



PROFESSIONAL
STANDARDS
COUNCIL

Financial Statements

for the financial year ended 30 June 2010

Queensland

Professional Standards Council Financial Statements 2009-10

Contents	Page No.
Statement of Comprehensive Income	1
Statement of Financial Position	2
Statement of Changes in Equity	3
Statement of Cash Flows	4
Notes To and Forming Part of the Financial Statements	5 – 16
Management Certificate	17
Independent Auditor's Report	18

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) 323 96251 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 2010

	Notes	2010 \$'000	2009 \$'000
Income from Continuing Operations			
<i>Revenue</i>			
User charges	2	237	211
Other revenues	3	11	12
Total Income from Continuing Operations		248	223
Expenses from Continuing Operations			
Supplies and services	4	129	94
Total Expenses from Continuing Operations		129	94
Operating Result from Continuing Operations		119	129
Total Comprehensive Income		119	129

The accompanying notes form part of these statements.

STATEMENT OF FINANCIAL POSITION*as at 30 June 2010*

	Notes	2010 \$'000	2009 \$'000
Current Assets			
Cash and cash equivalents	5	418	292
Receivables	6	8	7
Total Current Assets		426	299
Total Assets		426	299
Current Liabilities			
Payables	7	30	30
Other	8	139	131
Total Current Liabilities		169	161
Total Liabilities		169	161
Net Assets		257	138
Equity			
Contributed equity		-	-
Accumulated surplus		257	138
Total Equity		257	138

The accompanying notes form part of these statements.

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2010

	Accumulated Surplus		Contributed Equity		Total	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Balance as at 1 July	138	9	-	-	138	9
Operating Result from Continuing Operations	119	129	-	-	119	129
Balance as at 30 June	257	138	-	-	257	138

The accompanying notes form part of these statements.

STATEMENT OF CASH FLOWS*for the year ended 30 June 2010*

	Notes	2010 \$'000	2009 \$'000
Cash flows from operating activities			
<i>Inflows:</i>			
User charges		245	233
Interest receipts		10	8
GST input tax credits from ATO		15	9
Other		-	9
<i>Outflows:</i>			
Supplies and services		(129)	(89)
GST paid to suppliers		(15)	(9)
Net cash provided by (used in) operating activities	9	126	161
Net increase (decrease) in cash and cash equivalents		126	161
Cash and cash equivalents at beginning of financial year		292	131
Cash and cash equivalents at end of financial year	5	418	292

The accompanying notes form part of these statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2009-10

Objectives and Principal Activities of the Professional Standards Council

- Note 1: Summary of Significant Accounting Policies
- Note 2: User Charges
- Note 3: Other Revenues
- Note 4: Supplies and Services
- Note 5: Cash and Cash Equivalents
- Note 6: Receivables
- Note 7: Payables
- Note 8: Other Current Liabilities
- Note 9: Reconciliation of Operating Result to Net Cash from Operating Activities
- Note 10: Financial Instruments

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2009-10

Objectives and Principal Activities of the Professional Standards Council

The mission of the Professional Standards Council (the Council) is to promote consumer protection and excellence in professional standards by encouraging the self-regulation of occupational groups through *Cover of Excellence*[®] schemes.

Cover of Excellence[®] schemes are for members of occupational associations and:

- Recognise those who implement robust risk management strategies such as complaints and discipline systems, codes of ethics and continuing occupational education;
- Limit occupational liability for members of occupational associations who carry professional indemnity insurance and/or business assets to the limitation of liability amount; and
- Entitles members of the occupational association to enjoy the reputation of the *Cover of Excellence*[®] logo.

The Professional Standards Councils were constituted under state and territory professional standards legislation, with the mandate to approve and monitor *Cover of Excellence*[®] schemes. There are a total of eight Councils – one council sitting for each Australian state and territory. The Queensland Council was established under the *Professional Standards Act 2004*. The Council was created to help professional and other occupational associations improve the regulation of their members so that the community is better protected.

Schemes limit the civil liability of members of associations who have the benefit of an insurance policy and/or business assets to the level of the limitation of liability. Insurance policies must comply with the association's standards of insurance.

The Council consists of 11 members, nominated by each state and territory, and also, the Commonwealth government. A Council member is appointed for the term, not longer than 3 years.

