



**Professional Standards
Council of Victoria**
Financial statements
for the year ended
30 June 2019

Professional Standards Council of Victoria Annual Financial Statements

The Professional Standards Council of Victoria (the Council) has presented its audited general purpose financial statements for the financial year ended 30 June 2019 in the following structure to provide users with the information about the Council's stewardship of resources entrusted to it.

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Declaration in the Financial Statements

The attached financial statements for the Professional Standards Council of Victoria have been prepared in accordance with Direction 5.2 of the Standing Directions of the Assistant Treasurer under the Financial Management Act 1994, applicable Financial Reporting Directions, Australian Accounting Standards including Interpretations, and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2019 and financial position of the Council as at 30 June 2019.

At the time of signing, we are not aware of any circumstances which would render any particulars included in the financial report to be misleading or inaccurate.

We authorise the attached financial statements for issue on 02 October 2019.



Barry Ingate
Manager, Finance
Professional Standards Council, Victoria

Melbourne
02 October 2019



John Vines OAM
Chair
Professional Standards Council, Victoria

Melbourne
02 October 2019

Independent Auditor's Report



Victorian Auditor-General's Office

Independent Auditor's Report

To the Council of the Professional Standards Council of Victoria

Opinion	<p>I have audited the financial report of the Professional Standards Council of Victoria (the authority) which comprises the:</p> <ul style="list-style-type: none">• balance sheet as at 30 June 2019• comprehensive operating statement for the year then ended• statement of changes in equity for the year then ended• cash flow statement for the year then ended• notes to the financial statements, including significant accounting policies• declaration in the financial statements. <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the authority as at 30 June 2019 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p>
Basis for Opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the authority in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
Council's responsibilities for the financial report	<p>The Council of the authority is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, and for such internal control as the Council determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Council is responsible for assessing the authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p>

Independent Auditor's Report

Auditor's responsibilities for the audit of the financial report

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the authority's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Council
- conclude on the appropriateness of the Council's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the authority to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Council regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

MELBOURNE
3 October 2019



Charlotte Jeffries
as delegate for the Auditor-General of Victoria

Comprehensive operating statement

For the financial year ended 30 June 2019

	Notes	2019	2018
Continuing Operations			
Income from transactions			
Fee income	2.2	827,812	720,339
Interest	2.3	9,125	10,179
Other income	2.4	4,209	324
Total income from transactions		841,146	730,842
Expenses from transactions			
Supplies and services	3.1	(856,072)	(692,940)
Total expenses from transactions		(856,072)	(692,940)
Net result from transactions (net operating balance)		(14,926)	37,902
Comprehensive result		(14,926)	37,902

The accompanying notes form part of these financial statements.

Balance sheet

As at 30 June 2019

	Note	2019	2018
Financial assets			
Cash and deposits	6.1	883,220	679,930
Receivables	5.1	126,935	108,510
Investments and other financial assets	4.1	425,436	419,073
Total financial assets		1,435,591	1,207,513
Total assets		1,435,591	1,207,513
Liabilities			
Payables	5.2	368,077	227,571
Unearned revenue	5.2	211,648	109,151
Total liabilities	5.2	579,725	336,722
Net assets		855,865	870,791
Equity			
Accumulated surplus/(deficit)		855,865	870,791
Net worth		855,865	870,791

The accompanying notes form part of these statements.

Cash flow statement

For the financial year ended 30 June 2019

	Note	2019	2018
Cash flows from operating activities			
<i>Receipts</i>			
Fees received		930,200	720,950
Interest received		9,472	10,116
Other revenue		4,209	324
GST received from ATO		66,934	108,979
Total receipts		1,010,815	840,369
<i>Payments</i>			
Payments to suppliers		(801,163)	(736,328)
Total payments		(801,163)	(736,328)
Net cash flows from/(used in) operating activities	6.1.1	209,653	104,041
Cash flows from investing activities			
Payments for investments		(6,363)	(7,035)
Net cash flows from/(used in) investing activities		(6,363)	(7,035)
Net increase/(decrease) in cash and cash equivalents		203,290	97,006
Cash and cash equivalents at the beginning of the financial year		679,930	582,924
Cash and cash equivalents at the end of the financial year	6.1	883,220	679,930

The accompanying notes form part of these statements.

Statement of changes in equity

For the financial year ended 30 June 2019

	Accumulated Surplus	Total
Balance at 30 June 2017	832,889	832,889
Net result for the year	37,902	53,643
Balance at 30 June 2018	870,791	886,532
Net result for the year	(14,926)	(14,926)
Balance at 30 June 2019	855,865	855,865

The accompanying notes form part of these statements.

Notes to the financial statements

1. About this report

The Professional Standards Council, Victoria (the Council) is a Statutory Agency of the State of Victoria, established under the *Professional Standards Act 2003* (Vic). It is administrative agency acting on behalf of the Crown.

Its principal address is:

Professional Standards Council
Level 2
St James Centre
111 Elizabeth Street
Sydney NSW 2000

A description of the nature of the Council's operations and its principal activities is included in the Professional Standards Councils' combined annual report, which does not form part of these financial statements.

