

Professional Standards Council of Queensland

**FINANCIAL STATEMENTS
FOR THE FINANCIAL
YEAR ENDED
30 JUNE 2013**



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GENERAL INFORMATION

These financial statements cover the Professional Standards Council (the Council).

The Council is a Queensland Government Entity established under the *Professional Standards Act 2004*.

The Council is controlled by the State of Queensland which is the ultimate parent.

The head office and principal place of business of the Council is:

Level 17
50 Ann Street
BRISBANE QLD 4001

A description of the nature of the Council's operations and its principal activities is included in the notes to the financial statements.

For information in relation to the Council's financial statements please call (07) 3239 6251 or email Peter.Cook@justice.qld.gov.au.

Amounts shown in these financial statements may not add to the correct sub-totals or totals due to rounding.

Statement of Comprehensive Income

for the year ended 30 June 2013

	Notes	2013 \$'000	2012 \$'000
Income from continuing operations			
Revenue			
User charges	2	454	417
Other revenues	3	30	34
Total income from continuing operations		484	451
Expenses from continuing operations			
Supplies and services	4	378	273
Total expenses from continuing operations		378	273
Operating result from continuing operations		106	178
Other comprehensive income		-	-
Total comprehensive income		106	178

The accompanying notes form part of these statements.

Statement of Financial Position

as at 30 June 2013

	Notes	2013 \$'000	2012 \$'000
Current assets			
Cash and cash equivalents	5	1,200	885
Receivables	6	31	16
Total current assets		1,231	901
Total assets		1,231	901
Current liabilities			
Payables	7	264	74
Other	8	153	119
Total current liabilities		417	193
Total liabilities		417	193
Net assets		814	708
Equity			
Accumulated surplus		814	708
Total equity		814	708

The accompanying notes form part of these statements.

Statement of Changes in Equity

for the year ended 30 June 2013

	Accumulated Surplus \$'000	TOTAL \$'000
Balance as at 1 July 2011	530	530
Operating result from continuing operations	178	178
Balance as at 30 June 2012	708	708
Balance as at 1 July 2012	708	708
Operating result from continuing operations	106	106
Balance as at 30 June 2013	814	814

The accompanying notes form part of these statements.

Statement of Cash Flows

for the year ended 30 June 2013

	Notes	2013 \$'000	2012 \$'000
Cash flows from operating activities			
Inflows:			
User charges		490	393
Interest receipts		30	39
GST input tax credits from ATO		20	–
Outflows:			
Supplies and services		(188)	(282)
GST paid to suppliers		(37)	–
Net cash provided by (used in) operating activities	9	315	150
Net increase (decrease) in cash and cash equivalents		315	150
Cash and cash equivalents at beginning of financial year		885	735
Cash and cash equivalents at end of financial year	5	1,200	885

The accompanying notes form part of these statements.

Notes to and forming part of the Financial Statements 2012–13

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Notes to and forming part of the Financial Statements 2012–13

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OBJECTIVES AND PRINCIPAL ACTIVITIES OF THE PROFESSIONAL STANDARDS COUNCIL

The objectives of the Professional Standards Councils are to promote consumer protection and excellence in professional standards by encouraging the self-regulation of occupational groups through *Cover of Excellence*[®] Schemes.

(A) COVER OF EXCELLENCE[®] SCHEMES

Cover of Excellence[®] Schemes apply to members of occupational associations that administer professional standards schemes approved by the Councils. *Cover of Excellence*[®] 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 association to use the *Cover of Excellence*[®] trademark.

(B) THE PROFESSIONAL STANDARDS COUNCILS

The Professional Standards Councils were constituted under state and territory professional standards legislation, with the mandate to approve *Cover of Excellence*[®] 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.

(C) THE QUEENSLAND COUNCIL

The Professional Standards Council was established under the *Professional Standards Act 2004* (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 43 of the Act, and are in summary:

- To advise the Minister about publication in the Gazette, amendments to, or revocation of a scheme; the operation of the Act; and anything else about the occupational liability of members of occupational associations;
- 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.

