



Annual report 2015–16

Victorian Pharmacy Authority

VICTORIAN PHARMACY AUTHORITY

SIXTH ANNUAL REPORT

For the period 1 July 2015 to 30 June 2016

Issued by Authority of the Victorian Pharmacy Authority

Chair

Mr Michael Scavone BPharm MPS (Until 30 September 2015)

Ms Toni Riley BPharm MPS (From 1 October 2015)

Registrar

Mr Aaron Bawden BPharm BPharmSci(Hons) MPS

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Responsible bodies declaration

Hon. Jill Hennessy MP
Minister for Health
Minister for Ambulance Services

Dear Minister

In accordance with the *Financial Management Act 1994*, I am pleased to present the Victorian Pharmacy Authority annual report for the year ending 30 June 2016.



Toni Riley
Chair
Victorian Pharmacy Authority

Melbourne
29 August 2016

Chair's report

On behalf of the Victorian Pharmacy Authority (the Authority) I am pleased to present this, the Authority's Sixth Annual Report and the first since my appointment as Chair in October 2015.

I would like to thank the outgoing Chair, Mr Michael Scavone for his capable and diligent work over the past three years and I am sure all the Authority members join with me in wishing Michael well in his retirement.

During this year, we also farewelled two other members of the Authority. Karen Samuels had served on the Authority since its inception in 2010, and previously on the Pharmacy Board of Victoria. Her depth of knowledge and understanding of pharmacy will be greatly missed by the Authority. Ramon Frederico was a member of the Authority for a short time but during that time we benefitted greatly from his long experience in the legal profession. I thank them both for their dedication and wish them both well in any further pursuits.

As a result, we have welcomed three new Authority members – Richard Mullaly in July 2015, Robert Jamieson in October 2015 and Cassie Fersterer in July 2016. All three are already proving to be valuable assets to the Authority.

As always the pharmacy profession is changing, and in the challenging economic environment pharmacy remains in the forefront providing services to many thousands of Victorians every day. Whilst change is always challenging, it is absolutely essential that the Authority remains vigilant in ensuring that safe pharmacy services are provided by pharmacies in Victoria.

The Authority's team of pharmacists conduct many inspections throughout the year with all pharmacies and pharmacy departments being visited on a three-yearly basis. This monitoring shows that most pharmacies are operating above the optimal level. Sadly, there are a few that are detected with significant deficiencies. As you will see later in the Report, the Authority continues to invite these licence holders to attend a panel hearing; these hearings are educational not punitive in focus, designed to assist licence holders to improve their practice and aim for significant improvement.

As can be seen from the Financial Statements in the Report, the Authority remains in a financially sound position with full compliance with all auditing requirements. This is a testament to the close attention and dedication of our Registrar, Aaron Bawden.

I would like to thank all the Authority Members Esther Alter, Joey Calandra, Cassie Fersterer, Robert Jamieson and Richard Mullaly for their hard work throughout the year and look forward to another busy year ahead.

On behalf of the Authority I would also like to express our sincere thanks to the Registrar and his team for their commitment, dedication and hard work throughout the year, which of course, in turn ensures a successful year for the Authority.

I commend this report.



Toni Riley
Chair

Registrar's report

The Victorian Pharmacy Authority (the "Authority") is now in its sixth year of operation administering the provisions of the *Pharmacy Regulation Act 2010*. The Authority continues its role of licensing owners of pharmacies and pharmacy departments and the registration of pharmacy premises and pharmacy departments in the interests of public safety.

At its May meeting the Authority reviewed and amended where necessary all of its policies as follows:

- Members Code of Conduct
- Privacy Policy
- Financial Code of Practice
- Risk Management Policy
- Investment Policy
- Disaster Recovery and Business Continuity Procedure
- Purchases and Expenditure Policy
- Corporate Credit Card Policy
- Delegation of Certain Powers

The Authority approved a new Fraud and Corruption Control Policy in September 2015, and a new Continuing Professional Development Policy for its members and staff in April 2016. Risk management audits have continued to be conducted regularly during the period with reports being considered by the Internal Auditor, the Audit and Risk Committee and the Authority.

Fees were increased by 2.5% from 1 May 2016.

The following matters are noted with respect to the Authority's financial operations:

- The Authority recorded a surplus of \$120,577 during the period resulting from an increase in total income of 3.4% and a decrease in total expenditure of 6.4%. The following significant variations from the previous period occurred:
 - Ø Revenue from premises registration and business licence fees increased by 6.3% overall. Revenue from applications for new licences increased by 39.6%. The number of applications for new and relocated pharmacies also increased by 13.4%;
 - Ø Interest on funds invested decreased by 15.3% following the downturn in interest rates;
 - Ø Consulting fees were reduced by 26% as a result of the further utilisation of experience gained by staff;
 - Ø Legal fees increased substantially as a result of an increase in matters requiring legal advice; and
 - Ø Salaries & staff entitlements decreased by 15%.
- No government funds have contributed to reserves.

In terms of performance against budgetary objectives, the total revenue of \$1,106,850 was 5.60% higher than the budget estimate, due largely to the increased number of applications for new/relocated pharmacies and licence applications (especially corporate licences).

The total expenditure of \$986,273 was 10.5% less than the budget estimate. This was largely due to a decision to appoint a new pharmacist field officer on a part time basis later in the period rather than on a full time basis for the entire year, and also administrative savings in areas such as telephone and postage costs.

The Authority is below the threshold required for submission of a Financial Management Compliance Framework Certification in accordance with the requirements of the Victorian Public Sector Financial Management Compliance Framework. Nevertheless, a certification was made voluntarily.

Statement of Expectations

Ministerial Statements of Expectations aim to improve regulatory governance and performance.

The Authority received its first Statement of Expectations (SOE) from the Minister for Health in May 2015 and responded in July 2015, committing to a number of targets aimed at improving its regulatory performance.

The Ministerial Statement of Expectations letter and the Authority's response are available on the Authority's website:

www.pharmacy.vic.gov.au

The following summarises the Authority's progress in implementing SOE measures to 30 June 2016.

Better stakeholder consultation and engagement

- The Authority revised its stakeholder communication plan and increased the frequency of its circulars to pharmacists. New methods to evaluate communications were also implemented in accordance with the Authority's communication plan, including analysis of email open and click-through rates.
- Written protocols were developed and implemented to facilitate interaction with other regulators (including Drugs and Poisons Regulation within the Department of Health and Human Services and the Pharmacy Board of Australia). This has improved the coordination of enforcement activities with benefits for regulators and licensees.

Increased accountability and transparency

- The Authority reviewed the performance measurement systems of equivalent pharmacy regulators operating interstate and found that other regulators were also at a low level of maturity in this area. The Authority will undertake further work to develop its performance measurement framework and sees this as an area to provide leadership by sharing its work with other pharmacy regulators. The Authority will continue to collaborate with other regulators with the aims of benchmarking its performance and working towards national consistency in pharmacy premises regulation.
- Service standards were established for the processing of applications. The Authority aims to carry out an initial assessment of applications within five working days of receipt of a complete application, and to complete processing of applications within a further three working days of receipt of outstanding information or a decision of the Authority.
 - Ø Ninety-nine point five percent (99.5%) of complete applications received an initial assessment within five working days of receipt;
 - Ø Ninety-seven percent (97%) of applications were processed within a further three working days of receipt of outstanding information or a decision of the Authority.
- Documentation relating to investigation reports and panel hearings was standardised and regular communications on the Authority's enforcement actions made available to stakeholders.
- Monthly communiqués about the Authority's activities and quarterly circulars for pharmacists were published and distributed to stakeholders.

Clearer and more consistent regulation

- A guide to application processes was developed following a targeted consultation. This, along with a summary of the Authority's risk-based approach to regulation, was published on the website to assist applicants and stakeholders.
- The proportion of online registration renewals was increased more than four-fold following the addition of a BPAY payment option (from 20% in 2014 to 89% in 2016), exceeding the goal to increase the 2014 rate by at least 50% to reduce the regulatory burden on licensees.
- Periodic liaison has been conducted with the Pharmacy Board of Australia (via the Australian Health Practitioner Regulation Agency) and the Department of Health and Human Services to determine ways to reduce the burden for regulated entities. The focus of this has been better information sharing with the aim of improving regulation and reducing regulatory overlap.

Risk-based strategies

- The Authority has continued to review its inspection protocols and guidelines annually.
- A thorough review of regulatory risks and incorporation of these into the Authority's risk database has led to a more structured approach to managing and prioritising regulatory risks. Risk assessments were undertaken and used to enhance the Authority's risk-based approach to regulation, including prioritisation of the Authority's 2016 and future inspection programs.
- In order to meet its target of using statistics obtained from inspection reports to better guide the inspection program and education towards areas of significant and risk and non-compliance, the Authority identified a need to improve the reporting capability of its database. Improvements have been made to the Authority's database to facilitate the compilation of statistics from inspections; this will be carried over into 2016 - 17 with utilisation of statistics to enhance the risk-based prioritisation of the inspection program.

Compliance related assistance and advice

- The Authority continued to reinforce the contents of its guidelines and encouraged licensees to self-audit their premises by promoting self-auditing in regular communications, by authorised officers during inspections, and in correspondence sent following inspections. This followed making the self-audit tool more accessible on the Authority's website.
- At least one Authority pharmacist continued to be available during office hours to provide assistance and advice to licensees and other stakeholders in a timely manner. The Authority aims to respond to verbal requests for assistance and advice by the next working day, or within three working days in the case of written requests. The Authority does not measure its performance in this area but has adequate processes in place to ensure this aim is met.

