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Financial statements

Year ended 30 June 2016

Chinese Medicine Council

of New South Wales



Statement by members of the Council

YEAR ENDED 30 JUNE 2016

Pursuant to s 41C(1B) *Public Finance and Audit Act 1983*, and in accordance with the resolution of the members of the Chinese Medicine 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 Chinese Medicine Council of New South Wales as at 30 June 2016 and financial performance for the year then ended.
2. The financial statements have been prepared in accordance with the provisions of Australian Accounting Standards, Accounting interpretations, the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2015*, and the Treasurer's Directions.

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

Associate Professor Christopher Zaslowski
President

Date: 17 October 2016

Ms Christine Berle
Deputy President

Date: 17 October 2016



INDEPENDENT AUDITOR'S REPORT

Chinese Medicine Council of New South Wales

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial report of the Chinese Medicine Council of New South Wales (the Council), which comprises the statement of financial position as at 30 June 2016, 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 report:

- gives a true and fair view of the financial position of the Council as at 30 June 2016, 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 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 Council in accordance with the auditor independence requirements of:

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

I have also fulfilled my other ethical responsibilities in accordance with the Code.

The PF&A Act further 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, but precluding the provision of non-audit services.

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

Other Information

The members of the Council are responsible for the Other Information, which comprises the information in the Council's annual report for the year ended 30 June 2016, other than the financial report and my Independent Auditor's Report thereon.

My opinion on the financial report does not cover the Other Information. Accordingly, I do not express any form of assurance conclusion on the Other Information. However, I must read the Other Information and consider whether it is materially inconsistent with the financial report, the knowledge I obtained during the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the Other Information, I must report that fact.

I have nothing to report in this regard.

The Council's Responsibility for the Financial Report

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

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

Auditor's Responsibility 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
- 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 report.

A further description of my responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: <http://www.auasb.gov.au/Home.aspx>. 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 report on any website where they may be presented.



Peter Barnes
Director, Financial Audit Services

20 October 2016
SYDNEY

Statement of Comprehensive Income for the year ended 30 June 2016

| | Notes | 2016
\$ | 2015
\$ |
|--|-------|------------------|------------------|
| EXPENSES EXCLUDING LOSSES | | | |
| Operating expenses | | | |
| Personnel services | 2(a) | (79,675) | (69,412) |
| Other operating expenses | 2(b) | (46,345) | (40,642) |
| Depreciation and amortisation | 2(c) | (4,641) | (1,854) |
| Finance costs | 2(d) | (48) | (77) |
| Other expenses | 2(e) | (18,607) | (13,239) |
| Total Expenses Excluding Losses | | (149,316) | (125,224) |
| REVENUE | | | |
| Registration fees | | 514,212 | 507,534 |
| Interest revenue | 5(a) | 32,275 | 33,642 |
| Other revenue | 5(b) | 429 | 783 |
| Total Revenue | | 546,916 | 541,959 |
| Gain/(Loss) on disposal | 6 | 70 | (1,118) |
| Net Result | | 397,670 | 415,617 |
| Other comprehensive income | | - | - |
| Total Comprehensive Income | | 397,670 | 415,617 |

The accompanying notes form part of these financial statements.

Statement of Financial Position as at 30 June 2016

| | Notes | 2016
\$ | 2015
\$ |
|--------------------------------------|-------|------------------|------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | 7 | 1,604,182 | 1,213,694 |
| Receivables | 8 | 24,261 | 26,154 |
| Total Current Assets | | 1,628,443 | 1,239,848 |
| Non-Current Assets | | | |
| Plant and equipment | 9 | | |
| Leasehold improvements | | 1,002 | 3,577 |
| Motor vehicles | | 169 | 11 |
| Furniture and fittings | | 76 | 91 |
| Office equipment | | 328 | 741 |
| Total plant and equipment | | 1,575 | 4,420 |
| Intangible assets | 10 | 4,395 | 3,356 |
| Total Non-Current Assets | | 5,970 | 7,776 |
| Total Assets | | 1,634,413 | 1,247,624 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Payables | 11 | 56,640 | 29,889 |
| Fees in advance | 12 | 195,194 | 232,348 |
| Provisions | 13 | 5,239 | - |
| Total Current Liabilities | | 257,073 | 262,237 |
| Non-Current Liabilities | | | |
| Provisions | 13 | - | 5,717 |
| Total Non-Current Liabilities | | - | 5,717 |
| Total Liabilities | | 257,073 | 267,954 |
| Net Assets | | 1,377,340 | 979,670 |
| EQUITY | | | |
| Accumulated funds | | 1,377,340 | 979,670 |
| Total Equity | | 1,377,340 | 979,670 |

The accompanying notes form part of these financial statements.

