PROFESSIONAL STANDARDS
COUNCIL OF VICTORIA

Financial statements for the year ended 30 June 2015

PROFESSIONAL STANDARDS COUNCILS

Contents

Chairman's and chief finance and accounting officer's declaration

The attached financial statements for the Professional Standards Council of Victoria have been prepared in accordance with Standing Directions 4.2 of 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 2015 and financial position of the Council as at 30 June 2015.

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 8 October 2015.

Shaun Condron

Shaun Condron
Chief Finance and Accounting Officer
Professional Standards Council, Victoria

Melbourne
7 October 2015

B.W. Rayment.

Brian Rayment QC
Chairman
Professional Standards Council, Victoria

Sydney
07 October 2015

Independent auditor's report

VAGO

Victorian Auditor-General's Office

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INDEPENDENT AUDITOR'S REPORT

To the Council Members, Professional Standards Council, Victoria

The Financial Report

The accompanying financial report for the year ended 30 June 2015 of the Professional Standards Council, Victoria which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the chairman's and chief finance and accounting officer's declaration has been audited.

The Council Members' Responsibility for the Financial Report

The Council Members of the Professional Standards Council, Victoria are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*, and for such internal control as the Council Members determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit, which has been conducted in accordance with Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, consideration is given to the internal control relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Council Members, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independent auditor's report

Independent Auditor's Report (continued)

Independence

The Auditor-General's independence is established by the *Constitution Act 1975.* The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, the Auditor-General, his staff and delegates complied with all applicable independence requirements of the Australian accounting profession.

Opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Professional Standards Council, Victoria as at 30 June 2015 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994.*

MELBOURNE
19 October 2015

T.RH
for Dr Peter Frost
Acting Auditor-General

Comprehensive operating statement

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

	Notes	2015 $	2014 $
Continuing operations			
Income from transactions			
Fee income	2	731,137	786,993
Interest income		38,645	41,498
Total income from transactions		**769,782**	**828,491**
Expenses from transactions			
Supplies and services	3	(703,815)	(724,693)
Total expenses from transactions		**(703,815)**	**(724,693)**
Net result from transactions (net operating balance)		**65,967**	**103,798**
Comprehensive result		**65,967**	**103,798**

The comprehensive operating statement should be read in conjunction with the accompanying notes.

Balance sheet

AS AT 30 JUNE 2015

	Notes	2015 $	2014 $
Assets			
Financial assets			
Cash and deposits	9	1,044,039	1,288,451
Receivables	4	135,043	93,702
Investments	9	702,757	683,301
Total financial assets		**1,881,839**	**2,065,454**
Total assets		**1,881,839**	**2,065,454**
Liabilities			
Payables	5	252,172	479,869
Unearned revenue	6	248,504	270,389
Total liabilities		**500,676**	**750,258**
Net assets		**1,381,163**	**1,315,196**
Equity			
Accumulated surplus / (deficit)		1,381,163	1,315,196
Net worth		**1,381,163**	**1,315,196**
Commitments for expenditure	7		
Contingent assets and liabilities	8		

The balance sheet should be read in conjunction with the accompanying notes.

Statement of changes in equity

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

	Accumulated surplus $	Total $
Balance at 30 June 2013	**1,211,398**	**1,211,398**
Net result for the year	103,798	103,798
Balance at 30 June 2014	**1,315,196**	**1,315,196**
Net result for the year	65,967	65,967
Balance at 30 June 2015	**1,381,163**	**1,381,163**

The statement of changes in equity should be read in conjunction with the accompanying notes.

