



# **THE VICTORIAN PROFESSIONAL STANDARDS COUNCIL**

**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

Protecting consumers by improving professional standards

# THE VICTORIAN PROFESSIONAL STANDARDS COUNCIL ANNUAL FINANCIAL STATEMENTS

The Victorian Professional Standards Council (the Council) has presented its audited general purpose financial statements for the financial year ended 30 June 2020 in the following structure to provide users with the information about the Council's stewardship of resources entrusted to it.

# DECLARATION IN THE FINANCIAL STATEMENTS

The attached financial statements for the Victorian Professional Standards Council (VPSC) 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 2020 and financial position of the Council as at 30 June 2020.

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 18 December 2020.



**Dees Naidoo**

Manager Finance  
The Victorian Professional Standards Council

Melbourne

18 December 2020



**John Vines OAM**

Chair  
The Victorian Professional Standards Council

Melbourne

18 December 2020

# INDEPENDENT AUDITOR'S REPORT

# VAGO

Victorian Auditor-General's Office

## Independent Auditor's Report

### To the Council of the Victorian Professional Standards Council

<b>Opinion</b>	<p>I have audited the financial report of the Victorian Professional Standards Council (the Council) which comprises the:</p> <ul style="list-style-type: none"> <li>• balance sheet as at 30 June 2020</li> <li>• comprehensive operating statement for the year then ended</li> <li>• statement of changes in equity for the year then ended</li> <li>• cash flow statement for the year then ended</li> <li>• notes to the financial statements, including significant accounting policies</li> <li>• declaration in the financial statements.</li> </ul> <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the Council as at 30 June 2020 and its 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>
<b>Basis for opinion</b>	<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 Council 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>
<b>Management's responsibilities for the financial report</b>	<p>Management of the Council 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 management 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, management is responsible for assessing the Council'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>

Level 31 / 35 Collins Street, Melbourne Vic 3000  
T 03 8601 7000 enquiries@audit.vic.gov.au www.audit.vic.gov.au

**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 Council's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management'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 Council'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 Council 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 those charged with governance 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  
21 December 2020



Janaka Kumara  
*as delegate for the Auditor-General of Victoria*

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# FINANCIAL STATEMENTS

## COMPREHENSIVE OPERATING STATEMENT

for the year ended 30 June 2020

	Note	2020 \$	2019 \$
<b>CONTINUING OPERATIONS</b>			
<b>Income from transactions</b>			
Fee income	2.2	659,468	827,812
Interest	2.3	9,134	9,125
Other income	2.4	0	4,209
<b>Total income from transactions</b>		<b>668,602</b>	<b>841,146</b>
<b>Expenses from transactions</b>			
Supplies and services	3.1	(694,175)	(856,072)
<b>Total expenses from transactions</b>		<b>(694,175)</b>	<b>(856,072)</b>
<b>Net result from transactions (net operating balance)</b>		<b>(25,573)</b>	<b>(14,926)</b>
<b>COMPREHENSIVE RESULT</b>		<b>(25,573)</b>	<b>(14,926)</b>

The accompanying notes form part of these financial statements.

**BALANCE SHEET**

as at 30 June 2020

	Note	2020 \$	2019 \$
<b>ASSETS</b>			
<b>Financial assets</b>			
Cash and deposits	6.1	473,040	883,220
Receivables	5.1	114,112	126,935
Investments and other financial assets	4.1	732,432	425,436
<b>Total financial assets</b>		<b>1,319,584</b>	<b>1,435,591</b>
<b>TOTAL ASSETS</b>		<b>1,319,584</b>	<b>1,435,591</b>
<b>Liabilities</b>			
Payables	5.2	378,816	368,077
Contract liabilities	5.2	110,476	211,649
<b>Total liabilities</b>	5.2	<b>489,292</b>	<b>579,726</b>
<b>NET ASSETS</b>		<b>830,292</b>	<b>855,865</b>
<b>Equity</b>			
Accumulated surplus/(deficit)		830,292	855,865
<b>NET WORTH</b>		<b>830,292</b>	<b>855,865</b>

The accompanying notes form part of these financial statements.

