



Pharmacy Council of New South Wales

Protecting the public
Regulating pharmacists and pharmacies

Financial Statements

Year ended 30 June 2017



Statement by members of the council

Pursuant to s 41C(1B) *Public Finance and Audit Act 1983*, and in accordance with the resolution of the members of the Pharmacy Council of New South Wales, we declare on behalf of the Council that in our opinion:

1. The accompanying financial statements exhibit a true and fair view of the financial position of the Pharmacy Council of New South Wales as at 30 June 2017 and financial performance for the year then ended.
2. The financial statements have been prepared in accordance with the provisions of applicable Australian Accounting Standards, Accounting Interpretations, the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2015*, and the Financial Reporting Directions issued by NSW Treasurer.

Further, we are not aware of any circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.



Mr Stuart Ludington
President

Date: 13 October 2017



Mr Adrian Lee
Deputy President

Date: 13 October 2017



INDEPENDENT AUDITOR'S REPORT

Pharmacy Council of New South Wales

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Pharmacy Council of New South Wales (the Council), which comprise the statement of financial position as at 30 June 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Council as at 30 June 2017, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are 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 requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

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

The Council's Responsibility for the Financial Statements

The members of the Council are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the PF&A, and for such internal control as the members of the Council determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the members of the Council must assess the Council's ability to continue as a going concern except where the Council will be dissolved by an Act of Parliament or otherwise cease operations. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Somaiya Ahmed
A/Director, Financial Audit Services

17 October 2017
SYDNEY

Statement of Comprehensive Income
for the Year Ended 30 June 2017

	Notes	2017 \$	2016 \$
EXPENSES EXCLUDING LOSSES			
Operating expenses			
Personnel services	2(a)	(1,019,919)	(909,616)
Other operating expenses	2(b)	(1,099,882)	(1,107,737)
Depreciation and amortisation	2(c)	(96,735)	(135,518)
Finance costs	2(d)	(1,109)	(796)
Other expenses	2(e)	(423,779)	(411,739)
Education and research expenses	3	(15,861)	(4,000)
Total Expenses Excluding Losses		(2,657,285)	(2,569,406)
REVENUE			
Registration fees		2,684,059	2,344,867
Interest revenue	5(a)	81,170	102,981
Other revenue	5(b)	351,834	259,941
Total Revenue		3,117,063	2,707,789
Gain/(Loss) on disposal/additions	6	-	(2,540)
Net Result		459,779	135,843
Other comprehensive income		-	-
Total Comprehensive Income		459,779	135,843

The accompanying notes form part of these financial statements.

Statement of Financial Position

as at 30 June 2017

	Notes	2017 \$	2016 \$
ASSETS			
Current Assets			
Cash and cash equivalents	7	5,129,972	5,217,199
Receivables	8	113,117	157,539
Total Current Assets		5,243,089	5,374,738
Non-Current Assets			
Plant and equipment			
Leasehold improvements		9,907	20,787
Motor vehicles		45,137	62,426
Furniture and fittings		-	3,350
Office equipment		2,599	4,233
Total Plant and equipment	9	57,644	90,796
Intangible assets	10	88,347	141,245
Total Non-Current Assets		145,991	232,041
Total Assets		5,389,080	5,606,779
LIABILITIES			
Current Liabilities			
Payables	11	362,730	762,974
Fees in advance	12	1,311,432	1,595,445
Provisions	13	-	86,112
Total Current Liabilities		1,674,161	2,444,531
Non-Current Liabilities			
Provisions	13	92,893	-
Total Non-Current Liabilities		92,893	-
Total Liabilities		1,767,054	2,444,531
Net Assets		3,622,026	3,162,248
EQUITY			
Accumulated funds		3,622,026	3,162,248
Total Equity		3,622,026	3,162,248

The accompanying notes form part of these financial statements.

Part 3: Financial Statements
Pharmacy Council of New South Wales

Statement of Changes in Equity
for the Year Ended 30 June 2017

	Notes	Accumulated Funds \$
Balance at 1 July 2016		3,162,248
Net result for the year		<u>459,779</u>
Balance at 30 June 2017		<u>3,622,026</u>
Balance at 1 July 2015		3,026,405
Net result for the year		<u>135,843</u>
Balance at 30 June 2016		<u>3,162,248</u>

The accompanying notes form part of these financial statements.