(D) FUNDING OF THE COUNCIL

The Council is fully funded through the following:

- A fee of \$5,000 is payable to the Council for a *Cover of Excellence*[®] Scheme application for approval, amendments or revocation; and
- The annual fee of \$50 for each member of occupational associations participating in a *Cover of Excellence*[®] Scheme.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) STATEMENT OF COMPLIANCE

The Professional Standards Council has prepared these financial statements in compliance with section 43 of the *Financial and Performance Management Standard 2009*.

These financial statements are general purpose financial statements, and have been prepared on an accrual basis in accordance with Australian Accounting Standards and Interpretations. In addition, the financial statements comply with Queensland Treasury and Trade's Minimum Reporting Requirements for the year ending 30 June 2013, and other authoritative pronouncements.

With respect to compliance with Australian Accounting Standards and Interpretations, the Council has applied those requirements applicable to not-for-profit entities, as the Council is a not-for-profit entity. Except where stated, the historical cost convention is used.

(B) THE REPORTING ENTITY

The financial statements include the value of all income, expenses, assets, liabilities and equity of the Council. The Council does not control any other entities.

(C) USER CHARGES

User charges and fees controlled by the Council are recognised as revenues when the revenue has been earned and can be measured reliably with a sufficient degree of certainty. This involves either invoicing for related goods/services and/or the recognition

of accrued revenue. User charges and fees are controlled by the Council where they can be deployed for the achievement of Council objectives.

Where membership fees are received in advance they are recognised as an unearned revenue. The revenues are recognised as they are earned over the membership period.

(D) CASH AND CASH EQUIVALENTS

For the purposes of the Statement of Financial Position and the Statement of Cash Flows, cash assets include all cash and cheques received but not banked at 30 June.

(E) RECEIVABLES

Trade debtors are recognised at amounts due at the time of sale or service delivery, i.e. the agreed purchase/contract price. Settlement of these amounts is required within 30 days from invoice date. If any amount of the annual fee is not paid within 30 days after it is due, simple interest at the rate of 0.05% per day is payable on the outstanding balance until that balance is paid.

The collectability of receivables is assessed periodically with provision being made for impairment. All known bad debts were written off as at 30 June.

Other debtors generally arise from transactions outside the usual operating activities of the Council and are recognised at their assessed values. Terms are a maximum of three months, no interest is charged and no security is obtained.

(F) SUPPLIES AND SERVICES

Supplies and services represent secretarial support provided by the Department of Justice and Attorney-General NSW. The total cost of secretarial support is proportionately shared among the eight Councils determined by the percentage of revenue each Council has received. These costs comprise employment costs, other operating expenses, grants administered and maintenance. In 2012–13 Queensland's percentage is 17% (2012: 18%).

External audit fees as shown in Note 4 represent 17% of the total expected external audit fees for the Professional Standards Council of Australia and do not represent the actual audit costs incurred for the Professional Standards Council of Queensland. External audit fees of the Professional Standards Council of Queensland are paid to the Queensland Audit Office and relate to the 2012–13 financial statements.

(G) PAYABLES

Trade creditors are recognised upon receipt of the goods or services ordered and are measured at the nominal amount, i.e. agreed purchase/contract price, gross of applicable trade and other discounts. Amounts owing are unsecured and are generally settled on 30-day terms.

(H) FINANCIAL INSTRUMENTS

Recognition

Financial assets and financial liabilities are recognised in the Statement of Financial Position when the Council becomes party to the contractual provisions of the financial instrument.

Classification

Financial instruments are classified and measured as follows:

- Cash and cash equivalents – held at fair value through profit and loss
- Receivables – held at amortised cost
- Payables – held at amortised cost.

The Council does not enter into transactions for speculative purposes, nor for hedging. Apart from cash and cash equivalents, the Council holds no financial assets classified at fair value through profit or loss.

All other disclosures relating to the measurement and financial risk management of financial instruments held by the Council are included in Note 13.

