# Annual Financial Report

2009-2010

PROFESSIONAL STANDARDS COUNCIL

Professional Standards Council of Victoria

# COMPREHENSIVE OPERATING STATEMENT

*for the financial year ended 30 June 2010*

| | **2010 $** | 2009 $ |
|---|---|---|
| **Income** | | |
| Fee revenue | **440,944** | 283,994 |
| Interest revenue | **20,438** | - |
| **Total Income** | **461,382** | 283,994 |
| **Expenses** | | |
| Supplies and services | **(236,305)** | (171,521) |
| **Total Expenses** | **(236,305)** | (171,521) |
| **Net result from transactions (net operating balance)** | **225,077** | 112,473 |
| **Other economic flows included in net result** | **-** | - |
| **Other economic flows – other non owner changes in equity** | **-** | - |
| **Comprehensive result** | **225,077** | 112,473 |

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

*PROFESSIONAL STANDARDS COUNCIL OF VICTORIA*

# BALANCE SHEET

*as at 30 June 2010*

| | Notes | **2010 $** | 2009 $ |
|---|---|---|---|
| **Financial assets** | | | |
| Cash and cash equivalents | | **654,821** | 40,000 |
| Receivables | **2** | **23,880** | 406,445 |
| **Total financial assets** | | **678,701** | 446,445 |
| **Total assets** | | **678,701** | 446,445 |
| **Liabilities** | | | |
| Payables | **3** | **53,000** | 55,500 |
| Unearned revenue | **4** | **270,507** | 260,828 |
| **Total liabilities** | | **323,507** | 316,328 |
| **Net assets** | | **355,194** | 130,117 |
| **Equity** | | | |
| Accumulated surplus/(deficit) | | **355,194** | 130,117 |
| **Net worth** | | **355,194** | 130,117 |

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

*PROFESSIONAL STANDARDS COUNCIL OF VICTORIA*

# STATEMENT OF CHANGES IN EQUITY

*for the financial year ended 30 June 2010*

| | | Changes due to | | |
|---|---|---|---|---|
| **2010** | **Equity at 1 July 2009** | **Total Comprehensive result** | **Transactions with owner in its capacity as owner** | **Equity at 30 June 2010** |
| **Accumulated Surplus / (deficit)** | 130,117 | 225,077 | - | 355,194 |
| **2009** | **Equity at 1 July 2008** | | | **Equity at 30 June 2009** |
| **Accumulated Surplus / (deficit)** | 17,644 | 112,473 | - | 130,117 |

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

*PROFESSIONAL STANDARDS COUNCIL OF VICTORIA*

# CASH FLOW STATEMENT

*for the financial year ended 30 June 2010*

| | Note | **2010 $** | 2009 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Other income | | **877,506** | 237,728 |
| Payment to suppliers and employees | | **(262,685)** | (197,728) |
| **Net cash flows from/(used in) operating activities** | **7** | **614,821** | 40,000 |
| **Cash flows from financing activities** | | | |
| Proceeds/(repayment) from borrowings | | **-** | - |
| **Net cash flows from/(used in) financing activities** | | **0** | 0 |
| **Cash flows from investing activities** | | | |
| Proceeds/(repayment) from investments | | **-** | - |
| **Net cash flows from/(used in) investing activities** | | **0** | 0 |
| **Net increase/(decrease) in cash held** | | **614,821** | 40,000 |
| **Cash and cash equivalents at the beginning of the financial year** | | **40,000** | - |
| **Cash and cash equivalents at the end of the financial year** | | **654,821** | 40,000 |

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

# NOTES TO THE FINANCIAL STATEMENTS

*for the financial year ended 30 June 2010*

## Note 1. Summary of significant accounting policies

### (a) Statement of compliance

The financial statements represent the audited general purpose financial statements which have been prepared on an accrual basis in accordance with the *Financial Management Act 1994*, applicable Australian Accounting Standards (AAS), which includes the Australian accounting standards issued by the *Australian Accounting Standards Board* (AASB), Interpretations and other mandatory professional requirements.

### (b) Basis of preparation

The financial statements have been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets.

In the application of AASs, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2010 and the comparative information presented in these financial statements for the year ended 30 June 2009.