# CASH FLOW STATEMENT

## for the year ended 30 June 2020

	Note	2020 \$	2019 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Fees received		569,000	930,200
Interest received		7,833	9,472
Other receipts		0	4,209
GST received from ATO		72,824	66,934
<b>Total receipts</b>		<b>649,657</b>	<b>1,010,815</b>
<b>Payments</b>			
Payments to suppliers		(752,706)	(801,067)
Other payments		(135)	(95)
<b>Total payments</b>		<b>(752,841)</b>	<b>(801,162)</b>
<b>Net cash flows from/(used in) operating activities</b>	6.1.1	<b>(103,184)</b>	<b>209,653</b>
<b>Cash flows from investing activities</b>			
Payments from investment		(6,996)	(6,363)
<b>Transfers to investments</b>		<b>(300,000)</b>	<b>-</b>
<b>Net cash flows from/(used in) investing activities</b>		<b>(306,996)</b>	<b>(6,363)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(410,180)</b>	<b>203,290</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR</b>		<b>883,220</b>	<b>679,930</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR</b>	6.1	<b>473,040</b>	<b>883,220</b>

The accompanying notes form part of these financial statements.

## STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2020

	Accumulated Surplus \$	Total \$
<b>Balance at 30 June 2018</b>	<b>870,791</b>	<b>870,791</b>
Net result for the year	(14,926)	(14,926)
<b>Balance at 30 June 2019</b>	<b>855,865</b>	<b>855,865</b>
Net result for the year	(25,573)	(25,573)
<b>Balance at 30 June 2020</b>	<b>830,292</b>	<b>830,292</b>

The accompanying notes form part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2020

## SECTION 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 an 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.

### 1.1 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.

### 1.2 IMPACT OF THE GLOBAL CORONAVIRUS PANDEMIC (COVID-19)

To contain the spread of the coronavirus and to prioritise the health and safety of our communities, various restrictions have been announced and implemented across the country. In Victoria a state of disaster was declared on 2 August 2020.

This has impacted the operations of the Council and the Professional Standards Authority, which provides regulatory support to the eight national Professional Standards Councils. The Council's principal office in Sydney was closed in late March until the end of October 2020 and staff have had to work from home during the majority of the COVID-19 period. There has also been limited travel and direct stakeholder engagement. Councils and committee meetings however have continued as scheduled using tele and video conferencing.

### 1.3 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 AAS 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.

## SECTION 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 eleven 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

	Note	2020 \$	2019 \$
<b>Total income</b>			
Fee income	2.2	659,468	827,812
Interest	2.3	9,134	9,125
Other income	2.4	–	4,209
<b>Total income from transactions</b>		<b>668,602</b>	<b>841,146</b>

Revenue and income that fund delivery of the Council's services are accounted for consistently with the requirements of the relevant accounting standards. The application of AASB 15 and AASB 1058 from 1 July 2019 has had no impact on the recognition of income.

### 2.2 FEE INCOME

	2020 \$	2019 \$
<b>Fee income</b>		
Chartered Accountants Australia and New Zealand <sup>^</sup>	120,550	417,969
Law Institute of Victoria	243,000	234,400
The Victorian Bar	64,350	66,000
Institute of Public Accountants (IPA) <sup>*</sup>	231,568	109,443
<b>Total fee income</b>	<b>659,468</b>	<b>827,812</b>

<sup>^</sup> The Chartered Accountants Australia and New Zealand Victorian scheme expired on 7 October 2019.

<sup>\*</sup> 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. Chartered Accountants Australia and New Zealand, The Victorian Bar, Law Institute of Victoria, and Institute of Public Accountants (IPA) provided annual fee income.

As limited occupational liability is provided for members of these associations throughout the year and the VPSC undertakes activities that significantly affect the benefits associations have been granted, annual fees income is recognised over the period of the scheme.

With the exception of the IPA scheme, these annual periods are aligned to the fiscal year. A portion of the fees received from the IPA scheme are therefore not recognised as fee income at year end, resulting in a contract liability. This contract liability is recognised as income in the subsequent financial year (Note 5.2).

### 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.

### 2.4 OTHER INCOME

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. During the fiscal year, all associations paid their annual fees within the 30 days and no such interest was recognised.

## SECTION 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

	2020 \$	2019 \$
Supplies and services	694,175	856,072
<b>Total expenses incurred in delivery of services</b>	<b>694,175</b>	<b>856,072</b>

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

### 3.2 SUPPLIES AND SERVICES

	2020 \$	2019 \$
Cost recovery by NSW Department of Customer Service	694,040	855,977
Bank fees	135	95
<b>Total expenses incurred in delivery of services</b>	<b>694,175</b>	<b>856,072</b>

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 Customer Service as agreed under the *Professional Standards Inter-Departmental Service Agreement 2016* (as amended). Most of the functions of the Department of Finance, Services and Innovation were transferred to the Department of Customer Service, with effect from 1 July 2019.