Statement of Cash Flows

for the Year Ended 30 June 2017

	Notes	2017 \$	2016 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Personnel services		(1,067,122)	(740,771)
Council fees		(167,552)	(163,062)
Sitting fee costs		(216,092)	(198,532)
Audit fees		(16,220)	(15,820)
Occupancy costs		(174,850)	(181,785)
Temporary labour costs		(470,746)	(506,235)
Computer Services		(152,434)	(115,995)
Health Assessment Fees		(41,195)	-
NCAT Fixed Costs		(54,423)	-
Other expenses		(581,130)	(218,237)
Total Payments		(2,941,764)	(2,140,437)
Receipts			
Receipts from registration fees		2,427,058	2,625,869
Interest received		90,076	53,833
Other		351,834	250,322
Total Receipts		2,868,968	2,930,024
Net Cash Flows from Operating Activities	17	(72,796)	789,587
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of plant and equipment		-	33,432
Purchases of plant and equipment and intangible assets		(14,431)	(63,287)
Net Cash Flows from Investing Activities		(14,431)	(29,855)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash Flows From Financing Activities		-	-
Net Cash Flows from Financing Activities		-	-
Net Increase/(Decrease) in Cash		(87,227)	759,732
Opening cash and cash equivalents		5,217,199	4,457,467
Closing Cash and Cash Equivalents	7	5,129,972	5,217,199

The accompanying notes form part of these financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting Entity

The Pharmacy Council of New South Wales (the Council) as a not-for-profit reporting entity with no cash generating units, performs the duties and functions contained in the *Health Practitioner Regulation National Law (NSW) No 86a* (the Law).

These financial statements for the year ended 30 June 2017 have been authorised for issue by the Council on 13 October 2017.

b. Basis of Preparation

The Council has adopted the going concern basis in the preparation of the financial statements.

The Council's financial statements are general purpose financial statements and have been prepared in accordance with:

- applicable Australian Accounting Standards (which include Australian Accounting Interpretations) and
- the requirements of the *Public Finance and Audit Act 1983* and Regulation.
- financial reporting directions mandated by the Treasurer

The financial statements have been prepared on the basis of historical cost.

Judgements, key assumptions and estimations management has made are disclosed in the relevant notes to the financial statements.

All amounts are rounded to the nearest dollar and are expressed in Australian currency.

c. Statement of Compliance

The financial statements and notes comply with Australian Accounting Standards, which include Australian Accounting Interpretations.

d. Significant accounting judgments, estimates and assumptions

The agreed cost sharing arrangements for the distribution of pooled costs between Health Professional Councils were introduced effective 1 July 2012 other than a revision to the allocation of indirect personnel services to Councils.

These indirect costs are shown as part of the Council's statement of comprehensive income and includes the following expense line items:

1. Personnel Services
2. Rent and building expenses
3. Contracted labour
4. Depreciation and Amortisation
5. Postage and Communication
6. Printing and Stationery

Notes to the Financial Statements continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e. Insurance

The Council's insurance activities are conducted through the NSW Treasury Managed Fund Scheme of self-insurance for Government entities. The expense (premium) is determined by the Fund Manager based on past claim experience.

f. Accounting for the Goods and Services Tax (GST)

Income, expenses and assets are recognised net of the amount of GST, except that:

- the amount of GST incurred by the Council as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense and
- receivables and payables are stated with the amount of GST included.

Cash flows are included in the statement of cash flows on a gross basis. However, the GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

g. Income Recognition

Income is measured at the fair value of the consideration or contribution received or receivable.

The National Registration and Accreditation Scheme for all health professionals commenced on 1 July 2010. NSW opted out of the complaint handling component of the National scheme and ten health professional Councils were established in NSW effective from 1 July 2010 with a further four established on 1 July 2012 to manage the complaints function in a co-regulatory arrangement with the NSW Health Care Complaints Commission.

Under Section 26A of the Law, the complaints element of the registration fees payable by NSW health practitioners was decided by the Council established for that profession subject to approval by the Minister for Health.

The Council, under the Law, receives fees on a monthly basis from the Australian Health Practitioner Regulation Agency (AHPRA) being the agreed NSW complaints element for the 2017 registration fee.

Fees are progressively recognised as income by the Council as the annual registration period elapses. Fees in advance represent unearned income at balance date.

Other revenue comprises of monies received by the Pharmacy Council for the regulation of pharmacy businesses in NSW (as per the Law, Schedule 5F). This includes fees for annual registration of pharmacy premises, now or varied applications for pharmacy businesses and acquisition of pecuniary interest in pharmacy body corporate.

