



R S L N S W

Congress 2018 Treasurer's report

Overview

- Setting the scene
- Progress to date
- Financial results 2016 and 2017
- Questions sent prior to Congress
- Questions from the floor

Setting the scene

- Compliance
 - Bergin Inquiry – Conduct of fundraising, Spending of RSL funds, Director fees, cover up, management of trusts
 - ACNC - Corporate governance, Internal controls, Suitable directors, risk management
 - Financial statements/audit incomplete for 2016
- Business issues – achieving our mission
 - Timely and useful information
 - Are we doing the right things
 - How well are we doing those things
 - Do we have the people with the right skills
 - Whole of RSL NSW view

Examples

- Accounting systems and processes that did not meet Charitable Fundraising requirements
- Unclaimed payroll tax exemptions
- Duplicated approval processes
- Delays in production of financial reports
- Operating a shop which made a loss
- Lack of support and quality advice for sub-Branches
- Lack of consolidated / reliable whole of RSL NSW view

What is needed

- To rebuild trust – compliance and transparency
- Accurate and timely information to support decision making
- Efficient and effective financial systems and processes
- Appropriate team structure and positions filled by suitably qualified people

Progress

- Appointed new auditors
- Organisational restructure
- Recruitment of senior staff with relevant skills and experience
- New policies and procedures
- Stopped activities with limited impact on purpose
- Create roles – legal, property, risk and insurance, etc

2017 & 2016 - at a glance

\$000's	2017	2016	2015
Revenue	\$10,654	\$12,410	\$10,648
Expenses	\$11,633	\$11,583	\$9,403
(Deficit)/surplus	(\$978)	\$828	\$1,245

2017 & 2016 Revenue - at a glance

\$000's	2017	2016	2015
Fundraising	\$201	\$937	\$851
Memberships	\$980	\$973	\$1,050
Investments	\$9,094	\$8,935	\$8,098
Other	\$380	\$1,564	\$650
Total revenue	\$10,654	\$12,410	\$10,648

2017 & 2016 Expenses - at a glance

\$000's	2017	2016	2015
Administration expenses	\$401	\$516	\$380
Employee benefits and on-costs	\$4,888	\$4,584	\$3,988
Events	\$173	\$412	\$284
Assets written off	-	\$649	-
Professional fees (incl Inquiry)	\$1,646	\$437	\$129
Impairment of assets	\$26	\$190	-
Other expenses	\$4,499	\$4,794	\$4,623
Total expenses	\$11,633	\$11,583	\$9,403

Audit outcome

- **Auditor Qualifications**

- Charitable Fundraising Act and regulations
- 2015 comparative figures
- Inventory at 31 December 2016

- **Compliant processes and practices**

- EY recommended 17 improvements during 2017 audit
- 2 implemented during audit
- Aim to have remaining 15 completed and confirmed by next audit

Where we have come from?

RSL Finance – Last 40 years
(Past)

RSL Finance -Future

RSL Finance – Dec 17 to Date
(Current)

- Antiquated financial system.
- No monthly accounts.
- Outdated methods of recording financial information and processing transactions.
- Ineffective policies and procedures.

- New finance system July 18.
- Monthly accounts and reconciliations.
- Draft Policies and Procedures for review.
- Improvement with new skilled and qualified team.

- New systems financial, payroll and expense management systems.
- Complete review of contracts with external vendors.
- Analysis of all Revenue and Expenditure to operate more effectively.

2018

- Complete ACNC Enforceable Undertaking
- Recommence Fundraising
- Prepare for legislative changes
- Continue to implement changes required to modernise RSL NSW
- Possible change in reporting period – calendar to financial year
- Review investments
- Review spending on activities to support our mission

Questions for Auditors

No questions received prior to congress

Questions for Treasurer

State Councillors & President Expenses

- 2015: \$210,587
- 2016: \$177,230
- 2017: \$184,567
- 2018 forecast: \$145,000

State Councillor expenses

Question:

Explain the increase in State Councillors' expenses from 2016 to 2017, given the smaller State Council.

Answer:

\$63K was spent on the AICD course for all State Councillors. No training in previous years.

