

Professional Standards Council

Financial report
for the year ended
30 June 2018



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To the Chair of Finance, Audit and Risk Management Committee Professional Standards Council

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987*, I have audited the financial report of the Professional Standards Council for the financial year ended 30 June 2018.

Opinion

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Professional Standards Council as at 30 June 2018, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2018
- a Statement of Financial Position as at 30 June 2018
- a Statement of Changes in Equity for the year ended 30 June 2018
- a Statement of Cash Flows for the year ended 30 June 2018
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from a Council member on behalf of the Chair of the Professional Standards Council, the Chief Executive Attorney-General's Department and the Executive Director Finance, People and Performance.

Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial report' section of my report. I am independent of the Professional Standards Council. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 Code of Ethics for Professional Accountants have been met.

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

Responsibilities of the Professional Standards Council for the financial report

The members of the Professional Standards Council are responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and that is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the financial report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the members of the Professional Standards Council
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

My report refers only to the financial report described above and does not provide assurance over the integrity of electronic publication by the entity on any website nor does it provide an opinion on other information which may have been hyperlinked to/from the report.

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



Andrew Richardson

Auditor-General

29 October 2018

Professional Standards Council
Certification of the Financial Statements
for the year ended 30 June 2018

We certify that the attached general purpose financial statements for the Professional Standards Council:

- comply with relevant Treasurer's Instructions issued under section 41 of the *Public Finance and Audit Act 1987*, and relevant Australian Accounting Standards
- are in accordance with the accounts and records of the Professional Standards Council
- present a true and fair view of the financial position of the Professional Standards Council as at 30 June 2018 and the results of its operations and cash flows for the financial year.

We certify that the internal controls employed by the Professional Standards Council for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period.



Caroline Meador
Chief Executive
Attorney-General's Department
18 October 2018



Andrew Swanson FCPA
Executive Director, Finance, People & Performance
Attorney-General's Department
18 October 2018



John Vines OAM
Council Member
On behalf of the Chair
25 October 2018

Professional Standards Council

Financial Statements

For the year ended 30 June 2018

Professional Standards Council
Statement of Comprehensive Income
for the year ended 30 June 2018

	Note	2018 \$'000	2017 \$'000
Expenses			
Administration	3	184	160
Total expenses		<u>184</u>	<u>160</u>
Income			
Regulatory fees	4	190	174
Total income		<u>190</u>	<u>174</u>
Net result		<u>6</u>	<u>14</u>
Total comprehensive result		<u><u>6</u></u>	<u><u>14</u></u>

The net result and total comprehensive result are attributable to the SA Government as owner.

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

Professional Standards Council
Statement of Financial Position
as at 30 June 2018

	Note	2018 \$'000	2017 \$'000
Current assets			
Cash and cash equivalents	5	215	201
Receivables	6	4	2
Total current assets		<u>219</u>	<u>203</u>
Total assets		<u>219</u>	<u>203</u>
Current liabilities			
Payables	7	58	45
Other current liabilities	8	27	30
Total current liabilities		<u>85</u>	<u>75</u>
Total liabilities		<u>85</u>	<u>75</u>
Net assets		<u>134</u>	<u>128</u>
Equity			
Retained earnings		134	128
Total equity		<u>134</u>	<u>128</u>

The total equity is attributable to the SA Government as owner.

Unrecognised contractual commitments	9
Contingent assets and liabilities	10

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

Professional Standards Council
Statement of Changes in Equity
for the year ended 30 June 2018

	Retained earnings	Total equity
	\$'000	\$'000
Balance at 30 June 2016	114	114
Total comprehensive result for 2016-17	14	14
Balance at 30 June 2017	128	128
Total comprehensive result for 2017-18	6	6
Balance at 30 June 2018	134	134

All changes in equity are attributable to the SA Government as owner.