Cash flow statement

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

	Notes	2015 $	2014 $
Cash flows from operating activities			
Receipts			
Fees received		721,350	879,110
Interest received		37,218	46,000
GST received from ATO		46,976	39,490
Total receipts		**805,544**	**964,600**
Payments to suppliers		(1,030,500)	(516,790)
Net cash flows from / (used in) operating activities	**10**	**(224,956)**	**447,810**
Cash and cash equivalents from investing activities			
Payments for investments		(19,456)	(22,933)
Net increase / (decrease) in cash held		**(244,412)**	**424,877**
Cash and cash equivalents at the beginning of the financial year		1,288,451	863,574
Cash and cash equivalents at the end of the financial year		**1,044,039**	**1,288,451**

The cash flow statement should be read in conjunction with the accompanying notes.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These annual financial statements represent the audited general purpose financial statements for the Professional Standards Council of Victoria (the Council), for the period ended 30 June 2015. The purpose of the report is to provide users with information about the Council's stewardship of resources entrusted to it.

A. STATEMENT OF COMPLIANCE

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 are selected and applied in a manner which ensures 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.

To gain a better understanding of the terminology used in this report, a glossary of terms and style conventions can be found in Note 13.

These annual financial statements were authorised for issue by the Chairman of the Council on 8 October 2015.

B. BASIS OF ACCOUNTING PREPARATION AND MEASUREMENT

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 the carrying values of assets and liabilities that are not readily apparent from other sources. The 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 the application of AASs that have significant effects on the financial statements relate to recognition of fees paid in advance as revenue.

These financial statements are presented in Australian dollars and prepared in accordance with the historical cost convention except for:

- derivative financial instruments and managed investment schemes, which are measured at fair value with changes reflected in the comprehensive operating statement (fair value through profit and loss); and
- certain liabilities, most notably unearned prepaid income.

Consistent with AASB 13 Fair Value Measurement, the Council determines the policies and procedures for both recurring fair value measurements such as financial instruments and for non-recurring fair value measurements such as non-financial physical assets held for sale, in accordance with the requirements of AASB 13 and the relevant Financial Reporting Directions.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- 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.

C. REPORTING ENTITY

The financial statements include all activities of the Professional Standards Council, Victoria. Its principal address is:

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

Enabling legislation

Professional Standards Act 2003 (Vic)

Objectives and funding

The objectives of the Council is 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;
- 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); and
- Entitle participating members of the occupational associations to use the *Cover of Excellence*® logo (only permitted where the scheme has been approved before February 2014 and remains in force).

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 are 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.

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 26 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; and
- An annual fee of $50 for each member of occupational associations participating in a Professional Standards Scheme.

D. SCOPE AND PRESENTATION OF FINANCIAL STATEMENTS

Comprehensive operating statement

The comprehensive operating statement comprises three components, being 'net result from transactions' (or termed as 'net operating balance'), 'other economic flows included in net result', as well as 'other economic flows – other comprehensive income'. The sum of the former two, together with the net result from discontinued operations, represents the net result.

The net result is equivalent to profit or loss derived in accordance with AASs.

Other economic flows' are changes arising from market re-measurements and include fair value changes of financial instruments and agricultural assets.

This classification is consistent with the whole of government reporting format and is allowed under AASB 101 Presentation of Financial Statements.

Balance sheet

Assets and liabilities are presented in liquidity order with assets aggregated into financial assets.

Current and non-current assets and liabilities (non-current being those assets or liabilities expected to be recovered or settled beyond 12 months) are disclosed in the notes, where relevant.

Cash flow statement

Cash flows are classified according to whether or not they arise from operating, investing, or financing activities. This classification is consistent with requirements under AASB 107 Statement of Cash Flows.

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

Statement of changes in equity

The statement of changes in equity presents reconciliations of each non-owner and owner changes in equity from opening balance at the beginning of the reporting period to the closing balance at the end of the reporting period. It also shows separately changes due to amounts recognised in the 'Comprehensive result' and amounts related to 'Transactions with owner in its capacity as owner'.

Rounding

Amounts in the financial statements have been rounded to the nearest dollar, unless otherwise stated. Please refer to the end of Note 13 for a style convention explanation of minor discrepancies resulting from rounding.

E. CHANGES IN ACCOUNTING POLICIES

There have been no new or revised accounting Standards adopted since the 2013-14 reporting period.

F. INCOME FROM TRANSACTIONS

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.

