

PROFESSIONAL
STANDARDS
COUNCIL

Financial Statements

for the financial year ended 30 June 2011

PROFESSIONAL STANDARDS COUNCIL OF QUEENSLAND



Professional Standards Council Financial Statements 2010-11

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General Information

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

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

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

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

Level 17, 50 Ann Street
BRISBANE QLD 4001

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

For information in relation to the Council's financial statements please call (07) 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 2011*

	Notes	2011 \$'000	2010 \$'000
Income from Continuing Operations			
<i>Revenue</i>			
User charges	2	482	237
Other revenues	3	31	11
Total Income from Continuing Operations		513	248
Expenses from Continuing Operations			
Supplies and services	4	240	129
Total Expenses from Continuing Operations		240	129
Operating Result from Continuing Operations		273	119
Other Comprehensive Income		-	-
Total Comprehensive Income		273	119

The accompanying notes form part of these statements.

STATEMENT OF FINANCIAL POSITION*as at 30 June 2011*

	Notes	2011 \$'000	2010 \$'000
Current Assets			
Cash and cash equivalents	5	735	418
Receivables	6	21	8
Total Current Assets		756	426
Total Assets		756	426
Current Liabilities			
Payables	7	83	30
Other	8	143	139
Total Current Liabilities		226	169
Total Liabilities		226	169
Net Assets		530	257
Equity			
Accumulated surplus		530	257
Total Equity		530	257

The accompanying notes form part of these statements.

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2011

	Accumulated Surplus \$'000	TOTAL \$'000
Balance as at 1 July 2009	138	138
Operating Result from Continuing Operations	119	119
Balance as at 30 June 2010	257	257
Balance as at 1 July 2010	257	257
Operating Result from Continuing Operations	273	273
Balance as at 30 June 2011	530	530

The accompanying notes form part of these statements.

PROFESSIONAL STANDARDS COUNCIL
STATEMENT OF CASH FLOWS
for the year ended 30 June 2011

	Notes	2011 \$'000	2010 \$'000
Cash flows from operating activities			
<i>Inflows:</i>			
User charges		485	245
Interest receipts		25	10
GST input tax credits from ATO		19	15
Other		1	-
<i>Outflows:</i>			
Supplies and services		(187)	(129)
GST paid to suppliers		(26)	(15)
Net cash provided by (used in) operating activities	9	317	126
Net increase (decrease) in cash and cash equivalents		317	126
Cash and cash equivalents at beginning of financial year		418	292
Cash and cash equivalents at end of financial year	5	735	418

The accompanying notes form part of these statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2010–11

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 2010–11

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
- Entitle 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 Act). 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 of the Act, 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 2010–11

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.

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 2011, 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. This involves either invoicing for related goods/services and/or the recognition of accrued revenue. User charges and fees are controlled by the Council where they can be deployed for the achievement of Council objectives.

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

(d) Cash and Cash Equivalents

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

(e) Receivables

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

The collectability of receivables is assessed periodically with provision being made for impairment.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2010–11

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

(f) Supplies and Services

Supplies and services represent secretarial support provided by the Department of Justice and Attorney-General NSW. The total cost of secretarial support is proportionately shared among the eight Councils determined by the percentage of revenue each Council has received. In 2010-11 Queensland's percentage is 19% (2010: 11%).

(g) Payables

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

(h) Financial Instruments

Recognition

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

Classification

Financial instruments are classified and measured as follows:

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

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

All other disclosures relating to the measurement and financial risk management of financial instruments held by the Council are included in Note 10.

(i) Taxation

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

(j) Issuance of Financial Statements

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2010-11

(k) 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.

(l) Rounding and Comparatives

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

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

(m) New and Revised Accounting Standards

The Council did not voluntarily change any of its accounting policies during 2010-11.

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 are not yet effective. The Council applies standards and interpretations in accordance with their respective commencement dates.

At the date of authorisation of the financial report, 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.

AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129 & 1052] apply to reporting periods beginning on or after 1 July 2013. AASB 1053 establishes a differential reporting framework for those entities that prepare general purpose financial statements, consisting of two tiers of reporting requirements - Australian Accounting Standards (commonly referred to as "tier 1"), and Australian Accounting Standards - Reduced Disclosure Requirements (commonly referred to as "tier 2").

Tier 1 requirements comprise the full range of AASB recognition, measurement, presentation and disclosure requirements that are currently applicable to reporting entities in Australia. The only difference between the tier 1 and tier 2 requirements is that tier 2 requires fewer disclosures than tier 1. AASB 2010-2 sets out the details of which disclosures in standards and interpretations are not required under tier 2 reporting.