The Council's other functions are set out in section 43, and are as follows:

- To advise the Minister about publication in the gazette on scheme related issues;
- To advise occupational associations about insurance policies relating to limitation of liability;
- To encourage and help in the improvement of occupational standards of members of occupational associations;
- To encourage and help in the development of self-regulation of occupational associations;
- To monitor the occupational standards of persons to whom the Act applies;
- 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2009-10

The Council is funded through the following:

- A fee of \$5,000 is payable to the Council for an application for approval, amendment or revocation of a scheme; and
- The annual fee for each resident member is \$50.

The Council is responsible for determining the limitation of liability. When doing so, the Council must consider the nature and level of claims made against members of the association and the need to adequately protect consumers.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2009-10

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 Treasury's Minimum Reporting Requirements for the year ending 30 June 2010, 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 revenues, expenses, assets, liabilities and equity of the Council.

(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.

(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 receipted 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.

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) 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2009-10

(g) 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

Borrowings are initially recognised at fair value, plus any transaction costs directly attributable to the borrowings, then subsequently held at amortised cost using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of a financial instrument (or, when appropriate, a shorter period) to the net carrying amount of that instrument.

Any borrowing costs are added to the carrying amount of the borrowing to the extent they are not settled in the period in which they arise. Borrowings are classified as non-current liabilities to the extent that the Council has an unconditional right to defer settlement until at least 12 months after reporting date.

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 10.

(h) 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).

(i) Issuance of Financial Statements

The financial statements are authorised for issue by the Professional Standards Council and Executive Director, Financial Services at the date of signing the Management Certificate.

(j) 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 2009-10

(k) 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.

(l) New and Revised Accounting Standards

The Council did not voluntarily change any of its accounting policies during 2009-10.

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 the Treasury Department. Consequently, the Council has not applied any Australian accounting standards and interpretations that have been issued but 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, there were no new or amended Australian accounting standards with future commencement dates which are either applicable to the Professional Standards Council's activities, or have a material impact on the Council.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2009-10

	2010 \$'000	2009 \$'000
2. User Charges		
Annual fees	237	211
Total	237	211
3. Other Revenues		
Interest	11	7
Application fees	-	5
Total	11	12
4. Supplies and Services		
Secretariat support *	129	94
Total	129	94
* Included in secretariat support is an amount of \$2,975 for External audit fees (2009: \$2,345).		
5. Cash and Cash Equivalents		
Cash at bank	418	292
Total	418	292
Interest earned on cash held with the Commonwealth Bank earned between 2.85% and 4.35% in 2010 (2009: 2.85% to 7.10%).		
6. Receivables		
GST receivable	5	5
Interest receivable	2	1
Other	1	1
Total	8	7
7. Payables		
Trade creditors	30	30
Total	30	30

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2009-10

	2010 \$'000	2009 \$'000
8. Other Current Liabilities		
Unearned revenue	139	131
Total	139	131

The Department of Justice and Attorney-General has agreed to provide an establishment loan of \$178,000 to assist with the initial set up of the Council (if needed). This will be an interest-free loan, to be repaid over time from fee revenue received by the Council. This loan remained fully undrawn at 30 June 2010.

9. Reconciliation of Operating Result to Net Cash from Operating Activities

Operating Result	119	129
Change in assets and liabilities:		
(Increase)/decrease in receivables	(1)	5
Increase/(decrease) in accounts payable	-	5
Increase/(decrease) in unearned revenue	8	22
Net Cash provided by (used in) Operating Activities	126	161

10. Financial Instruments

(a) Categorisation of Financial Instruments

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

Category	Note	2010 \$'000	2009 \$'000
Financial Assets			
Cash and cash equivalents	5	418	292
Receivables	6	8	7
Total		426	299
Financial Liabilities			
Financial liabilities measured at amortised cost:			
Payables	7	30	30
Total		30	30

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2009-10

10. Financial Instruments (cont'd)

(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	2010 \$'000	2009 \$'000
Financial Assets			
Cash	5	418	292
Receivables	6	8	7
Total Financial Assets		426	299

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2009-10

10. Financial Instruments (cont'd)

(c) Credit Risk Exposure (cont'd)

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2009-10

10. Financial Instruments (cont'd)

(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 minimum levels of cash are held within the various bank accounts so as to match the expected duration of the various supplier liabilities.

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.