The Authority is committed to identifying opportunities to continuously improve its regulatory approach and will extend initiatives commenced under this SOE into 2016–17. Key areas for further improvement as outlined in the Authority's 2016–17 SOE include:

1. Consulting stakeholders to identify further opportunities to reduce regulatory burden and improve performance.
2. Prioritising regulatory activities, including the inspection program and education, based on the Authority's established risk framework, including the utilisation of better inspection data.
3. Designing and implementing a publicly available performance measurement framework.
4. Developing a systematic approach to collaborating and sharing information with other regulators

Staffing

This was my first year as Registrar following the retirement of former long-standing Registrar Mr Stephen Marty on 31 July 2015. I would like to thank Mr Marty for all the work he has done over many years in building the Authority, and for his mentoring, and on behalf of the Authority staff and members wish him all the best in his retirement.

A new part time pharmacist field officer commenced employment in February 2016. The Authority had a staff of eight at 30 June 2016, with a Full Time Equivalent (FTE) of 5.3. In comparison the Authority had a staff of eight at 30 June 2015 with FTE of 5.26

The Authority is committed to ensuring staff health, safety and wellbeing. The Authority's values align with public sector values as detailed in the *Public Administration Act 2004*, and all staff were employed pursuant to merit and equity principles and compliance with the Code of Conduct for Victorian Public Sector Employees. They have again achieved excellent results with their professional and diligent approach to their work.

The Authority, again, greatly valued the guidance, assistance and leadership provided by the Health Workforce Branch of the Department of Health and Human Services, in addition to the cooperation with the Drugs and Poisons Regulation Group which is sincerely appreciated.



Aaron Bawden
Registrar

Introduction

Charter and Purpose

Establishment

The Victorian Pharmacy Authority (“the Authority”) was established pursuant to section 81 of the *Pharmacy Regulation Act 2010* (“the Act”) with the Minister for Health as the responsible Minister.

Our vision

To ensure a safe pharmacy system that is responsive to community needs and interests.

Objectives, functions, powers and duties

The primary role of the Authority is to administer the Act which provides for the regulation of pharmacy businesses, pharmacy departments and pharmacy depots.

Pursuant to section 82 of the Act the Authority has the following functions—

- (a) to license a person to carry on a pharmacy business or a pharmacy department;
- (b) to register the premises of a pharmacy business, pharmacy department or pharmacy depot;
- (c) to issue standards in relation to the operation of pharmacies, pharmacy businesses, pharmacy departments and pharmacy depots;
- (d) to advise the Minister on any matters relating to its functions;
- (e) when so requested by the Minister, to give to the Minister any information reasonably required by the Minister;
- (f) to keep a public register;
- (g) any other function conferred on the Authority by or under this or any other Act.

The Authority has carried out its statutory obligations under the Act and the major activities are summarised in this report.

Year in review

Authority Membership

Pursuant to section 87 of the Act, the Authority consists of six members appointed by the Governor in Council. Four must be pharmacists, one must be an Australian lawyer and one must be a person who is not a registered pharmacist.

Membership of the Authority to 30 June 2016 was as follows:

Chair

Mr Michael Scavone BPharm MPS
Initially appointed: 1 October 2012
Retired: 30 September 2015

Ms Toni Riley BPharm MPS
Initially appointed: 1 October 2015
Present term of appointment: until 30 June 2018

Pharmacist Members

Ms Toni Riley BPharm MPS
Initially appointed: 1 October 2012
Term of appointment: until 30 September 2015 (Since appointed as Chair)

Ms Karen Samuel BPharm, Grad Dip Clin Pharm, MPharm MSHP
Initially appointed: 24 August 2010
Retired 30 June 2016

Mr Giuseppe Calandra BPharm Hons, MRPharmS, CertIVTAE MPS
Initially appointed: 1 July 2014
Present term of appointment: until 30 June 2017

Mr Robert Jamieson BPharm, MPS, FAIPM
Initially appointed: 1 October 2015
Present term of appointment: until 30 June 2018

One Australian Lawyer

Ms Esther Alter BEc, LLB, MBA, MAICD
Initially appointed: 24 August 2010
Present term of appointment: until 30 June 2016 (Since re-appointed)

One person who is not a registered pharmacist

Mr Richard Mullaly MBA, BSc (Hons), MAICD, AFCHSM
Initially appointed: 7 July 2015
Present term of appointment: until 30 June 2018

Members of the Authority are appointed for a period, not exceeding three years, but are eligible for re-appointment upon the expiry of their term of office.

Authority Meetings

During the period 1 July 2015 to 30 June 2016, twelve Authority meetings were held with attendance by Authority members as follows:

| Member | Authority Meetings | Leave of Absence |
|---------------|---------------------------|-------------------------|
| Ms T Riley | 11 of 12 | 1 |
| Mr M Scavone | 3 of 3 | |
| Ms E Alter | 10 of 12 | 2 |
| Mr G Calandra | 9 of 12 | 3 |
| Mr R Jamieson | 8 of 9 | 1 |
| Ms R Mullaly | 11 of 12 | 1 |
| Ms K Samuel | 9 of 12 | 3 |

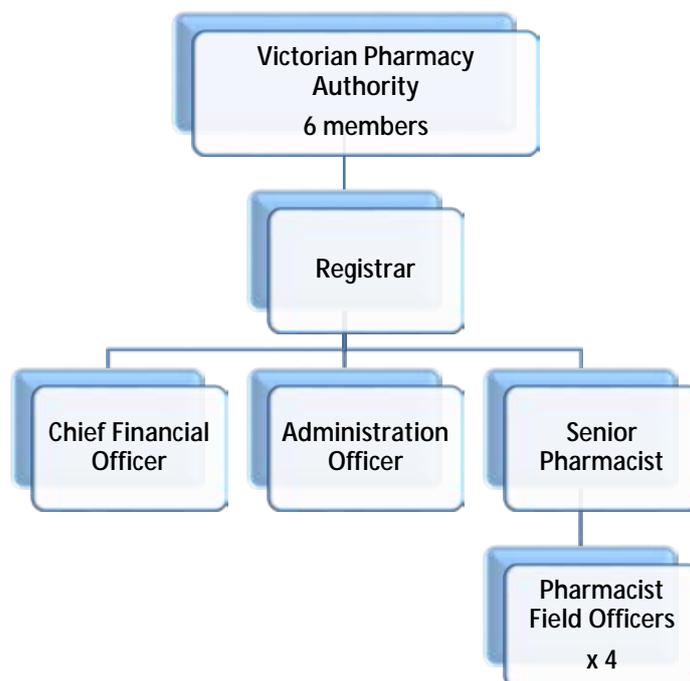
Organisational Structure

The Authority consists of six members, a Registrar and seven other staff:

| | |
|----------------------------|--|
| Registrar: | Mr A Bawden |
| Senior Pharmacist: | Mr D Thirlwall |
| Chief Financial Officer: | Mrs K Nadanakumar |
| Administration Officer: | Mrs H Newett |
| Pharmacist Field Officers: | Mr D Newgreen, Mrs C Greco, Mr G McCurdy, Ms J Webster |

The Authority has an Audit and Risk Committee comprising an independent external chairman with accounting qualifications, Mr N Marshall, and three members of the Authority; Ms T Riley, Mrs E Alter and Mr R Mullaly as at 30 June 2016. A quorum comprises the chairman and two other members. The Committee met four times during the reporting period.

Figure 1. Victorian Pharmacy Authority organisational structure



Fees

Fees paid to Authority Members and Panel Members for attendance at meetings were as follows:

| | |
|--------|----------|
| Chair | \$301.00 |
| Member | \$235.00 |

Schedule of gazetted fees (Effective from 1 May 2016):

| PROVISION | FEE(\$) |
|--|----------|
| Licences | |
| Annual licence – individual | \$214.85 |
| Annual licence – corporate | \$480.75 |
| Annual licence – hospital | \$282.80 |
| Registration | |
| Annual registration – pharmacy business | \$214.80 |
| Annual registration – pharmacy department | \$214.80 |
| Annual registration – pharmacy depot | \$56.50 |
| Applications | |
| Application for registration of pharmacy business | \$322.35 |
| Application for registration of pharmacy department | \$395.90 |
| Application for registration of pharmacy depot | \$56.50 |
| Application for approval of alterations to a registered pharmacy business | \$322.35 |
| Application for licence to carry on a pharmacy business | \$254.50 |
| Application for approval to practise in special circumstances section 29(1)(b) | \$113.05 |
| Other fees | |
| Site re-inspection | \$322.35 |

The above fees are exempt from GST (Division 81 of GST Act).

