



Department of Justice and Attorney-General  
Office of the Director-General

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Mr Peter Russo MP  
Chair  
Legal Affairs and Community Safety Committee  
Parliament House  
George Street  
BRISBANE QLD 4000

Dear Mr Russo

I refer to an email from the Legal Affairs and Community Safety Committee (the Committee) on 27 February 2020 requesting a response from the Department of Justice and Attorney-General (DJAG) to the submissions received by the Committee as part of its inquiry into the Co-operatives National Law Bill 2020 (the Bill).

Please find **enclosed** a table that summarises the DJAG response to the submissions to the Committee.

Should further information be required, I invite the Committee Secretariat to contact Mr David Reardon, Director, Office of Regulatory Policy, [REDACTED]: [REDACTED].

I trust this information is of assistance.

Yours sincerely

A handwritten signature in black ink, appearing to read "David Mackie", with a long horizontal flourish extending to the right.

David Mackie  
Director-General

Enc.

**Department of Justice and Attorney-General (DJAG) response  
to submissions to the Legal Affairs and Community Safety Committee  
Co-operatives National Law Bill 2020**

The following submissions were received by the Legal Affairs and Community Safety Committee (the Committee) in relation to the Co-operatives National Law Bill 2020 (the Bill):

- 1 Coochin Creek Fruitgrowers' Cooperative Limited
- 2 Co-operative Federation of Queensland
- 3 Business Council of Co-operatives and Mutuals

| Topic  | Submission comments  | DJAG Response   |
|--|--|---|
| <b>Support for the Bill</b>  | <p>The peak Queensland and national stakeholder bodies support the Bill:</p> <ul style="list-style-type: none"> <li>• 2 <u>Co-operative Federation of Queensland</u></li> <li>• 3 <u>Business Council of Co-operatives and Mutuals</u></li> </ul> <p>1 <u>Coochin Creek Fruitgrowers' Co-operative Limited</u> did not expressly support the Bill.</p>   | <ul style="list-style-type: none"> <li>• DJAG notes the support for the Bill.</li> </ul>  |
| <b>Simplification of financial reporting and auditing requirements for small co-operatives</b> | <p>1 <u>Coochin Creek Fruitgrowers' Co-operative Limited</u></p> <ul style="list-style-type: none"> <li>• Coochin Creek Fruitgrowers' Co-operative Limit submits the cost and effort of complying with an annual audit is large and the cost of complying with current audit requirements is significant (\$12,000 per annum) and the process takes a large amount of time.</li> <li>• The submission suggests allowing audits to be undertaken with less regularity, based on obtaining unqualified audits in prior periods. A full compliance audit every second or third year would reduce the financial burden and still provide assurance to shareholders.</li> </ul> | <ul style="list-style-type: none"> <li>• The simplification of financial reporting is a key reform of the Co-operatives National Law (CNL) and introduces a tiered system of financial reporting whereby 'large co-operatives' will continue the same reporting standards currently undertaken under the <i>Cooperatives Act 1997</i>.</li> <li>• 'Small co-operatives', however, will have reduced reporting requirements, and will not have to obtain an audit, unless directed by members of the co-operative or the Registrar.</li> <li>• The Co-operatives National Regulation (CNR) defines a 'small co-operative' as meeting, two of the following criteria in a financial year: <ul style="list-style-type: none"> <li>– consolidated revenue less than \$8M</li> <li>– consolidated gross assets less than \$4M</li> </ul> </li> </ul> |

## DJAG responses to submissions to the Co-operatives National Law Bill 2020

| Topic | Submission comments   | DJAG Response  |
|-------|---|--|
|       | <p data-bbox="392 220 884 247"><u>2 Co-operative Federation of Queensland</u></p> <ul data-bbox="392 288 1214 826" style="list-style-type: none"> <li data-bbox="392 288 1214 411">• The Co-operative Federation of Queensland submits the exemption levels for audits for co-operatives should be automatically equated to the small proprietary companies' exemption levels.</li> <li data-bbox="392 453 1214 699">• The Co-operative Federation of Queensland considers that small co-operatives continue to be discriminated against compared to small proprietary companies with the definitions of consolidated revenue less than \$8 million (small proprietary companies \$50 million), consolidated gross assets including controlled entities \$4 million (small proprietary companies \$25 million) and employee numbers including controlled entities 30 (small proprietary companies 100).</li> <li data-bbox="392 740 1214 826">• The Co-operative Federation of Queensland strongly endorses the proposed exemption provisions for very small co-operatives.</li> </ul> <p data-bbox="392 868 976 895"><u>3 Business Council of Co-operatives and Mutuals</u></p> <ul data-bbox="392 936 1214 1342" style="list-style-type: none"> <li data-bbox="392 936 1214 1086">• The Business Council of Co-operatives and Mutuals notes the high cost of audit services constitutes a heavy burden for smaller co-operatives and places small co-operatives at a competitive disadvantage compared with small proprietary companies.</li> <li data-bbox="392 1128 1214 1342">• The Business Council of Co-operatives and Mutuals notes that small co-operatives under the Co-operatives National Law are no longer required to lodge audited financial statements with the Registrar, however, members are protected through their entitlement to receive financial reports from their co-operative along with a statutory right to require an audit or review in any particular instance.</li> </ul> | <ul data-bbox="1232 220 2045 735" style="list-style-type: none"> <li data-bbox="1232 220 2045 256">– fewer than 30 employees</li> <li data-bbox="1232 288 2045 384">• The definition of 'small co-operative' and reduced reporting requirements underwent national stakeholder consultation via a discussion paper prior to the enactment of the CNR.</li> <li data-bbox="1232 416 2045 544">• Under the CNR definition, based on annual reporting data from the last financial year, it is estimated over 90% of Queensland co-operatives, may be considered a 'small co-operative' and are expected to benefit from reduced annual reporting costs.</li> <li data-bbox="1232 576 2045 735">• The suggestion to align the current definitional thresholds for 'small co-operatives' with small proprietary companies has been raised with the Co-operatives National Law Working Party, comprising departmental officers from each state and territory, for consideration at national level.</li> </ul> |



