

Annual report 2018–19

Victorian Pharmacy Authority

VICTORIAN PHARMACY AUTHORITY

NINTH ANNUAL REPORT

For the period 1 July 2018 to 30 June 2019

Issued by authority of the Victorian Pharmacy Authority

Chair

Mr David McConville BPharm MPS AACPA MAICD

Registrar

Mr Aaron Bawden BPharm BPharmSci(Hons) GAICD MPS

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Responsible bodies declaration

Hon. Jenny Mikakos
Minister for Health
Minister for Ambulance Services

Dear Minister

In accordance with the *Financial Management Act 1994*, I am pleased to present the report of operations for the Victorian Pharmacy Authority for the year ending 30 June 2019.



David McConville
Chair
Victorian Pharmacy Authority
Melbourne
4 September 2019

Chair's report

On behalf of the Victorian Pharmacy Authority (the Authority) I am pleased to present this Annual Report.

The Authority is now in its ninth year of operation licensing owners and registering the premises of pharmacies and pharmacy departments in the interest of public safety. The members of the Authority bring a diverse range of backgrounds, expertise and experience to enable the Authority to carry out these functions.

As can be seen from the Financial Statements in this Annual Report, the Authority remains in a financially sound position with full compliance with all auditing requirements.

The Authority has met all performance improvement targets outlined in its Ministerial Statement of Expectations (SOE).

Authority activities in 2018/19 relating to the achievement of SOE targets included the commencement of a full audit program of pharmacy business ownership and commercial arrangements and publication of further guidance on pharmacy business commercial arrangements in December 2018.

Licensing

The Authority has implemented the recommendations of the Review of the Pharmacy Business Licence Application and Renewal Processes (Licensing Review) conducted by *PharmConsult*. This has resulted in significant changes to Authority processes aimed at ensuring that pharmacy businesses comply with the ownership provisions of the *Pharmacy Regulation Act 2010* (the Act).

Strategic Plan

In March 2019 the Authority reviewed and revised its Goals and Strategic Priorities for 2019 and has continued to make improvements to its risk management framework.

Stakeholder engagement remains a priority. Following the implementation of recent changes to application processes, broad consultation is planned later this year to further improve efficiency of regulatory practice and reduce regulatory burden for regulated entities.

Through its role of Secretariat for the Pharmacy Premises Registering Authorities of Australia (PPRAA) group, the Authority continues to provide leadership towards national consistency of pharmacy regulation and standards for pharmacy premises.

I encourage you to view the revised Strategic Plan for 2018-2021 at www.pharmacy.vic.gov.au.

Compliance activities

Authority officers continue to conduct inspections of pharmacies and pharmacy departments to monitor compliance. Inspections also play a vital role in providing education to pharmacists regarding current requirements.

In the last 12 months the Authority has noted an increase in the number of disciplinary hearings involving potential breaches of the Act. The Authority will continue to address such trends through future inspection activities and stakeholder engagement.

Special thanks

I would like to take this opportunity to thank Ms Esther Alter for her valuable contribution and dedication as lawyer member from the Authority's inception in August 2010 until the expiry of her term of appointment on 30 June 2019. Ms Alter previously served as a member of the former Pharmacy Board of Victoria.

Following the expiration of Ms Alter's term, the Governor in Council appointed Elizabeth Kennedy as a lawyer member for a three-year term until 30 June 2022. The Authority welcomes Ms Kennedy to the role.

I wish to acknowledge and thank my fellow Authority members, the Registrar and his team. Their positivity, dedication and hard work have ensured a successful year for the Authority.



David McConville
Chair

Registrar's report

This year has seen continued high activity across every part of the organisation. Commencement of an expanded audit program of pharmacy business ownership and commercial arrangements has been a major focus in 2018-19.

The Authority met its inspection targets for the 2018 calendar year. Inspection statistics and risk data have been reviewed on a regular basis to continually recalibrate priorities within the inspection program.

The Authority continued its risk-based program of inspections of premises in which pharmacists compound sterile medicines. Licensees have been encouraged to commission independent expert assessments of cleanrooms and their operation to address risks where necessary to ensure public safety.