Registration and licensing

The table below summarises the activities for the Period 1 July 2015 – 30 June 2016.

| Applications | Number 2013 - 2014 | Number 2014 - 2015 | Number 2015 - 2016 |
|---|-----------------------|-----------------------|-----------------------|
| Registration of pharmacy premises and pharmacy department premises | 128 | 140 | 140 ⁽¹⁾ |
| Pharmacy Depots | 0 | 1 | 1 |
| Approval of Pharmacists to supply, compound or dispense medicines other than at a pharmacy or pharmacy department | 58 | 61 | 66 |
| Licence to carry on a pharmacy business | 206 | 186 | 253 ⁽²⁾ |

| | |
|-------------------------------|----|
| (1) Registration applications | |
| · new/relocated pharmacies | 76 |
| · alterations | 63 |
| · pharmacy department | 1 |

| | |
|-------------------------------------|-----|
| (2) Licence applications | |
| · pharmacist | 180 |
| · company/hospital/friendly society | 73 |

Certain matters are delegated to officers of the Authority to approve subject to set approval criteria and compliance with the Victorian Pharmacy Authority Guidelines. All other applications and reports were considered by the Authority at its monthly meetings.

Standards Monitoring

The Authority supervised the standards monitoring inspection program conducted by Authority Officers.

The inspection program provides for an inspection of each pharmacy at least every 3 years plus targeted inspections on a risk basis in cases of:

- change of ownership,
- new pharmacy premises,
- altered pharmacy premises,
- unsatisfactory inspections.

Inspectors examine security, workload, privacy, equipment, fittings, compliance with legislation and pharmacy practice standards and pay particular attention to storage of controlled drugs, records of supply, opioid replacement therapy, compounding and provision of dose administration aids. This proactive process is seen as fundamental to providing public protection and to providing education to pharmacists regarding current requirements.

During the period the following site inspections were conducted:

| | 2013 | 2014 | 2015 | 2016 |
|---|------------|------------|------------|------------|
| Inspection on change of licence | 103 | 84 | 72 | 84 |
| Registration Inspection | 102 | 96 | 111 | 106 |
| Standards monitoring inspection – community pharmacy | 542 | 675 | 548 | 518 |
| Standards monitoring inspection – pharmacy department | 26 | 31 | 16 | 3 |
| Total inspections | 773 | 886 | 747 | 711 |

The total number of inspections for the period decreased marginally from the previous year as a result of the appointment of the current Registrar from within the staff and the later appointment of a new pharmacist field officer.

Where the Authority deemed it appropriate pharmacy proprietors were invited to attend an Authority meeting to discuss inspection reports that indicated a significant deviation from practice standards or the requirements of the Schedule to the Act.

Privacy in pharmacies

The Authority again noted that many pharmacists were not making adequate arrangements for consumer privacy in their pharmacies. The result is frequent unintended breaches of privacy during the sale of medicines and poor pharmaceutical outcomes because pharmacists and consumers are reluctant to exchange private but pertinent information within the hearing of other clients.

Compliance with legislation

The Authority noted that a number of inspection reports listed possible breaches of legislation pertaining to the storage and recording of controlled drug transactions and given the seriousness of these matters the licensee/s have been required to attend a panel hearing at which conditions may have been imposed on their licence and/or premises registration. The Department of Health and Human Services, Drugs and Poisons Regulation Group were also informed of these matters.

The chart shown in Figure 2 indicates the progressive totals of inspections of community pharmacies and hospital pharmacy departments conducted in the standards monitoring program for the past four years.



Figure 2

The Authority’s Guidelines were reviewed and updated and published on 1 September 2015 following a period of public consultation. All inspection protocols were reviewed and updated in December 2015.

Panel Hearings

Forty-one (41) Panel Hearings pursuant to section 57 of the *Pharmacy Regulation Act 2010* were conducted during the period. The hearings considered a total of 245 matters arising from inspections and notifications. The following table categorises these 245 matters. Typically a panel hearing will consider matters from a range of categories.

| Non-compliance category | Number of hearings considering matters in each category | Total number of matters considered (n=245) |
|---|---|--|
| 1. <i>Pharmacy Regulation Act 2010</i> | 12 | 12 |
| 2. Victorian Pharmacy Authority Guidelines | 32 | 70 |
| 3. Drugs Poisons and Controlled Substances Regulations 2006 | 37 | 71 |
| 4. Pharmacy Board of Australia Guidelines | 16 | 22 |
| 5. Other matters: including requirements of Pharmacotherapy Policy 2013 (DHHS), APF, TGA, mandatory warning labels, disposal of RUMs, privacy legislation, other DPCS-related | 23 | 70 |

Abbreviations:

| | |
|------|---|
| DHHS | Department of Health and Human Services |
| APF | Australian Pharmaceutical Formulary and Handbook |
| TGA | Therapeutic Goods Administration |
| RUM | Return Unwanted Medicines |
| DPCS | Drugs, Poisons and Controlled Substances Regulations 2006 |

Pharmacy Regulation Act 2010

Twelve hearings (29%) included consideration of matters relating to breaches of the *Pharmacy Regulation Act 2010*. These included failures to comply with the requirements of the Schedule to the *Pharmacy Regulation Act 2010* (including statutory conditions requiring premises to be maintained in a clean and hygienic manner, and arrangements to ensure the identity of medicines being supplied or dispensed to a client of the pharmacy cannot be known by another person present in the pharmacy; 10 matters).

Victorian Pharmacy Authority Guidelines

Thirty-two hearings (78%) included consideration of matters relating to failure to comply with VPA Guidelines. There were 70 matters considered, including:

- Failure to maintain privacy and confidentiality when disposing of records and containers (nine matters);
- Failure to maintain adequate security alarm coverage of all areas where scheduled poisons are stored (seven matters);
- Failure to maintain a temperature data logger in the drug refrigerator (seven matters);
- Failure to maintain dedicated private prescription reception and counselling points (seven matters);
- Failure to store/possess keys to controlled drug safes appropriately (five matters); and
- Failure to maintain the dispensary as a private area dedicated to dispensing of medicines and storage of patients' records (five matters).

Drugs Poisons and Controlled Substances Regulations 2006

Thirty-seven hearings (90%) included consideration of matters related to breaches of drugs and poisons legislation. Most of these panel hearings were convened after the Authority considered investigation reports relating to these matters.

- Thirty-two hearings involved matters relating to records for Schedule 8 poisons;
- Twenty-one hearings involved matters relating to the storage of Schedule 8 poisons;
- Five hearings involved matters relating to the storage of Schedule 4 poisons; and
- Four hearings involved matters relating to the storage and display of Schedule 3 poisons.

The Authority continues to convene panel hearings following inspections that identify serious possible breaches of drugs and poisons legislation relating to storage and/or records of Schedule 8 poisons.

Pharmacy Board of Australia Guidelines

Sixteen hearings included consideration of matters relating to failure to comply with Pharmacy Board of Australia Guidelines. These included failures to maintain current editions of mandatory references (five matters) and failure to maintain adequate records for the filling of dose administration aids (six matters).

Panel Decisions

Decisions of the Authority following Panel Hearings were as follows:

- Twenty-two (22) of the 41 hearings resulted in licensees receiving a reprimand, and nineteen (19) hearings resulted in licensees received a caution;
- Of the above, eight hearings resulted in a condition(s) being placed on a licence; and
- Seven hearings resulted in a pharmacy premises re-inspection at the licensee's cost.

It should be noted that panel decisions may include a range of determinations.

Financial and other information

Freedom of Information

The *Freedom of Information Act 1982* allows the public a right of access to documents held by the Authority.

Pursuant to Part II of the *Freedom of Information Act 1982*, the Authority has published on its website, details regarding its functions and documents held by the Authority including those available for inspection and/or purchase. Information regarding freedom of information (FOI) requests is available on the Authority's website.

No FOI requests were received during the period of this report.

Availability of other information:

All records of the former Pharmacy Board of Victoria's operations relating to premises registration and business licensing have been retained and maintained, along with all records created by the Authority since its inception, in accordance with the *Public Records Act 1973* at the offices of the Authority.

Protected Disclosures

The *Protected Disclosure Act 2012* encourages and facilitates disclosures of improper conduct by public officers, public bodies and other persons, and provides protection from detrimental action taken against a person making a disclosure, witnesses and persons subject to an investigation. Information regarding protected disclosures is available on the Authority's website.

No disclosures pursuant to Part 2 of the *Protected Disclosure Act 2012* were made during the period.

Information and Communication Technology (ICT) expenditure

The Authority's total ICT Business As Usual expenditure (excluding GST) for the reporting period was \$50,042.

Disclosure Index

The annual report of the Victorian Pharmacy Authority is prepared in accordance with all relevant Victorian legislation. This index has been prepared to facilitate identification of the Authority's compliance with statutory disclosure requirements.

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| <i>Financial Management Act 1994</i> | |

Disclosure of ex-gratia payments

No ex-gratia payments were made during the period.

Responsible person and executive officer disclosures

Attestation on Data Integrity

I, Aaron James Bawden, certify that the Victorian Pharmacy Authority has put in place appropriate internal controls and processes to ensure that reported data reasonably reflects actual performance. The Victorian Pharmacy Authority has critically reviewed these controls and processes during the year.



Aaron Bawden
Registrar

Melbourne
29 August 2016

Attestation for Compliance with the Ministerial Standing Direction 4.5.5 – Risk Management Framework and Processes

I, Aaron James Bawden, certify that the Victorian Pharmacy Authority has complied with Ministerial Standing Direction 4.5.5 – Risk Management Framework and Processes. The Victorian Pharmacy Authority Audit and Risk Committee has verified this.



Aaron Bawden
Registrar

Melbourne
29 August 2016

Attestation for Compliance with the Australian/New Zealand Risk Management Standard

I, Aaron James Bawden, certify that the Victorian Pharmacy Authority has risk management processes in place consistent with the *AS/NZS ISO 31000:2009* and an internal control system is in place that enables the executive to understand, manage and satisfactorily control risk exposures. The Victorian Pharmacy Authority verifies this assurance and that the risk profile of the Victorian Pharmacy Authority has been critically reviewed within the last twelve months.