Notes to the Financial Statements continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Personnel Services

In accordance with an agreed Memorandum of Understanding, the Ministry of Health (MOH) being the employer charges the Council for personnel services relating to the provision of all employees. Staff costs are shown in the Statement of Comprehensive Income as personnel services in the financial statements of the Council. Amounts owing for personnel services in the Statement of Financial Position represent amounts payable to the MOH in respect of personnel services.

i. Interest Revenue

Interest revenue is recognised using the effective interest method as set out in AASB 139 *Financial Instruments: Recognition and Measurement*.

j. Education and Research

The Council is responsible for the administration of the Education and Research account. The Minister for Health may determine that a set amount of funds out of the fees received to be transferred to the Education and Research account.

k. Assets

i. Acquisition of Assets

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by the Council. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the requirements of other Australian Accounting Standards.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Where payment for an item is deferred beyond normal credit terms, its cost is the cash price equivalent, i.e. the deferred payment amount is effectively discounted at an asset-specific rate.

ii. Capitalisation Thresholds

The Health Professional Councils Authority (HPCA) acquires all assets on behalf of the Council. Shared use assets that cost over \$5,000 at the time of purchase by the HPCA are capitalised. These capitalised shared use assets are then allocated to the Council using an appropriate allocation method.

iii. Impairment of Plant and Equipment

As a not-for-profit entity with no cash generating units, AASB 136 *Impairment of Assets* effectively is not applicable. AASB 136 modifies the recoverable amount test to the higher of fair value less costs to sell and depreciated replacement cost. This means that, where an asset is already measured at fair value, impairment can only arise if selling costs are material. Selling costs for the entity are regarded as immaterial.

Notes to the Financial Statements continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

iv. Depreciation of Plant, Equipment and Leasehold Improvements

Depreciation and amortisation is provided for on a straight-line basis for all depreciable assets so as to write off the amounts of each asset as it is consumed over its useful life to the Council.

Depreciation and amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Depreciation rates used are as follows:

	2016/17	2015/16
Plant and equipment	25%	25%
Furniture and fittings	-	20%
Motor vehicles	25%	25%
Leasehold improvements	1.32% - 20%	17.02% - 27.86%

v. Fair Value of Plant and Equipment

There has been no revaluation on any of the Council's plant and equipment as they are non-specialised assets. Non-specialised assets with short useful lives are measured at depreciated historical cost as a surrogate for fair value.

vi. Maintenance

Day-to-day servicing costs or maintenance are charged as expenses as incurred, except where they relate to the replacement of a component of an asset, in which case the costs are capitalised and depreciated.

vii. Intangible Assets

The Council recognises intangible assets only if it is probable that future economic benefits will flow to the entity and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. Where an asset is acquired at no or nominal cost, the cost is its fair value as at the date of acquisition.

All research costs are expensed. Development costs are only capitalised when certain criteria are met.

The useful lives of intangible assets are assessed to be finite.

Intangible assets are subsequently measured at fair value only if there is an active market. As there is no active market for the entity's intangible assets, the assets are carried at cost less any accumulated amortisation.

The Council's intangible assets are amortised using the straight line method over a period of four years. In general, intangible assets are tested for impairment where an indicator of impairment exists. If the recoverable amount is less than its carrying amount, the carrying amount is reduced to recoverable amount and the reduction is recognised as an impairment loss. However, as a not-for-profit entity with no cash generating units, the Council is effectively exempted from impairment testing.

Notes to the Financial Statements continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

viii. Receivables

Receivables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any impairment of receivables. Short-term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial. An allowance for impairment of receivables is established when there is objective evidence that the Council will not be able to collect all amounts due. The amount of the allowance is the difference between the assets carrying amount and the present value of the estimated future cash flows, discounted at the effective interest rate. Bad debts are written off with approval of the Council as incurred.

l. Liabilities

i. Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Council and other amounts. Payables are recognised initially at fair value, usually based on the transaction cost or face value. Short-term payables with no stated interest rates are measured at the original invoice amount where the effect of discounting is immaterial.

ii Personnel Services – Ministry of Health

In accordance with an agreed Memorandum of Understanding, personnel services are acquired from the MOH. As such the MOH accounting policy is below.

Liabilities for salaries and wages (including non-monetary benefits), annual leave and paid sick leave that are due to be settled within 12 months after the end of the period in which the employees render the service are recognised and measured in respect of employees' services up to the reporting date at undiscounted amounts based on the amounts expected to be paid when the liabilities are settled.

In accordance with NSWTC 15/09 'Accounting for Long Service Leave and Annual Leave', the Council's annual leave has been assessed as a short-term liability as these short-term benefits are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employee renders the related services.

Unused non-vesting sick leave does not give rise to a liability as it is not considered probable that sick leave taken in the future will be greater than the benefits accrued in the future.

The outstanding amounts of payroll tax, workers' compensation insurance premiums and fringe benefits tax, which are consequential to employment, are recognised as liabilities and expenses where the employee benefits to which they relate have been recognised.

All employees receive the Superannuation Guarantee Levy contribution. All superannuation benefits are provided on an accumulation basis – there are no defined benefits. Contributions are made by the entity to an employee superannuation fund and are charged as an expense when incurred.

iii. Provision for Make Good

Provisions include the Council's proportionate liability (allocated to the Council using an appropriate allocation method) of the estimated make good liability.

