



9 February 2016

Ms Diana Asmar
Branch Secretary
Health Services Union, Victoria No.1 Branch
Level 5, 222 Kings Way
South Melbourne VIC 3205

By e-mail: info@hsuvic.asn.au

Dear Ms Asmar

**Health Services Union, Victoria No.1 Branch
Financial Report for the year ended 30 June 2015 - FR2015/279**

I acknowledge receipt of the amended financial report for the year ended 30 June 2015 for the Health Services Union, Victoria No.1 Branch (HSU-VIC1). The financial report was lodged with the Fair Work Commission (FWC) on 8 February 2016.

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

Whilst the 2015 report has been filed the following should be addressed in the preparation of the next financial report.

General Purpose Financial Report

Ongoing Solvency

The Statement of Profit & Loss reported a loss of \$1,674,646 in 2015. The 2014 comparative reported a surplus of \$735,745 although this included revenue received from the 'Profit on Sale of Property' of \$2,238,012. Excluding this one-off property sale the 2014 result would have been a loss of \$1,502,267.

The Statement of Financial Position discloses Net Assets as at 30 June 2015 of \$878,793 which is down from \$2,553,439 as at 30 June 2014. As at 30 June 2015 current assets of \$437,916 are significantly less than current liabilities of \$926,859.

The Statement of Cash Flows discloses a cash balance of \$83,695 as at 30 June 2015 which is down from \$2,423,455 as at 30 June 2014. Trade creditors also increased to \$574,073 as at 30 June 2015 from \$38,185 as at 30 June 2014.

During the last two financial years the HSU-VIC1 has incurred significant operating losses, cash balances have reduced appreciably and trade creditors have increased substantially. As at 30 June 2015 current liabilities significantly exceeded current assets. Due to these factors, FWC has concerns about the on-going solvency of the HSU-VIC1.

I remind the officers of the union of their duties under sections 285 and 287 of the *Fair Work (Registered Organisations) Act 2009* in relation to the financial management of the union. These sections require officers to exercise their powers and discharge their duties with care and diligence, in the best interest of the organisation and not to cause detriment to the organisation

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(these are civil penalty provisions). It is incumbent on the officers of the union to take appropriate steps to address the net operating loss and ensure its on-going solvency.

Designated Officer's Certificate

The designated officer's certificate required by s.268 of the *Fair Work (Registered Organisations) Act 2009* (RO Act) was not submitted with the financial report. As stated in the FWC letter of 8 January 2016 this is the third year in a row that the HSU-VIC1 has not submitted the designated officer's certificate without follow up by the FWC.

If the reporting unit is once again non-compliant next year, the matter will be brought to the attention of the Compliance Team. This may result in an inquiry or investigation being commenced by the General Manager under her powers in the RO Act. Please note that s.268 of the RO Act is a civil penalty provision.

Contingent liability

Note 15 to the GPFR discloses a contingent liability for Federal Court case VID380. According to FWC records and confirmed by the HSU-VIC1 this matter was settled prior to 1 July 2014 and should not have been reported as a contingent liability in the 2014-15 financial report.

Error in Fair Value Hierarchy Table

Note 19(a) Fair Value Hierarchy incorrectly discloses Freehold land & buildings \$1,151,360 in the 30 June 2014 table instead of the 30 June 2015 table (refer to Note 6 Property, Plant and Equipment).

Should you wish to discuss the matters raised in this letter, or if you require further information on the financial reporting requirements of the Act, I may be contacted on (03) 8656 4685 or by email at ken.morgan@fwc.gov.au

Yours sincerely



Ken Morgan
Financial Reporting Advisor
Regulatory Compliance Branch