Fee revenue

Fee revenue is derived from the professional associations who are members of the Professional Standards Council. These are the Institute of Chartered Accountants, Certified Practicing Accountants, The Victorian Bar, Law Institute of Victoria and Engineers Australia. The Association of Taxation and Management Accountants has paid an application fee to become a member.

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.

G. EXPENSES FROM TRANSACTIONS

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

Other operating expenses

Other operating expenses generally represent the day to day running costs incurred in normal operations.

Supplies and services

Supplies and services costs which are recognised as an expense in the reporting period in which they are incurred.

The only expense that the VPSC incurs is for the provision of secretariat services by the NSW Department of Justice as agreed under the Professional Standards Interdepartmental Service Agreement 2013. The VPSC does not employ staff and as such no employee benefits are recognised.

H. FINANCIAL ASSETS

Cash and deposits

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

Receivables

Receivables consist of:

- contractual receivables, such as debtors in relation to goods and services and accrued investment income; and
- statutory receivables, such as Goods and Services Tax (GST) input tax credits recoverable.

Contractual receivables are classified as financial instruments and categorised as loans and receivables. Statutory receivables, are recognised and measured similarly to contractual receivables (except for impairment), but are not classified as financial instruments because they do not arise from a contract.

Receivables are subject to impairment testing as described below. A provision for doubtful receivables is recognised when there is objective evidence that the debts may not be collected, and bad debts are written off when identified.

Investments and other financial assets

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

Any interest earned on the financial asset is recognized in the comprehensive operating statement as a transaction.

I. LIABILITIES

Payables

Payables consist of:

- contractual payables, such as accounts payable. Accounts payable represent liabilities for goods and services provided to the Council prior to the end of the financial year that are unpaid, and arise when the Council becomes obliged to make future payments in respect of the purchase of those goods and services; and
- statutory payables, such as GST payable.

Contractual payables are classified as financial instruments and categorised as financial liabilities at amortised cost (refer to Note 9). Statutory payables 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 a contract.

Unearned revenue

Unearned revenues represent the portion of schemes received but not yet earned and relate to periods of the scheme subsequent to balance date.

J. COMMITMENTS

Commitments for future expenditure including operating and capital commitments arising from contracts. These commitments are disclosed by way of a note (refer to Note 7 Commitments for expenditure) at their nominal value and inclusive of the GST payable.

In addition, 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.

K. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent assets and contingent liabilities are not recognised in the balance sheet, but are disclosed by way of a note (refer to Note 8 Contingent Assets and Contingent Liabilities) and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

L. ACCOUNTING FOR THE GOODS AND SERVICES TAX

Income, expenses and assets are recognised net of the amount of associated GST, except where GST incurred is not recoverable from the taxation authority. In this case, the GST payable is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

Commitments and contingent assets and liabilities are also stated inclusive of GST (refer to Notes 7 and 8).

M. AUSTRALIAN ACCOUNTING STANDARDS ISSUED THAT ARE NOT YET EFFECTIVE

Certain new Australian Accounting Standards (AASs) have been published that are not mandatory for the 30 June 2015 reporting period. DTF assesses the impact of these new standards and advises departments and other entities of their applicability and early adoption where applicable.

As at 30 June 2015, the following AASs have been issued by the AASB but are not yet effective. They become effective for the first financial statement for reporting periods commencing after the stated operative dates as follows:

Topic	Key requirements	Effective date
AASB 2010 7 *Amendments to Australian Accounting Standards arising from AASB 9* (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]	The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows: › The change attributable to changes in credit risk are presented in other comprehensive income (OCI). › The remaining change is presented in profit or loss. If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.	1 January 2015

