



**Professional Standards Council
of Western Australia**

Financial statements
for the year ended
30 June 2018



Key performance indicators

Certification of Key Performance Indicators for the Year Ending 30 June 2018

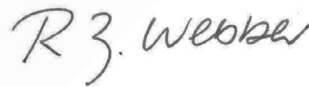
The Professional Standards Council of Western Australia is required to report on performance indicators as outlined in the *Financial Management Act 2006* (WA) and its associated Regulations.

Statement of Certification

We hereby certify that the performance indicators are based on proper records, are relevant and appropriate for assisting users to assess the Professional Standards Council of Western Australia's performance, and fairly represent the performance of the Professional Standards Council of Western Australia for the financial year ended 30 June 2018.



Mr John Vines
Chairperson
30 August 2018



Ms Rachel Webber
Council Member
27 August 2018

Key performance indicators

The Professional Standards Council of Western Australia (the Council) is responsible for approving Professional Standards Schemes (Schemes). The Schemes become effective on a day specified in the gazetted Scheme or two months after gazettal by the Minister.

The Schemes aim to increase consumer protection by improving the standards of professionals who belong to occupational associations that are approved by the Professional Standards Council to administer such Schemes. Members of such occupational associations are required to comply with required codes of ethics and practice, and to engage in risk management and continuing occupational education. Awareness and an active response to these issues can lower the incidence of civil liability claims against participating members, thereby achieving the objectives associated with the Schemes.

As a further measure of consumer protection, members of occupational associations that participate in Schemes are also required to hold significant business assets and/or professional indemnity insurance.

The Schemes operating in Western Australia during 2017-2018 were:

- › The Institute of Chartered Accountants in Australia (Western Australia) Scheme (ICAA WA Scheme) which commenced on 8 October 2014 for a five year period (*Gazette* 8 August 2014, No. 122). The ICAA WA Scheme was amended in 2015 to reflect the merger between ICAA and the New Zealand Institute of Chartered Accountants which resulted in a new name of “Chartered Accountants Australia and New Zealand” for the formally constituted body (*Gazette* 1 September 2015, No. 135);
- › The Law Society of Western Australia Scheme which commenced on 1 July 2014 (*Gazette* 11 April 2014, No. 54). This Scheme was amended on 24 June 2014 (*Gazette* 27 June 2014, No 95); and
- › The Western Australian Bar Association Scheme which commenced on 1 July 2014 (*Gazette* 17 April 2014, No. 57).

Key Output/Service

Outcome	Professional Standards Schemes limiting the civil liability of the members of occupational associations
Output	Professional Standards Schemes limiting the liability of occupational associations together with approved compulsory insurance, risk management strategies and appropriate provisions for complaints and disciplinary matters in relation to those associations for the protection of consumers of the services provided by the associations.
Description	<p>Professional Standards Schemes limit the civil liability of members of the occupational association. Once approved, Schemes may continue for a period of up to five years. Annual fees on a per member basis are payable by the occupational association to the Council.</p> <p>Consumers are protected by a requirement that persons under a Scheme have insurance or assets to the approved level; that members engage in appropriate risk management strategies; and by an approved complaints and disciplinary process.</p>

Effectiveness

The three associations with Schemes were invited by the Council to respond to a survey that sought their comments on the Council's effectiveness indicators as at 30 June 2018. The ICAA WA Scheme, The Law Society of Western Australia Scheme and the Western Australian Bar Association Scheme had a combined membership totalling more than 4,851 professionals during the reporting period.

To assist in determining the extent to which the objectives of the Schemes are being achieved, the associations were asked to comment on the following:

1. The impact of the Schemes based on the number of civil liability claims and cases brought against members;
2. The effectiveness of the Schemes on the association's perceptions of cost and availability of insurance for scheme members, taking into account:
 - Cost of insurance (decreasing premium or increasing at a slower than market rate);
 - Better value insurance for the same premium prices; and
 - Availability of liability insurance.

Effectiveness Indicators ^{(1) (2)}

Indicator	2008–2009 ⁽³⁾ Actual	2009–2010 Actual	2010–2011 Actual	2011–2012 Actual	2012–2013 Actual
Schemes have lowered the incidence of civil liability claims.	Two associations were unable to determine.	Two associations disagreed. One association did not comment.	Two associations agreed. One association disagreed.	Three associations disagreed.	Two associations disagreed. One association agreed.
Cost of insurance (decreasing premium or increasing at a slower than market rate).	Two associations disagreed.	One association agreed. Two associations disagreed	One association agreed. Two associations disagreed.	One association agreed. Two associations disagreed.	Two associations disagreed. One association agreed.
Better value insurance for same premium prices.	Two associations agreed.	Two associations agreed. One association did not comment.	One association agreed. Two associations disagreed.	One association agreed. Two associations disagreed.	Two associations agreed. One association disagreed.
Availability of insurance.	Two associations agreed.	Two associations agreed. One association disagreed.	Three associations disagreed.	One association agreed. Two associations disagreed.	Two associations disagreed. One association agreed.