Service standards

The Authority aims to carry out an initial assessment within five business days of receipt of a complete application. Processing should be completed within a further five business days of an Authority decision, or receipt of any outstanding information. In 2018-19:

- Ninety-one percent (91%) of complete applications received an initial assessment within five working days of receipt;
- Ninety-seven percent (97%) of applications were processed within a further five working days of receipt of outstanding information or a decision of the Authority.

The Authority publishes a quarterly performance report including information on its activities and intended outcomes on its website at www.pharmacy.vic.gov.au.

Policies and procedures

The Authority oversaw the development of a comprehensive range of new and revised policies and procedures in response to internal audit recommendations. A significant amount of work has been undertaken in the areas of disaster recovery and business continuity planning, protective data security and occupational health and safety.

Acknowledgements

I would like to acknowledge the contributions of the Authority members throughout the year along with the support and leadership of Chair David McConville.

I would like to thank outgoing Lawyer member Esther Alter for her support and all her time and dedication to the Authority including her contributions as member of the Audit and Risk Committee and regular Panel member.

Finally, I would like to acknowledge the dedication and professional work of all the staff who have again performed excellently during another very busy year. The Authority is a small statutory authority that relies on the expertise and extensive experience of all its staff to carry out its regulatory functions and meet its obligations as a public body.

Recent shifts in the Authority's focus including the introduction of the expanded pharmacy business ownership audit program and continuing close scrutiny of complex ownership arrangements have further increased the workload of Authority.

Extensive work has also been undertaken in recent policy development and the transition to a formal quality management system structure. The contributions and dedication of staff involved in all these areas have been essential to the achievement of outcomes and would not have been possible without their experience and expertise.

The Authority also acknowledges the assistance provided by the Medicines and Poisons Regulation branch of the Department of Health and Human Services.



Aaron Bawden
Registrar

Introduction

Charter and Purpose

Establishment

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

The Ministers for Health during 2018–19 were:

The Honourable Jill Hennessy, Minister for Health and Minister for Ambulance Services	01/07/2018 - 29/11/2018
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Jenny Mikakos, Minister for Health and Minister for Ambulance Services	29/11/2018 - 30/06/2019
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Our vision

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

Objectives, functions, powers and duties

The Authority regulates the ownership and operation 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

Organisational structure

The Authority consists of six members and is supported by a Registrar and eight other staff:

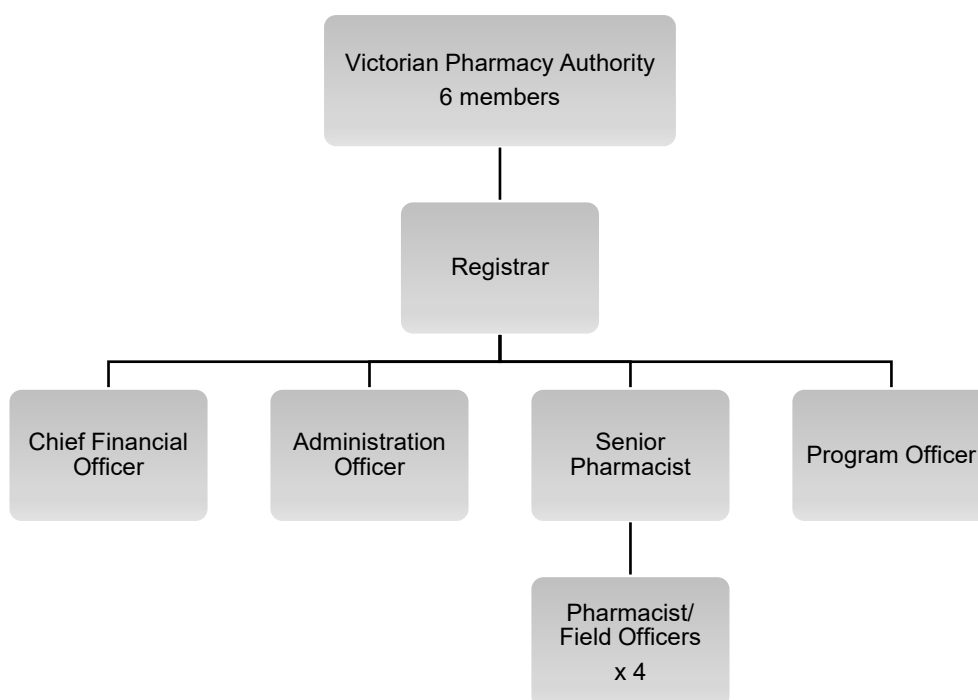


Figure 1. Victorian Pharmacy Authority organisational structure

Authority membership

Pursuant to section 87 of the Act, the Authority consists of members appointed by the Governor in Council on the nomination of the Minister. Three must be registered 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 2019 was as follows:

Chair

Mr David McConville BPharm, MPS, AACPA, MAICD
Present term of appointment: until 30 June 2021

Pharmacist Members

Mr Giuseppe Calandra MBA, BPharm Hons, MRPharmS, CertIVTAE, MPS
Initially appointed: 1 July 2014
Present term of appointment: until 30 June 2020

Ms Casuarina Fersterer BPharm, MPharmPrac
Initially appointed: 1 July 2016
Present term of appointment: until 30 June 2022

Mr Brendon Moar BPharm, MPS
Present term of appointment: until 30 June 2021

One Australian Lawyer

Ms Esther Alter BEc, LLB, MBA, MAICD

Initially appointed: 24 August 2010

Present term of appointment: until 30 June 2019 (not reappointed)

One person who is not a registered pharmacist

Ms Marie Ritchie GradCertBA, MAICD, HonMemPDL

Present term of appointment: until 30 June 2021

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 2018 to 30 June 2019, twelve Authority meetings were held with attendance by Authority members as follows:

Member	Authority Meetings	Leave of Absence
Mr D McConville	12 of 12	-
Ms E Alter	11 of 12	1
Mr G Calandra	7 of 12	5
Ms C Fersterer	11 of 12	1
Mr B Moar	11 of 12	1
Ms M Ritchie	12 of 12	-

Audit and Risk Committee

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; Mr D McConville, Mrs E Alter and Mr B Moar as at 30 June 2019. A quorum comprises the chairman and two other members. The Committee met four times during the reporting period.

Staffing

The Authority had a staff of nine at 30 June 2019, with a Full Time Equivalent (FTE) of 6.3. These comprise the Registrar who is the Authority's executive officer, a Senior Pharmacist whose responsibilities include assessing applications and managing the inspection program, four pharmacists including field staff, a Finance Officer and an Administration Officer.

Registrar:	Mr A Bawden
Senior Pharmacist:	Mr D Thirlwall
Chief Financial Officer:	Mrs K Nadanakumar
Administration Officer:	Mrs H Newett
Program Officer	Dr D J Snell
Pharmacist/Field Officers:	Mrs C Greco, Mr G McCurdy, Ms J Webster, Mr R Edwards

Workforce data

	Full Time Equivalent (FTE)	
	30 June 2019	30 June 2018
Staff of nine	6.30	5.40

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.

Fees

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

Chair	\$321.00
Member	\$251.00

Schedule of gazetted fees (Effective from 1 May 2019):

PROVISION	FEE
Licences	
Annual licence – individual	\$290.00
Annual licence – corporate	\$645.00
Annual licence – hospital	\$375.00
Registration	
Annual registration – pharmacy business	\$285.00
Annual registration – pharmacy department	\$285.00
Annual registration – pharmacy depot	\$75.00
Applications	
Application for registration of pharmacy business	\$430.00
Application for registration of pharmacy department	\$525.00
Application for registration of pharmacy depot	\$75.00
Application for approval of alterations to a registered pharmacy business	\$430.00
Application for licence to carry on a pharmacy business	\$340.00
Application for licence to carry on a pharmacy business - Complex	\$720.00
Application for approval to practise in special circumstances section 29(1)(b)	\$145.00
Other fees	
Site re-inspection	\$385.00
Trust or other commercial arrangement assessment	\$1,900.00

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 2018 – 30 June 2019.