The Council does not employ staff and as such no employee benefits are recognised.

## SECTION 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.

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

	2020 \$	2019 \$
Term deposits <sup>(a)</sup>		
Australian dollar term deposits > three months	732,432	425,436

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

## SECTION 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 cost'. They are initially recognised at fair value plus any directly attributable transaction costs. The Council 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 Council 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.

	2020 \$	2019 \$
<b>Contractual</b>		
Amounts owing from associations	6,886	17,591
Accrued investment interest	4,365	3,063
	<b>11,251</b>	<b>20,654</b>
<b>Statutory</b>		
GST input tax credit recoverable	102,861	106,281
<b>Total receivables</b>	<b>114,112</b>	<b>126,935</b>
<i>Represented by:</i>		
<i>Current receivables</i>	79,679	93,478
<i>Non-current receivables</i>	34,433	33,457

No Contractual receivables outstanding written off during the reporting period.

2019-20 – \$34,433 GST input tax credit recoverable is classified as non-current receivable (2018-19 \$33,457).

## 5.2 PAYABLES

	2020 \$	2019 \$
<b>Contractual</b>		
NSW Department of Customer Service	378,766	368,027
Contract liabilities	110,476	211,649
Accrued bank fees	50	50
	<b>489,292</b>	<b>579,726</b>
<b>Total payables</b>	<b>489,292</b>	<b>579,726</b>
<i>Represented by:</i>		
<i>Current payables</i>	489,292	579,726
<i>Non-current payables</i>	–	–

Contractual Payables are classified as financial instruments and measured at amortised cost.

They include:

**NSW Department of Customer Service** which represents liabilities for goods and services provided to the Council prior to the end of the financial year that are unpaid; and

**Contract liabilities** which represents the portion of regulated annual fees received but not earned and relates to the periods of the scheme subsequent to the end of the reporting period. The Institute of Public Accountants scheme was the only scheme where unearned revenue was recognised this financial year.

### 5.3 MATURITY ANALYSIS OF CONTRACTUAL PAYABLES

	Carrying amount \$	Nominal amount \$	Maturity dates				
			Less than 1 month \$	1-3 months \$	3 months -1 year \$	1-3 years \$	5+ years \$
<b>2020</b>							
NSW Department of Customer Service	378,766	378,766	-	378,766	-	-	-
<b>TOTAL</b>	<b>378,766</b>	<b>378,766</b>	<b>-</b>	<b>378,766</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>2019</b>							
NSW Department of Customer Service	368,077	368,077	-	368,077	-	-	-
<b>TOTAL</b>	<b>368,077</b>	<b>368,077</b>	<b>-</b>	<b>368,077</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

## SECTION 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.

	2020 \$	2019 \$
<b>TOTAL CASH AND DEPOSITS DISCLOSED IN THE BALANCE SHEET</b>	<b>473,040</b>	<b>883,220</b>

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

	2020 \$	2019 \$
<b>Reconciliation of net result for the period</b>		
<b>Net result for the period</b>	<b>(25,573)</b>	<b>(14,926)</b>
Movements in asset and liabilities:		
(Increase)/decrease in receivables	12,823	(18,424)
Increase/(decrease) in payables	10,739	140,506
Increase/(decrease) in contract liabilities	(101,173)	102,497
<b>NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES</b>	<b>(103,184)</b>	<b>209,653</b>

### 6.2 COMMITMENTS FOR EXPENDITURE

Commitments for future expenditure comprises of operating commitments arising from contracts (there are no capital commitments). 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.

	2020 \$	2019 \$
<b>a) Commitments <sup>(i)</sup></b>		
<b>Operating commitments <sup>(ii)</sup></b>		
Commitments under <i>Inter-Departmental Service Agreement 2016</i>	537,631	99,138
<b>TOTAL OPERATING COMMITMENTS</b>	<b>537,631</b>	<b>99,138</b>

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.