(I) TAXATION

The Council is a State body as defined under the *Income Tax Assessment Act 1936* and is exempt from Commonwealth taxation, with the exception of Fringe Benefits Tax (FBT) and Goods and Services Tax (GST). Where applicable, FBT and GST are the only taxes accounted for by the Council. GST credits receivable from, and GST payable to the ATO, are recognised (refer Note 6).

(J) ISSUANCE OF FINANCIAL STATEMENTS

The financial statements are authorised for issue by the Chairman, Professional Standards Council and Executive Director, Financial Services Branch of Department of Justice and Attorney-General at the date of signing the Management Certificate.

(K) ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements necessarily requires the determination and use of certain critical accounting estimates, assumptions, and management judgements that have that potential to cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Such estimates, judgements and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in future periods as relevant.

The Council has made no judgements or assessments which may cause a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

Notes to and forming part of the Financial Statements 2012–13

continued

(L) ROUNDING AND COMPARATIVES

Amounts included in the financial statements are in Australian dollars and have been rounded to the nearest \$1,000 or, where that amount is \$500 or less, to zero, unless disclosure of the full amount is specifically required.

Comparative information has been restated where necessary to be consistent with disclosures in the current reporting period.

(M) NEW AND REVISED ACCOUNTING STANDARDS

The Council did not voluntarily change any of its accounting policies during 2012–13. Those new and amended Australian Accounting Standards that were applicable for the first time in the 2012–13 financial year had no significant impact on the Council's financial statements.

AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049] became effective from reporting periods beginning on or after 1 July 2012.

The only impact for the Council is that, in the Statement of Comprehensive Income, items within the 'Other Comprehensive Income' section are now presented in different sub-sections, according to whether or not they are subsequently classifiable to the operating result. Whether subsequent reclassification is possible depends on the requirements or criteria in the accounting standard/interpretation that relates to the item concerned.

The Council is not permitted to early adopt a new or amended accounting standard ahead of the specified commencement date unless approval is obtained from Queensland Treasury and Trade. Consequently, the Council has not applied any Australian Accounting Standards and Interpretations that have been issued but are not yet effective. The Council applies standards and interpretations in accordance with their respective commencement dates.

At the date of authorisation of the financial report, the expected impacts of new or amended Australian Accounting Standards with future commencement dates are set out below.

AASB 13 Fair Value Measurement applies from reporting periods beginning on or after 1 January 2013. *AASB 13* sets out a new definition of 'fair value' as well as new principles to be applied when determining the fair value of assets and liabilities. The new requirements will apply to all of the Professional Standards Council's assets and

liabilities (excluding leases) that are measured and/or disclosed at fair value, or another measurement based on fair value. The potential impacts of *AASB 13* relate to the fair value measurement methodologies used and financial statement disclosures made in respect of such assets and liabilities.

AASB 1053 Application of Tiers of Australian Accounting Standards applies as from reporting periods beginning on or after 1 July 2013. *AASB 1053* establishes a differential reporting framework for those entities that prepare general purpose financial statements, consisting of two tiers of reporting requirements – Australian Accounting Standards (commonly referred to as 'Tier 1'), and Australian Accounting Standards – Reduced Disclosure Requirements (commonly referred to as 'Tier 2'). Tier 1 requirements comprise the full range of *AASB* recognition, measurement, presentation and disclosure requirements that are currently applicable to reporting entities in Australia. The only difference between the Tier 1 and Tier 2 requirements is that Tier 2 requires fewer disclosures than Tier 1.

Details of which disclosures in standards and interpretations are not required under Tier 2 reporting are set out in amending standards *AASB 2010-2*, *AASB 2011-2*, *AASB 2011-6*, *AASB 2011-11*, *AASB 2012-1*, *AASB 2012-7* and *AASB 2012-11* (which also apply from reporting periods beginning on or after 1 July 2013). However, Queensland Treasury and Trade's Financial Reporting Requirements effectively do not allow application of *AASB 2011-6* in respect of controlled entities, associates or interests in jointly controlled entities.