### (c) Reporting entity

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

160 Marsden Street Parramatta NSW 2150

### (d) Objectives

The Council's objectives are to:

(i) Approve, administer and ensure the integrity of professional standards schemes.

(ii) Encourage occupational associations to adopt best practice professional standards.

(iii) Ensure the integrity of professional standards schemes.

(iv) Build community awareness and demand for schemes.

(v) Contribute to law reform to improve professional standards and consumer protection.

**Note 1. Summary of significant accounting policies (continued)**

**(e) Outputs of the Council**

Gives advice to the Attorney-General on the publication in the Gazette of a scheme, or of an amendment or revocation of a scheme; the operation of the *Professional Standards Act 2003*; and any other matter relating to the occupational liability of members of occupational associations. Gives advice to occupational associations concerning policies of insurance; encourages and assists in the improvements of occupational standards of members of occupational associations. Approves schemes of occupational associations and reports annually on the implementation, monitoring and effectiveness of the risk management strategies of occupational associations.

**(f) Goods and Services Tax**

Income, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it 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.

These financial statements are presented in Australian dollars, the functional and presentation currency of the Professional Standards Council, Victoria.

**(g) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash in bank.

**(h) Employee benefits**

A Service Agreement has been finalised with the Attorney General's Department, New South Wales, for the provision of secretariat and support services. The Council employs its own staff.

**(i) Payables**

Payables are recognised when the Council becomes obliged to make future payments resulting from the purchase of goods and services.

**(j) Receivables**

Receivables consist predominantly of debtors in relation to services.

**(k) Revenue recognition**

Revenue is recognised in the operating statement when it has been earned and is calculated from the commencement date over the period of the scheme. The pattern of recognition over the policy period is based on time.

Amounts disclosed as revenue are, where applicable, net of returns, allowances and duties and taxes.

**Note 1. Summary of significant accounting policies (continued)**

**(l) Rounding of amounts**

Amounts in the financial report have been rounded to the nearest dollar.

**(m) 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 Council. These items are recognised as an expense in the reporting period in which they are incurred.

**(n) Unearned revenue**

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

**(o) Commitments for expenditure**

Commitments include those operating, capital and other outsourcing commitments arising from non-cancellable contractual or statutory sources and are disclosed at their nominal value.

**(p) 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 and, if qualifiable, are measured at nominal value.

**(q) AASs issued that are not yet effective**

Certain new AASs have been published that are not mandatory for the 30 June 2010 reporting period. DTF assesses the impact of these new standards and advises the department of their applicability and early adoption where applicable.

As at 30 June 2010, the following standards and interpretations (applicable to departments) had been issued but were not mandatory for the financial year ending 30 June 2010. The department has not early adopted these standards.

| Standard/ Interpretation | Summary | Applicable for annual reporting periods beginning after | Impact on financial statements |
|---|---|---|---|
| AASB 9 Financial instruments | This standard simplifies requirements for the classification and measurement of financial assets resulting from Phase 1 of the IASB's project to replace IAS 39 Financial instruments: recognition and measurement (AASB 139 Financial Instruments: recognition and measurement). | Beginning 1 January 2013 | Detail of impact is still being assessed. |

## Note 1. Summary of significant accounting policies (continued)

### (q) AASs issued that are not yet effective (continued)

| | | | |
|---|---|---|---|
| AASB 124 Related party disclosures (Dec 2009) | Government related entities have been granted partial exemption with certain disclosure requirements. | Beginning 1 January 2011 | Preliminary assessment suggests that impact is insignificant. |
| AASB 2009-5 Further amendments to Australian Accounting Standards arising from the annual improvements project [AASB 5, 8, 101, 107, 117, 118, 136 and 139] | Some amendments will result in accounting changes for presentation, recognition or measurement purposes, while other amendments will relate to terminology and editorial changes. | Beginning 1 January 2010 | Terminology and editorial changes. Impact minor. |
| AASB 2009-8 Amendments to Australian Accounting Standards – group cash-settled share-based payment transactions [AASB 2] | The amendments clarify the scope of AASB 2. | Beginning 1 January 2010 | No impact. AASB 2 does not apply to government departments or entities; consequently this standard does not apply. |
| AASB 2009-9 Amendments to Australian Accounting Standards – additional exemptions for first-time adopters [AASB 1] | Applies to entities adopting Australian Accounting Standards for the first time, to ensure entities will not face undue cost or effort in the transition process in particular situations. | Beginning 1 January 2010 | No impact. Relates only to first time adopters of Australian Accounting Standards. |
| AASB 2009-10 Amendments to Australian Accounting Standards – classification of rights issues [AASB 132] | The Standard makes amendments to AASB 132, stating that rights issues must now be classed as equity rather than derivative liabilities. | Beginning 1 February 2010 | No impact. Departments do not issue rights, warrants and options, consequently the amendment does not impact on the statements. |