Statement of Changes in Equity for the year ended 30 June 2016

| | Notes | Accumulated
Funds
\$ |
|-------------------------|-------|----------------------------|
| Balance at 1 July 2015 | | 979,670 |
| Net Result for the Year | | 397,670 |
| Balance at 30 June 2016 | | <u>1,377,340</u> |
|
 | | |
| Balance at 1 July 2014 | | 564,053 |
| Net result for the year | | 415,617 |
| Balance at 30 June 2015 | | <u>979,670</u> |

The accompanying notes form part of these financial statements.

Statement of Cash Flows for the year ended 30 June 2016

| | Notes | 2016
\$ | 2015
\$ |
|--|-----------|------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Payments | | | |
| Personnel services | | (66,196) | (74,571) |
| Council fees | | (13,053) | (11,640) |
| Sitting fee costs | | (4,246) | (4,326) |
| Audit fees | | (5,650) | (5,510) |
| Occupancy costs | | (16,230) | (12,132) |
| Temporary labour costs | | (7,757) | (7,374) |
| Other expenses | | (8,037) | (9,242) |
| Total Payments | | (121,169) | (124,795) |
| Receipts | | | |
| Receipts from registration fees | | 498,923 | 526,057 |
| Interest received | | 15,850 | 33,643 |
| Total Receipts | | 514,773 | 559,700 |
| Net Cash Flows from Operating Activities | 17 | 393,604 | 434,905 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Proceeds from sale of plant and equipment | | 70 | - |
| Purchases of plant and equipment and intangible assets | | (3,186) | (2,770) |
| Net Cash Flows from Investing Activities | | (3,116) | (2,770) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Cash Flows From Financing Activities | | - | - |
| Net Cash Flows from Financing Activities | | - | - |
| Net Increase/(Decrease) in Cash | | 390,488 | 432,135 |
| Opening cash and cash equivalents | | 1,213,694 | 781,558 |
| Closing Cash and Cash Equivalents | 7 | 1,604,182 | 1,213,694 |

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting Entity

The Chinese Medicine Council of New South Wales (the Council) is 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). The Council was established on 1 July 2012 upon joining the NRAS.

These financial statements for the year ended 30 June 2016 have been authorised for issue by the Council on 17 October 2016.

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.

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 under 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

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.

Notes to the Financial Statements (continued)

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 (NRAS) for all health professionals commenced on 1 July 2010. NSW opted out of the complaint handling component of the National scheme and the health professional Councils were established in NSW effective from 1 July 2010 to manage the complaints function in a co-regulatory arrangement with the NSW Health Care Complaints Commission (HCCC). The Council was established on 1 July 2012 upon joining the NRAS.

Under s 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 2016 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.

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.

Notes to the Financial Statements (continued)

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.

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:

| | 2015/16 | 2014/15 |
|------------------------|-----------------|-------------|
| Plant and equipment | 25% | 20% - 25% |
| Furniture and fittings | 20% | 16% - 20% |
| Motor vehicles | 25% | 25% - 29% |
| Leasehold improvements | 17.06% - 27.86% | 17% - 27.8% |

Notes to the Financial Statements (continued)

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.

viii. Loans and Receivables

Loans and 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.

Notes to the Financial Statements (continued)

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), recreation 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, discounted to today's present value.

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.

Notes to the Financial Statements (continued)

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

(i) Effective for the first time in 2015-16

The accounting policies applied in 2015-16 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 2015-16 and have been applied for the first time as follows: AASB 2015-3, Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality from 1 July 2015. It is expected that the withdrawal of AASB 1031 will not change practice regarding the application of materiality in financial reporting. In particular, amendments would not change the level of disclosure presently specified by other accounting standards.