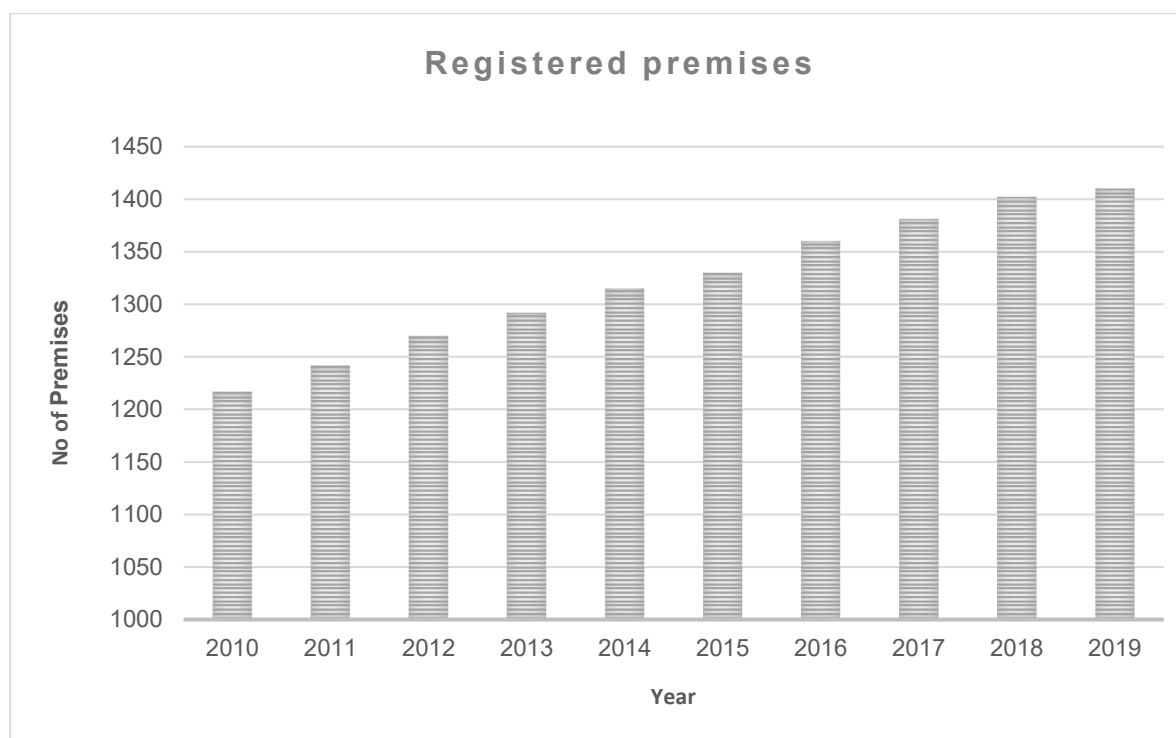
Applications	Number 2016 - 2017	Number 2017 - 2018	Number 2018 - 2019
Registration of pharmacy premises and pharmacy department premises	114	126	121 ⁽¹⁾
Pharmacy Depots	2	-	-
Approval of pharmacists to supply, compound or dispense medicines other than at a pharmacy or pharmacy department	63	60	52
Licence to carry on a pharmacy business	224	248	212 ⁽²⁾

- (1) Registration applications
- new/relocated pharmacies 57
 - alterations 59
 - pharmacy department 5

- (2) Licence applications
- pharmacist 108
 - company/hospital/friendly society 104

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.

Registered pharmacy premises statistics



Registered premises	At 30 June 2019	At 30 June 2018
Pharmacies	1,410	1,402
Pharmacy Departments	73	76
Pharmacy Depots	19	20

Standards monitoring

The Authority supervised the 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;
- notifications (complaints); and
- unsatisfactory previous inspections.

Inspectors examine security, workload, privacy, equipment, fittings, compliance with legislation and pharmacy practice standards and pay particular attention to storage and records of controlled drugs, opioid replacement therapy, complex compounding, provision of dose administration aids and vaccination services. This pro-active 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:

Inspection category	2016	2017	2018	2019
Inspection on change of licence	84	99	83	90
Registration Inspection	106	131	115	94
Standards monitoring inspection – community pharmacy	518	641	624	659
Standards monitoring inspection – pharmacy department	3	10	35	35
Total inspections	711	881	857	878

Where the Authority deemed it appropriate, pharmacy proprietors were invited to attend a meeting with Authority members to discuss inspection reports that indicated a significant deviation from practice standards or the requirements of the Schedule to the Act. In more serious cases, the Authority convened a Panel to hear the matters.