Pursuant to *AASB 1053*, public sector entities like the Council may adopt Tier 2 requirements for their general purpose financial statements. However, *AASB 1053* acknowledges the power of a regulator to require application of the Tier 1 requirements. In the case of the Council, Queensland Treasury and Trade is the regulator. Queensland Treasury and Trade has advised that its policy decision is to require adoption of Tier 1 reporting by all Queensland Government departments and statutory bodies (including the Council) that are consolidated into the Whole-of-Government financial statements. Therefore, the release of *AASB 1053* and associated amending standards will have no impact on the Council.

All other Australian accounting standards and interpretations with future commencement dates are either not applicable to the Council's activities, or have no material impact on the Council.

	2013 \$'000	2012 \$'000
2. USER CHARGES		
Annual fees	454	417
Total	454	417
3. OTHER REVENUES		
Interest	30	34
Total	30	34
4. SUPPLIES AND SERVICES		
Secretariat support*	378	273
Total	378	273
*Included in Secretariat support is an amount of \$5,225 for external audit fees (2012: \$4,583). There are no non-audit services in this amount. Refer to Note 1(f) Supplies and services.		
5. CASH AND CASH EQUIVALENTS		
Cash at bank	1,200	885
Total	1,200	885
Interest earned on cash held with the Commonwealth Bank earned between 2.25% and 2.95% in 2013 (2012: 4.25% to 4.55%).		
6. RECEIVABLES		
GST receivable	24	7
Interest receivable	3	3
Other	4	6
Total	31	16
7. PAYABLES		
Trade creditors	264	74
Total	264	74
8. OTHER CURRENT LIABILITIES		
Unearned revenue	153	119
Total	153	119
9. RECONCILIATION OF OPERATING RESULT TO NET CASH FROM OPERATING ACTIVITIES		
Operating result	106	178
Change in assets and liabilities:		
(Increase)/decrease in receivables	(15)	5
Increase/(decrease) in accounts payable	190	(9)
Increase/(decrease) in unearned revenue	34	(24)
Net cash provided by (used in) operating activities	315	150

Notes to and forming part of the Financial Statements 2012–13

continued

10. COMMITMENTS

The Professional Standards Council has no capital or expenditure commitments as at 30 June 2013.

11. CONTINGENCIES

The Professional Standards Council has no material contingencies at 30 June 2013.

12. EVENTS OCCURRING AFTER BALANCE DATE

The Professional Standards Council does not have any favourable or unfavourable events occurring between the reporting date and the date when the financial report is authorised for issue.

13. FINANCIAL INSTRUMENTS

(a) Categorisation of financial instruments

The Council has the following categories of financial assets and financial liabilities:

Category	Note	2013 \$'000	2012 \$'000
Financial assets			
Cash and cash equivalents	5	1,200	885
Receivables	6	31	16
Total		1,231	901
Financial liabilities			
Financial liabilities measured at amortised cost:			
Payables	7	264	74
Total		264	74

(b) Financial risk management

The Council's activities expose it to a variety of financial risks – interest rate risk, credit risk, liquidity risk and market risk.

Financial risk management is implemented by the Council through policies that focus on the unpredictability of financial markets. These policies seek to minimise potential adverse effects on the financial performance of the Council.

The Council measures risk exposure using a variety of methods as follows:

Risk exposure	Measurement method
Credit risk	Ageing analysis, earnings at risk
Liquidity risk	Sensitivity analysis
Market risk	Interest rate sensitivity analysis

(c) Credit risk exposure

Credit risk exposure refers to the situation where the Council may incur financial loss as a result of another party to a financial instrument failing to discharge their obligation.

The maximum exposure to credit risk at balance date in relation to each class of recognised financial assets is the gross carrying amount of those assets inclusive of any provisions for impairment.

The following table represents the Council's maximum exposure to credit risk based on contractual amounts net of any allowances:

Maximum exposure to credit risk	Note	2013 \$'000	2012 \$'000
Financial assets			
Cash	5	1,200	885
Receivables	6	31	16
Total financial assets		1,231	901

Financial assets

No collateral is held as security and no credit enhancements relate to financial assets held by the Council.