Topic	Key requirements	Effective date
AASB 2013-9 Amendments to Australian Accounting Standards [PART C Financial Instruments]	Part C of AASB 2013-9 amends AASB 9 *Financial Instruments* to add Chapter 6 Hedge accounting and makes consequential amendments to AASB 9 and numerous other standards. Part C also amends AASB 9 to permit requirements relating to the 'own credit risk' of financial liabilities measured at fair value to be applied without applying the other requirements of AASB 9 at the same time.	Refer to AASB 2014-1 below
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.*	1 January 2017
AASB 9 *Financial Instruments*	The key changes introduced by AASB 9 include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred.	1 January 2018
AASB 2014-1 *Amendments to Australian Accounting Standards [Part E Financial Instruments]*	Amends various AASs to reflect the AASB's decision to defer the mandatory application date of AASB 9 to annual reporting periods beginning on or after 1 January 2018; as a consequence of Chapter 6; and to amend reduced disclosure requirements.	1 January 2018
AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)*		1 January 2018
AASB 2014-8 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010) [AASB 9 (2009 & 2010)]*	Amends AASB 9 such that for annual reporting periods beginning on or after 1 January 2015, an entity may apply AASB 9 (December 2009) or AASB 9 (December 2010).	1 January 2015

NOTE 2. FEE INCOME

	2015 $	2014 $
Fee revenue		
Certified Practicing Accountants	104,250	99,403
Institute of Chartered Accountants	369,010	451,121
Association of Taxation and Management Accountants	11,583	25,375
Law Institute of Victoria	194,100	166,600
The Victorian Bar	46,400	44,277
Engineers Australia	5,794	217
Total fee revenue	**731,137**	**786,993**

NOTE 3. SUPPLIES AND SERVICES

	2015 $	2014 $
Cost recovery by PSC	(703,765)	(724,643)
Bank fee	(50)	(50)
	(703,815)	**(724,693)**

NOTE 4. RECEIVABLES

	2015 $	2014 $
Current receivables		
Contractual		
Amounts owing from Associations	8,525	20,622
Accrued interest	9,916	8,490
	18,441	**29,112**
Statutory		
GST receivable	116,602	64,590
	135,043	**93,702**

(a) Aging analysis of contractual receivables

Please refer to Table 9(c) for the aging analysis of contractual receivables.

(b) Nature and extent of risk arising from contractual receivables

Please refer to Note 9 for the nature and extent of risks arising from contractual receivables.

NOTE 5. PAYABLES

	2015 $	2014 $
Contractual payables	252,172	479,869
	252,172	**479,869**

(a) Maturity analysis of payables

Please refer to Note 9 Table 9.2 for the ageing analysis of payables.

(b) Nature and extent of risk arising from payables

Please refer to Note 9 Table 9.2 for the nature and extent of risk arising from payables.

NOTE 6. UNEARNED REVENUE

	2015 $	2014 $
Unearned revenue	248,504	270,389
	248,504	**270,389**

NOTE 7. COMMITMENTS FOR EXPENDITURE

There were no commitments for expenditure at balance date not provided for in the balance sheet as at 30 June 2015. (2014: Nil).

NOTE 8. CONTINGENT ASSETS AND LIABILITIES

There were no contingent assets or contingent liabilities at balance date not provided for in the balance sheet as at 30 June 2015. (2014: Nil).

NOTE 9. FINANCIAL INSTRUMENTS

(a) Financial risk management objectives and policies

The Council's principal financial instruments comprise:

- cash assets;
- term deposits;
- receivables (excluding statutory receivables);
- payables (excluding statutory payables);

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 1 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.

The carrying amounts of the Council's contractual financial assets and financial liabilities by category are disclosed in Table 9.1.

TABLE 9.1 CATEGORISATION OF FINANCIAL INSTRUMENTS

2015	Notes	Contractual financial assets – loans and receivables $	Contractual financial liabilities at amortised cost $	Total $
Contractual financial assets				
Cash		1,044,039	–	1,044,039
Investments(ii)		702,757	–	702,757
Receivables(i)	4	18,441	–	18,441
Total contractual financial assets		**1,765,238**	–	**1,765,238**
Contractual financial liabilities				
Payables(ii)	5	252,172	–	252,172
Total contractual financial liabilities		**252,172**	–	**252,172**