1. Associations have not been individually identified to protect the confidentiality of the information supplied.
2. Data is reported for the 2017–18 financial year but uses data collected by each association in the previous calendar year using existing data collection methodologies.
3. There were three associations with schemes in 2009, however, as one association had only been operating for six months and did not have any members in its scheme, the responses were drawn from the other two associations.
4. Targets are derived from the stated objectives of the Professional Standards Act 1997 (WA) as outlined in the second reading speech in Parliament on 25 June 1997 (Hansard, page 4569).

Efficiency

Indicator	2008–2009 Actual	2009–2010 Actual	2010–2011 Actual	2011–2012 Actual	2012–2013 Actual
Cost per scheme ⁽¹⁾	\$30,443	\$35,581	\$31,957	\$34,537	\$52,897

1. The Cost per Scheme incorporates the operating costs, Resources Received Free of Charge and any bank charges.
2. The target was derived from the approved budget figure for operating costs plus Resources Received Free of Charge.
3. The actual cost per scheme was higher due to an \$18,800 increase in total other expenses and a marginal increase of \$5,800 in total employment costs (including contingent workforce) distributed over three schemes.

2013–2014 Actual	2014–15 Actual	2015–16 Actual	2016–17 Actual	2017–18 Actual	2017–18 Target ⁽⁴⁾
Three associations disagreed.	Three associations disagreed.	One association agreed. Two associations disagreed.	Three associations disagreed.	One association agreed. Two associations disagreed. ⁽⁵⁾	Lower incidence of civil liability claims as a result of the Schemes.
Two associations disagreed. One association agreed.	One association agreed. Two associations disagreed.	One association agreed. Two associations disagreed.	Three associations disagreed.	Three associations disagreed. ⁽⁶⁾	Decreasing cost of insurance.
Two associations agreed. One association disagreed.	One association agreed. Two associations disagreed.	Three associations disagreed.	Three associations disagreed.	One association agreed. Two associations disagreed. ⁽⁷⁾	Better value insurance
Three associations disagreed.	Three associations disagreed.	One association agreed. Two associations disagreed.	Three associations disagreed.	Three associations disagreed. ⁽⁸⁾	Better availability of insurance.

5. One association noted a decrease in claim numbers. Two associations reported an increase of 1 and 5 claims, respectively, on the previous year.
6. Three associations advised that the cost of insurance had neither decreased nor had it increased at a slower than market rate.
7. Two associations commented that there was no difference in members obtaining better value insurance. One association noted that they were getting better insurance.
8. Three associations reported no difference in the availability of insurance.

2013–2014 Actual	2014–15 Actual	2015–16 Actual	2016–17 Actual	2017–18 Actual	2017–18 Target ⁽²⁾
\$70,294	\$73,533	\$150,753	\$87,456	\$95,972 ⁽³⁾	\$96,333

Independent auditor's report



Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

PROFESSIONAL STANDARDS COUNCIL

Report on the Financial Statements

Opinion

I have audited the financial statements of the Professional Standards Council which comprise the Statement of Financial Position as at 30 June 2018, the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows for the year then ended, and Notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the financial statements are based on proper accounts and present fairly, in all material respects, the operating results and cash flows of the Professional Standards Council for the year ended 30 June 2018 and the financial position at the end of that period. They are in accordance with Australian Accounting Standards, the *Financial Management Act 2006* and the Treasurer's Instructions.

Basis for Opinion

I conducted my audit in accordance with the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Council in accordance with the *Auditor General Act 2006* and the relevant ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial statements. I have also fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibility of the Council for the Financial Statements

The Council is responsible for keeping proper accounts, and the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, the *Financial Management Act 2006* and the Treasurer's Instructions, and for such internal control as the Council determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Council is responsible for assessing the agency'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 the Western Australian Government has made policy or funding decisions affecting the continued existence of the Council.

Auditor's Responsibility for the Audit of the Financial Statements

As required by the *Auditor General Act 2006*, my responsibility is to express an opinion on the financial statements. The objectives of my audit are to obtain reasonable assurance about whether the financial statements as a whole are 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 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 the financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, 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 agency's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Council.
- Conclude on the appropriateness of the Council's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the agency'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 statements 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.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Controls

Opinion

I have undertaken a reasonable assurance engagement on the design and implementation of controls exercised by the Professional Standards Council. The controls exercised by the Council are those policies and procedures established by the Council to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions (the overall control objectives).

My opinion has been formed on the basis of the matters outlined in this report.

In my opinion, in all material respects, the controls exercised by the Professional Standards Council are sufficiently adequate to provide reasonable assurance that the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities have been in accordance with legislative provisions during the year ended 30 June 2018.

The Council's Responsibilities

The Council is responsible for designing, implementing and maintaining controls to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities are in accordance with the *Financial Management Act 2006*, the Treasurer's Instructions and other relevant written law.

