

22 July 2009

Mr Iain Stewart
Manager, Statutory Services Branch
Principal Registry
Australian Industrial Relations Commission
GPO Box 1994
MELBOURNE VIC 3001

Dear Mr Stewart

Financial Reports FR2006/323, FR2007/373 and 2008/453

In reply to your letters of 23 March and 6 May 2009, Peter Doughty's email to you on 3 June 2009 and in the light of our meeting with you on 16 April 2009, I am pleased to provide the following information. Our responses are set out in two sections:

- A. Overarching issues and responses; and
- B. Specific information disclosures.

A. Overarching Issues and Responses

1. Reconvening General Meetings

VHIA's audited financial statements for 2005-06, 2006-07 and 2007-08 were distributed to members before each of the annual general meetings (albeit less than 21 days before the respective meetings) which were held in the last three months of 2006, 2007 and 2008 respectively.

Each of these reports was issued pursuant to a resolution(s) of the Board signed by the President and the Deputy President and the related declarations have been submitted to your office with the associated certificates, noting that the documents for 2007 did not include all of the prescribed statements required of the Board. The documents for 2005-06 have already been amended and re-lodged with the Registry.

Where a further communication with members is required, we propose to put the new documents on VHIA's website and issue a bulletin to all members advising the availability of those documents, including contact details to enable members to put questions.

2. Further Contact with the Approved Auditor for the Relevant Periods

As you are aware, VHIA's approved auditor resigned on 5 December 2008, being the day of the 2008 annual general meeting. VHIA has subsequently appointed DFK Collins, Chartered Accountants as its approved auditor for 2008-09. The change of auditors arose from the need for a material restatement of the operating result reported for 2006-07. The audited general purpose financial report for 2007-08 includes detailed explanations of material retroactive adjustments to retained earnings at 30 June 2007.

For these reasons, it is not possible to re-issue the prescribed audited financial statements. We consider that it would be inappropriate to amend the auditor's reports for 2006-07 and 2007-08 because the amendment(s) would not provide any additional information to VHIA's members that is not already included in this letter.

3. Timing of Annual Disclosures to Members

We have noted the requirement to distribute financial reports and associated compliance statements to members at least twenty-one (21) days before an annual general meeting. Although it is not possible to remedy this oversight retrospectively (once an annual general meeting has been held), we will ensure that the prescribed notice period is observed for the current and future years.

4. Extent of Disclosure of Components of Main Aggregates

We agree that Paragraph 86 of Australian Accounting Standard ASRB 101 prescribes the generic level of disclosure of income and expenses when it states that:

'When items of income and expense are material, their nature and amount shall be disclosed separately.'

Paragraph 87 provides examples of circumstances requiring such disclosures; in our view all of the examples fall into the category of unusual and/or non-operating transactions or events and have not applied to VHIA in recent years.

Paragraph 88 of AASB 101 specifies the bases on which the principle in Paragraph 86 is to be applied as follows:

'An entity shall present an analysis of expenses using a classification based on either the nature of expenses or their function within the entity, whichever provides information that is reliable and more relevant.'

These bases of application are then amplified with examples of each of the two types of 'classification' in descriptive material in Paragraphs 89 to 92 inclusive. Paragraph 91 describes and illustrates the 'Nature of Expense Method' which has been adopted by VHIA in both of the above years.

We note a close correlation between the level of disclosure in Paragraph 91 and VHIA's audited financial reports, once the example has been amended to suit a non-tax-paying service entity as opposed to a manufacturer (i.e. as a member-based organisation, VHIA does not hold material inventories of raw materials and consumables or finished goods or incur 'cost of sales').

B. Specific information disclosures

1. 2006-07 Statement by Members of the Committee ('The Board')

A revised statement is being prepared and signed for filing with the Registrar. We propose that the statement will be signed by two members of the Board following a resolution of the Board at its next meeting on 31 July 2009. In our view, the revised statement will comply with Paragraphs 25(a) to (e) and 26 of the Reporting Guidelines of the Industrial Registrar.