Notes to the Financial Statements continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

m. Equity / Accumulated Funds

The category 'Accumulated Funds' includes all current and prior period funds.

n. Comparative information

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is disclosed in respect of the previous period for all amounts reported in the financial statements.

o. Cash and cash equivalents

Cash and cash equivalent assets in the statement of financial position would normally comprise cash on hand, cash at bank and short-term deposits and include deposits in the NSW Treasury Corporation's Hour-Glass cash facility, other Treasury Corporation deposits (less than 90 days) and other at-call deposits that are not quoted in the active market.

In accordance with TC 15-01, the Council transferred all 'at call' cash deposits to the Treasury Banking System on 2 September 2015. These funds are sitting in an interest bearing bank account earning the Reserve Bank of Australia (RBA) Cash Rate.

Bank overdrafts are included within liabilities.

p. Changes in accounting policy, including new or revised Australian Accounting Standards

(i) Effective for the first time in 2016 -17

The accounting policies applied in 2016-17 are consistent with those of the previous financial year except as a result of the following new or revised Australian Accounting Standards that have impacted in 2016-17 and have been applied for the first time as follows:

The following revised Australian Accounting Standards are effective for the first time in 2016-17, however they have no significant impact on the 2016-17 results:

- (1) AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable methods of Depreciation and Amortisation
- (2) AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 (Presentation of Financial Statements)

AASB 2015-6, Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities extends the scope of AASB 124 Related Party Disclosures to include application by not-for-profit public sector entities. The application of this standard has resulted in increased disclosures in the financial statements relating to related party transactions and Key Management Personnel compensation.

Notes to the Financial Statements continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(ii) Issued but not yet effective

NSW public sector entities are not permitted to early adopt new Australian Accounting Standards, unless Treasury determines otherwise. The following new Australian Accounting Standards have not been applied and are not yet effective, this list is not exhaustive and excludes any standards which are not applicable to the Council. The possible impact of these Standards in the period of initial application includes:

AASB 9 Financial Instruments and AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 are applicable for reporting period on or after 1 January 2018. AASB 9 will replace AASB 139 Financial Instruments: Recognition and Measurement and establishes new principles for the financial reporting of financial assets, financial liabilities and hedge accounting. AASB 9 also introduces a forward-looking 'expected credit losses' impairment model, which may significantly impact the timing and amount of impairment recognition.

AASB 16 Leases applies to annual periods beginning on or after 1 January 2019. The standard introduces a new approach to lease accounting that requires a lessee to recognise assets and liabilities for the rights and obligations created by leases. The application of this standard will likely have a significant transitional impact as all leases, except short term (< 12 months) and low value leases, brought on balance sheet.

AASB 2016-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107 applies to annual periods beginning on or after 1 January 2017. The standard amends AASB 107 Statement of Cash Flows to require additional disclosures regarding financing activities in the Statement of Cash Flows. The change is not expected to materially impact the financial statements.

AASB 2016-8 Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities. Amendments to AASB 9 requires the entity to apply initial measurement of non-contractual receivables arising from statutory obligations, which is not expected to materially impact the financial statements. Amendments to AASB 15 are not applicable to the Council.

AASB 1058 Income of Not-for-Profit Entities applies to not-for-profit entities and is effective for annual periods beginning on or after 1 January 2019. This standard requires entities to recognise income where the consideration to acquire an asset, including cash, is significantly less than the fair value principally to enable the entity to further its objectives. Under this standard, the timing of income recognition may be impacted depending on whether there is a liability or other performance obligation associated with the acquired asset, including cash.

AASB 1058 also requires government agencies to recognise income for volunteer services received if the fair value of those services can be measured reliably and the services would have been purchased if they had not been donated. This is consistent with current practice under AASB 1004 Contributions and is not expected to materially impact the financial statements.

Notes to the Financial Statements continued

2. EXPENSES EXCLUDING LOSSES

a. Personnel Services Expenses

Personnel services expenses are acquired from the MOH and comprise the following:

	2017	2016
	\$	\$
Salaries and wages (including recreation leave)	892,546	777,686
Superannuation	71,056	83,872
Payroll taxes	53,108	45,411
Workers compensation insurance	3,208	2,647
	<u>1,019,919</u>	<u>909,616</u>

b. Other Operating Expenses

	2017	2016
	\$	\$
Auditor's remuneration	16,220	15,820
Rent and building expenses	174,850	175,396
Council fees	167,552	163,062
Sitting fees	216,092	198,532
NSW Civil & Administrative Tribunal fixed costs	54,423	48,692
Contracted labour	470,746	506,235
	<u>1,099,882</u>	<u>1,107,737</u>

c. Depreciation and Amortisation Expense

	2017	2016
	\$	\$
Depreciation		
Motor vehicles	17,287	15,615
Furniture and fittings	-	2,887
Office Equipment	1,843	5,788
	<u>19,130</u>	<u>24,290</u>
Amortisation		
Leasehold improvement	16,675	50,877
Intangible assets	60,931	60,351
	<u>77,606</u>	<u>111,228</u>
Total Depreciation and Amortisation	<u>96,735</u>	<u>135,518</u>

d. Finance Costs

	2017	2016
	\$	\$
Unwinding of discount rate on make good provision	1,109	796
	<u>1,109</u>	<u>796</u>