Independent auditor's report continued

Auditor General's Responsibilities

As required by the *Auditor General Act 2006*, my responsibility as an assurance practitioner is to express an opinion on the suitability of the design of the controls to achieve the overall control objectives and the implementation of the controls as designed. I conducted my engagement in accordance with Standard on Assurance Engagements ASAE 3150 *Assurance Engagements on Controls* issued by the Australian Auditing and Assurance Standards Board. That standard requires that I comply with relevant ethical requirements and plan and perform my procedures to obtain reasonable assurance about whether, in all material respects, the controls are suitably designed to achieve the overall control objectives and the controls, necessary to achieve the overall control objectives, were implemented as designed.

An assurance engagement to report on the design and implementation of controls involves performing procedures to obtain evidence about the suitability of the design of controls to achieve the overall control objectives and the implementation of those controls. The procedures selected depend on my judgement, including the assessment of the risks that controls are not suitably designed or implemented as designed. My procedures included testing the implementation of those controls that I consider necessary to achieve the overall control objectives.

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

Limitations of Controls

Because of the inherent limitations of any internal control structure it is possible that, even if the controls are suitably designed and implemented as designed, once the controls are in operation, the overall control objectives may not be achieved so that fraud, error, or noncompliance with laws and regulations may occur and not be detected. Any projection of the outcome of the evaluation of the suitability of the design of controls to future periods is subject to the risk that the controls may become unsuitable because of changes in conditions.

Report on the Key Performance Indicators

Opinion

I have undertaken a reasonable assurance engagement on the key performance indicators of the Professional Standards Council for the year ended 30 June 2018. The key performance indicators are the key effectiveness indicators and the key efficiency indicators that provide performance information about achieving outcomes and delivering services.

In my opinion, in all material respects, the key performance indicators of the Professional Standards Council are relevant and appropriate to assist users to assess the Council's performance and fairly represent indicated performance for the year ended 30 June 2018.

The Council's Responsibility for the Key Performance Indicators

The Council is responsible for the preparation and fair presentation of the key performance indicators in accordance with the *Financial Management Act 2006* and the Treasurer's Instructions and for such internal control as the Council determines necessary to enable the preparation of key performance indicators that are free from material misstatement, whether due to fraud or error.

In preparing the key performance indicators, the Council is responsible for identifying key performance indicators that are relevant and appropriate having regard to their purpose in accordance with Treasurer's Instruction 904 *Key Performance Indicators*.

Auditor General's Responsibility

As required by the *Auditor General Act 2006*, my responsibility as an assurance practitioner is to express an opinion on the key performance indicators. The objectives of my engagement are to obtain reasonable assurance about whether the key performance indicators are relevant and appropriate to assist users to assess the agency's performance and whether the key performance indicators are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion.

I conducted my engagement in accordance with Standard on Assurance Engagements ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* issued by the Australian Auditing and Assurance Standards Board. That standard requires that I comply with relevant ethical requirements relating to assurance engagements.

An assurance engagement involves performing procedures to obtain evidence about the amounts and disclosures in the key performance indicators. It also involves evaluating the relevance and appropriateness of the key performance indicators against the criteria and guidance in Treasurer's Instruction 904 for measuring the extent of outcome achievement and the efficiency of service delivery. The procedures selected depend on my judgement, including the assessment of the risks of material misstatement of the key performance indicators. In making these risk assessments I obtain an understanding of internal control relevant to the engagement in order to design procedures that are appropriate in the circumstances.

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

My Independence and Quality Control Relating to the Reports on Controls and Key Performance Indicators

I have complied with the independence requirements of the *Auditor General Act 2006* and the relevant ethical requirements relating to assurance engagements. In accordance with ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements*, the Office of the Auditor General maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Matters Relating to the Electronic Publication of the Audited Financial Statements and Key Performance Indicators

This auditor's report relates to the financial statements and key performance indicators of the Professional Standards Council for the year ended 30 June 2018 included on the Council's website. The Council's management is responsible for the integrity of the Council's website. This audit does not provide assurance on the integrity of the Council's website. The auditor's report refers only to the financial statements and key performance indicators described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements or key performance indicators. If users of the financial statements and key performance indicators are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial statements and key performance indicators to confirm the information contained in this website version of the financial statements and key performance indicators.



SANDRA LABUSCHAGNE
ACTING DEPUTY AUDITOR GENERAL
Delegate of the Auditor General for Western Australia
Perth, Western Australia
31 August 2018

Disclosures and Legal Compliance

Financial Statements

Certification of Financial Statements

For the reporting period ended 30 June 2018

The accompanying financial statements of the Professional Standards Council of Western Australia have been prepared in compliance with the provisions of the *Financial Management Act 2006* from proper accounts and records to present fairly the financial transactions for the reporting period ended 30 June 2018 and the financial position as at 30 June 2018.

At the date of signing we are not aware of any circumstances which would render the particulars included within the financial statements misleading or inaccurate.