		2010 Payable in			Total
Note	< 1 year \$'000	1-5 years \$'000	> 5 years \$'000	\$'000	
Financial Liabilities					
Payables	7	30	–	–	30
Total		30	–	–	30

		2009 Payable in			Total
Note	< 1 year \$'000	1-5 years \$'000	> 5 years \$'000	\$'000	
Financial Liabilities					
Payables	7	30	–	–	30
Total		30	–	–	30

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2009-10

10. Financial Instruments (cont'd)

(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 to profit and loss 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 \$4,000 (2009: \$3,000). This is mainly attributable to the Council's exposure to variable interest rates on its cash deposited in interest bearing accounts.

Financial Instruments	Carrying Amount \$'000	2010 Interest rate risk			
		-1%		1%	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
Cash	418	(4)	(4)	4	4
Potential impact		(4)	(4)	4	4

Financial Instruments	Carrying Amount \$'000	2009 Interest rate risk			
		-1%		1%	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
Cash	292	(3)	(3)	3	3
Potential impact		(3)	(3)	3	3

(g) Fair Value

The Council does not recognise any financial assets or liabilities at fair value.

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

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 2010 and of the financial position of the Council at the end of that year.



Peter Cook
Acting Executive Director
Financial Services
27 August 2010



Brian Rayment QC
BA, LLB
Chairman, Professional Standards Council
27 August 2010

INDEPENDENT AUDITOR'S REPORT

To the Council Members, Professional Standards Council

Matters Relating to the Electronic Presentation of the Audited Financial Report

The auditor's report relates to the financial report of the Professional Standards Council for the financial year ended 30 June 2010 included on the Council's website. The Council Members are responsible for the integrity of the Council's website. I have not been engaged to report on the integrity of the Council's website. The auditor's report refers only to the statements named below. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial 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, available from the Professional Standards Council, to confirm the information included in the audited financial report presented on this website.

These matters also relate to the presentation of the audited financial report in other electronic media including CD Rom.

Report on the Financial Report

I have audited the accompanying financial report of the Professional Standards Council which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and certificates given by the Chairman and Acting Executive Director, Financial Services.

The Council Members' Responsibility for the Financial Report

The Members of the Professional Standards Council are responsible for the preparation and fair presentation of the financial report in accordance with prescribed accounting requirements identified in the *Financial Accountability Act 2009* and the *Financial and Performance Management Standard 2009*, including compliance with Australian Accounting Standards (including the Australian Accounting Interpretations). 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; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the Auditor-General of Queensland Auditing Standards, which incorporate the Australian Auditing Standards. These auditing standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is 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 procedures selected depend on the auditor's judgement, including the assessment of risks of material misstatement in the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers 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, other than in expressing an opinion or

compliance with prescribed requirements. An audit also includes evaluating the appropriateness of accounting policies and the reasonableness of accounting estimates made by the Council Members, as well as evaluating the overall presentation of the financial report including any mandatory financial reporting requirements as approved by the Treasurer for application in Queensland.

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

Independence

The *Auditor-General Act 2009* promotes the independence of the Auditor-General and all authorised auditors. The Auditor-General is the auditor of all Queensland public sector entities and can only be removed by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

Auditor's Opinion

In accordance with s.40 of the *Auditor-General Act 2009* –

- (a) I have received all the information and explanations which I have required; and
- (b) in my opinion –
 - (i) the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
 - (ii) the financial report has been drawn up so as to present a true and fair view, in accordance with the prescribed accounting standards of the transactions of the Professional Standards Council for the financial year 1 July 2009 to 30 June 2010 and of the financial position as at the end of that year.



N George CPA
(as Delegate of the Auditor-General of Queensland)



Queensland Audit Office
Brisbane



Queensland
Government

© 2010 Professional Standards Council of Queensland.

This addendum has been prepared by the Professional Standards Council of Queensland for general and audit information purposes. Recipients should obtain their own independent advice before making any decisions that rely upon this information.

You may copy, distribute, display, download and otherwise freely deal with this work for any purpose, provided that you attribute the Professional Standards Council of Queensland as the owner, however, you must obtain permission from the Professional Standards Council of Queensland if you wish to (a) charge others for access to the work (other than at cost), (b) include the work in advertising or a product for sale, or (c) modify the work.

Published in September 2010 by the Professional Standards Council of Queensland.