	2020 \$	2019 \$
<b>b) Commitments payable</b>		
<b>Operating commitments payable</b>		
Less than 1 year	131,150	99,138
Longer than 1 year but not longer than 5 years	406,481	-
5 years or more	-	-
<b>TOTAL COMMITMENTS (INCLUSIVE OF GST)</b>	<b>537,631</b>	<b>99,138</b>
Less GST recoverable from the Australian Tax Office	48,875	9,013
<b>TOTAL COMMITMENTS (EXCLUSIVE OF GST)</b>	<b>488,756</b>	<b>90,125</b>

## SECTION 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

#### Introduction

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*.

#### Categories of financial assets

##### Financial assets at amortised cost

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 liabilities

##### Financial liabilities at amortised cost

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).

## Financial instruments

### 7.1.1. Categorisation of financial instruments

2020	Note	Cash and deposits \$	Financial assets at amortised cost (AC) \$	Financial liabilities at amortised cost (AC) \$	Total \$
<b>Contractual Financial Assets</b>					
Cash and deposits	6.1	473,040	-	-	<b>473,040</b>
Investments*	4.1	-	732,432	-	<b>732,432</b>
Receivables <sup>(i)</sup>	5.1	-	11,251	-	<b>11,251</b>
<b>TOTAL CONTRACTUAL FINANCIAL ASSETS</b>		<b>473,040</b>	<b>743,683</b>	<b>-</b>	<b>1,216,723</b>

<b>Contractual Financial Liabilities</b>					
Payables <sup>(i)</sup>	5.2	-	-	378,816	<b>378,816</b>
<b>TOTAL CONTRACTUAL FINANCIAL LIABILITIES</b>		<b>-</b>	<b>-</b>	<b>378,816</b>	<b>378,816</b>

2019	Note	Cash and deposits \$	Financial assets at amortised cost (AC) \$	Financial liabilities at amortised cost (AC) \$	Total \$
<b>Contractual Financial Assets</b>					
Cash and deposits	6.1	883,220	-	-	<b>883,220</b>
Investments*	4.1	-	425,436	-	<b>425,438</b>
Receivables <sup>(i)</sup>	5.1	-	20,654	-	<b>20,654</b>
<b>TOTAL CONTRACTUAL FINANCIAL ASSETS</b>		<b>883,220</b>	<b>446,090</b>	<b>-</b>	<b>1,329,310</b>

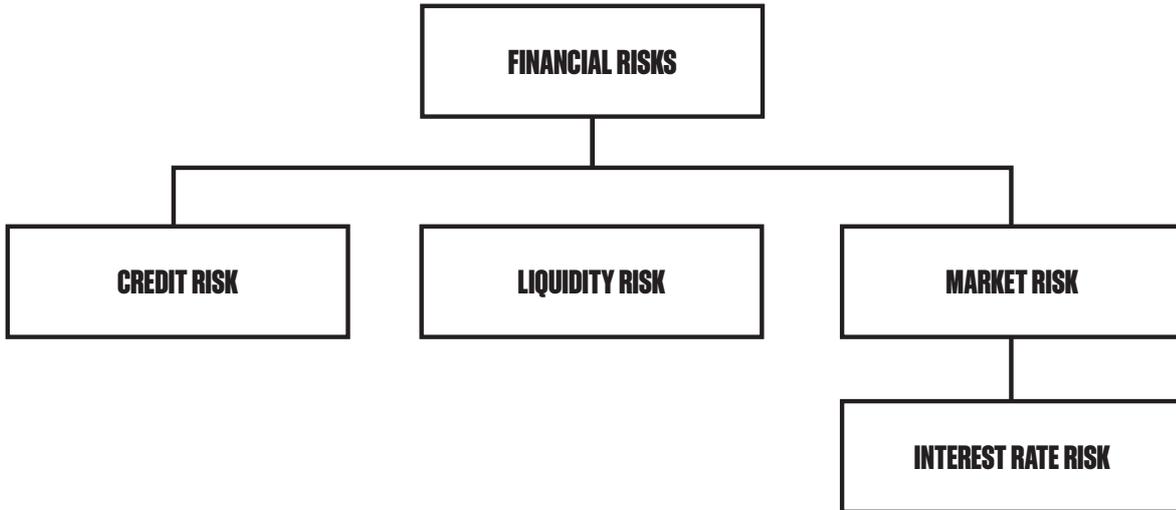
<b>Contractual Financial Liabilities</b>					
Payables <sup>(i)</sup>	5.2	-	-	368,077	<b>368,077</b>
<b>TOTAL CONTRACTUAL FINANCIAL LIABILITIES</b>		<b>-</b>	<b>-</b>	<b>368,077</b>	<b>368,077</b>

Note:

\* 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 2019–20 with all financial assets being invested with the ANZ bank.