**Note 1. Summary of significant accounting policies (continued)**

**(q) AASs issued that are not yet effective (continued)**

| | | | |
|---|---|---|---|
| AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 and 1038 and Interpretations 10 and 12] | This gives effect to consequential changes arising from the issuance of AASB 9. | Beginning 1 January 2013 | Detail of impact is still being assessed. |
| AASB 2009-12 Amendments to Australian Accounting Standards [AASB 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 and 1031 and Interpretations 2, 4, 16, 1039 and 1052] | This standard amends AASB 8 to require an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for purposes of certain operating segment disclosures. This standard also makes numerous editorial amendments to other AASs. | Beginning 1 January 2011 | The amendments only apply to those entities to whom AASB 8 applies, which are for-profit entities except for-profit government departments. |
| AASB 2009-13 Amendments to Australian Accounting Standards arising from interpretation 19 [AASB 1] | Consequential amendment to AASB 1 arising from publication of Interpretation 19. | Beginning 1 July 2010 | Departments do not extinguish financial liabilities with equity instruments, therefore requirements of Interpretation 19 and related amendments have no impact. |
| AASB 2009-14 Amendments to Australian Interpretation – Prepayments of a minimum funding requirement [AASB Interpretation 14] | Amendment to Interpretation 14 arising from the issuance of prepayments of a minimum funding requirement. | Beginning 1 January 2011 | Expected to have no significant impact. |

**Note 1. Summary of significant accounting policies (continued)**

**(q) AASs issued that are not yet effective (continued)**

| | | | |
|---|---|---|---|
| AASB 2010-1 Amendments to Australian Accounting Standards - Limited Exemption from Comparative AASB 7 Disclosures for First-time Adopters [AASB 1 & AASB 7] | This amendment provides limited exemptions from the requirements of adhering to AASB 1 and AASB 7 that arise from AASB 2009-2. | Beginning 1 July 2010 | These exemptions are unlikely to have an impact on the department because it is not a first time adoption. |
| Erratum *General Terminology changes* | Editorial amendments to a range of Australian Accounting Standards and Interpretations. | Beginning 1 January 2010 | Terminology and editorial changes. Impact minor. |
| Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments | Guidance to assist entity in accounting for transactions that involves extinguishing a liability fully or partially by issuing equity instruments to the creditor. | Beginning 1 July 2010 | The impact of this interpretation only affects entities that issue equity instruments. |
| AASB 1053 Application of Different Tiers of Australian Accounting Standards | This Standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements. | Beginning 1 July 2013 | The impact of this Standard may affect disclosures in the financial reports of certain types of entities [public sector entities (except whole of government and general government sector)] where reduced disclosure requirements may apply. The Standard does not affect the operating result or financial position. |

# NOTES TO THE FINANCIAL STATEMENTS *(CONT)*

*for the financial year ended 30 June 2010*

| | | 2010 $ | 2009 $ |
|---|---|---|---|
| **Note 2.** | **Receivables** | | |
| | Amounts owing from Victorian Government | **-** | 406,445 |
| | Amounts owing from Australian Taxation Office | **23,880** | - |
| | | **23,880** | 406,445 |
| **Note 3.** | **Payables** | | |
| | Payables | **53,000** | 55,500 |
| | | **53,000** | 55,500 |

**(a) Maturity analysis of payables**

Please refer to Note 9 Table (c) for the ageing analysis of payables.