Common serious deficiencies

Statistics obtained from inspection reports are analysed and used to focus the inspection program towards areas of significant non-compliance and risk. Based on this analysis and reference to the Authority's risk register, inspectors pay close attention to common high-risk areas in forthcoming inspections. The following areas of focus were identified from inspections during the reporting period:

- Adequacy of pharmacy reference libraries
- Barcode scanning undertaken routinely during dispensing
- Timely and accurate recording of transactions in Schedule 8 poisons
- Regular reconciliation of Schedule 8 stocks and records
- Adequacy of dispensary staffing levels
- Adequacy of arrangements for privacy in all parts of the pharmacy
- Appropriate storage and display of Schedule 3 medicines including pseudoephedrine products
- Pharmacy dispensaries maintained as private areas dedicated to dispensing

The provision of adequate arrangements for consumer privacy in pharmacies remains a strong focus of inspections. The Act requires pharmacies to ensure that the identity of dispensed medicines cannot be known to other people in the pharmacy (other than pharmacy staff).

The chart shown in Figure 2 indicates the totals of inspections of community pharmacies and hospital pharmacy departments conducted for the past five years.

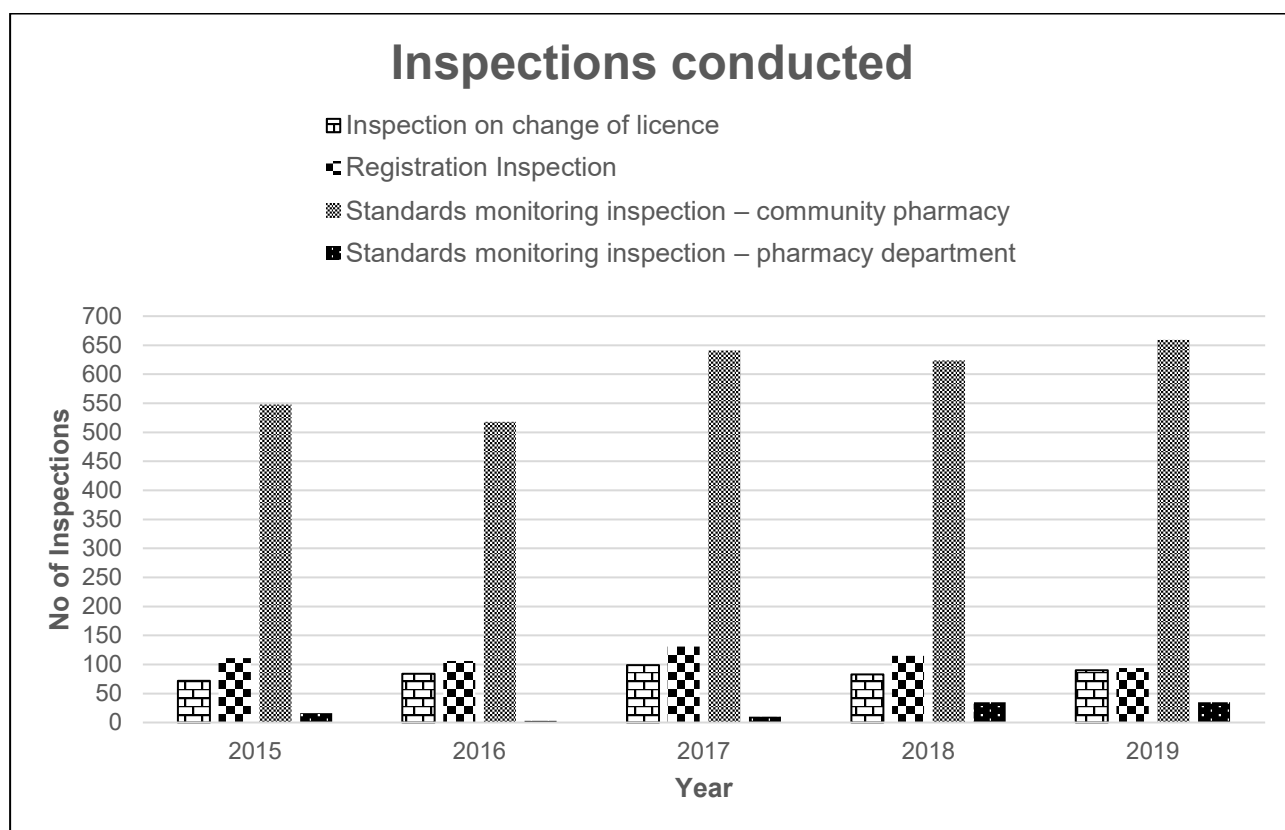


Figure 2

The Authority's Guidelines were revised and published with effect 1 November 2018 following a period of public consultation. All inspection protocols were reviewed and updated in December 2018.