Aaron Bawden
Registrar

Melbourne
29 August 2016

Five-year summary of financial results

| | 2016 | 2015 | 2014 | 2013 | 2012 |
|--|-------|-------|-------|-------|-------|
| | \$000 | \$000 | \$000 | \$000 | \$000 |
| Total Revenue | 1,106 | 1,070 | 1,061 | 1,047 | 1,029 |
| Total Expenses | 986 | 1,053 | 1,040 | 1,006 | 890 |
| Net Result for the Year | 120 | 17 | 21 | 40 | 139 |
| Retained Surplus/(Accumulated Deficit) | 983 | 863 | 845 | 824 | 783 |
| Total Assets | 2,482 | 2,513 | 2,384 | 2,363 | 2,287 |
| Total Liabilities | 984 | 1,377 | 1,024 | 1,024 | 989 |
| Net Assets | 1,498 | 1,377 | 1,360 | 1,338 | 1,298 |
| Total Equity | 1,498 | 1,377 | 1,360 | 1,338 | 1,298 |

VICTORIAN PHARMACY AUTHORITY

**FINANCIAL STATEMENTS FOR THE
YEAR ENDED 30 JUNE 2016**

VICTORIAN PHARMACY AUTHORITY

**AUTHORITY MEMBER, ACCOUNTABLE OFFICER AND
CHIEF FINANCE & ACCOUNTING OFFICER DECLARATION**

The members of the Victorian Pharmacy Authority (the Authority) certify that the attached financial report for the Authority has been prepared in accordance with Standing Direction 4.2 of the *Financial Management Act 1994*, applicable *Financial Reporting Directions*, Australian Accounting Standards, Australian Accounting Interpretations and other mandatory professional reporting requirements.

The Authority further states that, in its opinion, the information set out in the Comprehensive Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and notes to and forming part of the financial statements, presents fairly the financial transactions during the financial year ended 30 June 2016 and the financial position of the Victorian Pharmacy Authority as at 30 June 2016.

At the time of signing the Authority is not aware of any circumstances which would render any particulars included in the financial report to be misleading or inaccurate.

The Authority authorises the attached financial report for issue on 29 August 2016.



Toni Riley
Chairperson

Melbourne
29 August 2016



Aaron Bawden
Registrar

Melbourne
29 August 2016



Koshala Nadanakumar
Chief Finance and Accounting Officer
Melbourne
29 August 2016

INDEPENDENT AUDITOR'S REPORT

To the Members, Victorian Pharmacy Authority

The Financial Report

I have audited the accompanying financial report for the year ended 30 June 2016 of the Victorian Pharmacy Authority which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the authority member, accountable officer and chief finance and accounting officer declaration.

The Members' Responsibility for the Financial Report

The Members of the Victorian Pharmacy Authority are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*, and for such internal control as the Members determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit, which has been conducted in accordance with Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be 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 audit procedures selected depend on 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, consideration is given to the internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Members, as well as evaluating the overall presentation of the financial report.

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

Independent Auditor's Report (continued)

Independence

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, I and my staff and delegates have complied with the applicable independence requirements of the Australian Auditing Standards and relevant ethical pronouncements.

Opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Victorian Pharmacy Authority as at 30 June 2016 and its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*.

MELBOURNE
29 August 2016



Dr. Peter Frost
Acting Auditor-General

Victorian Pharmacy Authority

**COMPREHENSIVE OPERATING STATEMENT
FOR THE YEAR ENDED 30 JUNE 2016**

| | Notes | 2016 | 2015 |
|---------------------------------------|-------|------------------|--------------------|
| | | \$ | \$ |
| INCOME | | | |
| Revenue from operating activities | 2 | 1,048,901 | 1,002,139 |
| Revenue from non-operating activities | 2 | 57,949 | 68,459 |
| TOTAL INCOME | | <u>1,106,850</u> | <u>1,070,598</u> |
| EXPENSES | | | |
| Operating expenses | 3 | (986,273) | (1,053,513) |
| TOTAL EXPENSES | | <u>(986,273)</u> | <u>(1,053,513)</u> |
| NET RESULT FOR THE YEAR | | <u>120,577</u> | <u>17,085</u> |
| COMPREHENSIVE RESULT | | <u>120,577</u> | <u>17,085</u> |

The above Comprehensive Operating Statement should be read in conjunction with the accompanying notes

Victorian Pharmacy Authority**BALANCE SHEET
AS AT 30 JUNE 2016**

| | Notes | 2016 | 2015 |
|--|-------|------------------|------------------|
| | | \$ | \$ |
| Assets | | | |
| Financial assets | | | |
| Cash and cash equivalents | 8 | 1,282,363 | 1,280,229 |
| Receivables and accrued revenue | 4 | 17,906 | 20,317 |
| Term deposits | | 1,170,303 | 1,202,252 |
| Prepayments | | 8,542 | 8,255 |
| Total financial assets | | 2,479,114 | 2,511,053 |
| Non-financial assets | | | |
| Property, plant and equipment | 6 | 3,085 | 2,574 |
| Total non-financial assets | | 3,085 | 2,574 |
| Total assets | | 2,482,199 | 2,513,627 |
| Liabilities | | | |
| Fees received in advance | | 788,499 | 802,735 |
| Payables and accrued expenses | | 34,458 | 26,277 |
| Employee benefits and related on-costs | 5 | 161,161 | 307,111 |
| Total liabilities | | 984,118 | 1,136,123 |
| Net assets | | 1,498,081 | 1,377,504 |
| Equity | | | |
| Contributed capital | | 514,490 | 514,490 |
| Accumulated surplus | | 983,591 | 863,014 |
| Net worth | | 1,498,081 | 1,377,504 |
| Commitments for expenditure | 10 | | |
| Contingent assets and contingent liabilities | 14 | | |

The above Balance Sheet should be read in conjunction with the accompanying notes.

Victorian Pharmacy Authority

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2016

| | 2016 | 2015 |
|---|------------------|------------------|
| | \$ | \$ |
| Balance at beginning of the financial year | 1,377,504 | 1,360,419 |
| Comprehensive result for the year | 120,577 | 17,085 |
| Balance at end of the financial year | <u>1,498,081</u> | <u>1,377,504</u> |
| | | |
| Represented by: | | |
| Contributed capital | | |
| Balance at beginning of the financial year | 514,490 | 514,490 |
| Balance at end of the financial year | <u>514,490</u> | <u>514,490</u> |
| | | |
| Accumulated surplus | | |
| Balance at beginning of the financial year | 863,014 | 845,929 |
| Comprehensive result for the financial year | 120,577 | 17,085 |
| Balance at end of the financial year | <u>983,591</u> | <u>863,014</u> |

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

Victorian Pharmacy Authority

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2016

| | Notes | 2016 | 2015 |
|---|-------|-------------------------|-------------------------|
| | | \$ | \$ |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Fees from registrants | | 1,034,321 | 1,080,469 |
| Payments to suppliers and employees | | (1,099,463) | (1,048,617) |
| Net GST received | | (24,007) | 28,729 |
| Interest paid | | 60,703 | 72,422 |
| Net cash flows from/(used in) operating activities | 7 | <u>(28,446)</u> | <u>133,003</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Payment for property, plant and equipment | | (1,369) | - |
| Purchase of other financial assets | | (1,056,582) | (953,636) |
| Redemption of other financial assets | | 1,088,531 | 812,379 |
| Net cash flows from/(used in) investing activities | | <u>30,580</u> | <u>(141,257)</u> |
| Net increase/(decrease) in cash and cash equivalents | | 2,134 | (8,254) |
| Cash and cash equivalents at beginning of financial year | | 1,280,229 | 1,288,483 |
| Cash and cash equivalents at end of financial year | 8 | <u><u>1,282,363</u></u> | <u><u>1,280,229</u></u> |

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These annual financial statements represent the general purpose financial statements of the Victorian Pharmacy Authority (the Authority) for the year ended 30 June 2016. The purpose of the report is to provide users with information about the Authority stewardship of the resources entrusted to it.

(A) Statement of Compliance

These financial statements are general-purpose financial statements that have been prepared in accordance with the *Financial Management Act 1994 (FMA)* and applicable Australian Accounting Standards (AASs), which include interpretations issued by the Australian Accounting Standards Board (AASB). They are presented in a manner consistent with the requirements of AASB 101 *Presentation of Financial Statements*.

The financial statements also comply with relevant Financial Reporting Directions (FRDs) issued by the Department of Treasury and Finance (DTF) and relevant Standing Directions (SDs) authorised by the Minister of Finance.

In complying with AASs, the Victorian Pharmacy Authority has, where relevant, applied those paragraphs applicable to not-for-profit entities. The annual financial statements were authorised for issue by the Victorian Pharmacy Authority on 29 August 2016.

(B) Basis of accounting preparation and measurements

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 is reported.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2016, and the comparative information the year ended 30 June 2015.

The going concern basis was used to prepare the financial statements.

These financial statements are presented in Australian dollars, the functional and presentation currency of the Victorian Pharmacy Authority.