## DJAG responses to submissions to the Co-operatives National Law Bill 2020

| Topic                                | Submission comments   | DJAG Response  |
|--------------------------------------|---|--|
| <b>Updating of directors' duties</b> | <p>1 <u>Coochin Creek Fruitgrowers' Co-operative Limited</u></p> <ul style="list-style-type: none"> <li>Coochin Creek Fruitgrowers' Co-operative Limited's submission queries if there will be access to online education programs on corporate governance and other matters, which would greatly benefit the boards of directors within co-operative structures.</li> <li>Coochin Creek Fruitgrowers' Co-operative Limited further submitted that it would be useful to have an educational tool to test directors' understanding of their responsibilities as directors of a co-operative.</li> </ul> <p>3 <u>Business Council of Co-operatives and Mutuels</u></p> <ul style="list-style-type: none"> <li>The Business Council of Co-operatives and Mutuels notes the directors' duties have been updated to adopt the same language used in the <i>Corporations Act 2000</i>, enabling legal advisers to provide better advice to directors of co-operatives in respect of their duties.</li> </ul> | <ul style="list-style-type: none"> <li>The Queensland Government website offers information on the registering, running and closing down of a co-operative at:<br/><br/><a href="http://www.qld.gov.au/law/laws-regulated-industries-and-accountability/queensland-laws-and-regulations/associations-charities-and-non-for-profits/cooperatives">www.qld.gov.au/law/laws-regulated-industries-and-accountability/queensland-laws-and-regulations/associations-charities-and-non-for-profits/cooperatives</a></li> <li>The website will be updated with information on the CNL if the Bill is passed by the Queensland Parliament.</li> <li>The Queensland Government website also provides general information on running a business including topics such as employing people, environmental obligations and duties and workplace health and safety at:<br/><br/><a href="http://www.business.qld.gov.au/running-business">www.business.qld.gov.au/running-business</a></li> <li>It is noted that the Business Council of Co-operatives and Mutuels provides educational resources and materials to its members online at:<br/><br/><a href="http://www.getmutual.coop/resources/">www.getmutual.coop/resources/</a><br/><a href="http://www.bccm.coop/what-we-do/education/">www.bccm.coop/what-we-do/education/</a></li> <li>DJAG notes the Business Council of Co-operatives and Mutuels acknowledgement of the updated directors' duties in the CNL.</li> </ul> |
| <b>On-line forms</b>                 | <p>1 <u>Coochin Creek Fruitgrowers' Co-operative Limited</u></p> <ul style="list-style-type: none"> <li>Coochin Creek Fruitgrowers' Co-operative Limited suggested an online portal for lodgement of co-operative forms, and for registering and updating the details of directors.</li> <li>Coochin Creek Fruitgrowers' Co-operative Limited noted that each time a director changes, a cessation form (Form 14) has</li> </ul>  | <ul style="list-style-type: none"> <li>The Queensland Office of Fair Trading is responsible for licensing and registration services for a range of industries, including property agents and managers, security providers, motor dealers, tattoo parlour operators and tattooists, second-hand dealers and pawnbrokers, inbound tour operators, introduction agents, debt collectors and process servers, incorporated associations, charities and co-operatives.</li> </ul>   |