BASIS OF ACCOUNTING PREPARATION AND MEASUREMENT

These financial statements are in Australian dollars and the historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured on a different basis.

The accrual basis of accounting has been applied in the preparation of these financial statements whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

Judgements, estimates and assumptions are required to be made about financial information being presented. The significant judgements made in the preparation of these financial statements are disclosed in the notes where amounts affected by those judgements are disclosed. Estimates and associated assumptions are based on professional judgements derived from historical experience and various other

factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision. Judgements and assumptions made by management in applying AAS that have significant effects on the financial statements and estimates are disclosed in the notes under the heading: 'Significant judgement or estimates'.

These financial statements cover the Council as an individual reporting entity and include all the controlled activities of the Council.

COMPLIANCE INFORMATION

These general purpose financial statements have been prepared in accordance with the *Financial Management Act 1994* (FMA) and applicable Australian Accounting Standards (AAS), which include Interpretations, issued by the Australian Accounting Standards Board (AASB). In particular, they are presented in a manner consistent with the requirements of the AASB 1049 Whole of Government and General Government Sector Financial Reporting.

Where appropriate, those AASs paragraphs applicable to not-for-profit entities have been applied. Accounting policies selected and applied in these financial statements ensure that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

2. Funding delivery of our services

INTRODUCTION

The objectives of the Council are to promote consumer protection and excellence in professional standards by encouraging self-regulation of occupational groups through Professional Standards schemes.

(i) Professional Standards Schemes

Professional Standards schemes apply to members of occupational associations that administer professional standards schemes approved by the Councils.

Professional Standards schemes:

- › Recognise those occupational associations who implement robust risk management strategies; and
- › Limit occupational liability for members of occupational associations who carry professional indemnity insurance and/or business assets which comply with the association's standard of insurance and are at (or above) the level of the limitation of liability amount (cap).

(ii) The Professional Standards Councils

The Councils were constituted under state and territory professional standards legislation, with the mandate to approve Professional Standards schemes. There is a total of eight Councils, one for each Australian state and territory. Each Council consists of 11 members, who are nominated and appointed pursuant to the Professional Standards Agreement 2011.

(iii) The Victorian Council

The Council was established under the *Professional Standards Act 2003* (the Act). The Council is responsible for determining the limitation of liability. When doing so, the Council must consider the claims history of each association member and the need to adequately protect consumers. The Council's other functions are set out in section 46 of the Act, and are in summary:

- › To advise the Minister about publication in the Gazette, amendments to, or revocation of a scheme;
- › To advise occupational associations about insurance policies relating to limitation of liability;
- › To encourage and assist in the improvement of occupational standards of members of occupational associations;
- › To encourage and assist in the development of self-regulation of occupational associations;
- › To monitor the occupational standards of members of participating occupational associations;
- › To monitor the compliance by an occupational association with its risk management strategies;
- › To publish advice and information about the functions of Council;
- › To conduct forums, approved by the Minister, on issues of interest to members of occupational groups;
- › To collect, analyse and provide the Minister with information on issues and policies about the standards of occupational groups; and
- › To start proceedings in its own name for the prosecution of an offence against the Act or for injunctive or other relief for the offences.

(iv) Funding of the Council

The Council is fully funded through the following:

- › A fee of \$5,000 is payable to the Council for a Professional Standards scheme application for approval, amendments or revocation;
- › An annual fee of \$50 for each member of occupational associations participating in a Professional Standards scheme;
- › Interest on late payment by occupational associations; and
- › Interest received on bank accounts and term deposit.

2.1 Summary of Income that funds delivery of our services

Total Income	Notes	2019 \$	2018 \$
Fee Income	2.2	827,812	720,339
Interest	2.3	9,125	10,179
Other Income	2.4	4,209	324
Total Income from transactions		841,146	730,842

Income is recognised to the extent that it is probable that the economic benefits will flow to the entity and the income can be reliably measured at fair value.

Where applicable, amounts disclosed as income are net of returns, allowances, duties and taxes.

2.2 Fee Income

Fee Income	2019 \$	2018 \$
Chartered Accountants Australia and New Zealand	417,969	425,993
Association of Taxation and Management Accountants**	–	10,696
Law Institute of Victoria	234,400	225,750
The Victorian Bar	66,000	57,900
Institute of Public Accountants^	109,443	–
Total Fee Income	827,812	720,339

**The Association of Taxation and Management Accountants' scheme expired on 31 December 2017.

^The Institute of Public Accountants scheme commenced on 1 January 2019.

In accordance with *Professional Standards Regulations 2017*, annual fee income is derived from the occupational associations that have been approved by the Professional Standards Council to represent professionals in a particular occupation who are members of the association for the purpose of Professional Standards legislation. Annual Fee income is also derived from occupational associations on application for Professional Standards Legislation recognition, in accordance with *Professional Standards Regulations 2017*. Chartered Accountants Australia and New Zealand, The Victorian Bar, Law Institute of Victoria, and Institute of Public Accountants provided annual fee income and the Victorian Bar application fee income.