The financial statements, except for cash flow information, have been prepared using the accrual basis of accounting. Under the accrual basis, items are recognised as assets, liabilities, equity, income or expenses when they satisfy the definitions and recognition criteria for those items, that is they are recognised in the reporting period to which they relate, regardless of when the cash is received or paid.

The financial statements are prepared in accordance with the historical cost convention, except for property, plant and equipment, physical assets, which subsequent to acquisition, are measured at their fair value. Fair valuation assessments are made with sufficient regularity to ensure that the carrying amounts do not materially differ from their fair values.

Judgements, estimates and assumptions are required to be made about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision. Judgements and assumptions made by management in the application of AASs that have significant effect on the financial statements and estimates relate to:

- Fair value of property, plant and equipment (refer Note 1 (e)), and
- Assumptions for employee benefits based on the likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates (refer Note 1 (f)).

Consistent with AASB 13 *Fair Value Measurement*, the Authority determines the policies and procedures for recurring fair value measurements such as property, plant and equipment and financial instruments and for non-recurring fair value measurements such as non-financial physical assets held for sale, in accordance with the requirements of AASB 13 and the relevant Financial Reporting Directions.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities,
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable, and
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For the purpose of fair value disclosures, the Authority has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

In addition, the Authority determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

(C) Reporting Entity

The financial statements include all the controlled activities of the Victorian Pharmacy Authority.

Its principal address is:
Level 6, 369 Royal Parade
Parkville Victoria 3052.

A description of the nature of the Victorian Pharmacy Authority's operations and its principal activities is included in the report of operations, which does not form part of these financial statements.

The Authority's overall objective is to administer the *Pharmacy Regulation Act 2010* which provides for the regulation of pharmacy businesses, pharmacy departments and pharmacy depots. The Authority acts in the public interest to achieve a safe pharmacy system through its licensing, registration and monitoring activities.

(D) Scope and presentation of financial statements

Comprehensive Operating Statement

Income and expenses in the comprehensive operating statement are classified according to whether or not they arise from 'transactions' or other economic flows. This classification is consistent with the whole of government reporting format and is allowed under AASB 101 *Presentation of Financial Statements*.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Balance Sheet

Assets and liabilities are presented in liquidity order with assets aggregated into financial assets and non-financial assets.

Current and non-current assets and liabilities (non-current being those assets or liabilities expected to be recovered or settled more than 12 months after the reporting period) are disclosed in the notes, where relevant.

Cash Flow Statement

Cash flows are classified according to whether or not they arise from operating, investing, or financing activities. This classification is consistent with requirements of AASB 107 *Statement of Cash Flows*.

Statement of Changes in equity

The statement of changes in equity presents reconciliations of non-owner and owner changes in equity from opening balances at the beginning of the reporting period to the closing balances at the end of the reporting period. It also shows separately changes due to amounts recognised in the Comprehensive Result and amounts recognised in other income related to 'Transactions with owner in its capacity as owner'.

Rounding

All the amounts have been rounded to the nearest dollar, unless otherwise stated. Figures in the financial statements may not equate due to rounding.

(E) Financial assets

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, deposits at call and highly liquid investments (with an original maturity of 3 months or less), which are held for the purpose of meeting short term cash commitments rather than for investment purposes and are readily convertible to known amounts of cash with an insignificant risk of changes in value.

Term deposits

Term deposits with maturity greater than three months are measured at fair value, less any impairment.

Prepayments

Prepayments represent payments in advance of the receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

Receivables

Receivables consist of:

- contractual receivables, which include debtors and accrued investment income; and
- statutory receivables, such as Goods and Services Tax (GST) input tax credits recoverable.

Receivables that are contractual are classified as financial instruments and categorised as loans and receivables. Statutory receivables are recognised and measured similarly to contractual receivables (except for impairment), but are not classified as financial instruments because they do not arise from a contract.

Receivables are recognised at fair value and subsequently assessed for any impairment.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Impairment of financial assets

At the end of each reporting period, the Authority assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. All financial instrument assets are subject to annual review for impairment.

Receivables are assessed for bad and doubtful debts on a regular basis. Bad debts considered as written off and allowances for doubtful receivables are expensed. Bad debt written off by mutual consent and allowances for doubtful debts are classified as 'other comprehensive income' in the net result. A provision for doubtful debts is recognised when there is objective evidence that the debts may not be collected. Bad debts are written off when identified.

Property, plant and equipment

Property, plant and equipment are brought to account initially at cost and subsequently measured at fair value, less accumulated depreciation and impairment. The fair value of property, plant and equipment is normally determined by reference to the asset's depreciated replacement cost. For the Authority's property, plant and equipment, existing depreciated historical cost is generally a reasonable proxy for depreciated replacement cost because of the short lives of the assets concerned.

The depreciable amount of the property, plant and equipment is calculated using the straight line method over their estimated useful lives. The estimated useful lives, residual and depreciation method are reviewed at the end of each annual reporting period and adjustments made where appropriate.

The depreciation rates used for each class of assets for current and prior years are:

| | |
|----------------------------------|-------|
| Furniture, fixtures and fittings | 10.0% |
| Office equipment | 36.0% |
| Software | 20.0% |

Impairment

Property, plant and equipment are assessed annually for indications of impairment.

If there is an indication of impairment, the asset concerned is tested as to whether its carrying value exceeds its possible recoverable amount. Where an asset's carrying value exceeds its recoverable amount, the difference is written off as an expense except to the extent that the write down can be debited to an asset revaluation reserve applicable to that same class of asset.

If there is an indication that there has been reversal in the estimate of an asset's recoverable amount since the last impairment loss was recognised, the carrying amount shall be increased to its recoverable amount. This reversal of the impairment loss occurs only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in prior years.

It is deemed that, in the event of the loss or destruction of an asset, the future economic benefits arising from the use of the asset will be replaced unless a specific decision to the contrary has been made. The recoverable amount for most assets is measured at the higher of depreciated replacement cost and fair value less costs to sell.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(F) Liabilities

Payables

Payables consist of:

- contractual payables, such as accounts payable. Accounts payable represent liabilities for goods and services provided to the Authority prior to the end of the financial year that are unpaid, and arise when the Authority becomes obliged to make future payments in respect of the purchase of those goods and services, and
- statutory payables, such as goods and services tax and fringe benefits tax payables.

Contractual payables are classified as financial instruments and are recognised at fair value. Statutory payables are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities, because they do not arise from a contract.

Income received in advance

The registration fees receipts relating to periods beyond the current financial year are recognised as a liability and have been disclosed as income received in advance.

Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave for services rendered to the reporting date.

Wages, salaries and annual Leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave are recognised in the provision for employee benefits as 'current liabilities' because the Authority does not have the unconditional right to defer the settlement of the entitlements.

Depending on the expectation of the timing of settlement, liabilities for wages and salaries and annual leave are measured at:

- nominal value – if the Authority expects to wholly settle within 12 months; or
- present value – if the Authority does not expect to wholly settle within 12 months.

Long service leave (LSL)

LSL is recognised in the provision for employee benefits.

Unconditional LSL (representing 10 or more years of continuous service) is disclosed as a current liability even where the Authority does not expect to settle the liability within 12 months because the Authority does not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

The components of this current LSL liability are measured at:

- nominal value– component that the Authority expects to wholly settle within 12 months; and
- present value – component that the Authority does not expect to wholly settle within 12 months.

Conditional LSL (representing less than 10 years of continuous service) is disclosed as a non-current liability because there is an unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service. This non-current LSL is measured at present value.

Any gain or loss following revaluation of the present value of non-current LSL liability is recognised in the "net result from transaction", except to the extent that a gain or loss arises due to changes in bond interest rates which is then recognised as other economic flow.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

On-costs

Provision for on-costs (such as workers compensation and superannuation) are recognised together with the provision for employee benefits.

(G) Income recognition

Income is recognised in accordance with AASB 118 *Revenue* to the extent that it is probable that the economic benefits will flow to the Authority and the income can be reliably measured at fair value. Unearned income at reporting date is reported as income in advance, (refer Note 1 (f)).

Amounts disclosed as revenue are, where applicable, net of returns, allowances and duties and taxes.

Premises registration and business licence fees

The registration and licence year is 1 July to 30 June. Accordingly, the registrations and licence fees receipts, which are attributable to the current financial year are recognised as income. Any registration fees received that are attributed to the next financial year are recognised as a liability.

Office consolidation of legislation – subscriptions

The Office Consolidation of Legislation – Subscriptions receipts are attributable to the current financial year and recognised as income.

Interest

Interest income on investments and cash holdings are recognised using accrued interest method which allocates the interest over the relevant period.

Other income

Other income includes sale of pharmacy premises register and lectures given by the Registrar.

(H) Expenses Recognition

Expenses are recognised as they are incurred and reported in the financial year to which they relate.

Employee expenses

These expenses include costs related to employment (other than superannuation which is accounted for separately) including wages and salaries, fringe benefits tax, leave entitlements, redundancy payments and WorkCover premiums.

Defined contribution superannuation plans

Contributions to defined contribution superannuation plans are expensed when incurred. The Authority has not incurred any expenses in relation to defined benefit contribution plans.

Income taxes

Tax effect accounting has not been applied as the Authority is exempt from income tax under Section 50-25 of the *Income Tax Assessment Act 1997*.

(I) Goods and Services Tax (GST)

Income, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from Australian Taxation Office (ATO). In this case, the GST payable is recognised as part of the cost of acquisition of the assets or as part of the expense.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO, are presented as operating cash flow.