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

Professional Standards Council
Statement of Cash Flows
for the year ended 30 June 2018

	Note	2018 \$'000	2017 \$'000
Cash flows from operating activities			
Cash outflows			
Administration		(171)	(278)
Other payments		-	(4)
Cash used in operations		<u>(171)</u>	<u>(282)</u>
Cash inflows			
Regulatory fees		<u>185</u>	<u>148</u>
Cash generated from operations		<u>185</u>	<u>148</u>
Net cash provided by / (used in) operating activities		<u>14</u>	<u>(134)</u>
Net increase / (decrease) in cash and cash equivalents		<u>14</u>	<u>(134)</u>
Cash and cash equivalents at the beginning of the reporting period		201	335
Cash and cash equivalents at the end of the reporting period	5	<u><u>215</u></u>	<u><u>201</u></u>

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

Professional Standards Council
Notes to and forming part of the financial statements
for the year ended 30 June 2018

1 Basis of financial statements

1.1 Reporting entity

The financial statements of the Professional Standards Council (the Council) include income, expenses, assets and liabilities which the Attorney-General's Department (AGD) administers on behalf of the SA Government.

1.2 Statement of compliance

These financial statements have been prepared in compliance with section 23 of the *Public Finance and Audit Act 1987* (PFAA).

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant Australian Accounting Standards (Reduced Disclosure Requirements) and comply with Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*.

The Council has applied Australian Accounting Standards that are applicable to not-for-profit entities, as the Council is a not-for-profit entity. Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Council for the period ending 30 June 2018.

1.3 Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgment in the process of applying the Council's accounting policies. The areas involving a higher degree of judgment or where assumptions and estimates are significant to the financial statements are outlined in the applicable notes
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported
- compliance with accounting policy statements issued pursuant to section 41 of the *Public Finance and Audit Act 1987*.

The Council's Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with the historical cost convention, except for certain assets that were valued in accordance with the applicable valuation policy.

The Statement of Cash Flows has been prepared on a cash basis.

The financial statements have been prepared based on a 12 month period and presented in Australian currency.

All amounts in the financial statements and accompanying notes have been rounded to the nearest thousand dollars (\$'000).

Assets and liabilities are characterised as either current or non-current in nature. Assets and liabilities that are sold, consumed or realised as part of the normal operating cycle even when they are not expected to be realised within twelve months after the reporting date have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

Significant accounting policies are set out in the notes.

Professional Standards Council

Notes to and forming part of the financial statements

for the year ended 30 June 2018

1 Basis of financial statements (continued)

1.4 Comparative information

The presentation and classification of items in the financial statements are consistent with prior periods except where specific accounting standards and/or accounting policy statements have required a change.

The restated comparative amounts do not replace the original financial statements for the preceding period.

1.5 Taxation

The Council is not subject to Income Tax and receipts (annual fees) from associations are exempt from Goods and Services tax (GST). The Council is liable for Payroll Tax and Fringe Benefits Tax (FBT) expenses; these are managed by the service provider, the New South Wales Department of Finance, Services and Innovation. GST in input costs are also managed by the service provider, on the Council's behalf. GST collections and payments are carried out by AGD on behalf of the Council. GST in relation to the Council is reported in the AGD Controlled Financial Statements.

2 Objectives of the Professional Standards Council

The objectives of the Professional Standards Councils are to promote consumer protection and excellence in professional standards by encouraging self-regulation of occupational groups through Professional Standards Schemes (from February 2014 the name "Professional Standards Scheme" replaced previous reference to "Cover of Excellence® schemes". Schemes approved before this date and that have not expired may still be described as Cover of Excellence®. However, for ease of reference these financial statements refer to 'Professional Standards Schemes' throughout).

Professional Standards Schemes

Professional Standards Schemes apply to members of occupational associations that administer Professional Standards Schemes approved by the Councils. Professional Standards 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
- entitle participating members of the occupational associations to use the Cover of Excellence® logo (only permitted where the scheme has been approved before February 2014 and remains in force).

The Professional Standards Councils

The Professional Standards Councils were constituted under state and territory professional standards legislation, with the mandate to approve Professional Standards 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 2011*.

Professional Standards Council
Notes to and forming part of the financial statements
for the year ended 30 June 2018

2 Objectives of the Professional Standards Council (continued)

The South Australia Council

The 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 46 of the Act, and are in summary:

- to advise the Minister about publications 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
- 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.