Mr John Vines OAM

Chair

30 August 2018



Ms Rachel Webber

Council Member

27 August 2018



Mr Sandy Kerr

Chief Finance Officer

27 August 2018

The Council has pleasure in presenting its audited general purpose financial statements for the financial reporting period ended 30 June 2018 which provides users with the information about the Council's stewardship of resources entrusted to it. The financial information is presented in the following structure:

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FINANCIAL STATEMENTS

Statement of comprehensive income

For the year ended 30 June 2018

	Note	2018 \$	2017 \$
COST OF SERVICES			
Expenses			
Supplies and services	3.1	287,913	262,366
Other expenses	3.2	3	3
Total cost of services		287,916	262,369
Income			
Revenue			
Scheme fees	4.2	242,554	225,397
Total Revenue		242,554	225,397
Total income other than income from State Government		242,554	225,397
Net cost of service		(45,362)	(36,972)
Income from State Government			
Services received free of charge	4.1	57,000	54,950
Total income from State Government		57,000	54,950
Surplus for the period		11,638	17,978
Total comprehensive income for the period		11,638	17,978

The Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of financial position

As at 30 June 2018

	Note	2018 \$	2017 \$
Assets			
Current assets			
Cash and cash equivalents	6.1	397,339	371,929
Receivables	5.1	18,039	19,439
Total current assets		415,378	391,368
Total assets		415,378	391,368
Liabilities			
Current liabilities			
Payables	5.2	73,915	65,191
Unearned revenue	5.3	40,305	36,657
Total current liabilities		114,220	101,848
Total liabilities		114,220	101,848
Net assets		301,158	289,520
Equity			
Accumulated surplus	8.8	301,158	289,520
Total equity		301,158	289,520

The Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of changes in equity

For the year ended 30 June 2018

	Note	Accumulated surplus 2018 \$	Total equity 2018 \$
Balance at 1 July 2016	8.8	271,542	271,542
Total comprehensive income for the period		17,978	17,978
Balance at 30 June 2017		289,520	289,520
Balance at 1 July 2017		289,520	289,520
Total comprehensive income for the period		11,638	11,638
Balance at 30 June 2018		301,158	301,158

The Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of cash flows

For the year ended 30 June 2018

	Note	2018 \$	2017 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Payments to suppliers		(222,983)	(348,879)
GST payments on purchase		(22,298)	(34,887)
Bank charges		(3)	(3)
Receipts			
Scheme fees		244,350	225,800
GST receipts from taxation authority		26,344	32,343
Net cash provided by operating activities	6.1	25,410	(125,626)
Net increase/(decrease) in cash and cash equivalents		25,410	(125,626)
Cash and cash equivalents at the beginning of the reporting period		371,929	497,555
Cash and cash equivalents at the end of the period	6.1	397,339	371,929

The Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. BASIS OF PREPARATION

The Professional Standards Council (the Council) is a WA Government entity and is controlled by the State of Western Australia, which is the ultimate parent. The entity is a not-for-profit entity (as profit is not its principal objective).

A description of the nature of its operations and its principal activities have been included in the 'Overview' which does not form part of these financial statements.

These annual financial statements were authorised for issue by the Accountable Authority of the agency on 24 August 2018.

Statement of compliance

These general purpose financial statements have been prepared in accordance with:

1. The Financial Management Act 2006 (**FMA**)
2. The Treasurer's Instructions (**the Instructions or TI**)
3. Australian Accounting Standards (**AAS**) including applicable interpretations
4. Where appropriate, those **AAS** paragraphs applicable for not for profit entities have been applied.

The *Financial Management Act 2006* and the Treasurer's Instructions (the Instructions) take precedence over AAS. Several AAS are modified by the Instructions to vary application, disclosure format and wording. Where modification is required and has had a material or significant financial effect upon the reported results, details of that modification and the resulting financial effect are disclosed in the notes to the financial statements.

Basis of preparation

These financial statements are presented in Australian dollars applying the accrual basis of accounting and using the historical cost convention. Certain balances will apply a different measurement basis (such as the fair value basis). Where this is the case the different measurement basis is disclosed in the associated note. All values are rounded to the nearest dollar.

Judgements and estimates

Judgements, estimates and assumptions are required to be made about financial information being presented. The significant judgements and estimates made in the preparation of these financial statements are disclosed in the notes where amounts affected by those judgements and/or estimates 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.

Contributed equity

AASB Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities* requires transfers in the nature of equity contributions, other than as a result of a restructure of administrative arrangements, to be designated by the Government (the owner) as contributions by owners (at the time of, or prior, to transfer) before such transfers can be recognised as equity contributions. Capital appropriations have been designated as contributions by owners by TI 955 *Contributions by Owners made to Wholly Owned Public Sector Entities* and have been credited directly to Contributed Equity.

The transfers of net assets to/from other agencies, other than as a result of a restructure of administrative arrangements, are designated as contributions by owners where the transfers are non-discretionary and non-reciprocal.

NOTE 2. COUNCIL OUTPUTS

This section includes information regarding the nature of funding the Council receives and how this funding is utilised to achieve the Council's objectives.

	Notes
Council objectives	2.1

2.1 Council objectives

Mission

The Professional Standards Council is concerned with the regulation and education of members of occupational associations to improve service standards, and to assist and promote the self-regulation of those associations.