Commitments for expenditure and contingent assets and liabilities are also stated inclusive of GST.

(J) Equity

Contributed capital

Consistent with the requirements of AASB 1004 *Contributions*, contributions by owners (that is, contributed capital and its repayment) are treated as equity transactions and, therefore, do not form part of the income and expenses of the Authority.

(K) Financial instruments

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Where relevant, for note disclosure purposes, a distinction is made between those financial assets and financial liabilities that meet the definition of financial instruments in accordance with AASB 132 *Financial Instruments: Presentation* and those that do not.

Receivables

Receivables consist of:

- contractual receivables, such as debtors in relation to goods and services, loans to third parties, accrued investment income, and finance lease receivables (refer to Note 1(L) Leases); and
- statutory receivables, such as amounts owing from the Victorian Government and Goods and Services Tax (GST) input tax credits recoverable.

Receivables include cash and deposits (refer to Note 8), term deposits with maturity greater than three months, trade and other receivables, but not statutory receivables.

(L) Leases

A lease is a right to use an asset for an agreed period of time in exchange for payment.

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and rewards incidental to ownership. Leases of infrastructure, property, plant and equipment are classified as finance infrastructure leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership from the lessor to the lessee. All other leases are classified as operating leases. The Authority is not a party to any finance leases.

Authority as lessee

Operating lease payments, including any contingent rentals, are recognised as an expense on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern of the benefits derived from the use of the leased asset. The leased asset is not recognised in the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(M) Commitments

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are disclosed by way of note (refer to Note 10) at their nominal value and are inclusive of the GST payable. In addition, where it is considered appropriate and provides additional relevant information to users, the net present value of significant individual projects are stated. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

(N) Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the balance sheet, but are disclosed by way of a note (refer to Note 14) and, if quantifiable, are measured at nominal value. Contingent assets and contingent liabilities are presented inclusive of GST receivable or payable respectively.

(O) Corporate structure

The Victorian Pharmacy Authority is a statutory body formed under the *Pharmacy Regulation Act 2010*.

(P) Comparative figures

Where necessary, the previous year's figures have been re-classified to facilitate comparison.

(Q) Events after the reporting period

There have been no events after the reporting period that would require disclosure in the financial report.

(R) Australian Accounting Standards issued that are not yet effective

Certain new Australian Accounting Standards (AAS) have been published that are not mandatory for the 30 June 2016 reporting period. DTF assesses the impact of all these new standards and advises the Department of their applicability and early adoption where applicable.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

| Standard / Interpretation | Summary | Standard applicable for annual reporting periods beginning on | Expected Impact on the Authority financial statements |
|---|--|--|--|
| AASB 15 Revenue from Contracts with Customers | The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer. | 1 January 2017 | No impact |
| AASB 9 Financial Instruments | The key changes introduced by AASB 9 include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred. | 1 January 2018 | No impact |
| AASB 2014-1 Amendments to Australian Accounting Standards [Part E Financial Instruments] | Amends various AASs to reflect the AASB's decision to defer the mandatory application date of AASB 9 to annual reporting periods beginning on or after 1 January 2018; as a consequence of Chapter 6; and to amend reduced disclosure requirements. | 1 January 2018 | No impact |
| AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation [AASB 116 & AASB 138] | <ul style="list-style-type: none"> • Amends AASB 116 Property, Plant and Equipment and AASB 138 Intangible Assets to: • establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset; • prohibit the use of revenue-based methods to calculate the depreciation or amortisation of an asset, tangible or intangible, because revenue generally reflects the pattern of economic benefits that are generated from operating the business, rather than the consumption through the use of the asset. | 1 January 2016 | No impact |
| AASB 16 Leases | The key changes introduced by AASB 16 include the recognition of most operating leases (which are currently not recognised) on balance sheet. | 1 January 2019 | No impact |
| AASB 2015-6 Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities[AASB 10, AASB 124 & AASB 1049] | AASB 2015-6 extends the scope of AASB 124 Related Party Disclosures to not-for-profit public sector entities. Guidance has been included to assist the application of the Standard by not-for-profit public sector entities. | 1 July 2016 | No impact |

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

| | 2016 | 2015 |
|---|------------------|------------------|
| | \$ | \$ |
| 2. INCOME | | |
| Revenue from Operating Activities | | |
| Premises registration and business licence fees | 896,750 | 843,391 |
| Application for licence to carry on pharmacy business | 63,167 | 45,234 |
| Office consolidated subscriptions | 30,414 | 59,110 |
| Approval of pharmacies | 54,555 | 51,773 |
| Other operating revenue | 4,015 | 2,631 |
| Total Revenue from Operating Activities | <u>1,048,901</u> | <u>1,002,139</u> |
| Revenue from Non-Operating Activities | | |
| Interest | 57,949 | 68,459 |
| Total Revenue from Non-Operating Activities | <u>57,949</u> | <u>68,459</u> |
| Total Income | <u>1,106,850</u> | <u>1,070,598</u> |
| 3. OPERATING EXPENSES | | |
| Salaries | 527,974 | 601,486 |
| Purchase of acts and regulations | 36,124 | 37,653 |
| Other operating expenses | 67,588 | 66,106 |
| Bank fees | 8,203 | 8,638 |
| Computer maintenance | 39,120 | 35,749 |
| Authority member fees and expenses | 35,647 | 34,213 |
| Car expenses – Inspectorial | 28,614 | 34,870 |
| Printing | 520 | 2,131 |
| Legal expenses | 48,658 | 7,849 |
| Consulting fees | 11,244 | 15,313 |
| Depreciation | 858 | 858 |
| Postage | 5,715 | 6,114 |
| Provision for employee entitlements | 29,602 | 55,260 |
| Rental of premises (i) | 120,759 | 115,404 |
| Subscriptions | 2,584 | 4,022 |
| Web site maintenance | 2,882 | 3,353 |
| Audit fees | 8,600 | 8,400 |
| Telephone | 11,581 | 16,094 |
| Total Operating Expenses | <u>986,273</u> | <u>1,053,513</u> |

(i) Note: Rental cost above includes outgoings related to the rental premises

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

| | 2016 | 2015 |
|--|----------------|----------------|
| | \$ | \$ |
| 4. RECEIVABLES AND ACCRUED REVENUE | | |
| Contractual receivables | 1,981 | 2,031 |
| Accrued revenue | 7,925 | 10,680 |
| Statutory GST | 8,000 | 7,606 |
| Total receivables and accrued revenue | <u>17,906</u> | <u>20,317</u> |
| | | |
| (a) Ageing analysis of contractual receivables | | |
| Please refer to Note 13 for the ageing analysis of contractual receivables. | | |
| | | |
| (b) Nature and extent of risk arising from contractual receivables | | |
| Please refer to Note 13 for the nature and extent of risks arising from contractual receivables. | | |
| | | |
| 5. EMPLOYEE BENEFITS AND RELATED ON-COSTS | | |
| Current Provisions | | |
| Employee Benefits | | |
| Annual leave | | |
| Unconditional and expected to be settled within 12 months | 19,273 | 39,871 |
| Long service leave | | |
| Unconditional and expected to be settled within 12 months | 2,873 | 120,937 |
| Unconditional and expected to be settled after 12 months | 118,630 | 101,233 |
| | <u>140,776</u> | <u>262,041</u> |
| Provisions for on-cost | | |
| Unconditional and expected to be settled within 12 months | 7,949 | 20,784 |
| Unconditional and expected to be settled after 12 months | 10,848 | 10,629 |
| Total current provisions | <u>18,797</u> | <u>31,413</u> |
| | | |
| Non-current provisions | | |
| Employee Benefits –long service leave | 1,436 | 12,360 |
| On-costs | 152 | 1,297 |
| Total non-current provisions | <u>1,588</u> | <u>13,657</u> |
| | | |
| Total provisions | <u>161,161</u> | <u>307,111</u> |
| | | |
| Movement in Long service leave provisions | | |
| Opening balance | 259,153 | 230,228 |
| Additional provision recognised | 3,325 | 34,154 |
| Revaluations due to change in long service leave model | 475 | - |
| Reductions arising from payments | (126,989) | (5,229) |
| Balance at End of Year | <u>135,964</u> | <u>259,153</u> |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

6. PROPERTY, PLANT AND EQUIPMENT

| | Gross carrying amount \$ | | Accumulated Depreciation \$ | | Net carrying amount \$ | |
|--------------------------------------|--------------------------|---------------|-----------------------------|-----------------|------------------------|--------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Office equipment at fair value | 13,160 | 11,791 | (11,791) | (11,791) | 1,369 | - |
| Furniture and fittings at fair value | 8,580 | 8,580 | (6,864) | (6,006) | 1,716 | 2,574 |
| Computer software at fair value | 2,950 | 2,950 | (2,950) | (2,950) | - | - |
| | 24,690 | 23,321 | (21,605) | (20,747) | 3,085 | 2,574 |