2.3 Interest

Interest income includes interest received on bank term deposits and other investments and the unwinding over time of the discount on financial assets. Interest income is recognised using the effective interest method which allocates the interest over the relevant period.

Net realised and unrealised gains and losses on the revaluation of investments do not form part of income from transactions but are reported either as part of income from other economic flows in the net result or as unrealised gains or losses taken directly to equity, forming part of the total change in net worth in the comprehensive result.

2.4 Other Income

Other Income	2019	2018
Interest on late payment of annual fees	4,209	222
Interest from ATO	–	102
Total Other Income	4,209	324

In accordance with *Professional Standards Regulations 2017*, other income is interest attributable to the late payment of annual fees. Interest accrues at the rate of 0.05% per day when annual member fees are not paid within 30 days after it is due.

3. The cost of delivering our services

INTRODUCTION

This section provides an account of the expenses incurred by the Council in delivering services and outputs. In Section 2, the funds that enable the provision of services were disclosed and in this note the cost associated with provision of services are recorded.

3.1 Expenses incurred in the delivery of our services

	2019 \$	2018 \$
Supplies and Services	856,072	692,940
Total expenses incurred in delivery of services	856,072	692,940

Expenses from transactions are recognised as they are incurred and reported in the financial year to which they relate.

3.2 Supplies and Services

	2019 \$	2018 \$
Cost recovery by NSW Department of Finance, Services and Innovation	855,977	692,840
Bank Fees	95	100
Total expenses incurred in delivery of services	856,072	692,940

Supplies and services costs are recognised as an expense in the reporting period in which they are incurred. They represent the day to day running costs incurred in normal operations.

Except for bank fees, the only expense that the Council incurs is for the provision of secretariat services by the NSW Department of Finance, Services and Innovation as agreed under the Professional

Standards Inter-Departmental Service Agreement 2016. The Council does not employ staff and as such no employee benefits are recognised.

4. Key assets available to support output delivery

INTRODUCTION

The Council controls investments that are utilised in fulfilling its objectives and conducting its activities. They represent the resources that have been entrusted to the Council to be utilised for delivery of those outputs.

Significant judgement: Classification of investments as 'key assets'.

The Council has made the judgement that investments are key assets utilised to support the Council's objectives and outputs.

FAIR VALUE MEASUREMENT

Where the assets included in this section are carried at fair value, additional information is disclosed in Note 7.3 in connection with how those fair values were determined.

4.1 Investments and other financial assets

	2019 \$	2018 \$
Term deposits ^(a) Australian dollar term deposits > three months	425,436	419,073

Notes:

(a) Term deposits under 'investments and other financial assets' class include only term deposits with maturity greater than 90 days.

5. Other assets and liabilities

INTRODUCTION

This section sets out those assets and liabilities that arose from the Council's controlled operations.

5.1 Receivables

Contractual receivables are classified as financial instruments and categorised as 'financial assets at amortised costs'. They are initially recognised at fair value plus any directly attributable transaction costs. The Department holds the contractual receivables with the objective to collect the contractual cash flows and therefore subsequently measured at amortised cost using the effective interest method, less any impairment.

Statutory receivables do not arise from contracts and are recognised and measured similarly to contractual receivables (except for impairment), but are not classified as financial instruments for disclosure purposes, because they do not arise from a contract. The Department applies AASB 9 for initial measurement of the statutory receivables and as a result statutory receivables are initially recognised at fair value plus any directly attributable transaction cost. Amounts recognised from the Victorian Government represent funding for all commitments incurred and are drawn from the Consolidated Fund as the commitments fall due.

	2019 \$	2018 \$
Contractual		
Amounts owing from Associations	17,591	17,482
Accrued Investment interest	3,063	3,410
	20,654	20,892
Statutory		
GST input tax credit recoverable	106,281	87,618
Total Receivables	126,935	108,510
<i>Represented by:</i>		
Current receivables	126,935	108,510
Non-current receivables	–	–

No Contractual receivables outstanding written off during the reporting period.

5.2 Payables

	2019 \$	2018 \$
Contractual		
NSW Department of Finance, Services and Innovation	368,077	227,571
Unearned revenue	211,648	109,151
	579,725	336,722
Total Payables		
	579,725	336,722
<i>Represented by:</i>		
Current payables	579,725	336,722
Non-current payables	–	–

Note: previous year's figures have been reclassified to conform with the current year's presentation, the comparative 30 June 2018 balance of \$20,684 for GST payable has been reclassified to NSW Department of Finance, Services and Innovation.

Payables consist of:

Contractual payables, classified as financial instruments and measured at amortised cost. Accounts payable represent liabilities for goods and services provided to the Council prior to the end of the financial year that are unpaid; and

Statutory payables, that are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from contracts.

The terms and conditions of amounts payable to the government and agencies vary according to the particular agreements and as they are not legislative payables, they are not classified as financial instruments.