2. Members' Access to Financial Records

The notes to the 2006-07 general purpose financial report should have included the following Notice required by sub-section 272(5) of the RAO Schedule. We propose to communicate this information to members as part of the website posting and bulletin referred to above.

"Notice is hereby given pursuant to Section 272(5) of the **Workplace Relations Act 1996** for the purposes of VHIA's general purpose financial report for 2006-07 that the following provisions are included in the Act in Division 7 of Part 3 at Section 272(1), (2) and (3):

272 Information to be provided to members or Registrar

- (1) A member of a reporting unit, or a Registrar, may apply to the reporting unit for specified prescribed information in relation to the reporting unit 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 reporting unit.
- (3) A reporting unit must comply with an application made under subsection (1).

Note: This subsection is a civil penalty provision (see section 305)."

In our view, it would be inappropriate to include the above disclosure (or make any other changes) in the notes to the audited financial statements in the above general purpose financial report after the auditor has signed his report. We submit that posting a copy of this letter on VHIA's website and issuing a bulletin to members as proposed above serves as compliance with respect to 2006-07.

3. Income Statements – Additional Disclosures

Economic Dependency

We confirm that VHIA is not dependent on another reporting unit for a significant volume of revenue or financial support.

None of the events or transactions described in Paragraph 9 of the Guidelines applied to VHIA in either 2006-07 or 2007-08.

Revenues

The following disclosures are made in accordance with Paragraph 10 of the Guidelines with respect to revenues:

- Entrance fees or periodic subscriptions (membership subscriptions) are disclosed Note 2 for both 2006-07 and 2007-08; and
- Information for the preceding corresponding financial year is presented in each general purpose financial report.

Expenses

Table 1 provides the additional disclosures required by Guideline 11 of the Industrial Registrar's Reporting Guidelines issued under the RAO Schedule to the Workplace Relations Act ('the Act') for the two years ended 30 June 2007 and 2008.

Table 1: Disclosure of Expenses Required by Paragraph 11 of the Guidelines

Particulars	2006-07	2007-08
Expenses incurred as consideration for employers making payroll deductions of membership subscriptions	Nil	Nil
Contributions towards the administrative expenses of another reporting unit	Nil	Nil
Fees and periodic subscriptions in respect of any affiliation with a political party or other body having an interest in industrial matters	Nil	Nil
Compulsory levies imposed on the reporting unit	Nil	Nil
Grants	Nil	Nil
Donations (Sponsorship)	Nil	9,167
Employee benefits to holders of office of the reporting unit	Nil	Nil
Employee benefits to employees of the reporting unit, including material amounts for:	1,748,910	1,975,480
Salaries	1,442,487	1,555,753
Superannuation Guarantee	115,293	132,357
Fees or allowances paid [to attendees] for attendance at conferences or other meetings as representatives of the reporting unit	Nil	Nil
Legal costs related to litigation or other legal matters	Nil	Nil

Particulars	2006-07	2007-08
Expenses incurred in connection with meetings of members of the reporting unit and any conferences or meetings of councils, committees, panels or other bodies for the holding of which the reporting unit was partly responsible	3,388	2,007
Penalties imposed on the reporting unit under the Act or Regulations	Nil	Nil

The amount shown in the Income Statement for each of the above years for 'Other Expenses' is disclosed in accordance with Australian Accounting Standard ASRB 101, Paragraph 91 and no further detail is required by ASRB 101. For the information of members, the material components of this item are consultants' fees and out-of-pocket costs and rent of VHIA's office space. VHIA appoints consultants from time to time to deliver training and other specialised services on an outsourced basis.

None of the disclosures required by Clause 12 of the Guidelines apply to the reporting unit as it does not apply fund accounting or allocate cash or other resources to particular funds. VHIA's accounting policy is to apply an all-inclusive approach to reporting the results for each period in accordance with Australian Accounting Standards.

4. Balance Sheets – Additional Disclosures

Disclosures required by Paragraphs 13 to 15 inclusive are included in the general purpose financial report except as set out below.