(iii) 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 2013-9 (Part C), AASB 2014-1 and AASB 2014-8 regarding amendments to AASB 9 Financial Instruments is applicable for annual reporting periods beginning on or after 1 January 2018. Standard is to establish principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. The change is not expected to materially impact the financial statements. AASB 2010-7 regarding Financial Instruments has mandatory application from 1 January 2018 and comprises changes to improve and simplify the approach for classification and measurement of financial assets. The change is not expected to materially impact the financial statements.

AASB 2014-4, Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation, has application from 1 January 2016. The change will take into account the expected future reductions in the selling price when accounting for useful life. The change is not expected to materially impact the financial statements.

AASB 2015-2, Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 [AASB 7, AASB101, AASB 134 & AASB 1049] require entities to disclose significant accounting policies and other explanatory information in a more detailed manner rather than a summary as previously done. This application takes place from 1 January 2016. The change is not expected to materially impact the financial statements.

AASB 2015-6, Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10, AASB124 & AASB 1049]. This application takes place from 1 July 2016 and will require significant additional disclosures to be incorporated into the financial statements.

AASB 16, New Australian Accounting Standard – Leases requires lessees entities to bring all leases onto the balance sheet, thereby increasing the transparency surrounding such arrangements and making the lessee's balance sheet better reflect the economics of its transactions. This application takes place from 1 January 2019 and has been assessed to have a material impact on 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:

| | 2016 | 2015 |
|---|---------------|---------------|
| | \$ | \$ |
| Salaries and wages (including recreation leave) | 68,627 | 59,175 |
| Superannuation | 6,971 | 5,173 |
| Payroll taxes | 3,894 | 4,783 |
| Worker's compensation insurance | 183 | 281 |
| | <u>79,675</u> | <u>69,412</u> |

b. Other Operating Expenses

| | 2016 | 2015 |
|----------------------------|---------------|---------------|
| | \$ | \$ |
| Auditor's remuneration | 5,650 | 5,510 |
| Rent and building expenses | 15,639 | 11,792 |
| Council fees | 13,053 | 11,640 |
| Sitting fees | 4,246 | 4,326 |
| Contracted labour | 7,757 | 7,374 |
| | <u>46,345</u> | <u>40,642</u> |

c. Depreciation and Amortisation Expense

| | 2016 | 2015 |
|--|--------------|--------------|
| | \$ | \$ |
| Depreciation | | |
| Motor vehicles | 17 | 52 |
| Furniture and fittings | 46 | 45 |
| Office equipment | 465 | 550 |
| | <u>528</u> | <u>647</u> |
| Amortisation | | |
| Leasehold improvement | 2,480 | 133 |
| Intangible assets | 1,633 | 1,074 |
| | <u>4,113</u> | <u>1,207</u> |
| Total Depreciation and Amortisation | <u>4,641</u> | <u>1,854</u> |

Notes to the Financial Statements (continued)**d. Finance Costs**

| | 2016 | 2015 |
|---|------|------|
| | \$ | \$ |
| Unwinding of discount rate on make good provision | 48 | 77 |
| | 48 | 77 |

e. Other Expenses

| | 2016 | 2015 |
|--|--------|--------|
| | \$ | \$ |
| Subsistence and transport | 1,601 | 2,768 |
| Fees for service | 13,367 | 7,386 |
| Postage and communication | 822 | 785 |
| Printing and stationery | 914 | 845 |
| Equipment and furniture | 58 | 30 |
| General administration expenses | 1,591 | 1,425 |
| Loss on re-allocation of Make good asset | 254 | - |
| | 18,607 | 13,239 |

3. EDUCATION AND RESEARCH

There has been no Education and Research expenditure during the Financial Year 2016.

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.

5. (a) INTEREST REVENUE

| | 2016 | 2015 |
|---|--------|--------|
| | \$ | \$ |
| Interest revenue from financial assets not at fair value through profit or loss | 32,275 | 33,642 |
| | 32,275 | 33,642 |

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

Notes to the Financial Statements (continued)

| | 2016 | 2015 |
|-----------------------|------|------|
| | % | % |
| Average Interest Rate | 1.87 | 3.20 |

5. (b) OTHER REVENUE

| | 2016 | 2015 |
|--|------------|------------|
| | \$ | \$ |
| Profit on re-allocation of Make good provision | 429 | 783 |
| | <u>429</u> | <u>783</u> |