5.3 Maturity analysis of contractual payable

	Carrying amount	Nominal amount	Maturity dates					
			Less than 1 month	1-3 months	3 months -1 year	1-5 years	5+ years	
2019	\$	\$	\$	\$	\$	\$	\$	\$
NSW Department of Finance, Services and Innovation	368,077	368,077	-	368,077	-	-	-	-
Total	368,077	368,077	-	368,077	-	-	-	-
2018	\$	\$	\$	\$	\$	\$	\$	\$
NSW Department of Finance, Services and Innovation	227,571	227,571	-	227,571	-	-	-	-
Total	227,571	227,571	-	227,571	-	-	-	-

Note: Maturity analysis is presented using the contractual undiscounted cash flows.

6. How we financed our operations

INTRODUCTION

This section provides information on the sources of finance utilised by the Council during its operations and other information related to financing activities of the Council.

This section includes disclosures of balances that are financial instruments (such as borrowings and cash balances). Notes 7.1 and 7.3 provide additional, specific financial instrument disclosures.

6.1 Cash flow information and balances

Cash and deposits, including cash equivalents, comprise cash on hand and cash at bank, which are held for the purpose of meeting short-term cash commitments rather than for investment purposes, and which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

For cash flow statement presentation purposes, cash and cash equivalents include bank overdrafts, which are included as current borrowings, on the balance sheet, as indicated in the reconciliation below.

	2019 \$	2018 \$
Total cash and deposits disclosed in the balance sheet	883,220	679,930

6.1.1 Reconciliation of net result for the period to cash flow from operating activities

	2019 \$	2018 \$
Reconciliation of net result for the period		
Net result for the period	(14,926)	37,902
Movements in asset and liabilities:		
(Increase)/decrease in receivables	(18,424)	29,598
Increase/(decrease) in payables	140,506	25,896
Increase/(decrease) in unearned revenue	102,497	10,645
Net cash flows from/(used in) operating activities	209,653	104,041

6.2 Commitments for expenditure

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are recorded below at their nominal value and inclusive of GST. Where it is considered appropriate and provides additional relevant information to users, the net present values of significant individual projects are stated. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

(a) Commitments ⁽ⁱ⁾

Nominal Value	2019 \$	2018 \$
Operating commitments ⁽ⁱⁱ⁾		
Commitments under Inter-Departmental Service Agreement 2016	99,138	282,569
Total Operating Commitments	99,138	282,569

Note:

(i) The figures presented are inclusive of GST.

(ii) The commitments recorded above are estimated values for the Victorian Council's portion of known outgoings. Actual amounts are not available at this stage as Victoria's actual share is dependent upon its portion of total revenue compared to the total of all eight jurisdictions.

b) Commitments payable

Nominal Value	2019 \$	2018 \$
Operating commitments payable		
Less than 1 year	99,138	146,139
Longer than 1 year but not longer than 5 years	–	128,011
5 years or more	–	8,419
Total Commitments (inclusive of GST)	99,138	282,569
Less GST recoverable from the Australian Tax Office	9,013	25,688
Total Commitments (exclusive of GST)	90,125	256,881

7. Risks, contingencies and valuation judgements

INTRODUCTION

The Council is exposed to risk from its activities and outside factors. In addition, it is often necessary to make judgements and estimates associated with recognition and measurement of items in the financial statements. This section sets out financial instrument specific information, (including exposures to financial risks) as well as those items that are contingent in nature or require a higher level of judgement to be applied, which for the Council related mainly to fair value determination.

7.1 Financial instruments specific disclosures

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Due to the nature of the Council's activities, certain financial assets and financial liabilities arise under statute rather than a contract (for example taxes, fines and penalties). Such assets and liabilities do not meet the definition of financial instruments in AASB 132 Financial Instruments: Presentation.

From 1 July 2018, the Council applies AASB 9 and classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms.

Categories of financial assets under AASB 9

Financial assets are measured at amortised costs if both of the following criteria are met and the assets are not designated as fair value through net result:

- › the assets are held by the Council to collect the contractual cash flows, and
- › the assets' contractual terms give rise to cash flows that are solely payments of principal and interests.

These assets are initially recognised at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method less any impairment.

The Council recognises the following assets in this category:

- › Cash and deposits
- › Receivables (excluding statutory receivables); and
- › Term deposits.

Categories of financial assets previously under AASB 139

Receivables and cash are financial instrument assets with fixed and determinable payments that are not quoted on an active market. These assets and liabilities are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement, loans and receivables are

measured at amortised cost using the effective interest method (and for assets, less any impairment). The Council recognises the following assets in this category:

- › Cash and deposits
- › Receivables (excluding statutory receivables); and
- › Term deposits.

Categories of financial liabilities under AASB 9 and previously under AASB 139

Financial liabilities at amortised cost are initially recognised on the date they are originated. They are initially measured at fair value plus any directly

attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the interest bearing liability, using the effective interest rate method.

The Council recognises the following liabilities in this category:

- › Payables (excluding statutory payables).

7.1.1 Categorisation of financial instruments

2019		Cash and deposits \$	Financial assets at amortised cost (AC) \$	Financial liabilities at amortised cost (AC) \$	Total \$
Contractual Financial Assets					
Cash and deposits	6.1	883,220	–	–	883,220
Investments *	4.1	–	425,436	–	425,436
Receivables ⁽ⁱ⁾	5.1	–	20,654	–	20,654
Total Contractual Financial Assets		883,220	446,090	–	1,329,310
Contractual Financial Liabilities					
Payables ⁽ⁱ⁾	5.2	–	–	368,077	368,077
Total Contractual Financial Liabilities		–	–	368,077	368,077

Notes:

* To comply with AASB 107 p.7, PSC has classified amounts held in interest bearing accounts for greater than 90 days as Investments.