## DJAG responses to submissions to the Co-operatives National Law Bill 2020

| Topic  | Submission comments   | DJAG Response   |
|--|---|---|
|  | <p>to be completed, signed off and mailed to the Co-operatives Registrar and expressed concern that there is no way of knowing whether the form has been received and processed.</p> <ul style="list-style-type: none"> <li>Coochin Creek Fruitgrowers' Co-operative Limited raised similar concerns in relation to Form 56 and Form 9, which are required to provide a copy of the Annual Audited Financial Statements, and to update shareholder movements for the year. Form 9 requires the information for all directors to be listed (names, date of birth, place of birth and current address) and must also be completed, signed and posted to the Registrar.</li> <li>Coochin Creek Fruitgrowers' Co-operative Limited informed that the forms, whilst available in PDF, cannot be pre-filled and cannot be saved and edited in the next year, so all forms must be completely re-done each year, even if the details of some of the directors have not changed.</li> <li>Coochin Creek Fruitgrowers' Co-operative Limited suggested that an online portal would have the capability to update the director's details when they change, then use those details (including appointment and cessation dates) to pre-fill the Annual Form 9. It would also provide a record of historical information for the Co-operative.</li> </ul> | <ul style="list-style-type: none"> <li>The Office of Fair Trading now offers a number of services online and it is expected that more will be added to the online portal in the future:<br/><br/><a href="http://www.qld.gov.au/law/laws-regulated-industries-and-accountability/queensland-laws-and-regulations/fair-trading-services-programs-and-resources/fair-trading-online-services">www.qld.gov.au/law/laws-regulated-industries-and-accountability/queensland-laws-and-regulations/fair-trading-services-programs-and-resources/fair-trading-online-services</a></li> <li>However, co-operatives forms are not yet available on-line.</li> <li>With regards to the current approved forms for the <i>Cooperatives Act 1997</i>, Form 9 and 14, PDF versions can be saved and edited in the next year. The Form 56 is available in both Word version and PDF version on request. The Office of Fair Trading does not confirm receipt of the documents filed but follows up with a co-operative if a document or fee is outstanding. The approved forms for the Bill and CNL will be developed if the Bill is passed.</li> </ul> |
| <b>Additional capital raising (Co-operatives Capital units or CCU's)</b> | <p>2 <u>Co-operative Federation of Queensland</u></p> <ul style="list-style-type: none"> <li>The Co-operative Federation of Queensland notes the CNL provides for additional capital raising (CCU's).</li> </ul> <p>3 <u>Business Council of Co-operatives and Mutuals</u></p> <ul style="list-style-type: none"> <li>The Business Council of Co-operatives and Mutuals noted that new flexible financial instruments, Co-operative Capital Units (CCUs), will be available to Queensland co-operatives.</li> </ul>   | <ul style="list-style-type: none"> <li>DJAG notes this acknowledgment of introducing CCU's into the CNL, as a key reform to improve access to capital for growth in co-operatives.</li> </ul>   |



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| Topic                                | Submission comments  | DJAG Response  |
|--------------------------------------|--|--|
| <b>Developing new rules</b>          | <p>2 <u>Co-operative Federation of Queensland</u></p> <ul style="list-style-type: none"> <li>The Co-operative Federation of Queensland notes the expense of developing new Rules will not be required in most instances.</li> </ul>  | <ul style="list-style-type: none"> <li>DJAG notes this acknowledgment.</li> </ul>  |
| <b>Fees and charges</b>              | <p>2 <u>Co-operative Federation of Queensland</u></p> <ul style="list-style-type: none"> <li>The Co-operative Federation of Queensland notes the fees and charges to be set have been revised to be consistent with previous fees and charges in Queensland.</li> </ul>  | <ul style="list-style-type: none"> <li>DJAG notes this acknowledgment.</li> </ul>  |
| <b>Automatic mutual recognition</b>  | <p>3 <u>Business Council of Co-operatives and Mutuals</u></p> <ul style="list-style-type: none"> <li>The Business Council of Co-operatives and Mutuals notes the reforms facilitating national operations for co-operative enterprises by providing mutual recognition. Under previous laws, co-operatives had to register as 'foreign cooperatives' in other jurisdictions if they wanted to carry on business outside their home jurisdiction. This created additional cost and regulatory compliance. Queensland co-operatives are not able to carry on business in other jurisdictions that have adopted the Co-operatives National Law unless they previously were registered as foreign co-operatives. There is no process to allow new foreign co-operative registration for new Queensland co-operatives.</li> </ul> | <ul style="list-style-type: none"> <li>DJAG notes this acknowledgment of automatic mutual recognition in the CNL to reduce red tape and cost to co-operatives trading interstate. If the Bill is passed, Queensland co-operatives will no longer be disadvantaged by the 'foreign cooperative' terminology in the <i>Cooperatives Act 1997</i> that is not recognised by the CNL.</li> </ul> |
| <b>Facilitating members meetings</b> | <p>3 <u>Business Council of Co-operatives and Mutuals</u></p> <ul style="list-style-type: none"> <li>The Business Council of Co-operatives and Mutuals notes the CNL processes allow for members' meetings and voting are able to be facilitated by technology so that geographically diverse memberships can more easily participate in the democratic governance of their co-operative.</li> </ul>   | <ul style="list-style-type: none"> <li>DJAG notes this acknowledgment.</li> </ul>  |