Panel hearings

Background

The Authority may investigate a matter relating to a licence or premises registration. This may result from an inspection revealing serious deficiencies. In the case of an investigation, a licensee is given the opportunity to respond to the Authority to provide an explanation and detail steps taken to rectify deficiencies before any further action is taken.

Following an investigation, the Authority may decide to take no further action, request the licensee(s) attend an Authority meeting to discuss the issues, or convene a panel hearing.

A panel convened pursuant to section 57 of the Act to hear a matter which has been the subject of an investigation may result in:

- a condition(s) being placed on a licence and/or premises registration;
- cautioning or reprimanding of a licensee or registration holder;
- the licence or premises registration continuing;
- a licence and/or premises registration being revoked.

The Authority may also direct that a site re-inspection be undertaken and in such cases a fee is charged to the pharmacy.

Panel hearings are reserved for matters involving serious failures of good pharmacy practice including alleged breaches of the Act and other legislation or serious non-compliance with Authority Guidelines and good pharmacy practice.

Summary of 2018-19 Panel Hearings

Thirty-five (35) Panel Hearings were conducted during the period. The hearings considered a total of 182 matters arising from inspections and notifications. The following table categorises these 182 matters. Typically, a panel hearing will consider matters from a range of compliance categories (including failures of good pharmacy practice in relation to legislation, guidelines and practice standards).

Non-compliance category	Number of hearings considering matters in each category	Total number of matters considered (n=182)
1. <i>Pharmacy Regulation Act 2010</i>	23	35
2. Victorian Pharmacy Authority Guidelines	19	45
3. Drugs Poisons and Controlled Substances Regulations	29	37
4. Pharmacy Board of Australia Guidelines	17	30
5. Other matters: including requirements of Pharmacotherapy Policy (DHHS), APF, TGA, mandatory warning labels, disposal of RUMs, privacy legislation, other DPCS-related. [Additional VPA guideline-related matters also included]	22	35

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

Pharmacy Regulation Act 2010

Twenty-three hearings (66%) included consideration of matters relating to potential breaches of the Act, with such matters invariably being the trigger for the hearings. These included:

- failure to provide arrangements to ensure that the identity of consumers' dispensed medicines cannot be known by other clients of the pharmacy;
- unapproved alterations to a registered premise;
- failure to ensure the physical security of the premises;
- failure to restrict the control of keys and access to a closed pharmacy pursuant to the requirements of the Act;
- failure to maintain the premises in a clean and hygienic manner; and
- inadequate arrangements to ensure dispensed and supplied medicines are not re-used.

In five other cases pharmacists had commenced to carry on a pharmacy business without notifying the Authority and in one case an applicant provided false information in an application for a licence.

Three hearings considered licensees' eligibility to continue to hold a licence.

Victorian Pharmacy Authority Guidelines

Nineteen hearings (54%) included specific consideration of matters relating to failure to comply with VPA Guidelines*. There were 45 matters considered across a range of areas including refrigerator temperature monitoring, privacy arrangements and requirements for complex compounding.

* Non-compliance with VPA Guidelines may also be considered along with other matters indicating a general failure to comply with good pharmacy practice. This has the effect of reducing the numbers of matters considered.

Drugs Poisons and Controlled Substances Regulations

Twenty-nine hearings (83%) included consideration of matters related to potential breaches of drugs and poisons legislation.

- Eighteen hearings included matters relating to records for Schedule 8 poisons;
- Eight hearings involved matters relating to the storage of Schedule 8 poisons;
- Three hearings included matters relating to the storage and display of Schedule 4 poisons.

The Authority convenes panel hearings following inspections that identify serious potential breaches of drugs and poisons legislation pertaining to storage and/or recording of Schedule 8 poisons and routinely refers investigation reports to the Department of Health and Human Services, Medicines and Poisons Regulation branch.

Pharmacy Board of Australia Guidelines

Seventeen hearings (49%) 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, failure to undertake routine barcode scanning and failure to maintain adequate filling records for dose administration aids. Several of these included serious breaches of good pharmacy practice with respect to complex compounding.