Notes to the Financial Statements continued

2. EXPENSES EXCLUDING LOSSES (Continued)

2. e. Other Expenses	2017	2016
	\$	\$
Subsistence and transport	99,920	106,679
Fees for service	260,972	194,528
Postage and communication	21,417	14,164
Printing and stationery	15,535	23,944
Equipment and furniture	5,269	801
General administration expenses	12,376	55,391
Loss on re-allocation of Fixed assets	8,289	-
Loss on re-allocation of Make good asset	-	16,232
	<u>423,779</u>	<u>411,739</u>

3. EDUCATION AND RESEARCH

	2017	2016
	\$	\$
Education and Research Expenses		
Grants	-	4,000
Other expenses	15,861	-
Total (excluding GST)	<u>15,861</u>	<u>4,000</u>

4. EXPENDITURE MANAGED ON BEHALF OF THE COUNCIL THROUGH THE NSW MINISTRY OF HEALTH

The Council's accounts are managed by the NSW Ministry of Health (MOH). Executive and administrative support functions are provided by the HPCA, which is an executive agency of the MOH.

In accordance with an agreed Memorandum of Understanding, salaries and associated oncosts are paid by the MOH. The MOH continues to pay for the staff and associated oncosts. These costs are reimbursed by the Council to the MOH.

Notes to the Financial Statements continued

5. (a). INTEREST REVENUE	2017	2016
	\$	\$
Interest revenue from financial assets not at fair value through profit or loss	81,170	102,981
	81,170	102,981

The credit interest rate is calculated on daily balances as per the RBA cash rate.

INTEREST RATE	2017	2016
	%	%
Average Interest Rate	1.52	1.87

(b). OTHER REVENUE	2017	2016
	\$	\$
Profit on re-allocation of Make good asset	-	9,619
Legal Fee Recoveries	8,801	8,669
External Consulting Fee Recoveries	-	18,624
Application Fees	318,933	213,895
Other Revenue	24,100	9,134
	351,834	259,941

6. GAIN/(LOSS) ON DISPOSAL/ADDITIONS	2017	2016
	\$	\$
Plant and equipment		
Gain/(Loss) on disposal/additions on plant and equipment	-	(2,540)
Total gain/(loss) on disposal / additions	-	(2,540)

7. CASH AND CASH EQUIVALENTS	2017	2016
	\$	\$
Cash at bank and on hand	10,194	27,856
Cash at bank - held by HPCA*	5,119,778	5,189,343
	5,129,972	5,217,199

*This is cash held by the HPCA, an executive agency of the MOH, on behalf of the Council for its operating activities.

Cash comprises Cash on hand and bank balances within the NSW Treasury Banking System. The Council operates the bank accounts shown below:

	2017	2016
	\$	\$
Education and research account**	10,194	27,856
	10,194	27,856

** Managed by the HPCA, an executive agency of the MOH.

Notes to the Financial Statements continued

8. RECEIVABLES	2017	2016
	\$	\$
Prepayments	14,978	19,226
Other receivables	37,250	41,431
Interest receivable	40,255	49,161
Trade receivables	20,633	51,031
Less: Allowance for impairment	-	(3,310)
	113,117	157,539
Movement in the allowance of impairment		
Balance at 1 July	3,310	3,310
Amounts written off during the year	-	-
Amounts recovered during the year	-	-
Increase/(decrease) in allowance recognised in profit or loss	(3,310)	-
Balance at 30 June	-	3,310

Trade receivables have been considered for impairment.

The trade receivables include monies that AHPRA has collected from registrants as at 30 June 2017 and has remitted the monies to HPCA in July 2017.

9. PLANT AND EQUIPMENT

The Council has an interest in plant and equipment used by all health professional Councils. Plant and equipment is not owned individually by the Council. The amounts recognised in the financial statements have been calculated based on the benefits expected to be derived by the Council.