The objective of the program is to ensure that the community receives professional services that are affordable, accountable and of a high standard, and provide safeguards regarding professional liability commitment.

3.1 Supplies and services

	2018 \$	2017 \$
Supplies and services		
Operating costs ^(a)	230,913	207,416
Services received free of charge (Note 4.1)	57,000	54,950
Total supplies and services expenses	287,913	262,366

3.2 Other expenses

	2018 \$	2017 \$
Bank charges	3	3
Total other expenses	3	3
Total cost of services	287,916	262,369

(a) This expenditure is incurred by the NSW Department of Finance, Service and Innovation and is recharged to the Council pursuant to the *Inter-Departmental Service Agreement 2016* and includes audit fee.

Supplies and services: Supplies and services are operating expenses generally representing the day-to-day running costs incurred in normal operations and are recognised as an expense in the reporting period in which they are incurred.

Services: As there is only one service provided by the Council, the Schedule of Income by Service and Schedule of Asset and Liabilities by Service have not been prepared.

NOTE 3. USE OF OUR FUNDING

Expenses incurred in the delivery of services

This section provides additional information about how the Council's funding is applied and the accounting policies that are relevant for an understanding of the items recognised in the financial statements. The primary expenses incurred by the Council in achieving its objectives and the relevant notes are:

	Note	2018 \$	2017 \$
Supplies and services	3.1	287,913	262,366
Other expenses	3.1	3	3

NOTE 4. OUR FUNDING SOURCES

How we obtain our funding

This section provides additional information about how the Council obtains its funding and the relevant accounting policy notes that govern the recognition and measurement of this funding. The primary income received by the Council and the relevant notes are:

	Note	2018 \$	2017 \$
Income from State Government	4.1	57,000	54,950
User charges and fees	4.2	242,554	225,397

4.1 Income from State Government

	2018 \$	2017 \$
Services received free of charge from other state government agencies during the period: ^(a)	57,000	54,950
Department of Justice		
› financial, human resources and information technology services		
Total income from State Government	57,000	54,950

(a) **Services received free of charge or for nominal cost:** Services received free of charge or for nominal cost that the Council would otherwise purchase if not donated, are recognised as income at the fair value of the assets or services where they can be reliably measured. A corresponding expense is recognised for services received. Receipts of assets are recognised in the Statement of Financial Position. Services received from other State Government agencies are separately disclosed under Income from State Government in the Statement of Comprehensive Income.

4.2 User charges and fees

	2018 \$	2017 \$
Scheme fees	242,554	225,397
	242,554	225,397

Revenue is recognised in the Statement of Comprehensive Income when it has been earned from memberships and is calculated from the commencement date over the period of the scheme.

NOTE 5. OTHER ASSETS AND LIABILITIES

This section sets out those assets and liabilities that arose from the Council's controlled operations and includes other assets utilised for economic benefits and liabilities incurred during normal operations:

	Note	2018 \$	2017 \$
Receivables	5.1	18,039	19,439
Payables	5.2	73,915	65,191
Unearned revenue	5.3	40,305	36,658

5.1 Receivables

	2018 \$	2017 \$
Current		
Receivables	12,132	9,486
GST receivable	5,907	9,953
Total current	18,039	19,439

The Council does not hold any collateral or other credit enhancements as security for receivables.

Receivables are recognised at original invoice amount less an allowance for any uncollectible amounts (i.e. impairment). The collectability of receivables is reviewed on an ongoing basis and any receivables identified as uncollectible are written-off against the allowance account. The allowance for uncollectible amounts (doubtful debts) is raised when there is objective evidence

that the Council will not be able to collect the debts. The carrying amount is equivalent to fair value as it is due for settlement within 30 days.

5.2 Payables

	2018 \$	2017 \$
Current		
Accrued expenses	73,915	65,191
Total current	73,915	65,191

5.3 Unearned revenue

	2018 \$	2017 \$
Current		
Unearned revenue ^(a)	40,305	36,658
	40,305	36,658

(a) Unearned revenue represents the portion of scheme fees received but not earned and relates to periods of the scheme subsequent to the end of the reporting period.

NOTE 6. FINANCING

This section sets out the material balances and disclosures associated with the financing and cash flows of the Council:

	Notes
Cash and cash equivalents	6.1
Commitments	6.2

6.1 Cash and cash equivalents

Reconciliation of cash

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	2018 \$	2017 \$
Cash and cash equivalents	397,339	371,929
	397,339	371,929

For the purpose of the statement of cash flows, cash and cash equivalent assets comprise cash at bank that are readily convertible to a known amount of cash and which are subject to insignificant risk of changes in value.