7. RECONCILIATION OF NET RESULT FOR THE YEAR TO CASH FLOW FROM OPERATING ACTIVITIES

| | 2016 | 2015 |
|---|-----------------|----------------|
| | \$ | \$ |
| Net result for the year | 120,577 | 17,085 |
| <i>Add/(Less) :</i> | | |
| Depreciation | 858 | 858 |
| <i>Movement in assets and liabilities</i> | | |
| Increase/(Decrease) in Provision for employee entitlements | (145,950) | 38,254 |
| Increase/(Decrease) in Payables | 8,181 | (5,340) |
| Increase/(Decrease) in Fees in advance and accrued expenses | (14,236) | 79,044 |
| (Increase)/Decrease in Receivables and accrued revenue | 2,411 | 3,249 |
| (Increase)/Decrease in Prepayments | (287) | (147) |
| Net cash provided by/(used in) operating activities | <u>(28,446)</u> | <u>133,033</u> |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

| | 2016 | 2015 |
|--|------------------|------------------|
| | \$ | \$ |
| 8. CASH AND CASH EQUIVALENTS | | |
| For the purposes of the Cash Flow Statement, cash and cash equivalents includes cash on hand and in banks, and short term deposits which are readily convertible to cash on hand, and are subject to an insignificant risk of change in value. | | |
| Cash at Bank | 350,299 | 325,332 |
| Deposits – under 3 months maturity | 931,814 | 954,647 |
| Petty cash | 250 | 250 |
| Total Cash and Cash Equivalents | <u>1,282,363</u> | <u>1,280,229</u> |
| 9. AUDITORS' REMUNERATION | | |
| Amounts received or due and receivable by the auditor, the Victorian Auditor-General's office for: | | |
| - auditing the financial statements | <u>8,600</u> | <u>8,400</u> |
| No other amounts were received by the external auditors. | | |
| 10. COMMITMENTS FOR EXPENDITURE | | |
| (a) Rental Arrangements | | |
| Rental arrangements relate to the ongoing lease of the premises but not included in the balance sheet. | | |
| Not later than one year | 71,923 | 104,448 |
| Later than one year but no later than 5 years | - | 72,417 |
| Total (Inclusive GST) | <u>71,923</u> | <u>176,865</u> |
| Operating Lease Commitments - payable | | |
| Operating lease commitments represent photocopy machine and computer rental as per contract but not included in the balance sheet | | |
| Not later than one year | 4,135 | 10,649 |
| Later than one year but not later than 5 years | 5,824 | 9,959 |
| Total (Inclusive GST) | <u>9,959</u> | <u>20,608</u> |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

11. RESPONSIBLE PERSONS AND EXECUTIVE OFFICERS

In accordance with the Directions from the Minister of Finance under the *Financial Management Act 1994* the following disclosures are made for the responsible persons for the reporting period.

| | | Period | |
|--|----------------------------|---------------------|---------------------|
| (a) Responsible Minister | | | |
| Responsible Minister - The Hon. Jill Hennessy MLA, Minister for Health | | 01/07/15 – 30/06/16 | |
| (b) Authority Members & Accountable Officer | | | |
| Authority Members | Mr Michael Scavone (Chair) | 01/07/15 – 30/09/15 | |
| | Ms Toni Riley (Chair) | 01/10/15 – 30/06/16 | |
| | Ms Toni Riley (member) | 01/07/15 – 30/09/15 | |
| | Mrs Esther Alter | 01/07/15 – 30/06/16 | |
| | Ms Karen Samuel | 01/07/15 – 30/06/16 | |
| | Mr Joey Calandra | 01/07/15 – 30/06/16 | |
| | Mr Richard Mullaly | 07/07/15 – 30/06/16 | |
| | Mr Robert Jamieson | 01/10/15 – 30/06/16 | |
| | Registrar | Mr Stephen Marty | 01/07/15 – 31/07/15 |
| | | Mr Aaron Bawden | 01/08/15 – 30/06/16 |

(c) Remuneration of Responsible Persons

The number of executive officers, other than ministers, and their total remuneration for the period are shown below. The base remuneration is exclusive of bonus payments, long services leave payments, redundancy payments and retirement benefits.

The total annualised employee equivalent provides a measure of full time equivalent executive officers over the reporting period.

| | <u>Total Remuneration</u> | | <u>Base Remuneration</u> | |
|---------------------------------------|---------------------------|------------------|--------------------------|------------------|
| | 2016 No. | 2015 No. | 2016 No. | 2015 No. |
| \$1 - 10,000 | 7 | 6 | 7 | 6 |
| \$10,001 - \$20,000 | - | - | 1 | - |
| \$131,001 - \$140,000 | 1 | - | 1 | 1 |
| \$151,001 - \$160,000 | 1 | 1 | - | - |
| Total number of executives | 9 | 7 | 9 | 7 |
| Total annualised employee equivalents | 1.00 | 0.95 | 1.00 | 0.95 |
| Total Remuneration | \$327,894 | \$192,095 | \$176,890 | \$165,301 |

Payments made to Authority Members are for sitting fees and the reimbursement of expenses necessarily incurred in the conduct of the Authority's activities. There are no other related party transactions.

There were no payments to contractors with significant management responsibilities.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

12. SUPERANNUATION

Details in relation to superannuation funds are as follows:

- (a) The Authority contributes to a number of defined contribution funds on behalf of its employees. There are no superannuation contribution liabilities to the funds at balance date.
- (b) The amount of total contributions by the Authority to the Funds during the year amounted to \$54,828 (2015; \$68,844). The detail of these contributions are below.

| | 2016 | 2015 |
|-------------------------|---------------|---------------|
| | \$ | \$ |
| MLC Superannuation Fund | 24,582 | 48,397 |
| Other Funds | <u>30,246</u> | <u>20,447</u> |
| Total | <u>54,828</u> | <u>68,844</u> |

- (c) The basis for calculations is in accordance with the statutory requirement which specifies that contributions of the Authority are calculated as a percentage of the employees' salary. The table below indicates the range of contributions to the superannuation fund.

| <u>Superannuation Fund</u> | <u>Employer Contribution Level</u> |
|----------------------------|------------------------------------|
| MLC | 9.50 - 14.50% |
| Other | 9.50 - 14.50% |

13. FINANCIAL INSTRUMENTS

(a) **Financial Risk Management Objectives and Policies**

The Victorian Pharmacy Authority's principal financial instruments comprise of:

- Cash Assets,
- Term Deposits,
- Receivables (excluding statutory receivables), and
- Payables (excluding statutory payables).

Details of the 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, in respect of each class of financial asset and financial liability are disclosed in Note 1 to the financial statements.

The main purpose in holding financial instruments is to prudentially manage the Authority's financial risks within the government policy parameters.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

13. FINANCIAL INSTRUMENTS (cont)

Categorisation of financial instruments

Details of each category has been disclosed either in the balance sheet or in the notes in accordance with AASB 139 *Financial Instruments*.

| | Carrying Amount 2016 | Carrying Amount 2015 |
|------------------------------------|----------------------|----------------------|
| Financial Assets | \$ | \$ |
| Cash and Cash Equivalents | 1,282,363 | 1,280,229 |
| Receivables | 9,906 | 12,711 |
| Term Deposits | 1,170,303 | 1,202,252 |
| Total Financial Assets | 2,462,572 | 2,495,192 |
| Financial Liabilities | | |
| Payables – creditors | 34,458 | 26,277 |
| Total Financial Liabilities | 34,458 | 26,277 |

(b) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it is entered into under a contract.

The Authority's credit risk arises mainly from cash and cash equivalents and deposits with banks. The Authority does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the Authority.

Credit risk is managed and reviewed regularly by the Authority. The Authority monitors the credit risk by actively assessing the rating quality and liquidity of counterparties and only utilising banks and financial institutions with a minimum 'AA' rating.

The Authority's exposure to credit risk by ageing periods is set out in the following table. There are no material financial assets which are determined to be impaired at 30 June 2016.

Ageing Analysis of Financial Assets as at 30 June

| | Carrying Amount | Not Past Due and Not Impaired | Past Due But Not Impaired | | | | Impaired Financial Assets |
|-------------------------------|------------------|-------------------------------|---------------------------|------------|-------------------|-----------|---------------------------|
| | | | Less than 1 month | 1-3 Months | 3 Months - 1 Year | 1-5 Years | |
| 2016 | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Financial Assets | | | | | | | |
| Cash and Cash Equivalents | 1,282,363 | 1,282,363 | - | - | - | - | - |
| Receivables | 9,906 | 9,906 | - | - | - | - | - |
| Term Deposits | 1,170,303 | 1,170,303 | - | - | - | - | - |
| Total Financial Assets | 2,462,572 | 2,462,572 | - | - | - | - | - |
| 2015 | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Financial Assets | | | | | | | |
| Cash and Cash Equivalents | 1,280,229 | 1,280,229 | - | - | - | - | - |
| Receivables | 12,711 | 12,711 | - | - | - | - | - |
| Term Deposits | 1,202,252 | 1,202,252 | - | - | - | - | - |
| Total Financial Assets | 2,495,192 | 2,495,192 | - | - | - | - | - |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

13. FINANCIAL INSTRUMENTS (cont)

(c) Liquidity Risk

Liquidity risk is the risk that the Authority will not be able to meet its financial obligations as they fall due. The Authority's approach to managing liquidity risk is to ensure, as far possible, that it will always have sufficient funding to meet its liabilities as and when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Authority's reputation.

The following table discloses the maturity analysis of contractual financial liabilities.