6. GAIN/(LOSS) ON DISPOSAL/ADDITIONS

| | 2016 | 2015 |
|--|-----------|----------------|
| | \$ | \$ |
| Plant and equipment | | |
| Net book value (disposed)/acquired during the year | - | - |
| Net book value (disposed)/acquired during the year - re-allocations arising from the cost sharing arrangements | - | (607) |
| Gain/(Loss) on disposal/additions during the year | 70 | - |
| | <u>70</u> | <u>(607)</u> |
| Intangible assets | | |
| Net book value (disposed)/acquired during the year | - | - |
| Net book value (disposed)/acquired during the year - re-allocations arising from the cost sharing arrangements | - | (511) |
| Gain/(Loss) on disposal/additions during the year | - | - |
| | <u>-</u> | <u>(511)</u> |
| Total Gain/(Loss) on Disposal/Additions | <u>70</u> | <u>(1,118)</u> |

Notes to the Financial Statements (continued)

Included in the above Gain/(Loss) on disposal are adjustments arising from the Council's prior year decision to adopt a significant accounting policy, an agreed cost sharing arrangement for the distribution of pooled costs between health professional Councils and to dispose or acquire of a portion of its share of the opening carrying values of the pooled assets. Refer Note 1 (d).

7. CASH AND CASH EQUIVALENTS

| | 2016 | 2015 |
|------------------------------|------------------|------------------|
| | \$ | \$ |
| Cash at bank and on hand | 36,483 | 36,061 |
| Cash at bank - held by HPCA* | 1,567,699 | 1,177,633 |
| | <u>1,604,182</u> | <u>1,213,694</u> |

* 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:

| | 2016 | 2015 |
|----------------------------------|---------------|---------------|
| | \$ | \$ |
| Education and research account** | 36,483 | 36,061 |
| | <u>36,483</u> | <u>36,061</u> |

** managed by the HPCA, an administrative unit of the Health Administration Corporation.

8. RECEIVABLES

| | 2016 | 2015 |
|--------------------------------|---------------|---------------|
| | \$ | \$ |
| Prepayments | 3,223 | 573 |
| Other receivables | 1,813 | 917 |
| Interest receivable | 16,429 | 3 |
| Trade receivables | 2,796 | 24,661 |
| Less: allowance for impairment | - | - |
| | <u>24,261</u> | <u>26,154</u> |

No receivables are considered impaired.

The trade receivables include monies that AHPRA has collected from registrants as at 30 June 2016 and has remitted the monies to HPCA in July 2016.

There were no Trade Debtor's past due.

Notes to the Financial Statements (continued)

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 | Motor
Vehicles | Furniture
& Fittings | Office
Equipment | Total |
|---|---------------------------|-------------------|-------------------------|---------------------|--------------|
| | \$ | \$ | \$ | \$ | \$ |
| At 1 July 2015 | | | | | |
| Gross carrying amount | 4,154 | 209 | 228 | 7,709 | 12,300 |
| Accumulated depreciation and impairment | (577) | (198) | (137) | (6,968) | (7,880) |
| Net Carrying Amount | 3,577 | 11 | 91 | 741 | 4,420 |
| At 30 June 2016 | | | | | |
| Gross carrying amount | 4,059 | 175 | 259 | 7,761 | 12,254 |
| Accumulated depreciation and impairment | (3,057) | (6) | (183) | (7,433) | (10,679) |
| Net Carrying Amount | 1,002 | 169 | 76 | 328 | 1,575 |

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:

| | Leasehold
Improvements | Motor
Vehicles | Furniture
& Fittings | Office
Equipment | Total |
|---|---------------------------|-------------------|-------------------------|---------------------|--------------|
| | \$ | \$ | \$ | \$ | \$ |
| Year ended 30 June 2016 | | | | | |
| Net carrying amount at start of year | 3,577 | 11 | 91 | 741 | 4,420 |
| Additions | 256 | 175 | 31 | 52 | 514 |
| Other ¹ | (351) | - | - | - | (351) |
| Depreciation | (2,480) | (17) | (46) | (465) | (3,008) |
| Net Carrying Amount at End of Year | 1,002 | 169 | 76 | 328 | 1,575 |

Notes to the Financial Statements (continued)