Reconciliation of net cost of services to net cash flows provided by operating activities

	2018 \$	2017 \$
Net cost of services	(45,362)	(36,972)
Non-cash items		
Services received free of charge	57,000	54,950
(Increase)/decrease in assets		
Receivables	(2,647)	13,583
GST receivables	4,047	(2,544)
Increase/(decrease) in liabilities		
Payables	8,724	(155,609)
Unearned revenue	3,648	966
Net cash provided by operating activities	25,410	(125,626)

The mandatory application of AASB 2016 2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107* imposed disclosure impacts only. The Council is not exposed to changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

6.2 Commitments

The commitments recorded below are estimated values for known outgoings of the Professional Standards Authority. However, the Council is liable for a portion of the total cost (with the balance being borne by the other seven jurisdictions) through the *Inter-Departmental Service Agreement 2016* existing between the States and Territories. This Agreement commits each of the eight jurisdictions of the Professional Standards Councils to repay the service provider (the New South Wales Department of Finance, Services and Innovation) for future operating commitments that the Council has agreed to fund per the protocols of the *Inter-Departmental Service Agreement 2016*. These costs are funded through their revenue as a portion of the total revenue of all the Professional Standards Councils, and that portion is not known with precision at reporting date. It is dependent on the Council's portion of total revenue compared to the total of all eight jurisdictions.

	2018 \$	2017 \$
Occupancy costs		
Cost recoveries due to the Service Provider, the New South Wales Department of Finance, Services and Innovation, representing costs associated with the premises occupied by the Professional Standards Councils and their national regulatory support agency – Professional Standards Authority, are payable as follows:		
Within 1 year	36,747	35,436
Later than 1 year and not later than 5 years	31,710	68,083
	68,457	103,519
Capital user charges		
Cost recoveries due to the Service Provider, the New South Wales Department of Finance, Services and Innovation, representing costs associated with the usage of their capital items, are payable as follows:		
Within 1 year	10,191	19,352
Later than 1 year and not later than 5 years	10,954	26,566
Later than 5 years	2,807	4,849
	23,952	50,767
Other operating expenses		
Other operating expenses contracted for at the end of the reporting period but not recognised as liabilities are payable as follows:		
Within 1 year	1,768	3,450
Total other commitments	1,768	3,450

NOTE 7. RISKS AND CONTINGENCIES

This note sets out the key risk management policies and measurement techniques of the Council:

	Notes
Financial risk management	7.1
Contingent assets and contingent liabilities	7.2

7.1 Financial risk management

Financial instruments held by the Council are cash and cash equivalents, receivables, and payables. The Council has limited exposure to financial risks. The Council's overall risk management program focuses on managing the risks identified below.

(a) Summary of risks and risk management

Credit risk

Credit risk arises when there is the possibility of the Council's receivables defaulting on their statutory obligations resulting in financial loss to the Council. Credit risk also arises from cash and cash equivalents held at banks and financial institutions. The maximum exposure to credit risk at the end of the reporting period in relation to each class of recognised financial assets is the gross carrying amount of those assets inclusive of any provisions for impairment, as shown in the table at Note 7.1(c) 'Ageing analysis of financial assets' and Note 5.1 'Receivables'.

The Council trades only with recognised, creditworthy third parties. The Council has policies in place to ensure that receivable balances are monitored on an ongoing basis, with the result that the Council's exposure to bad debts is minimal. For banks and financial institutions, only independently rated and highly reputable financial institutions are accepted. At the end of the reporting period there were no significant concentrations of credit risk other than in respect of cash and cash equivalents.

Liquidity risk

Liquidity risk arises when the Council is unable to meet its financial obligations as they fall due. The Council is exposed to liquidity risk through its trading in the normal course of business.

The Council has appropriate procedures to manage cash flows to ensure that sufficient funds are available to meet its commitments.

Market risk

The Council does not trade in foreign currency and is not materially exposed to other price risks because it does not have investments in securities or bonds. The Council is not exposed to interest rate risk because cash and cash equivalents are deposited in non-interest bearing accounts and the Council has no borrowings.

(b) Categories of financial instruments

The carrying amounts of each of the following categories of financial assets and financial liabilities at the balance sheet date are:

	2018 \$	2017 \$
Financial assets		
Cash and cash equivalents	397,339	371,929
Receivables ^(a)	12,132	9,486
	409,471	381,415
Financial liabilities		
Financial liabilities measured at amortised cost ^(a)	73,915	65,191
	73,915	65,191

(a) The amount of receivables excludes GST recoverable from the Australian Taxation Office (statutory receivable).

(c) Ageing analysis of financial assets

	Carrying Amount	Not past due and not impaired	Past due but not impaired					More than 5 years	Impaired financial assets
			Up to 1 month	1-3 months	3 months to 1 year	1 year to 5 years			
	\$	\$	\$	\$	\$	\$	\$	\$	
2018									
Cash and cash equivalents	397,339	397,339	-	-	-	-	-	-	
Receivables ^(a)	12,132	12,132	-	-	-	-	-	-	
	409,471	409,471	-	-	-	-	-	-	
2017									
Cash and cash equivalents	371,929	371,929	-	-	-	-	-	-	
Receivables ^(a)	9,486	9,486	-	-	-	-	-	-	
	381,415	381,415	-	-	-	-	-	-	

(a) The amount of receivables excludes GST recoverable from the Australian Taxation Office (statutory receivable)

(d) Liquidity risk

The following table details the Council's contractual maturity analysis of financial assets and financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows (interest and principal). The maturity analysis section includes interest and principal cash flows.