(i) The total amounts disclosed here exclude statutory amounts (e.g. amounts owing from Victorian Government and GST input tax credit recoverable and taxes payable).

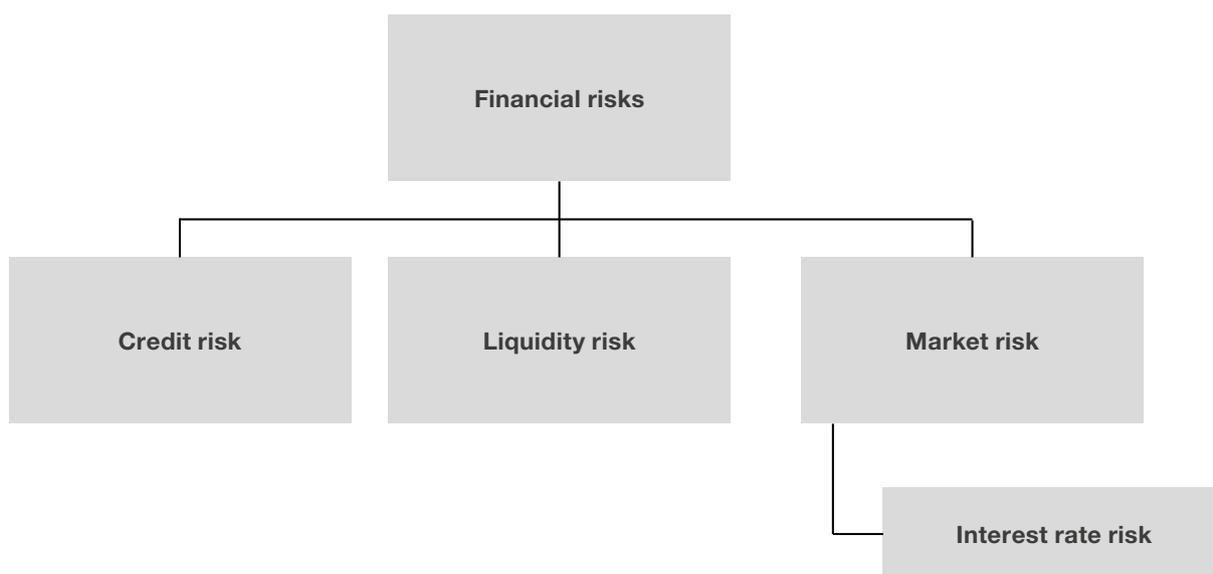
2018		Cash and deposits \$	Financial assets at amortised cost (AC) \$	Financial liabilities at amortised cost (AC) \$	Total \$
Contractual Financial Assets					
	Cash and deposits	6.1	679,930	–	679,930
	Investments *	4.1	–	419,073	419,073
	Receivables ⁽ⁱ⁾	5.1	–	20,892	20,892
	Total Contractual Financial Assets		679,930	439,965	–
Contractual Financial Liabilities					
	Payables ⁽ⁱ⁾	5.2	–	–	227,571
	Total Contractual Financial Liabilities		–	–	227,571

Notes:

* To comply with AASB 107 p.7, PSC has classified amounts held in interest bearing accounts for greater than 90 days as Investments.

(i) The total amounts disclosed here exclude statutory amounts (e.g. amounts owing from Victorian Government and GST input tax credit recoverable and taxes payable).

7.1.2 Financial risk management objectives and policies



As a whole, the Council's financial risk management program seeks to manage these risks and the associated volatility of its financial performance.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised, with respect to each class of financial asset, financial liability and equity instrument above are disclosed in Note 7.3 to the financial statements.

The main purpose in holding financial instruments is to prudentially manage the Council's financial risks in the government policy parameters.

The Council's main financial risks include credit risk and liquidity risk. The Council manages these financial risks in accordance with its financial risk management policy.

The Council uses different methods to measure and manage the different risks to which it is exposed. Primary responsibility for the identification and management of financial risks rests with the financial risk management committee of the Council.

Financial instruments: Credit risk

Credit risk arises from the financial assets of the Council, which comprise cash and deposits and non-statutory receivables.

The Council's exposure to credit risk arises from the potential default of the financial institution on their contractual obligations and the potential default of a scheme operator on their statutory obligations resulting in financial loss to the Council.

Credit risk is measured at fair value and is monitored on a regular basis.

Receivables are not past due and are not impaired.

There are no financial assets which are individually determined to be impaired. Currently, the Council does not hold any collateral as security nor credit enhancements relating to any of its financial assets.

There are no financial assets that have had their terms renegotiated so as to prevent them from being past due or impaired, and they are stated at the carrying amounts as indicated.

There has been no material change to the Council's credit risk profile in 2018–19 with all financial assets being invested with the ANZ bank.