Panel Determinations

Determinations of Panel Hearings were as follows:

- Thirteen (13) of the 35 hearings resulted in licensees receiving a reprimand, and nineteen (19) hearings resulted in licensees received a caution;
- Nine hearings resulted in condition(s) being placed on a licence; and
- Five 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, such as a caution and the imposition of a condition.

Ministerial Statements of Expectations

Statement of Expectations 2017 – 2019

The Authority has met the performance improvement targets outlined in its Statement of Expectations (SOE).

The SOE can be viewed at www.pharmacy.vic.gov.au. It included four key performance indicators, with status at 30 June 2019 as follows:

- The Authority commenced a pilot audit program of pharmacy business ownership and commercial arrangements and published preliminary findings to 30 June 2018 (refer communiqué No. 6, 20 July 2018).
- A full audit program of pharmacy business ownership and commercial arrangements commenced in December 2018 with the audit first questionnaires sent out in February 2019 (see below for further information).
- Service standards for processing applications were reviewed and revised by 30 June 2018 (refer communiqué no. 5, 15 June 2018). The Authority did consult further with selected stakeholders later in the year and plans to undertake further consultation in the next SOE.
- Publication of further guidance on pharmacy business commercial arrangements was completed by 31 December 2018 (refer communiqué no. 10, 14 December 2018).

The Authority will publish a detailed status update on its website in due course.

Statement of Expectations 2019 – 2021

The SOE for the next period can also now be viewed at www.pharmacy.vic.gov.au. It includes targets related to timeliness, risk-based strategies and compliance-related assistance and advice across key regulatory areas and will significantly influence the activities of the Authority in the coming years.

Pharmacy business ownership audit program

In 2017 *PharmConsult* Pty Ltd examined the Authority's licensing program. *PharmConsult's* report recommended that the Authority implement a risk-based audit program of pharmacy business ownership.

The Authority conducted a pilot audit in April 2018 and commenced a full audit program in December 2018.

The program includes an ownership audit undertaken by officers of the Authority and, in selected cases, a financial review undertaken by a leading accounting firm on behalf of the Authority to ensure compliance with the Act.

Audit program method

Pharmacies are selected randomly by Authority members from groups of pharmacies with different risk factors.

Each pharmacy selected is subject to an 'ownership audit', that is, an audit to determine if the pharmacy ownership arrangements comply with the ownership and undue influence provisions of the Act.

Additionally, a subset of pharmacies is selected to be subject to a financial audit, that is, an audit of the pharmacy financial records to verify the stated ownership arrangements and to ensure that there are no undeclared arrangements in place. Any of the pharmacies selected for ownership audit may also be subject to a financial audit if their ownership audit proves to be inconclusive.

The licensees of the pharmacies selected were required to complete an Audit Questionnaire and to lodge copies of nominated commercial arrangement documents. They were required to make a statutory declaration attesting to the completeness and truthfulness of their audit return.

The Authority commenced 51 ownership audits between January and June 2019. The Authority also commenced financial audits of five of the above pharmacy businesses.

The Authority plans to report on the ownership audit program in quarterly performance reports available at www.pharmacy.vic.gov.au.

Financial and other information

Five-year summary of financial results

	2019	2018	2017	2016	2015
	\$000	\$000	\$000	\$000	\$000
Total Revenue	1,469	1,147	1,090	1,106	1,070
Total Expenses	1,422	1,134	1,157	986	1,053
Net result from transaction	47	13	(67)	120	17
Total other economic flows	6	-	(5)	-	-
Net result	54	13	(72)	120	17
Total assets	2,898	2,733	2,534	2,482	2,513
Total liabilities	1,404	1,293	1,108	984	1,377
Net assets/Total equity	1,494	1,440	1,426	1,498	1,377

Financial operations

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

- The Authority received a one-off grant of \$130,000 from the Department of Health and Human Services (DHHS Grant) in January 2019 to support implementation of the Authority's audit program of pharmacy business ownership and commercial arrangements (Ownership Audit Program).
- Fees were increased by approximately 12% from 1 May 2019 to cover the cost of administering the Act. The fee increase was largely to enable continuity of the Ownership Audit Program beyond 30 June 2019.
- The Authority recorded a surplus of \$54,210 during the financial year.
- Revenue from operating activities increased by 28.1%.
- Interest on investment funds decreased by 8.3% due to surplus funds transferred to the Central Banking System (CBS).
- The total expenditure increased by 24.9% due largely to costs associated with the Ownership Audit Program.
- There was a significant increase in legal fees due to two VCAT matters, additional licensing advice, franchise reviews and ownership audits (the latter two being included in DHHS Grant expenditure).
- The total revenue of \$1,469,851 was 2.9% higher than the budget estimate of \$1,428,741.
- The total expenditure of \$1,410,641 was 7.0% less than the budget estimate of \$1,517,415.