	Leasehold Improvements W.I.P	Leasehold Improvements	Motor Vehicles	Furniture & Fittings	Office Equipment	Total
	\$	\$	\$	\$	\$	\$
At 1 July 2016						
Gross carrying amount	-	110,402	69,149	14,942	96,164	290,657
Accumulated depreciation and impairment	-	(89,615)	(6,723)	(11,592)	(91,931)	(199,861)
Net carrying amount	-	20,787	62,426	3,350	4,233	90,796
At 30 June 2017						
Gross carrying amount	1,814	59,964	69,148	-	3,205	134,131
Accumulated depreciation and impairment	-	(51,871)	(24,010)	-	(606)	(76,487)
Net carrying amount	1,814	8,093	45,137	-	2,599	57,644

Reconciliation

A reconciliation of the carrying amount of each class of plant and equipment at the beginning and end of the current reporting period is set out below:

Notes to the Financial Statements continued

9. PLANT AND EQUIPMENT continued

Year ended 30 June 2017	Leasehold	Leasehold	Motor	Furniture	Office	Total
	Improvements					
	W.I.P					
	\$	\$	\$	\$	\$	\$
Net carrying amount at start of year	-	20,787	62,426	3,350	4,233	90,796
Additions	1,814	-	-	-	3,207	5,021
Disposals	-	-	-	-	-	-
Other ¹	-	3,981	(2)	(3,350)	(2,998)	(2,369)
Depreciation	-	(16,675)	(17,287)	-	(1,843)	(35,805)
Net carrying amount at end of year	1,814	8,093	45,137	-	2,599	57,644

At 1 July 2015	Leasehold	Leasehold	Motor	Furniture	Office	Total
	Improvements					
	W.I.P					
	\$	\$	\$	\$	\$	\$
Gross carrying amount	-	98,167	63,487	14,437	95,307	271,398
Accumulated depreciation and impairment	-	(38,738)	(18,623)	(8,705)	(86,143)	(152,209)
Net carrying amount	-	59,429	44,864	5,732	9,164	119,189

At 30 June 2016	Leasehold	Leasehold	Motor	Furniture	Office	Total
Gross carrying amount	-	110,402	69,149	14,942	96,164	290,657
Accumulated depreciation and impairment	-	(89,615)	(6,723)	(11,592)	(91,931)	(199,861)
Net carrying amount	-	20,787	62,426	3,350	4,233	90,796

Reconciliation

A reconciliation of the carrying amount of each class of plant and equipment at the beginning and end of the prior reporting period is set out below:

Year ended 30 June 2016	Leasehold	Leasehold	Motor	Furniture	Office	Total
	Improvements					
	W.I.P					
	\$	\$	\$	\$	\$	\$
Net carrying amount at start of year	-	59,429	44,864	5,732	9,164	119,189
Additions	-	4,209	69,148	505	857	74,719
Disposals	-	-	(35,971)	-	-	(35,971)
Other ¹	-	8,026	-	-	-	8,026
Depreciation	-	(50,877)	(15,615)	(2,887)	(5,788)	(75,167)
Net carrying amount at end of year	-	20,787	62,426	3,350	4,233	90,796

1. Other includes:

b. Adjustments to carrying value of make good asset/liability in accordance with AASB 137.

Notes to the Financial Statements continued

10. INTANGIBLE ASSETS

The Council has an interest in intangible assets used by all health professional Councils. The assets are not owned individually by the Council. The amounts recognised in the financial statements have been calculated based on the benefits expected to be derived by the Council.

At 1 July 2016	Software W.I.P	Software	Total
	\$	\$	\$
Cost (gross carrying amount)	2,496	387,381	389,877
Accumulated amortisation and impairment	-	(248,632)	(248,632)
Net carrying amount	2,496	138,749	141,245

At 30 June 2017			
Cost (gross carrying amount)	-	244,694	244,694
Accumulated amortisation and impairment	-	(156,347)	(156,347)
Net carrying amount	-	88,347	88,347

Year ended 30 June 2017	Software W.I.P	Software	Total
	\$	\$	\$
Net carrying amount at start of year	2,496	138,749	141,245
Additions	-	1,367	1,367
Disposals	-	-	-
Transfer	-	-	-
Other ¹	(2,496)	9,162	6,666
Amortisation	-	(60,931)	(60,931)
Net carrying amount at end of year	-	88,347	88,347

At 1 July 2015	Software W.I.P	Software	Total
	\$	\$	\$
Cost (gross carrying amount)	41,932	359,379	401,311
Accumulated amortisation and impairment	-	(188,281)	(188,281)
Net carrying amount	41,932	171,098	213,030

At 30 June 2016			
Cost (gross carrying amount)	2,496	387,381	389,877
Accumulated amortisation and impairment	-	(248,632)	(248,632)
Net carrying amount	2,496	138,749	141,245

Notes to the Financial Statements continued

10. INTANGIBLE ASSETS continued

	Software W.I.P	Software	Total
Year Ended 30 June 2016	\$	\$	\$
Net carrying amount at start of year	41,932	171,098	213,030
Additions	2,496	3,470	5,966
Transfer	(41,932)	41,932	-
Other ¹	-	(17,400)	(17,400)
Amortisation	-	(60,351)	(60,351)
Net carrying amount at end of year	2,496	138,749	141,245

1. Other includes:

a. Adjustment for write off of intangible assets under \$5,000.