Credit quality of financial assets

	Financial institution (triple-A credit rating)	Government agencies (triple-A credit rating)	Government agencies (triple-B credit rating)	Other (min triple-B credit rating)	Total
2019	\$	\$	\$	\$	\$
Financial assets					
Financial assets with loss allowance measured at 12-month expected credit loss					
Cash and deposits (not assessed for impairment due to materiality)				883,220	883,220
Statutory receivables (with no impairment loss recognised)			–	–	–
Debt investment measured at amortised cost			–	425,436	425,436
Financial assets with loss allowance measured at lifetime expected credit loss:					
Contractual receivables applying the simplified approach for impairment				20,654	20,654
Total financial assets	–	–	–	1,329,310	1,329,310

Credit quality of contractual financial assets that are neither past due nor impaired

	Financial institution (triple-A credit rating)	Government agencies (triple-A credit rating)	Government agencies (triple-B credit rating)	Other (min triple-B credit rating)	Total
2018	\$	\$	\$	\$	\$
Financial assets					
Cash and deposits				679,930	679,930
Contractual receivables				20,892	20,892
Investment and other financial assets				419,073	419,073
Total financial assets	–	–	–	1,119,895	1,119,895

Impairment of financial assets under AASB 9 – applicable from 1 July 2018

From 1 July 2018, departments or agencies are required to replace AASB 139's incurred loss approach with AASB 9's expected credit loss approach. Subject to AASB 9 impairment assessment include the departments or agencies' contractual receivables, statutory receivables and the investment in debt instruments.

Contractual receivables amortised cost

The *Professional Standards Regulations 2017* creates the obligation for occupational associations to pay fees. The obligations are not contractual and are outside the scope of AASB 9. At the end of each reporting period, the Council assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. All financial instrument assets, except those measured at fair value through profit or loss, are subject to annual review for impairment.

No impairment is required to be recognised for the year ended 30 June 2019.

Financial instruments: Liquidity risk

Liquidity risk is the risk that the Council would be unable to meet its financial obligations as and when they fall due. The Council operates under the Government fair payments policy of settling financial obligations within 30 days and in the event of a dispute, making payments within 30 days from the date of resolution.

The Council's maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed in the face of the balance sheet. The Council manages its liquidity risk by:

- › close monitoring of its short term and long term borrowings by senior management, including monthly reviews on current and future borrowing levels and requirements;
- › maintaining an adequate level of uncommitted funds that can be drawn at short notice to meet its short term obligations;
- › holding investments and other contractual financial assets that are readily tradeable in the financial markets; and

- › careful maturity planning of its financial obligations based on forecasts of future cash flows.

The Council's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk. Cash for unexpected events is generally sourced from liquidation of the Council's term deposit.

The State Government of New South Wales, through the Department of Finance, Services and Innovation is the Council's only creditor, thereby minimising liquidity risk.

All financial assets and liability maturity rates are less than six months.

Financial instruments: Market risk

The Council's exposure to market risk is primarily through interest rate risk. Objectives, policies and processes used to manage this risk are disclosed below.

Interest rate risk

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. The Council does not hold any interest bearing financial instruments that are measured at fair value, and therefore has no exposure to fair value interest rate risk.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Council has minimal exposure to cash flow interest rate risk through its cash and term deposit. The Council manages this risk by only investing in a term deposit of six months with a fixed interest rate. Management has determined that cash at bank is a financial asset that can be left at floating rate without necessarily exposing the Council to significant risk.

The carrying amounts of financial assets and financial liabilities that are exposed to interest rates are set out in the table that follows.

Interest Rate Exposure

Description	Note	Weighted average effective interest rate	Carrying amount	Interest rate exposure		
				Fixed interest rate	Variable interest rate	Non-interest bearing
		%	(\$)			
2019						
Financial Assets						
Cash	6.1	0.40	883,220	–	883,220	–
Investment *	4.1	1.50	425,436	425,436	–	–
Receivables	5.1		20,654	–	–	20,654
Total financial assets			1,329,310	425,436	883,220	20,654
Financial Liabilities						
Payables	5.2		368,077	–	–	368,077
Total financial liabilities			368,077	–	–	368,077
2018						
Financial Assets						
Cash	6.1	0.49	679,930	–	679,930	–
Investment *	4.1	1.70	419,073	419,073	–	–
Receivables	5.1		20,892	–	–	20,892
Total financial assets			1,119,895	419,073	679,930	20,892
Financial Liabilities						
Payables	5.2	–	227,571	–	–	227,571
Total financial liabilities			227,571	0	0	227,571

*To comply with AASB 107 p.7, PSC has classified amounts held in interest bearing accounts for greater than 90 days as Investments

7.2 Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the balance sheet but are disclosed and, if quantifiable, are measured at nominal value.

Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

There were no contingent assets or liabilities at balance date 30 June 2019 (2018: Nil).

7.3 Fair value determination

Significant judgement: Fair value measurements of assets and liabilities.

Fair value determination requires judgement and the use of assumptions. This section discloses the most significant assumptions used in determining fair values. Changes to assumptions could have a material impact on the results and financial position of the Council.