Funding of the Council

The Council is fully funded through the following:

- a fee of \$5 000 is payable to the Council for a Professional Standards Schemes application for approval, amendments or revocation
- an annual fee of \$50 for each member of occupational associations participating in a Professional Standards Scheme
- simple interest at the rate of 0.05% per day is payable by the Professional Standards Scheme holders on the outstanding balance of annual fees until the balance is paid.

Professional Standards Council
Notes to and forming part of the financial statements
for the year ended 30 June 2018

3 Administration expenses

	2018	2017
	\$'000	\$'000
Administration expenses	184	160
Total administration expenses	184	160

Expenses represent secretariat support provided by the New South Wales Department of Finance, Services and Innovation. The total cost of secretariat support proportionately shared among the eight Councils is determined by the percentage of revenue each Council has received. The Council's share of national expenditure for 2018 is 5.00% (2017: 4.86%).

Secretariat support includes employment, grants administered, occupancy, strategic and national items, other operating costs and depreciation and amortisation of assets solely procured for the eight national Councils and held by NSW Department of Finance, Services and Innovation.

4 Regulatory fees

	2018	2017
	\$'000	\$'000
Chartered Accountants Australia and New Zealand	104	96
Law Society of SA	69	62
SA Bar Association	17	16
Total regulatory fees	190	174

Revenues are derived from annual fees apportioned for the relevant financial year. Application fees are recognised when received. Interest on outstanding annual fees balance is accruable from date that simple interest applies.

5 Cash and cash equivalents

	2018	2017
	\$'000	\$'000
Deposits with the Treasurer	215	201
Total cash and cash equivalents	215	201

Cash is measured at nominal value. The Council does not earn interest on its deposits with the Treasurer.

Professional Standards Council
Notes to and forming part of the financial statements
for the year ended 30 June 2018

6 Receivables

	2018 \$'000	2017 \$'000
Current		
Annual fees receivable	4	2
Total current receivables	<u>4</u>	<u>2</u>
Total receivables	<u><u>4</u></u>	<u><u>2</u></u>

Receivables arise from the statutory obligation of occupational associations with Schemes in force, per the Professional Standards Regulations 2006. If any part 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 to the Council on the outstanding balance until the balance is paid.

It is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk.

Collectability of receivables is reviewed on an ongoing basis. An allowance for doubtful debts is raised when there is objective evidence that the Council would not be able to collect the debt. Bad debts are written off when identified.

7 Payables

	2018 \$'000	2017 \$'000
Current		
Accrued expenses	58	45
Total current payables	<u>58</u>	<u>45</u>
Total payables	<u><u>58</u></u>	<u><u>45</u></u>

Payables are measured at nominal amounts.

Accruals are raised for all amounts billable by NSW Department of Finance, Services and Innovation these are settled within the normal terms of payment of 30 days from invoice date, unless otherwise agreed. All payables are non-interest bearing.

8 Other current liabilities

	2018 \$'000	2017 \$'000
Current		
Unearned revenue	27	30
Total other current liabilities	<u>27</u>	<u>30</u>
Total other liabilities	<u><u>27</u></u>	<u><u>30</u></u>

Annual fees are apportioned over the relevant scheme year. A proportion of annual fees collected are deferred to the next financial year with the balance recognised as unearned revenue in the current financial year.

Professional Standards Council
Notes to and forming part of the financial statements
for the year ended 30 June 2018

9 Unrecognised contractual commitments

Commitments include operating, capital and outsourcing arrangements arising from contractual or statutory sources and are disclosed at their nominal value.

Unrecognised contractual commitments are disclosed net of the amount of GST recoverable from, or payable to the Australian Taxation Office (ATO). If GST is not payable to, or recoverable from the ATO, the commitments are disclosed on a gross basis.

Expenditure commitments - Administration

Administration expenditure contracted for at the reporting date but not recognised as liabilities are payable as follows:

	2018	2017
	\$'000	\$'000
Within one year	35	41
Later than one year but not longer than five years	31	67
Later than five years	2	3
Total other commitments	<u>68</u>	<u>111</u>

The commitments recorded above are estimated values for known outgoings. Per the *Inter-Departmental Service Agreement 2016*, the Council is liable for a portion of the total cost (with the balance being borne by the other seven jurisdictions). However, that portion is not known with precision at reporting date. It is dependent on the Council's portion of total revenue compared to the total of all eight jurisdictions.