Maturity analysis of financial assets and financial liabilities

	Carrying Amount	Total contractual cash flows	Maturity dates				
			Up to 1 month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
	\$	\$	\$	\$	\$	\$	\$
2018							
Financial assets							
Cash and cash equivalents	397,339	397,339	397,339	-	-	-	-
Receivables ^(a)	12,132	12,132	12,132	-	-	-	-
	409,471	409,471	409,471	-	-	-	-
Financial liabilities							
Payables	73,915	73,915	73,915	-	-	-	-
	73,915	73,915	73,915	-	-	-	-
2017							
Financial assets							
Cash and cash equivalents	371,929	371,929	371,929	-	-	-	-
Receivables ^(a)	9,486	9,486	9,486	-	-	-	-
	381,415	381,415	381,415	-	-	-	-
Financial liabilities							
Payables	65,191	65,191	65,191	-	-	-	-
	65,191	65,191	65,191	-	-	-	-

(a) The amount of receivables excludes the GST recoverable from the ATO (statutory receivable).

7.2 Contingent assets and liabilities

There were no contingent liabilities and contingent assets as at 30 June 2018.

NOTE 8. OTHER DISCLOSURES

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

	Notes
Events occurring after the end of the reporting period	8.1
Future impact of Australian standards issued not yet operative	8.2
Key management personnel	8.3
Related parties	8.4
Related bodies	8.5
Affiliated bodies	8.6
Remuneration of auditors	8.7
Equity	8.8
Supplementary financial information	8.9

8.1 Events occurring after the end of the reporting period

There were no events occurring after the end of the reporting period.

8.2 Future impact of Australian Accounting Standards not yet operative

The Council cannot early adopt an Australian Accounting Standard unless specifically permitted by TI 1101 *Application of Australian Accounting Standards and Other Pronouncements* or by an exemption from TI 1101. Where applicable, the Council plans to apply the following Australian Accounting Standards from their application date.

		Operative for reporting periods beginning on/after
AASB 9	<p>Financial Instruments</p> <p>This Standard supersedes AASB 139 <i>Financial Instruments: Recognition and Measurement</i>, introducing a number of changes to accounting treatments.</p> <p>The Council has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2018
AASB 15	<p>Revenue from Contracts with Customers</p> <p>This Standard establishes the principles that the Council shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.</p> <p>The mandatory application date of this Standard is currently 1 January 2019 after being amended by AASB 2016-7.</p> <p>The Council's income is principally derived through statutory obligations which will be measured under AASB 1058 <i>Income of Not-for-Profit Entities</i> and will be unaffected by this change</p>	1 Jan 2019

AASB 16	Leases	1 Jan 2019
	<p>This Standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.</p> <p>Whilst the impact of AASB 16 has not yet been quantified, the Council currently has commitments for \$68,457 (Note 6.2) worth of non-cancellable operating leases which the Council anticipates will be brought onto the statement of financial position.</p>	
AASB 1058	Income of Not-for-Profit Entities	1 Jan 2019
	<p>This Standard clarifies and simplifies the income recognition requirements that apply to not for profit (NFP) entities, more closely reflecting the economic reality of NFP entity transactions that are not contracts with customers. Timing of income recognition is dependent on whether such a transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service), or a contribution by owners, related to an asset (such as cash or another asset) received by an agency. The Council has not yet determined the application or the potential impact of the Standard.</p>	
AASB 1059	Service Concession Arrangements: Grantors	1 Jan 2019
	<p>This Standard addresses the accounting for a service concession arrangement (a type of public private partnership) by a grantor that is a public sector entity by prescribing the accounting for the arrangement from the grantor's perspective. Timing and measurement for the recognition of a specific asset class occurs on commencement of the arrangement and the accounting for associated liabilities is determined by whether the grantee is paid by the grantor or users of the public service provided. The Council has not identified any public private partnerships within scope of the Standard.</p>	
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 Into 2, 5, 10, 12, 19 & 127]	1 Jan 2018
	<p>This Standard makes consequential amendments to other Australian Accounting Standards and Interpretations as a result of issuing AASB 9 in December 2010.</p> <p>The mandatory application date of this Standard has been amended by AASB 2012-6 and AASB 2014-1 to 1 January 2018. The Council has not yet determined the application or the potential impact of the Standard.</p>	