9. PLANT AND EQUIPMENT (continued)

| | Leasehold
Improvements | Motor
Vehicles | Furniture
& Fittings | Office
Equipment | Total |
|---|---------------------------|-------------------|-------------------------|---------------------|--------------|
| | \$ | \$ | \$ | \$ | \$ |
| At 1 July 2014 | | | | | |
| Gross carrying amount | 1,162 | 280 | 307 | 10,005 | 11,754 |
| Accumulated depreciation and impairment | (651) | (196) | (124) | (8,649) | (9,620) |
| Net Carrying Amount | 511 | 84 | 183 | 1,356 | 2,134 |
| At 30 June 2015 | | | | | |
| Gross carrying amount | 4,154 | 209 | 228 | 7,709 | 12,300 |
| Accumulated depreciation and impairment | (577) | (198) | (137) | (6,968) | (7,880) |
| Net Carrying Amount | 3,577 | 11 | 91 | 741 | 4,420 |

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:

| | Leasehold
Improvements | Motor
Vehicles | Furniture
& Fittings | Office
Equipment | Total |
|---|---------------------------|-------------------|-------------------------|---------------------|--------------|
| | \$ | \$ | \$ | \$ | \$ |
| Year Ended 30 June 2015 | | | | | |
| Net carrying amount at start of year | 511 | 84 | 183 | 1,356 | 2,134 |
| Additions | 3,388 | - | - | 285 | 3,673 |
| Other ¹ | (189) | (21) | (47) | (350) | (607) |
| Depreciation | (133) | (52) | (45) | (550) | (780) |
| Net Carrying Amount at End of Year | 3,577 | 11 | 91 | 741 | 4,420 |

1. Other includes:

- a. Adjustments required to 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.

| | Software
Work in
Progress | Software | Total |
|---|---------------------------------|--------------|--------------|
| | \$ | \$ | \$ |
| At 1 July 2015 | | | |
| Cost (gross carrying amount) | 2,956 | 12,842 | 15,798 |
| Accumulated amortisation and impairment | - | (12,442) | (12,442) |
| Net Carrying Amount | 2,956 | 400 | 3,356 |
| At 30 June 2016 | | | |
| Cost (gross carrying amount) | 301 | 18,169 | 18,470 |
| Accumulated amortisation and impairment | - | (14,075) | (14,075) |
| Net Carrying Amount | 301 | 4,094 | 4,395 |
| Year Ended 30 June 2016 | | | |
| Net carrying amount at start of year | 2,956 | 400 | 3,356 |
| Additions | 301 | 162 | 463 |
| Transfer | (2,956) | 2,956 | - |
| Other ¹ | - | 2,209 | 2,209 |
| Amortisation | - | (1,633) | (1,633) |
| Net Carrying Amount at End of Year | 301 | 4,094 | 4,395 |

Notes to the Financial Statements (continued)

10. INTANGIBLE ASSETS (continued)

| | Software
Work in
Progress | Software | Total |
|---|---------------------------------|--------------|--------------|
| | \$ | \$ | \$ |
| At 1 July 2014 | | | |
| Cost (gross carrying amount) | 471 | 17,301 | 17,772 |
| Accumulated amortisation and impairment | - | (15,316) | (15,316) |
| Net Carrying Amount | 471 | 1,985 | 2,456 |
| At 30 June 2015 | | | |
| Cost (gross carrying amount) | 2,956 | 12,842 | 15,798 |
| Accumulated amortisation and impairment | - | (12,442) | (12,442) |
| Net Carrying Amount | 2,956 | 400 | 3,356 |
| Year Ended 30 June 2015 | | | |
| Net carrying amount at start of year | 471 | 1,985 | 2,456 |
| Additions | 2,485 | - | 2,485 |
| Other ¹ | - | (511) | (511) |
| Amortisation | - | (1,074) | (1,074) |
| Net Carrying Amount at End of Year | 2,956 | 400 | 3,356 |

1. Other includes:

a. The intangible WIP was amended before transfer to the intangibles to reflect the correct allocation to each Council as at 1 July 2015.