2014	Notes	Contractual financial assets – loans and receivables $	Contractual financial liabilities at amortised cost $	Total $
Contractual financial assets				
Cash		1,288,451	–	1,288,451
Investments(ii)		683,301	–	683,301
Receivables(i)	4	29,112	–	29,112
Total contractual financial assets		**2,000,864**	–	**2,000,864**
Contractual financial liabilities				
Payables(i)	5	479,869	–	479,869
Total contractual financial liabilities		**479,869**	–	**479,869**

Note:

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

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

(b) 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;
- careful maturity planning of its financial obligations based on forecasts of future cash flows; and
- a high credit rating for the State of Victoria (Moody's Investor Services and Standard & Poor's triple A, which assists in accessing debt market at a lower interest rate.

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 available for sale financial investments.

The PSC Secretariat in NSW is the VPSC's only 'creditor' thereby minimising liquidity risk.

All financial assets and liability maturity rates are less than 12 months.

The following table discloses the contractual maturity analysis for the Council's contractual financial liabilities.

TABLE 9.2 INTEREST RATE EXPOSURE

			Interest rate exposure			
Description	Note	Weighted average effective interest rate	Carrying amount	Interest rate exposure		
			($)	Fixed interest rate	Variable interest rate	Non-interest bearing
2015						
Financial assets						
Cash	9.1	1.15	1,044,039		1,044,039	
Investment(i)		2.95	702,757	702,757		
Receivables	9.1	–	18,441			18,441
Total financial assets			**1,765,238**	**702,757**	**1,044,039**	**18,441**
Financial liabilities						
Payables	5	–	252,172			252,172
Total financial liabilities			**252,172**			**252,172**
2014						
Financial assets						
Cash	9.1	2.25	1,288,451	–	1,288,451	–
Investment(i)		2.50	683,301	683,301	–	–
Receivables	9.1	–	29,112	–	–	29,112
Total financial assets			**2,000,864**	**683,301**	**1,288,451**	**29,112**
Financial liabilities						
Payables	5	–	479,869	–	–	479,869
Total financial liabilities			**479,869**	**0**	**0**	**479,869**

Note:
(i) Refer to Table 9.1.

(c) Credit risk

Credit risk arises from the financial assets of the Council, which comprise cash deposits and receivables. The Council's exposure to credit risk arises from the potential default of a counter party on their contractual obligations resulting in financial loss to the Council. Credit risk is measured at fair value and is monitored on a regular basis.

Credit risk associated with the Council's financial assets is minimal because the main debtors are the Victorian Government and other Professional Standards Councils.

Receivables are not past due and are not impaired.

TABLE 9.3 CREDIT QUALITY OF CONTRACTUAL FINANCIAL ASSETS THAT ARE NEITHER PAST DUE NOR IMPAIRED

		Credit quality			
Description	**Note**	**Weighted average effective interest rate**	**Carrying amount**	**Financial institutions Double-A credit rating**	**Not credit rated**
			($)	**($)**	**($)**
2015					
Financial assets					
Cash	9.1	1.15	1,044,039	1,044,039	
Investment[(i)]		2.95	702,757	702,757	
Receivables	9.1	–	18,441	9,916	8,525
Total financial assets		**–**	**1,765,238**	**1,756,712**	**8,525**
2014					
Financial assets					
Cash	9.1	2.25	1,288,451	1,288,451	–
Investment[(i)]		2.50	683,301	683,301	–
Receivables	9.1	–	29,112	8,490	20,622
Total financial assets		–	**2,000,864**	**1,980,242**	**20,622**

Note:
(i) Refer to Table 9.1.