**(b) Nature and extent of risk arising from payables**

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

| | | 2010 $ | 2009 $ |
|---|---|---|---|
| **Note 4.** | **Unearned revenue** | | |
| | Unearned prepaid income | **270,507** | 260,828 |
| | | **270,507** | 260,828 |

**Note 5. Commitments for expenditure**

There were no commitments for expenditure at balance date not provided for in the balance sheet as at 30 June 2010. (2009: Nil).

**Note 6. Contingent assets and contingent liabilities**

There were no contingent assets or contingent liabilities at balance date not provided for in the balance sheet as at 30 June 2010. (2009: Nil)

| | | 2010 $ | 2009 $ |
|---|---|---|---|
| **Note 7.** | **Cashflow information** | | |
| | **Net result for the period** | **225,077** | 112,473 |
| | Changes in asset and liabilities: | | |
| | (Increase)/Decrease in receivables | **382,565** | (182,471) |
| | Increase/(Decrease) in payables | **(2,500)** | (26,207) |
| | Increase/(Decrease) in unearned revenue | **9,679** | 136,204 |
| | **Net cash from operating activities** | **614,821** | 40,000 |
| **Note 8.** | **Remuneration of auditors** | | |
| | Victorian Auditor-Generals Office | | |
| | Audit of the financial statements | **10,000** | 5,000 |

**Note 9. Financial instruments**

**(a) Significant accounting policies**

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 and financial liability are disclosed in Note 1 to the financial statements.

**Categorisation of financial instruments**

| **Financial Assets** | **Note** | **Category** | **Carrying amount 2010 $** | **Carrying amount** 2009 $ |
|---|---|---|---|---|
| Cash | | Loans and receivables (at amortised cost) | **654,821** | 40,000 |
| Receivables | **2** | Loans and receivables (at amortised cost) | **23,880** | 406,445 |
| **Financial Liabilities** | | | | |
| Unearned revenue | **4** | Financial liabilities measured at amortised cost | **270,507** | 260,828 |
| Payables | **3** | Financial liabilities measured at amortised cost | **53,000** | 55,500 |

## Note 9. Financial instruments (cont)

### (b) Credit risk exposure

Credit risk arises from the financial assets of PSC, which comprise receivables. PSC's exposure to credit risk arises from the potential default of a counter party on their contractual obligations resulting in financial loss to PSC. Credit risk is measured at fair value and is monitored on a regular basis. Credit risk associated with PSC's financial assets is minimal because the main debtors are the Victorian Government and other Professional Standards Councils.

**Interest Rate risk exposure and ageing analysis of financial assets**

| Description | Note | Weighted average effective interest rate | Carrying amount | Interest rate exposure | | | Not past due and not impaired |
|---|---|---|---|---|---|---|---|
| **2010** | | | | **Fixed interest rate** | **Variable interest rate** | **Non-interest bearing** | |
| **Financial Assets** | | | | | | | |
| Cash | | | 654,821 | | 654,821 | | 654,821 |
| Receivables | **2** | - | 23,880 | - | - | 23,880 | 23,880 |
| **Total** | | | **678,701** | **-** | **654,821** | **23,880** | **678,701** |
| **2009** | | | | | | | |
| **Financial Assets** | | | | | | | |
| Cash | | | 40,000 | | | 40,000 | 40,000 |
| Receivables | 2 | - | 406,445 | - | - | 406,445 | 406,445 |
| **Total** | | | 446,445 | - | - | 446,445 | 446,445 |

## Note 9. Financial instruments (cont)

### (c) Liquidity risk

Liquidity risk arises when PSC is unable to meet its financial obligations as they fall due. PSC operates under the Government fair payments policy of settling financial obligations within 30 days and in the event of a dispute, make payments within 30 days from the date of resolution. PSC's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk. Maximum exposure to liquidity risk is the carrying amounts of financial liabilities in the Balance Sheet.