11. PAYABLES

	2017	2016
	\$	\$
Personnel services - Ministry of Health	206,783	257,269
Trade and other payables	155,947	505,705
	362,730	762,975

12. FEES IN ADVANCE

	2017	2016
	\$	\$
Current		
Registration fees in advance	1,311,432	1,594,733
Deferred other revenue	-	712
	1,311,432	1,595,445

Registration fees in advance is the unearned revenue from NSW Regulatory Fees received on behalf of the Council by the HPCA from the AHPRA.

Notes to the Financial Statements continued

13. PROVISIONS	2017	2016
	\$	\$
Current		
Make good	-	86,112
	<u>-</u>	<u>86,112</u>
Non-Current		
Make good	92,893	-
	<u>92,893</u>	<u>-</u>

Movement in provisions (other than personnel services)

Movements in each class of provision during the financial year, other than personnel services, are set out below:

Make good	2017	2016
	\$	\$
Carrying amount at the beginning of financial year	86,112	70,676
Increase/(Decrease) in provisions recognised due to re-allocation of opening balances at beginning of year	-	16,233
Increase/(Decrease) in provisions recognised	5,672	(1,593)
Unwinding/change in discount rate	1,109	796
Carrying amount at the end of financial year	<u>92,893</u>	<u>86,112</u>

The HPCA on behalf of Councils recognised a lease make good provision on entering into lease arrangements for Level 6, 477 Pitt Street. The provision was first included in the financial statements for 30 June 2011 and was based on a market based estimate of the cost per square metre to make good the areas of the Pitt Street building that the HPCA occupies at the end of the lease.

The HPCA on behalf of the Councils has entered into a new lease agreement for five years for the Pitt Street leased property effective from 1 December 2016. As required under paragraph 59 of AASB 137, provision for make good for the leased property has been adjusted accordingly to reflect the expected make good liability at the end of the lease.

As opposed to last financial year, the current make good provision has not been adjusted using the discounted present value method because the difference between the future value of the provision and the present value has been accepted as immaterial.

The lease arrangements for the Pitt Street building will expire in November 2021.

Notes to the Financial Statements continued

14. COMMITMENTS FOR EXPENDITURE **2017** **2016**
\$ **\$**

a. Capital Commitments

Capital commitments contracted as at 30 June 2017:

Not later than one year	4,490	-
Later than one year and not later than five years	-	-
Total (including GST)	4,490	-

b. Operating Lease Commitments

Future non-cancellable operating lease rentals not provided for and payable:

Not later than one year	194,704	63,346
Later than one year and not later than five years	732,554	-
Total (including GST)	927,259	63,346

15. RELATED PARTY TRANSACTIONS

During the financial year, the Council obtained key management personnel services from the Ministry of Health and incurred \$253,093 for these services.

16. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There are no material contingent assets or liabilities as at 30 June 2017.

17. RECONCILIATION OF NET RESULT TO CASH FLOWS FROM OPERATING ACTIVITIES

	2017	2016
	\$	\$
Net Result	459,779	135,843
Depreciation and amortisation	96,735	135,518
(Increase)/Decrease in receivables	44,423	(109,391)
Increase/(Decrease) in fees in advance	(284,089)	315,634
Increase/(Decrease) in payables	(400,170)	302,034
Increase/(Decrease) in provisions	1,109	7,409
Net (gain)/loss on sale of plant and equipment	-	2,540
Write off of non-current assets	9,417	-
Net cash used on operating activities	(72,796)	789,588

Notes to the Financial Statements continued

18. FINANCIAL INSTRUMENTS

The Council's principal financial instruments are outlined below. These financial instruments arise directly from the entity's operations or are required to finance the Council's operations. The Council's main risks arising from financial instruments are outlined below, together with the Council's objectives, policies and processes for measuring and managing risk. Further quantitative and qualitative disclosures are included throughout the financial statements.

The Council has overall responsibility for the establishment and oversight of risk management and reviews and agrees on policies for managing each of these risks.

a. Financial Instrument Categories

	Notes	Category	Carrying Amount 2017 \$	Carrying Amount 2016 \$
Financial Assets				
Cash and cash equivalents	7	N/A	5,129,972	5,217,199
Receivables ¹	8	Receivables (measured at amortised cost)	60,888	96,882
Financial Liabilities				
Payables ²	11	Financial liabilities (measured at amortised cost)	362,730	762,974

Notes:

1. Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7).
2. Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7).
3. There are no financial instruments accounted for at fair value.

b. Credit Risk

Credit risk arises when there is the possibility of the Council's debtors defaulting on their contractual obligations, resulting in a financial loss to the Council. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for impairment).