It is the Council's intention to continue reporting under the tier 1 basis.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2010–11

	2011 \$'000	2010 \$'000
2. User Charges		
Annual fees	482	237
Total	482	237
3. Other Revenues		
Interest	26	11
Application fees	5	-
Total	31	11
4. Supplies and Services		
Secretariat support *	240	129
Total	240	129
* Included in secretariat support is an amount of \$5,016 for External audit fees (2010: \$2,975). There are no non-audit services in this amount.		
5. Cash and Cash Equivalents		
Cash at bank	735	418
Total	735	418
Interest earned on cash held with the Commonwealth Bank earned between 4.35% and 4.6% in 2011 (2010: 2.85% to 4.35%).		
6. Receivables		
GST receivable	13	5
Interest receivable	3	2
Other	5	1
Total	21	8
7. Payables		
Trade creditors	83	30
Total	83	30

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2010–11

		2011 \$'000	2010 \$'000
8. Other Current Liabilities			
Unearned revenue		143	139
Total		143	139
9. Reconciliation of Operating Result to Net Cash from Operating Activities			
Operating Result		273	119
Change in assets and liabilities:			
(Increase)/decrease in receivables		(13)	(1)
Increase/(decrease) in accounts payable		53	-
Increase/(decrease) in unearned revenue		4	8
Net Cash provided by (used in) Operating Activities		317	126
10. Financial Instruments			
(a) Categorisation of Financial Instruments			
The Council has the following categories of financial assets and financial liabilities:			
Category	Note	2011 \$'000	2010 \$'000
Financial Assets			
Cash and cash equivalents	5	735	418
Receivables	6	21	8
Total		756	426
Financial Liabilities			
Financial liabilities measured at amortised cost:			
Payables	7	83	30
Total		83	30

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2010–11

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	2011 \$'000	2010 \$'000
Financial Assets			
Cash	5	735	418
Receivables	6	21	8
Total Financial Assets		756	426

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2010-11

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.

(d) Liquidity Risk

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

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

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

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

	Note	2011 Payable in			Total \$'000
		< 1 year \$'000	1-5 years \$'000	> 5 years \$'000	
Financial Liabilities					
Payables	7	83	-	-	83
Total		83	-	-	83
	Note	2010 Payable in			Total \$'000
		< 1 year \$'000	1-5 years \$'000	> 5 years \$'000	
Financial Liabilities					
Payables	7	30	-	-	30
Total		30	-	-	30

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2010-11

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 on operating result if interest rates would change by +/-1% from the year end rates applicable to the Council's financial assets. With all other variables held constant, the Council would have a surplus and equity increase/(decrease) of \$7,000 (2010: \$4,000). This is mainly attributable to the Council's exposure to variable interest rates on its cash deposited in interest bearing accounts.

	Carrying Amount \$'000	2011 Interest rate risk			
		-1%		1%	
		Operating Result \$'000	Equity \$'000	Operating Result \$'000	Equity \$'000
Financial Instruments					
Cash	735	(7)	(7)	7	7
Potential impact		(7)	(7)	7	7

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

(g) Fair Value

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

CERTIFICATE OF THE PROFESSIONAL STANDARDS COUNCIL

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

- (a) the prescribed requirements for establishing and keeping the accounts have been complied with in all material respects; and
- (b) the statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of the Professional Standards Council for the financial year ended 30 June 2011 and of the financial position of the Council at the end of that year.



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

26 August 2011



Brian Rayment QC
BA, LLB
Chairman,
Professional Standards Council

26 August 2011

INDEPENDENT AUDITOR'S REPORT

To the Council Members of the Professional Standards Council

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 2011, and 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, and certificates given by the Chairman and Executive Director Financial Services, Department of Justice and Attorney-General.

The Council Members' Responsibility for the Financial Report

The Council 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 prescribed accounting requirements identified in the *Financial Accountability Act 2009* and the *Financial and Performance Management Standard 2009*, including compliance with Australian Accounting Standards. The Council Members' responsibility also includes such internal control as the Council determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

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. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance about 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 the risks of material misstatement of 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 of the financial report that gives a true and fair view 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 on compliance with prescribed requirements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the financial report including any mandatory financial reporting requirements 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.

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 relation to the establishment and keeping of accounts have been complied with in all material respects; and
 - (ii) the financial report presents 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 2010 to 30 June 2011 and of the financial position as at the end of that year.

Other Matters - Electronic Presentation of the Audited Financial Report

This auditor's report relates to the financial report of the Professional Standards Council for the year ended 30 June 2011. Where the financial report is included on the Professional Standards Council's website the Council is responsible for the integrity of Professional Standards Council's website and I have not been engaged to report on the integrity of Professional Standards Council's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements or otherwise included with the financial report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.

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



JF Beh FCPA
(as Delegate of the Auditor-General of Queensland)

Queensland Audit Office
Brisbane





**Queensland
Government**

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Published in September 2011 by the Professional Standards Council of Queensland.