The Council manages credit risk through the use of a credit management strategy. This strategy aims to reduce the exposure to credit default by ensuring that the Council invests in secure assets and monitors all funds owed on a timely basis. Exposure to credit risk is monitored on an ongoing basis.

No financial assets and financial liabilities have been offset and presented net in the Statement of Financial Position.

The method for calculating any provision for impairment is based on past experience, current and expected changes in economic conditions and changes in client credit ratings. These economic and geographic changes form part of the Council's documented risk analysis assessment in conjunction with historic experience and associated industry data.

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

The Council has no financial assets past due at reporting date.

The Council has no impaired financial assets.

Financial liabilities

The Council has no financial liabilities that have credit risk exposure at reporting date.

(d) Liquidity risk

Liquidity risk refers to the situation where the Council may encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Council is exposed to liquidity risk in respect of its payables.

The Council manages liquidity risk through the use of a liquidity management strategy. This strategy aims to reduce the exposure to liquidity risk by ensuring the Council has sufficient funds available to meet supplier obligations as they fall due. This is achieved by ensuring that sufficient levels of cash are held within the various bank accounts, so as to match the expected duration of the various supplier liabilities.

Notes to and forming part of the Financial Statements 2012–13

continued

The following table sets out the liquidity risk of financial liabilities held by the Council. It represents the contractual maturity of financial liabilities, calculated based on undiscounted cash flows relating to the liabilities at reporting date.

	Note	2013 payable in			Total \$'000
		< 1 year \$'000	1–5 years \$'000	> 5 years \$'000	
Financial liabilities					
Payables	7	264	–	–	264
Total		264	–	–	264

	Note	2012 payable in			Total \$'000
		< 1 year \$'000	1–5 years \$'000	> 5 years \$'000	
Financial liabilities					
Payables	7	74	–	–	74
Total		74	–	–	74

(e) Market risk

The Council does not trade in foreign currency and is not materially exposed to commodity price changes. The Council is exposed to interest rate risk through its cash deposited in interest-bearing accounts. The Council does not undertake any hedging in relation to interest risk and manages its risk as per the liquidity risk management strategy.

(f) Interest rate sensitivity analysis

The following interest rate sensitivity analysis is based on a report similar to that which would be provided to management, depicting the outcome on operating result if interest rates would change by +/-1% from the year-end rates applicable to the Council's financial assets. With all other variables held constant, the Council would have a surplus and equity increase/(decrease) of \$12,000 (2012: \$9,000). This is mainly attributable to the Council's exposure to variable interest rates on its cash deposited in interest-bearing accounts.

	Carrying amount \$'000	2013 interest rate risk			
		-1%		-1%	
		Operating result \$'000	Equity \$'000	Operating result \$'000	Equity \$'000
Financial instruments					
Cash	1,200	(12)	(12)	12	12
Potential impact		(12)	(12)	12	12

	Carrying amount \$'000	2012 interest rate risk			
		-1%		-1%	
		Operating result \$'000	Equity \$'000	Operating result \$'000	Equity \$'000
Financial instruments					
Cash	885	(9)	(9)	9	9
Potential impact		(9)	(9)	9	9

(g) Fair value

The fair value of trade receivables and payables is assumed to approximate the value of the original transaction less any allowance for impairment.

Certificate of the Professional Standards Council

These general purpose financial statements have been prepared pursuant to section 62(1) of the *Financial Accountability Act 2009* (the Act), relevant sections of the *Financial and Performance Management Standard 2009* and other prescribed requirements. In accordance with section 62(1)(b) of the Act we certify that in our opinion:

- (a) the prescribed requirements for establishing and keeping the accounts have been complied with in all material respects; and
- (b) the statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of the Professional Standards Council for the financial year ended 30 June 2013 and of the financial position of the Council at the end of that year.



Peter Cook
FCPA
Executive Director,
Department of Justice and Attorney-General



Brian Rayment QC
BA, LLB
Chairman,
Professional Standards Council

28 August 2013