10 Contingent assets and liabilities

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed by way of a note and, if quantifiable, are measured at nominal value.

The Council has no contingent assets or liabilities.

Professional Standards Council
Notes to and forming part of the financial statements
for the year ended 30 June 2018

11 Related party transactions

The Professional Standards Council is a wholly owned and controlled entity of the Crown.

Related parties of the Council include all key management personnel and their close family members, all Cabinet Ministers and their close family members; and all public authorities that are controlled and consolidated into the whole of government financial statements and other interests of the Government.

Key management personnel

Key management personnel of the Council include the Professional Standards Council members who have responsibility for the strategic direction and management of the Council in South Australia and all other states and territories of Australia.

The eight national Professional Standards Councils meet in unison and Council members are paid by the New South Wales Department of Finance, Services and Innovation. Total compensation for the Council's key management personnel was \$52,879 (2017: \$54,386).

In accordance with the *Inter-Departmental Services Agreement (2016)*, the Council is required to fund 5.00% or \$2,644 (2017: 4.86% or \$2,643) of key management personnel compensation. This amount is included in total administration expenses.

Transactions with key management personnel and other related parties

There were no transactions with key management personnel and other related parties.

Professional Standards Council
Notes to and forming part of the financial statements
for the year ended 30 June 2018

12 Financial risk management / financial instruments

Categorisation of financial instruments

Details of significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised with respect to each class of financial asset, financial liability and equity instruments are disclosed in the respective notes.

Financial assets

Cash and receivables are recorded at carrying amount which approximates fair value.

The Council's cash is held in trust by the SA Government.

Financial liabilities

Payables are recorded at carrying amount which approximates fair value.

The carrying amounts of each of the following categories of financial assets and liabilities are detailed below.

Category of financial asset and financial liability	Notes	Carrying amount / fair value \$'000	2018 Contractual maturities		
			Within 1 year \$'000	1-5 years \$'000	More than 5 years \$'000
Financial assets					
Cash	5	215	215	-	-
Receivables ⁽¹⁾	6	4	4	-	-
Total financial assets		219	219	-	-
Financial liabilities					
Payables ⁽¹⁾	7	58	58	-	-
Other current liabilities	8	27	27	-	-
Total financial liabilities		85	85	-	-

Category of financial asset and financial liability	Notes	Carrying amount / fair value \$'000	2017 Contractual maturities		
			Within 1 year \$'000	1-5 years \$'000	More than 5 years \$'000
Financial assets					
Cash	5	201	201	-	-
Receivables ⁽¹⁾	6	2	2	-	-
Total financial assets		203	203	-	-
Financial liabilities					
Payables ⁽¹⁾	7	45	45	-	-
Other current liabilities	8	30	30	-	-
Total financial liabilities		75	75	-	-

⁽¹⁾ Receivables and payable amounts disclosed here exclude amounts relating to statutory receivables and payables (e.g. Commonwealth, State and Local Government taxes, fees and charges; Auditor-General's Department audit fees). In government, certain rights to receive or pay cash may not be contractual and therefore, in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levies, tax and equivalents, they would be excluded from the disclosure. The standard defines contract as enforceable by law. All amounts recorded are carried at cost (not materially different from amortised cost).

Professional Standards Council
Notes to and forming part of the financial statements
for the year ended 30 June 2018

12 Financial risk management / financial instruments (continued)

Credit risk

Associations are responsible for self-calculating amounts due at the time of sale or delivery (that is, regulated timings and regulated prices) per Professional Standards Regulations 2006. Where Associations do not provide data for this liability to be estimated (per Professional Standards Regulations 2006) historical and trend data is used by the Council to estimate this liability. No such estimates were required during this reporting period.

Allowances for impairment of financial assets are calculated on past experience and factors relevant when the debt becomes overdue. Currently the Council does not hold any collateral security for any of its financial assets.

13 Events after reporting period

There are no known events after balance date that affects these financial statements.