Maturity Analysis of Financial Liabilities as at 30 June

| | Carrying Amount | Contractual Cash Flows | Maturity Dates | | | |
|------------------------------------|-----------------|------------------------|-------------------|------------|-----------------|-----------|
| | | | Less than 1 month | 1-3 Months | 3 Months-1 Year | 1-5 Years |
| 2016 | \$ | \$ | \$ | \$ | \$ | \$ |
| Financial Liabilities Payables | 34,458 | 34,458 | 34,458 | - | - | - |
| Total Financial Liabilities | 34,458 | 34,458 | 34,458 | - | - | - |
| 2015 | | | | | | |
| Financial Liabilities Payables | 26,277 | 26,277 | 26,277 | - | - | - |
| Total Financial Liabilities | 26,277 | 26,277 | 26,277 | - | - | - |

(d) Market Risk

The Authority's exposure to market risk is mainly through interest rate risk.

Exposure to interest rate risk arises primarily through the Authority's financial assets. Minimisation of this risk is achieved by mainly undertaking fixed rate financial instruments. For financial liabilities, the Authority mainly undertakes financial liabilities with relatively even maturity profiles.

The carrying amounts of financial assets and liabilities that are exposed interest rate risks are outlined below.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

13. FINANCIAL INSTRUMENTS (cont)

Interest Rate Exposure of Financial Instrument

| | Weighted Average Effective Interest % | Carrying Amount | Interest Rate Exposure | | |
|------------------------------|---|--------------------|---------------------------|------------------------------|-------------------------|
| | | | Fixed Interest rate | Variable Interest rate | Non Interest Bearing |
| 2016 | | | | | |
| Financial Assets | | | | | |
| Cash and Cash Equivalents | 2.01 | 1,282,363 | 931,814 | 350,299 | 250 |
| Receivables | | 9,906 | - | - | 9,906 |
| Term Deposits | 2.93 | 1,170,303 | 1,170,303 | - | |
| | | 2,462,572 | 2,102,117 | 350,299 | 10,156 |
| Financial Liabilities | | | | | |
| Payables | - | 34,458 | - | - | 34,458 |
| | | 34,458 | - | - | 34,458 |
| 2015 | | | | | |
| Financial Assets | | | | | |
| Cash and Cash Equivalents | 2.32 | 1,280,229 | 954,897 | 325,332 | - |
| Receivables | - | 12,711 | - | - | 12,711 |
| Term Deposits | 3.02 | 1,202,252 | 1,202,252 | - | - |
| | | 2,495,192 | 2,157,149 | 325,332 | 12,711 |
| Financial Liabilities | | | | | |
| Payables | - | 26,277 | - | - | 26,277 |
| | | 26,277 | - | - | 26,277 |

Sensitivity Disclosure Analysis

Taking into account past performance, future expectations, economic forecasts, and management's knowledge and experience of the financial markets, the Authority believes the following movements are 'reasonably possible' over the next 12 months.

- A parallel shift of +1% and -1% in market interest rates (AUD)

The following table discloses the impact on net operating result and equity for each category of financial instrument held by Authority at year end as presented to key management personnel, if changes in the relevant risk occur.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

13. FINANCIAL INSTRUMENTS (cont)

| | Carrying Amount | Interest Rate Risk | | | |
|------------------------------|-----------------|--------------------|-----------------|---------------|---------------|
| | | -1% | | +1% | |
| | | Profit | Equity | Profit | Equity |
| 2016 | \$ | \$ | \$ | \$ | \$ |
| Financial Assets | | | | | |
| Cash and Cash Equivalents | 1,282,363 | (12,823) | (12,823) | 12,823 | 12,823 |
| Receivables | 9,906 | - | - | - | - |
| Term Deposits | 1,170,303 | (11,703) | (11,703) | 11,703 | 11,703 |
| Financial Liabilities | | | | | |
| Payables | 34,458 | - | - | - | - |
| | | (24,526) | (24,526) | 24,526 | 24,526 |
| 2015 | | | | | |
| Financial Assets | | | | | |
| Cash and Cash Equivalents | 1,280,229 | (12,802) | (12,802) | 12,802 | 12,802 |
| Receivables | 12,711 | - | - | - | - |
| Term Deposits | 1,202,252 | (12,022) | (12,022) | 12,022 | 12,022 |
| Financial Liabilities | | | | | |
| Payables | 26,277 | - | - | - | - |
| | | (24,824) | (24,824) | 24,824 | 24,824 |

(e) Fair Value

Financial instruments are required to be classified at fair value based upon the reference of the source of inputs used to derive their fair value. Fair value measurements recognised are categorised into the following levels:

Level 1: quoted prices in active markets,

Level 2: quoted prices in non-active markets and inputs other than quoted prices that are observable, either directly or indirectly, and

Level 3: inputs that are not based on observable market data.

The net fair value of all on-balance sheet monetary financial assets and financial liabilities approximates their carrying value. There are no off-balance sheet financial assets or financial liabilities at balance date.

The fair values and net fair values of financial instrument assets and liabilities are determined as follows:

- the fair value of financial instrument assets and liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices, and
- the fair value of other financial instrument assets and liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The Authority considers that the carrying amount of financial instrument assets and liabilities recorded in the financial statements to be a fair approximation of their fair values, because of the short-term nature of the financial instruments and the expectation that they will be paid in full.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

13. FINANCIAL INSTRUMENTS (cont)

The following table shows that the fair values of the contractual financial assets and liabilities are the same as the carrying amounts. All items are categorised as level 2.

Comparison between carrying amount and fair value

| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
|------------------------------------|------------------|------------------|------------------|------------------|
| | 2016 | 2016 | 2015 | 2015 |
| | \$ | \$ | \$ | \$ |
| Financial Assets | | | | |
| Cash and Cash Equivalents | 1,282,363 | 1,282,363 | 1,280,229 | 1,280,229 |
| Receivables | 9,906 | 9,906 | 12,711 | 12,711 |
| Term Deposits | 1,170,303 | 1,170,303 | 1,202,252 | 1,202,252 |
| Total Financial Assets | 2,462,572 | 2,462,572 | 2,495,192 | 2,495,192 |
| Financial Liabilities | | | | |
| Payables | 34,458 | 34,458 | 26,277 | 26,277 |
| Total Financial Liabilities | 34,458 | 34,458 | 26,277 | 26,277 |

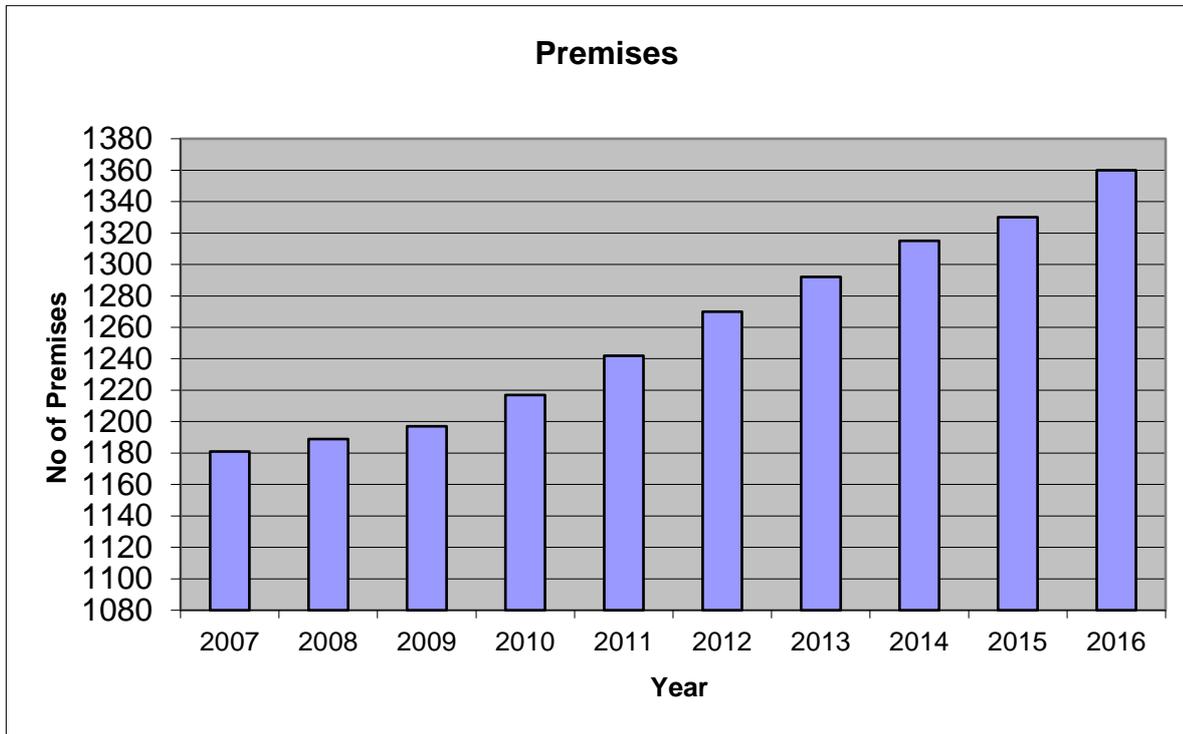
14. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

There is no contingent liability (2015: Nil) and no contingent asset (2015: Nil) as at balance sheet date.

15. EVENTS SUBSEQUENT TO BALANCE DATE

There have been no post balance date events that significantly affect the operations, results or the state of affairs of the Authority (2015: Nil).

Approved Pharmacy Premises Statistics



At 30 June 2015

At 30 June 2016

1,330
75
29

1,360
74
29

Pharmacies
Pharmacy Departments
Pharmacy Depots