		Operative for reporting periods beginning on/after
<i>AASB 2014-1</i>	Amendments to Australian Accounting Standards	1 Jan 2018
	Part E of this Standard makes amendments to AASB 9 and consequential amendments to other Standards. The Council has not yet determined the application or the potential impact of the Standard.	
<i>AASB 2014-5</i>	Amendments to Australian Accounting Standards arising from AASB 15	1 Jan 2018
	This Standard gives effect to consequential amendments to Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15. The mandatory application date of this Standard has been amended by AASB 2015 8 to 1 January 2018. The Council has not yet determined the application or the potential impact of the Standard.	
<i>AASB 2014-7</i>	Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)	1 Jan 2018
	This Standard gives effect to the consequential amendments to Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 9 (December 2014). The Council has not yet determined the application or the potential impact of the Standard.	
<i>AASB 2015-8</i>	Amendments to Australian Accounting Standards – Effective Date of AASB 15	1 Jan 2018
	This Standard amends the mandatory application date of AASB 15 to 1 January 2018 (instead of 1 January 2017). It also defers the consequential amendments that were originally set out in AASB 2014-5. There is no financial impact arising from this Standard.	
<i>AASB 2016-3</i>	Amendments to Australian Accounting Standards – Clarifications to AASB 15	1 Jan 2018
	This Standard clarifies identifying performance obligations, principal versus agent considerations, timing of recognising revenue from granting a licence, and, provides further transitional provisions to AASB 15. The Council has not yet determined the application or the potential impact.	
<i>AASB 2016-7</i>	Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities	1 Jan 2018
	This Standard defers, for not-for-profit entities, the mandatory application date of AASB 15 to 1 January 2019, and the consequential amendments that were originally set out in AASB 2014-5. There is no financial impact arising from this standard.	

AASB 2016-8 **Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not for Profit Entities**

1 Jan 2019

This Standard inserts Australian requirements and authoritative implementation guidance for not-for-profit entities into AASB 9 and AASB 15. This guidance assists not-for-profit entities in applying those Standards to particular transactions and other events. There is no financial impact.

8.3 Key management personnel

The Council has determined key management personnel to include cabinet ministers and members of the Council. The Council does not incur expenditures to compensate Ministers and those disclosures may be found in the Annual Report on State Finances.

The total fees, salaries, superannuation, non-monetary benefits and other benefits for senior officers of the Council for the reporting period are presented within the following bands:

	2018	2017
Compensation band (\$)		
0 – 10,000	13	11
<hr/>		
	2018	2017
	\$	\$
Short term employee benefits	48,292	49,924
Post employment benefits	4,588	4,462
Total compensation of senior officers	52,880	54,386

The eight national Professional Standards Councils meet in unison and Council members are paid by the NSW Department of Finance, Services and Innovation. The above values represent total remuneration of the eight Professional Standards Councils. Per the *Inter-Departmental Service Agreement 2016*, the Council is required to fund 6.29% (\$3,326) (2017: 6.27% (\$3,410)) of the Council members' remuneration. Total compensation of \$52,880 (2017: \$54,386) includes the superannuation expense incurred by the Council in respect of members.

8.4 Related party transactions

The Council is a wholly owned public sector entity that is controlled by the State of Western Australia.

Related parties of the Council include:

- › all cabinet ministers and their close family members, and their controlled or jointly controlled entities;
- › all senior officers and their close family members, and their controlled or jointly controlled entities;
- › other departments and statutory authorities, including related bodies, that are included in the whole of government consolidated financial statements (i.e. wholly-owned public sector entities); and
- › associates and joint ventures of a wholly-owned public sector entity.

Significant transactions with government related entities

In conducting its activities, the agency is required to transact with the State and entities related to the State. These transactions are generally based on the standard terms and conditions that apply to all agencies. Such transactions include:

- › services received free of charge from the Department of Justice (Note 4.1);
- › occupancy costs due to the New South Wales Department of Finance, Services and Innovation (Note 6.2);
- › operating costs due to the New South Wales Department of Finance, Services and Innovation (Note 3.1)

Material transactions with other related parties

Outside of normal citizen type transactions with the agency, there were no other related party transactions that involved key management personnel and/or their close family members and/or their controlled (or jointly controlled) entities.

8.5 Related bodies

The Council had no related bodies during the financial year.

8.6 Affiliated bodies

The Council had no affiliated bodies during the financial year.

8.7 Remuneration of auditors

Remuneration paid or payable to the Auditor General in respect of the audit for current financial year is as follows:

	2018 \$	2017 \$
Auditing the accounts, financial statements, controls, and key performance indicators	10,700	10,600

Per the *Inter-Departmental Service Agreement 2016*, the Council is required to fund 6.29% (2017: 6.27%) of the total national expenditure, including jurisdictional Audit fees of other Professional Standards Councils where relevant.

8.8 Equity

The Western Australian Government holds the equity interest in the Council on behalf of the community. Equity represents the residual interest in the net assets of the Council.

	2018 \$	2017 \$
Accumulated surplus		
Balance at start of period	289,520	271,542
Result for the period	11,638	17,978
Balance at end of period	301,158	289,520
Total equity at end of period	301,158	289,520

8.9 Supplementary financial information

There were no losses of public moneys or other public property through theft or default during the financial year (2017: nil).

There were no write offs of public money or other public property during the financial year (2017: nil).

There were no gifts of public property during the financial year (2017: nil).



Government of **Western Australia**
Department of **Justice**

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Published in September 2018 by the Professional Standards Council of Western Australia.



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