of complex financial products.*

*Even if you are not an accounting expert, you can challenge the accounting treatments applied in the financial report, seek explanations and seek appropriate professional advice supporting the accounting treatments chosen, particularly where the treatment does not reflect your understanding of the substance of an arrangement (e.g. financial instruments classified as equity where the intent is to borrow).*

*For example, although calculations supporting impairment or valuation of significant assets can be complex, you should review the cash flows and assumptions used in the calculations prepared by management or experts, bearing in mind your knowledge of the business, the assets and the future prospects of the business.*

***Your relationship with the auditor***

*The external auditor provides an independent opinion on the financial report. You are responsible for the financial report and cannot rely on the external auditor in forming your own opinion on the financial report. Doing so would undermine the objective of an independent audit.*

*You should ensure a quality audit to support the quality of financial reporting to the market and users.*

***What you must do to support your auditor***

*Directors, management and other officers must provide auditors with all explanations and information that they require in connection with the audit. Transactions, risks and difficult accounting judgements that may affect the financial report should be brought to the auditor's attention.*

*You should ensure that the independence of the auditor is not compromised in fact or appearance. The Corporations Act requires the audit committee of a listed company to review non-audit services and whether they affect auditor independence. The Act also requires a declaration by the auditor on independence to be included as a part of the directors' report.*

Whilst in principle supporting Option 2, this is done with the distinct desire for a direct alignment between the requirements of the Corporations Act and the Registered Organisations Act with the fiduciary requirements and potential penalties for officials of Registered Organisations being the same.

Yours sincerely

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