Notes to the Financial Statements (continued)

11. PAYABLES

| | 2016 | 2015 |
|---|---------------|---------------|
| | \$ | \$ |
| Personnel services - Ministry of Health | 19,825 | 6,529 |
| Trade and other payables | 36,815 | 23,360 |
| | <u>56,640</u> | <u>29,889</u> |

12. FEES IN ADVANCE

| | 2016 | 2015 |
|------------------------------|----------------|----------------|
| | \$ | \$ |
| Current | | |
| Registration fees in advance | 195,194 | 232,348 |
| | <u>195,194</u> | <u>232,348</u> |

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

13. PROVISIONS

| | 2016 | 2015 |
|--------------------|--------------|--------------|
| | \$ | \$ |
| Current | | |
| Make good | 5,239 | - |
| | <u>5,239</u> | <u>-</u> |
| Non-Current | | |
| Make good | - | 5,717 |
| | <u>-</u> | <u>5,717</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:

| | 2016 | 2015 |
|--|--------------|--------------|
| | \$ | \$ |
| Carrying amount at the beginning of year | 5,717 | 3,035 |
| Increase/(Decrease) in provisions recognised due to re-allocation of opening balances at beginning of year | (429) | (783) |
| Increase in provisions recognised | (97) | 3,388 |
| Unwinding/change in discount rate | 48 | 77 |
| Carrying Amount at the End of Year | <u>5,239</u> | <u>5,717</u> |

Notes to the Financial Statements (continued)

13. PROVISIONS (continued)

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 2013 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.

As required under paragraph 59 of AASB 137, provisions are required to be reviewed at the end of each reporting period and adjusted to reflect the current best estimate of the provision. The HPCA has recalculated the estimated lease make good provision as at 30 June 2016, taking into account the updated discount rate and inflation rates that are required under TC 11/17.

The lease arrangements for the Pitt Street building will expire in November 2016.

14. COMMITMENTS FOR EXPENDITURE

Operating Lease Commitments

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

| | 2016 | 2015 |
|---|--------------|---------------|
| | \$ | \$ |
| Not later than one year | 5,784 | 15,971 |
| Later than one year and not later than five years | - | 6,757 |
| Total (including GST) | 5,784 | 22,728 |

15. RELATED PARTY TRANSACTIONS

The Council has only one related party, being the HPCA, an executive agency of the MOH.

The Council's accounts are managed by the MOH. Executive and administrative support functions are provided by the HPCA. All accounting transactions as disclosed on Statement of Comprehensive Income are carried out by the HPCA on behalf of the Council.

Notes to the Financial Statements (continued)

16. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There are no material contingent assets or liabilities as at 30 June 2016.

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

| | 2016 | 2015 |
|--|----------------|----------------|
| | \$ | \$ |
| Net result | 397,670 | 415,617 |
| Depreciation and amortisation | 4,641 | 1,854 |
| Increase/(Decrease) in receivables | 1,893 | (22,311) |
| Increase/(Decrease) in fees in advance | (37,154) | 40,720 |
| Increase/(Decrease) in payables | 26,750 | (1,387) |
| Increase/(Decrease) in provisions | (126) | (706) |
| Net gain/(loss) on sale of plant and equipment | (70) | 1,118 |
| Net Cash used on Operating Activities | 393,604 | 434,905 |

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

| Financial Assets
Class | Notes | Category | Carrying
Amount | Carrying
Amount |
|--------------------------------|-------|--|--------------------|--------------------|
| | | | 2016 | 2015 |
| | | | \$ | \$ |
| Cash and cash equivalents | 7 | N/A | 1,604,182 | 1,213,694 |
| Receivables ¹ | 8 | Loans and receivables
(measured at
amortised cost) | 19,225 | 24,664 |
| Financial Liabilities
Class | Notes | Category | Carrying
Amount | Carrying
Amount |
| | | | 2016 | 2015 |
| | | | \$ | \$ |
| Payables ² | 11 | Financial liabilities
(measured at
amortised cost) | 56,640 | 29,889 |

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.

Notes to the Financial Statements (continued)

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, receivables, and authority deposits. 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.

Receivables - Trade Debtors

All trade debtors are recognised as amounts receivable at balance 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 on behalf of the Councils and payment of debt in a timely manner.

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 Treasurer's Direction 219.01. 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. Treasurer's Direction 219.01 allows the Minister to award interest for late payment. All payables are current and will not attract interest payments.

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 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 2015 - 2.0% to June 30 2016 - 1.75%.

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 2016.

End of Audited Financial Statements