## Credit quality of financial assets

2020	Financial institution (AA-credit rating) \$	Government agencies (triple-A credit rating) \$	Government agencies (triple-B credit rating) \$	Other (min triple-B credit rating) \$	Total \$
<b>Financial assets</b>					
<b>Financial assets with loss allowance measured at 12-month expected credit loss</b>					
Cash and deposits (not assessed for impairment due to materiality)	473,040				473,040
Debt investment measured at amortised cost	732,432				732,432
<b>Financial assets with loss allowance measured at lifetime expected credit loss</b>					
Contractual receivables applying the simplified approach for impairment	4,365			6,886	11,251
<b>TOTAL FINANCIAL ASSETS</b>	<b>1,209,837</b>	<b>-</b>	<b>-</b>	<b>6,886</b>	<b>1,216,723</b>

2019	Financial institution (AA-credit rating) \$	Government agencies (triple-A credit rating) \$	Government agencies (triple-B credit rating) \$	Other (min triple-B credit rating) \$	Total \$
<b>Financial assets</b>					
Cash and deposits	883,220	-	-		883,220
Contractual receivables	3,063	-	-	17,591	20,654
Investment and other financial assets	425,436	-	-		425,436
<b>TOTAL FINANCIAL ASSETS</b>	<b>1,311,719</b>	<b>-</b>	<b>-</b>	<b>17,591</b>	<b>1,329,310</b>

### Impairment of financial assets under AASB 9

The Council records the allowance for expected credit loss for the relevant financial instrument applying 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 annual fees for those members that participate in the scheme. 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 2020.

### 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:

- » 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 Customer Service 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 a 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
<b>2020</b>						
<b>Financial assets</b>						
Cash	6.1	0.12	473,040	–	473,040	–
Investment *	4.1	1.45	732,432	732,432	–	–
Receivables	5.1		11,251	–	–	11,251
<b>TOTAL FINANCIAL ASSETS</b>			<b>1,216,723</b>	<b>732,432</b>	<b>473,040</b>	<b>11,251</b>
<b>Financial Liabilities</b>						
Payables	5.2		378,816	–	–	378,816
<b>TOTAL FINANCIAL LIABILITIES</b>			<b>378,816</b>	<b>–</b>	<b>–</b>	<b>378,816</b>
<b>2019</b>						
<b>Financial assets</b>						
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
<b>TOTAL FINANCIAL ASSETS</b>			<b>1,329,310</b>	<b>425,436</b>	<b>883,220</b>	<b>20,654</b>
<b>Financial liabilities</b>						
Payables	5.2	–	368,077	–	–	368,077
<b>TOTAL FINANCIAL LIABILITIES</b>			<b>368,077</b>	<b>0</b>	<b>0</b>	<b>368,077</b>

\* 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 2020 (2019: 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.

## SECTION 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:

Title	Name	Period
Attorney-General	The Hon Jill Hennessy, MP	1 July 2019 to 30 June 2020
Chair	Mr. John Vines OAM	1 July 2019 to 30 June 2020

## 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 **\$54,743 (2019: \$54,698)**.

### 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 **\$262,885** for the year ended **30 June 2020 (2019: \$272,591)**.

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)* as amended, the NSW government manages payroll processing for the eight national Professional Standards Councils. The Victorian Professional Standards Council is required to fund **15.94%** of the **2020** Council members' remuneration (**2019: 20.13%**). Due to the expiry of the CAANZ scheme (which was transferred to NSW) there was a reduction in the percentage Victoria was required to fund.