(d) Fair value of financial assets

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

NOTE 10. CASH FLOW INFORMATION

	2015 $	**2014 $**
Reconciliation of net result for the period		
Net result for the period	65,967	103,798
Movements in asset and liabilities:		
(Increase) / decrease in receivables	(41,341)	30,973
Increase / (decrease) in payables	(227,697)	251,754
Increase / (decrease) in unearned revenue	(21,885)	61,286
Net cash flows from / (used in) operating activities	**(224,956)**	**447,811**

NOTE 11. RESPONSIBLE PERSONS

In accordance with the Ministerial Directions issued by the Minister for Finance under the Financial Management Act 1994, 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 VPSC are as follows:

Attorney-General	The Hon. Robert Clark, MP	1 July 2014 to 3 December 2014
	The Hon. Martin Pakula, MP	4 December 2014 to 30 June 2015
Acting Attorney-General	The Hon. Jane Garrett, MP	24 December 2014 to 6 January 2015
Chairman	Mr. Brian Rayment QC	1 July 2014 to 30 June 2015

Remuneration

Remuneration received or receivable by the Accountable Officer (Chairman) in connection with the management of the New South Wales, Western Australian, Tasmanian, Australian Capital Territory, Northern Territory and Victorian Councils during the reporting period was $8,080 (2014: $11,280).

Amounts relating to Ministers are reported in the financial statements of the Department of Premier and Cabinet.

VPSC Board Members

Chairman	Mr. Brian Rayment QC	1 July 2014 to 30 June 2015
Council Member	Ms. Esther Alter	1 July 2014 to 30 June 2015
Council Member	Mr. Robert Beaton	1 July 2014 to 30 June 2015
Council Member	Ms. Julie Cameron	1 July 2014 to 30 June 2015
Council Member	Mr. Terry Evans	1 July 2014 to 30 June 2015
Council Member	Mr. Ronald Farrell	1 July 2014 to 30 June 2015
Council Member	Mr. Tom Karp	1 July 2014 to 30 June 2015
Council Member	Ms. Joanne Metcalfe	1 July 2014 to 30 June 2015
Council Member	Ms. Rachel Webber	1 July 2014 to 30 June 2015
Council Member	Ms. Tiina-Liisa Sexton	1 July 2014 to 30 June 2015
Council Member	Mr. Iain Summers	1 July 2014 to 30 June 2015

Remuneration of VPSC Board Members

The remuneration received by members of the VPSC Board as Members of the Board totaled $52,969 (2014: $55,639).

The number of members of the VPSC Board with remuneration that fell within the following bands was:

	Total remuneration	
Income band	**2015 no.**	**2014 no.**
$0 – $4,999	6	6
$5,000 – $9,999	5	4
$10,000 – $14,999	–	1
Total number of board members	**11**	**11**

Other transactions

Other related transactions and loans requiring disclosure under the Directions of the Minister for Finance have been considered and there are no matters to report.

NOTE 12. REMUNERATION OF AUDITORS

	2015 $	2014 $
Victorian Auditor-General's Office		
Audit of the financial statements	12,000	11,700

NOTE 13. GLOSSARY OF TERMS AND STYLE CONVENTIONS

Commitments

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

Comprehensive result

The net result of all items of income and expense recognised for the period. It is the aggregate of operating result and other comprehensive income.

Financial asset

A financial asset is any asset that is:

(a) cash;

(b) an equity instrument of another equity;

(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

A 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 assets or liabilities that are not contractual (such as statutory receivables or payables that arise as a result of statutory requirements imposed by governments) are not financial instruments.

Financial liability

A financial liability is any liability that is:

(a) a contractual or statutory obligation:

(i) to deliver cash or another financial asset to another entity; or

(ii) 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:

(i) 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

(ii) 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

A complete set of 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 statement of cash flows 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 paragraphs 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 paragraph 41 of AASB 101.

Interest income

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

Net result

Net result is a measure of financial performance of the operations for the period. It is the net result of items of income, gains and expenses (including losses) recognised for the period, excluding those that are classified as 'other economic flows – other comprehensive income'.

Net result from transaction / net operating balance

Net result from transactions or net operating balance is a key fiscal aggregate and is income 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 worth

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

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

Supplies and services

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 VPSC.

Scheme

A 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.

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:

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 2014–15 Model Report for Victorian Government Departments. The presentation of other disclosures is generally consistent with the other disclosures made in earlier publications of the Council's annual reports.

Transactions

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 within 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.

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