This section sets out information on how the Council determined fair value for financial reporting purposes. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The carrying amount of financial assets and liabilities is equal to their fair value.

The Council determines the policies and procedures for determining fair values for both financial and non-financial assets and liabilities as required.

Fair value hierarchy

In determining fair values a number of inputs are used. To increase consistency and comparability in the financial statements, these inputs are categorised into three levels, also known as the fair value hierarchy. The levels are as follows:

- › Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- › Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

- › Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For the purpose of fair value disclosures, the Council has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

In addition, the Council determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

All financial assets and liabilities are classified as level one in accordance with the fair value measurement hierarchy, as noted above.

8. Other disclosures

INTRODUCTION

This section includes additional material disclosures required by accounting standards or otherwise, for the understanding of this financial report.

8.1 Responsible persons

In accordance with the Ministerial Directions issued by the Assistant Treasurer under the *Financial Management Act 1994* (FMA), the following disclosures are made regarding responsible persons for the reporting period.

Names

The persons who held the positions of Ministers and Accountable Officers in the Council are as follows:

Attorney-General	The Hon. Martin Pakula, MP	1 July 2018 to 28 November 2018
	The Hon. Jill Hennessy, MP	29 November 2018 to 30 June 2019
Acting Attorney-General	The Hon. Benjamin Carroll, MP	6 April 2019 to 14 April 2019
Chair	Mr. John Vines OAM	1 July 2018 to 30 June 2019

Remuneration

Remuneration received or receivable by the Accountable Officer (Chair) in connection with the management of the New South Wales, Western Australian, South Australian, Queensland, Tasmanian, Australian Capital Territory, Northern Territory and Victorian Councils during the reporting period was **\$54,698 (2018: \$8,384)**.

Remuneration of the Councils

Remuneration received or receivable by Councils members (including the Chair) for their responsibilities to New South Wales, Western Australian, South Australian, Queensland, Tasmanian, Australian Capital Territory, Northern Territory and Victorian Councils totalled **\$272,591** for the year ended **30 June 2019 (2017-18: \$52,880)**.

In accordance with the Professional Standards Agreement 2011, the remuneration for the Professional Standards Councils members is set by the NSW government in line with NSW guidelines. In accordance with the Inter-Departmental Service Agreement (2016), the NSW government manages payroll processing for the eight national Professional Standards Councils. The Professional Standards Council of Victoria is required to fund **20.13%** of the **2019** Council members' remuneration (**2018: 18.86%**).

Chair and Council Member	Mr John Vines OAM	1 July 2018 to 30 June 2019
Deputy Chair	Mr Andrew Lumsden	27 July 2018 to 30 June 2019
Council Member	Mr Terry Evans	1 July 2018 to 30 June 2019
Council Member	Mr Will Hamilton	1 July 2018 to 30 June 2019
Council Member	Dr Pam Montgomery	1 July 2018 to 30 June 2019
Council Member	Ms Tiina-Liisa Sexton	1 July 2018 to 30 June 2019
Council Member	Ms Elizabeth Shearer	1 July 2018 to 30 June 2019
Council Member	Mr Iain Summers	1 July 2018 to 30 June 2019
Council Member	Ms. Catherine Wood	27 July 2018 to 30 June 2019
Council Member	Ms. Caroline Lamb	27 July 2018 to 30 June 2019
Council Member	Ms Rachel Webber	1 July 2018 to 31 December 2018, and 21 March 2019 to 30 June 2019

Remuneration comprises employee benefits in all forms of consideration paid, payable or provided by the Councils, or on behalf of the Councils, in exchange for services rendered, and is disclosed in the following categories:

- › **Short term employee benefits** which is made up of salary; and
- › **Post-employment benefits** which is superannuation entitlements where income is greater than \$450 before tax in a calendar month (as per relevant legislation). Note, members are not eligible for employee provisions such as recreational leave and long service leave.

The number of members of the Councils with remuneration that fell within the following categories were:

Remuneration of the Councils	2019	2018
Short term employee benefits	\$249,008	\$47,321
Post-employment benefits	\$23,583	\$4,496
Total remuneration	\$272,591	\$51,817
Total number of members	11	12

Note of reconciliation FY 2017–18: The difference between the remuneration of Councils members of \$52,880 and Victorian Council members of \$51,817 is \$1,063. This difference represents the Short term employee benefits and Post-employment benefits paid/ payable to Ms Caroline Lamb, who was appointed and remunerated as a member of the New South Wales Professional Standards Council, however was appointed to the Victorian Professional Standards Council post 30 June 2018.

8.2 Related parties

The Council is a wholly owned and controlled entity of the State of Victoria.

Related parties of the Council include:

- › all key management personnel and their close family members and personal business interests (controlled entities, joint ventures and entities they have significant influence over); and
- › all cabinet ministers and their close family members.

All related party transactions have been entered into on an arm's length basis.

The Council did not have any government-related entity transactions.