Title	Name	Period
Chair and Council Member	Mr John Vines OAM	1 July 2019 to 30 June 2020
Deputy Chair	Mr Andrew Lumsden	1 July 2019 to 30 June 2020
Council Member	Mr Terry Evans AM	1 July 2019 to 30 June 2020
Council Member	Mr Will Hamilton	1 July 2019 to 30 June 2020
Council Member	Dr Pam Montgomery	1 July 2019 to 30 June 2020
Council Member	Ms Tiina-Liisa Sexton	1 July 2019 to 30 June 2020
Council Member	Ms Elizabeth Shearer	1 July 2019 to 1 January 2020
Council Member	Mr Iain Summers	1 July 2019 to 30 June 2020
Council Member	Ms Catherine Wood AM	1 July 2019 to 30 June 2020
Council Member	Ms Caroline Lamb	1 July 2019 to 30 June 2020
Council Member	Ms Rachel Webber	1 July 2019 to 30 June 2020

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	2020 \$	2019 \$
Short term employee benefits	240,077	249,008
Post-employment benefits	22,808	23,583
<b>Total remuneration</b>	<b>262,885</b>	<b>272,591</b>
<b>Total number of members</b>	<b>11</b>	<b>11</b>

Note: On 1 January 2020 Ms Elizabeth Shearer resigned. The Queensland Attorney-General is to nominate her replacement pursuant to the Professional Standards Agreement 2011.

## 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 Chief Finance and Accounting Officer, Ms Lynda Rogers

### 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 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	2020 \$	2019 \$
Audit of the financial statements	13,900	13,200

The Council is required to fund 15.94% of the Victorian Auditor-General's Office fee (2019: 20.13%) as per the *Inter-Departmental Service Agreement 2016* (as amended).

## 8.4 SUBSEQUENT EVENTS

The COVID-19 pandemic has created economic uncertainty. Actual economic events and conditions in the future may be materially different from those envisaged by the VPSC at the reporting date. As responses by government continue to evolve, management recognises that it is difficult to reliably estimate, with any degree of certainty, the potential impact of the pandemic after the reporting date on the VPSC, its operations, its future results and financial position. The state of emergency in Victoria was extended on 6 December 2020 until 11:59pm on 3 January 2020.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may affect the operations of the VPSC, the results of the operations or the state of affairs of the VPSC in the future financial years.

## 8.5 AUSTRALIAN ACCOUNTING STANDARDS ISSUED THAT ARE NOT YET EFFECTIVE

Certain new and revised accounting standards have been issued but are not effective for the 2019–20 reporting period. These accounting standards have not been applied to the Model Financial Statements. The State is reviewing its existing policies and assessing the potential implications of these accounting standards which includes:

- » AASB 2018-7 *Amendments to Australian Accounting Standards – Definition of Material*
- » This Standard principally amends AASB 101 *Presentation of Financial Statements* and AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. It applies to reporting periods beginning on or after 1 January 2020 with earlier application permitted. The Department has not earlier adopted the Standard.

The amendments refine and clarify the definition of material in AASB 101 and its application by improving the wording and aligning the definition across AASB Standards and other publications. The amendments also include some supporting requirements in AASB 101 in the definition to give it more prominence and clarify the explanation accompanying the definition of material.

The Council is in the process of analysing the impacts of this Standard. However, it is not anticipated to have a material impact.

- » AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non Current*.
- » This Standard amends AASB 101 to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. It initially applied to annual reporting periods beginning on or after 1 January 2022 with earlier application permitted however the AASB has recently issued ED 301 *Classification of Liabilities as Current or Non-Current – Deferral of Effective Date* with the intention to defer the application by one year to periods beginning on or after 1 January 2023. The Department will not early adopt the Standard.

The Council is in the process of analysing the impacts of this Standard. However, it is not anticipated to have a material impact.

Several other amending standards and AASB interpretations have been issued that apply to future reporting periods but are considered to have limited impact on the Council's reporting.

- » AASB 17 *Insurance Contracts*.
- » AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities (Appendix C)*.
- » AASB 2018-6 *Amendments to Australian Accounting Standards – Definition of a Business*.
- » AASB 2019-1 *Amendments to Australian Accounting Standards – References to the Conceptual Framework*.
- » AASB 2019-3 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform*.
- » AASB 2019-5 *Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia*.
- » AASB 2020-2 *Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities*.

## 8.6 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:
  - » present a true and fair view of the financial position of the Professional Standards Council as at 30 June 2020 and the results of its operations and cash flows for the financial year.

- (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** comprise:

- » a balance sheet as at the end of the period;
- » a comprehensive operating statement for the period;
- » a statement of changes in equity for the period;
- » a cash flow statement for the period;
- » notes, comprising a summary of significant accounting policies and other explanatory information;

- » comparative information in respect of the preceding period as specified in paragraph 38 of AASB 101 *Presentation of Financial Statements*; and
- » 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 and interest payable.

## 8.7 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:

<b>Notation</b>	<b>Description</b>
..	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 2019–20 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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