Professional Fees (excl Inquiry costs)

	Audit	Legal	Other
2015: \$128,613	\$ 41,270	\$ 54,760	\$ 32,583
2016: \$185,418	\$ 95,108	\$ 58,950	\$ 31,360
2017: \$426,503	\$ 133,880	\$ 114,659	\$ 177,964

Professional Fees (excl Inquiry costs)

Question:

Explain the increase in professional fees of \$241k (230%) in 2017 - with the employment of senior management staff with specialist skills.

Answer:

\$134K expended on Strategy Planning contributed to the increase in other.

Employee Benefits

2015: \$3,780,485 (excl redundancies / terminations \$3,751,000)
2016: \$4,279,993 (excl redundancies / terminations \$3,980,950)
2017: \$4,494,338 (excl redundancies / terminations \$4,015,383)

Includes Hyde Park Inn

Employee Benefits

Question:

Explain the increase of approx. \$714k (19%) compared to 2015 in employee benefits.

Answer:

After adjustment for redundancies/terminations – variance is not significant in percentage terms.

Question:

What are the employee benefits in addition to salaries and wages?

Answer:

Superannuation, accommodation (HPI on-call manager) and motor vehicle which forms part of the salary package where applicable.

Other employee related expenses:

- 2015: \$207,515
- 2016: \$304,479
- 2017: \$393,692

Other employee related expenses

Question:

What are the areas covered by this expense item, which has increased by 90% or \$186k since 2015?

Answer:

Items included are Fringe Benefits Tax, Payroll Tax, Staff Amenities, Staff Recruitment, Temporary Staff, Training & Development and Workers Compensation Insurance.

The increase between 2015 and 2017 is primarily due to Staff Recruitment Costs \$102K and Payroll Tax \$34K.

Note: \$450K in payroll tax and interest refunded to RSL NSW in 2018

Employee expenses

Question:

The cost has increased from 36% to 42% of total revenue. Can it be sustained?

Answer:

Yes. RSL NSW (State Branch) has sufficient financial resources to reform in the short to medium term.

Other expenses:

- 2015: \$ 74,033
- 2016: \$126,248
- 2017: \$131,581

Other expenses

Question:

These amounts are increasing to a point where they are not unsubstantial and should be allocated to additional specific expense items.

Answer:

This is a category for expenses that do not fit elsewhere. Individual amounts are not significant in comparison with \$11m of expenses.

Question:

What comprises the 2017 figure?

Answer:

Bank Charges \$5K, Subscriptions \$22K, Awards & Trophies \$5K, write off of specific purpose provisions \$62K and Sundry \$38K

Support and Assistance Fund

Donations to RSL NSW Support and Assistance Fund (refer Note 17 to the Accounts):

- 2015: \$ 88,300
- 2016: \$330,912
- 2017: \$ 68,411

Support and Assistance Fund

Question:

What happened in the Support and Assistance Fund in 2017?

Answer:

2017 Opening balance	\$ 292,700
Donations from sub-Branches	\$ 68,411
Payments to sub-Branches	(\$ 49,973)
Payments of National Capitation Fees	<u>(\$ 76,680)</u>
2017 Closing balance	<u>\$ 234,458</u>

Unused funds carried forward and used in accordance with the Terms of Reference.

Support and Assistance Fund

Question:

What are the future plans for the Support and Assistance Fund, given that any changes in the original Terms of Reference should be approved by the membership?

Answer:

The Terms of Reference are consistent with the objectives of the Support Fund. The Terms of Reference do not need member approval.

Question:

Why was the recent “Support Fund” established, when the “Support and Assistance Fund” with similar aims and objectives was already in existence?

Answer:

To allow RSL NSW to specifically provide timely support smaller sub-Branches affected by the suspension of fundraising. The two will be consolidated shortly and called the Support Fund.

Adjustments to the Financial Statements

Located in the notes to the Financial Statements

2016 Financial Statements

- William Hardman - his resignation on the 17th November 2016 is not recorded
- Raymond James – his leave of absence should read 2018, not 2017
- Brad Copelin – his resignation should read 2018, not 2017

2017 Financial Statements

- Raymond James and Brad Copelin – dates to be amended as above.

The Financial Statements have been finalised. These matters will be noted on the website.

Questions from the floor