Key management personnel of the Council includes the **Portfolio Minister, the Hon Jill Hennessy MP**, and the Council Members, which includes:

- › the Acting Chief Finance and Accounting Officer, Ms Anna Higgs

Remuneration of key management personnel

The Minister's remuneration and allowances is set by the *Parliamentary Salaries and Superannuation Act 1968* and is reported within the Department of Parliamentary Services' Financial Report.

Compensation to Council Members is detailed in section 8.1.

The Acting Chief Finance and Accounting Officer is not an employee of the Council and does not receive any compensation from the Council.

Transactions and balances with key management personnel and other related parties

There were no related party transactions that involved the Council's key management personnel, their close family members and their personal business interests. No provision has been required, nor any expense recognised, for impairment of receivables from related parties.

8.3 Remuneration of auditors

Victorian Auditor-General's Office	2019	2018
	\$	\$
Audit of the financial statements	13,200	12,900

The Council is required to fund 20.13% of the Victorian Auditor-General's Office fee (2018: 18.86%) as per the Inter-Departmental Service Agreement 2016.

8.4 Australian Accounting Standards issued that are not yet effective

Certain new Australian Accounting Standards (AAS) have been published which are not mandatory for the 30 June 2019 reporting period. Department of Treasury and Finance assesses the impact of all these new standards and advises the Council of their applicability and early adoption where applicable.

Standard	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 15 Revenue from Contracts with Customers	The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer. Note that amending standard AASB 2015 8 Amendments to Australian Accounting Standards – Effective Date of AASB 15 has deferred the effective date of AASB 15 to annual reporting periods beginning on or after 1 January 2018, instead of 1 January 2017.	1-Jan-19	The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements. The Standards will also require additional disclosures in service revenue and contract modifications.

8.5 Glossary of technical terms

The following is a summary of the major technical terms used in this report.

Commitments include those operating, capital and other outsourcing commitments arising from non-cancellable contractual or statutory sources.

Comprehensive result is the amount included in the operating statement representing total change in net worth other than transactions with owners as owners.

Financial asset is any asset that is:

- a) cash;
- b) an equity instrument of another entity;
- c) a contractual right:
 - to receive cash or another financial asset from another entity; or
 - to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or
- d) a contract that will or may be settled in the entity's own equity instruments and is:

- a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or
- a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

Financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial liability is any liability that is:

- a) a contractual obligation:
 - to deliver cash or another financial asset to another entity; or
 - to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or
- b) a contract that will or may be settled in the entity's own equity instruments and is:
 - a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or

- a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose, the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

Financial statements comprises:

- a) a balance sheet as at the end of the period;
- b) a comprehensive operating statement for the period;
- c) a statement of changes in equity for the period;
- d) a cash flow statement for the period;
- e) notes, comprising a summary of significant accounting policies and other explanatory information;
- f) comparative information in respect of the preceding period as specified in paragraph 38 of AASB 101 Presentation of Financial Statements; and
- g) a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements in accordance with paragraphs 41 of AASB 101.

Interest income includes unwinding over time of discounts on financial assets and interest received on bank term deposits and other investments.

Net operating balance or net result from transactions is a key fiscal aggregate and is revenue from transactions minus expenses from transactions. It is a summary measure of the ongoing sustainability of operations. It excludes gains and losses resulting from changes in price levels and other changes in the volume of assets. It is the component of the change in net worth that is due to transactions and can be attributed directly to government policies.

Net result is a measure of financial performance of the operations for the period. It is the net result of items of revenue, gains and expenses (including losses) recognised for the period, excluding those classified as 'other non-owner movements in equity'.

Net Worth is calculated as assets less liabilities, which is an economic measure of wealth.

Payables includes short and long-term trade debt and accounts payable, grants, taxes and interest payable.

Receivables include amounts owing from government through appropriation receivable, short and long-term trade credit and accounts receivable, accrued investment income, grants, taxes and interest receivable.

Scheme requires occupational associations to improve their professional standards and protect consumers by implementing robust risk management strategies and adhering to professional indemnity insurance standards. It rewards such practices by limiting the occupational liability of members of occupational associations.

Supplies and services generally represent cost of goods sold and the day to day running costs, including maintenance costs, incurred in the normal operations of the Department.

Transactions are those economic flows that are considered to arise as a result of policy decisions, usually an interaction between two entities by mutual agreement. They also include flows into an entity such as depreciation, where the owner is simultaneously acting as the owner of the depreciating asset and as the consumer of the service provided by the asset. Taxation is regarded as mutually agreed interactions between the government and taxpayers. Transactions can be in kind (e.g. assets provided/given free of charge or for nominal consideration) or where the final consideration is cash. In simple terms, transactions arise from the policy decisions of the Government.

8.6 Style conventions

Figures in the tables and in the text have been rounded. Discrepancies in tables between totals and sums of components reflect rounding. Percentage variations in all tables are based on the underlying unrounded amounts.

The notation used in the tables is as follows:

.. zero, or rounded to zero

(xxx.x) negative numbers

200x year period

200x 0x year period

The financial statements and notes are presented based on the illustration for a government department in the 2018–2019 Model Report for Victorian Government Departments. The presentation of other disclosures is generally consistent with the other disclosures made in earlier publications of the Department's annual reports.

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