**Interest rate exposure and maturity analysis of financial liabilities**

| Description | Note | Weighted average effective interest rate | Carrying amount | Interest rate exposure | | | Nominal Amount | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **2010** | | | | Fixed interest rate | Variable interest rate | Non-interest bearing | | Less than 1 month | 1-3 months | 3 months-1 year | 1-5 years |
| **Financial Liabilities** | | | | | | | | | | | |
| Unearned revenue | **4** | - | 270,507 | - | - | 270,507 | 270,507 | - | - | 270,507 | - |
| Payables | **3** | - | 53,000 | - | - | 53,000 | 53,000 | 53,000 | - | - | - |
| **Total** | | | **323,507** | **-** | **-** | **323,507** | **323,507** | **53,000** | **-** | **270,507** | **-** |
| **2009** | | | | | | | | | | | |
| **Financial Liabilities** | | | | | | | | | | | |
| Unearned revenue | 4 | - | 260,828 | - | - | 260,828 | 260,828 | - | - | 260,828 | - |
| Payables | 3 | - | 55,500 | - | - | 55,500 | 55,500 | 55,500 | - | - | - |
| **Total** | | | 316,328 | - | - | 316,328 | 316,328 | 55,500 | - | 260,828 | - |

### (d) Market risk

PSC is not exposed to market risk.

### (e) Fair value

The carrying amount of financial assets and financial liabilities of the PSC approximates their fair value because of the short term nature of the financial instruments and the expectation that they will be paid in full.

## Note 10. 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 PSC are as follows:

| | | | | |
|---|---|---|---|---|
| Attorney-General | The Hon. Rob Hulls, MP | 1 July 2009 | to | 30 June 2010 |
| Acting Attorney-General | The Hon. Tony Robinson, MP | 1 July 2009 | to | 11 July 2009 |
| | The Hon. Bob Cameron, MP | 11 January 2010 | to | 15 January 2010 |
| | The Hon. John Lenders, MLC | 16 January 2010 | to | 31 January 2010 |
| Chairman | Mr Brian Rayment QC | 1 July 2009 | to | 30 June 2010 |

### 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 $7,402 (2009: $5,614)

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

### 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 11. Glossary of terms**

**Comprehensive result**

Total comprehensive result is the change in equity for the period other than changes arising from transactions with owners. It is the aggregate of net result and other non-owner changes in equity.

**Commitments**

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

**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

**Note 11. Glossary of terms (cont)**

(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**

Depending on the context of the sentence where the term 'financial statements' is used, it may include only the main financial statements (i.e. comprehensive operating statement, balance sheet, cash flow statements, and statement of changes in equity); or

**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 non-owner changes in equity.

**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.

**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.

**Note 11. Glossary of terms (cont)**

**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.

**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.

## Accountable Officer's and Chief Finance and Accounting Officer's Declaration

We certify that the attached financial statements for the Professional Standards Council have been prepared in accordance with Standing Direction 4.2 of the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards 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 Recognised Income and Expense, Cash Flow Statement and notes to and forming part of the financial statements, presents fairly the financial transactions during the year ended 30 June 2010 and financial position of the Council as at 30 June 2010.

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 report for issue.

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

Melbourne
23 August 2010

Brian Rayment QC
Chairman
Professional Standards Council, Victoria

Sydney
30 August 2010

# 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 2010 of the Professional Standards Council, Victoria, which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, a summary of significant accounting policies and other explanatory notes to and forming part of the financial report, and the accountable officer'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 (including the Australian Accounting Interpretations) and the financial reporting requirements of the *Financial Management Act 1994*. This responsibility includes:

- establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error
- selecting and applying appropriate accounting policies
- making accounting estimates that are reasonable in the circumstances.

### *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. These Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance 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.



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## Independent Auditor's Report (continued)

*Matters Relating to the Electronic Presentation of the Audited Financial Report*

This auditor's report relates to the financial report published in both the annual report and on the website of the Professional Standards Council, Victoria for the year ended 30 June 2010. The Council Members of the Professional Standards Council, Victoria are responsible for the integrity of the web site. I have not been engaged to report on the integrity of the web site. The auditor's report refers only to the statements named above. An opinion is not provided on any other information which may have been hyperlinked to or from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on the Professional Standards Council, Victoria web site.

*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.

*Auditor's 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 2010 and its financial performance and cash flows for the year then ended in accordance with applicable Australian Accounting Standards (including the Australian Accounting Interpretations), and the financial reporting requirements of the *Financial Management Act 1994*.

M. Parnett

MELBOURNE
2 September 2010

for D D R Pearson
*Auditor-General*



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Department of
Justice



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