Credit risk arises from the financial assets of the Council, including cash and receivables. No collateral is held by the Council. The Council has not granted any financial guarantees.

Cash

Cash comprises cash on hand and bank balances held by the Council and the HPCA on behalf of the Council. Interest is earned on the daily bank balances.

Notes to the Financial Statements continued

18. FINANCIAL INSTRUMENTS continued

Receivables - Trade Debtors

All trade debtors are recognised as amounts receivable at balance sheet date. Collectability of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance for impairment is raised when there is objective evidence that the entity will not be able to collect all amounts due. This evidence includes past experience, and current and expected changes in economic conditions and debtor credit ratings. No interest is earned on trade debtors. The Council is materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. This is somewhat mitigated by an agreed Memorandum of Understanding (MOU) between HPCA and AHPRA of behalf of the Councils and payment of debt in a timely manner.

Analysis of Trade Debtors Overdue

	Total	Past due but not impaired	Considered impaired
2017	\$	\$	\$
< 3 months overdue	4,637	4,637	-
3-6 months overdue	8,588	8,588	-
> 6 months overdue	1,592	1,592	-
2016			
< 3 months overdue	2,602	2,602	-
3-6 months overdue	-	-	-
> 6 months overdue	1,181	1,181	-

Notes

1. Each column in the table represents the 'gross receivables'.
2. The ageing analysis excludes statutory receivables that are not past due and not impaired.

c. Liquidity Risk

Liquidity risk is the risk that the Council will be unable to meet its payment obligations when they fall due. The HPCA on behalf of the Council continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets.

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in NSW TC 11/12. If trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. NSW TC 11/12 allows the Council to award interest for late payment.

All payables are current and will not attract interest payments.

The table below summarises the maturity profile of The Council's financial liabilities together with the interest rate exposure.

Notes to the Financial Statements continued

18. FINANCIAL INSTRUMENTS continued

Financial Liabilities	Interest Rate Exposure		Maturity Dates		
	Nominal Amount ¹	Non-interest bearing	< 1 yr	1-5 yrs	> 5 yrs
	\$	\$	\$	\$	\$
2017					
<i>Payables</i>					
Trade and other payables	155,947	155,947	155,947	-	-
<i>Fees in advance</i>					
Registration fees in advance	1,311,432	1,311,432	1,311,432	-	-
	1,467,378	1,467,378	1,467,378	-	-
2016					
<i>Payables</i>					
Trade and other payables	505,705	505,705	505,705	-	-
<i>Fees in advance</i>					
Registration fees in advance	1,594,733	1,594,733	1,594,733	-	-
	2,100,438	2,100,438	2,100,438	-	-

Notes:

1. The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which the entity can be required to pay. There is no interest impact on these financial liabilities
2. Accrued Salaries Wages, On-Costs and Payroll Deductions have been excluded from payables as not within the scope of AASB7 Financial Instruments: Disclosures. Prior year comparatives have been restated as a result.

Notes to the Financial Statements continued

18. FINANCIAL INSTRUMENTS continued

d. Market Risk

The Council does not have exposure to market risk on financial instruments.

e. Interest Rate Risk

The Council has minimal exposure to interest rate risk from its holdings in interest bearing financial assets. In accordance with TC 15-01, the Council transferred all 'at call' cash deposits to the Treasury Banking System on 2 September 2015. These funds are sitting in an interest bearing bank account earning the Reserve Bank of Australia (RBA) Cash Rate. The RBA Cash Rate has changed over the year as follows - June 30 2016 - 1.75% to June 30 2017 - 1.50%.

The Council has minimal exposure to interest rate risk from its holdings in interest bearing financial assets. In accordance with TC15-01, the Council transferred all 'at call' cash deposits to the Treasury Banking System on 2 September 2015. These funds are sitting in an interest bearing bank account earning the Reserve Bank of Australia (RBA) Cash Rate.

The Council does not account for any fixed rate financial instruments at fair value through profit or loss or as available-for-sale. A reasonably possible change of +/- 1% is used, consistent with current trends in interest rates. The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility. The RBA Cash Rate has changed over the year as follows - June 30 2016 - 1.75% to June 30 2017 - 1.50%

The Council's exposure to interest rate risk is set out below.

Financial Assets	Carrying Amount	Net Result	-1%	Net Result	+1%
			Equity		Equity
	\$	\$	\$	\$	\$
2017					
Cash and Cash Equivalents	5,129,972	(51,300)	(51,300)	51,300	51,300
2016					
Cash and Cash Equivalents	5,217,199	(52,172)	(52,172)	52,172	52,172

19. EVENTS AFTER THE REPORTING PERIOD

There are no events after the reporting period to be included in the financial statements as of 30 June 2017.

End of Unaudited financial statements