There were no liabilities relating to the following obligations in 2006-07 or 2007-08:

- Payables to employers as consideration for the employers making payroll deductions of members' subscriptions;
- Payables in respect of legal costs and other expenses related to litigation or other legal matters; and
- Employee benefits with respect to the holders of offices in the reporting unit. (VHIA does not employ any of its office holders).

The disclosure requirements set out in Paragraph 14 of the Guidelines with respect to equity have been met in the general purpose financial report. The following disclosures were not applied in 2006-07 or 2007-08 for the following reasons:

- Name and balance of each fund or account operated in respect of compulsory levies or voluntary contributions collected – no such amounts were levied or received during these periods;
- The Rules of VHIA do not require the use of any particular funds or accounts;
- As noted above, VHIA does not use fund accounting for any classes of revenue; and
- VHIA did not engage in any recovery of wages activity during the reporting periods.

5. Going Concern – Note 1(l) in the 2007-08 General Purpose Financial Report

The Board's decision 'to adopt the going concern assumption to underpin the carrying amounts in this report' was based on the following:

- The existence of a substantial bank overdraft facility of \$300,000 which was sufficient to cover short-term employee benefits and creditors;
- The assurance provided by the new Finance Manager's detailed forensic review of VHIA's reported assets and liabilities, the results of which are disclosed in Note 1(k) to the General Purpose Financial Report for 2007-08. This review was sufficiently broad to support the view that the revised carrying values of the assets and liabilities at 30 June 2008 were not materially misstated.
- The going concern assumption was discussed specifically but its implications were included in the overarching minute to adopt the 2007-08 general purpose financial report. A copy of the resolution is attached. The Board adopted the General Purpose Financial Report and noted the references to the going concern assumption,
- Events during 2008-09 have confirmed the Board's earlier view. VHIA has met all of its obligations as and when they have fallen due and continues to operate as a going concern with viable operating results and cash flows. At the date of this letter, we are not aware of any transaction or event that is pending or in prospect that will change that position.

6. Distribution of the Annual Reports to Members

We confirm that the 2006-07 general purpose financial report and associated certificates were distributed to members on 16 November 2007 and made available on VHIA's website on 4 December 2007. VHIA's Annual General Meeting for 2007 was held on Friday, 7 December 2007.

As stated above, VHIA's audited general purpose financial reports for 2005-06, 2006-07 and 2007-08 were distributed to members before each of the annual general meetings (albeit less than 21 days before the respective meetings) which were held in the last three months of 2006, 2007 and 2008 respectively. We undertake to amend and re-issue the Board's and key officers' declarations and certificates for 2006-07 to members with an emailed Bulletin as soon as possible, supported by a posting on our website.

It is not possible to reissue the prescribed audited general purpose financial report for the above periods as the auditor who conducted the audits in those years resigned on 5 December 2008.

We confirm that VHIA will distribute a copy of this letter to its members via a posting on VHIA's website, supported by a Bulletin posted on that site and mailed separately to all members. The Bulletin will incorporate the additional disclosures into the past annual reports by reference as it is no longer feasible to amend those reports; any amendment would mean that the general purpose financial reports would become 'Unaudited' and so be non-compliant with the legislation and Guidelines. The Bulletin will provide a contact to whom members can direct questions and a web-based process to enable all members to access VHIA's replies to any questions received.

VHIA will prepare declarations signed by the President and Deputy President and supported by a resolution(s) of the current Board supporting:

- a. the additional financial disclosures set out above for 2006-07 and 2007-08; and
- b. including all of the required statements to be made on behalf of the Board to the members with respect to the 2006-07 year. We understand that the 2007-08 certificates and declarations are in order, except to the extent that they were not sent to members more than 21 days before the annual general meeting.

VHIA hereby makes an undertaking to the Industrial Registrar that these compliance issues will not recur because our staff are now fully conversant with the requirements and our systems have been strengthened to prevent a recurrence. Our new auditors have also indicated a strong desire to achieve compliance with the legislation and the Guidelines.

Please let me know if you require any further information.

Yours sincerely

Alec Djoneff
Chief Executive Officer