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: www.pharmacy.vic.gov.au.

The Authority received no FOI requests 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*.

Additional information

Further details of activities described in this annual report are available to relevant ministers, members of parliament and the public on request, subject to the provisions of the *Freedom of Information Act 1982*.

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.

The Authority is not aware of any disclosures pursuant to Part 2 of the *Protected Disclosure Act 2012* being made during the period (disclosures must be made to IBAC).

Consultancies information

Details of consultancies (under \$10,000)

In 2018-19, there were ten consultancies where the total fees payable to the consultants were less than \$10,000. The total expenditure incurred during 2017-18 in relation to these consultancies is \$41,600 (excl. GST).

Details of consultancies (valued at \$10,000 or greater)

In 2018-19 there was no consultancy where the total fees payable to the consultants was \$10,000 or greater.

Information and Communication Technology (ICT) expenditure

The Authority's total ICT Business as Usual expenditure (excluding GST) for the reporting period was \$55,490.

Attestations

Financial Management Compliance

I, David McConville, on behalf of the Responsible Body, certify that the Victorian Pharmacy Authority has complied with the applicable Standing Directions 2018 under the *Financial Management Act 1994* and Instructions supporting the Standing Directions 2018 under the *Financial Management Act 1994*.



David McConville
Chair

Melbourne
27 August 2019

Conflict of Interest

I, Aaron Bawden, certify that the Victorian Pharmacy Authority has put in place appropriate internal controls and processes to ensure that it has complied with the requirements of hospital circular 07/2017 Compliance reporting in health portfolio entities (Revised) and has implemented a 'Conflict of Interest' policy consistent with the minimum accountabilities required by the VPSC. Declaration of private interest forms have been completed by all executive staff within the Victorian Pharmacy Authority and members of the board, and all declared conflicts have been addressed and are being managed. Conflict of interest is a standard agenda item for declaration and documenting at each executive board meeting.



Aaron Bawden
Registrar

Melbourne
27 August 2019

Integrity, fraud and corruption

I, Aaron Bawden, certify that the Victorian Pharmacy Authority has put it place appropriate internal controls and processes to ensure that Integrity, fraud and corruption risks have been reviewed and addressed at the Victorian Pharmacy Authority during the year.



Aaron Bawden
Registrar

Melbourne
27 August 2019

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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	Attestation on Integrity, fraud and corruption	20
Other requirement under Standing Directions 5.2		
SD 5.2.2	Declaration in financial statements	24
SD 5.2.1(a)	Compliance with Australian accounting standards and other authoritative pronouncements	31
SD 5.2.1(a)	Compliance with Ministerial Directions	31
Disclosure of <i>ex-gratia</i> expenses		
No <i>ex-gratia</i> payments were made during the period.		

VICTORIAN PHARMACY AUTHORITY

**FINANCIAL STATEMENTS FOR THE
YEAR ENDED 30 JUNE 2019**

VICTORIAN PHARMACY AUTHORITY

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

The attached financial statements for the Victorian Pharmacy Authority have been prepared in accordance with Direction 5.2 of the Standing Directions of the Assistant Treasurer under the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including Interpretations, and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2019 and financial position of the Authority at 30 June 2019.

At the time of signing, we are not aware of any circumstance which would render any particulars included in the financial statements to be misleading or inaccurate.

We authorise the attached financial statements for issue on 27 August 2019.



David McConville
Chairperson
Melbourne
27 August 2019



Aaron Bawden
Registrar
Melbourne
27 August 2019



Koshala Nadanakumar
Chief Finance and Accounting Officer
Melbourne
27 August 2019

Independent Auditor's Report

To the Members of the Victorian Pharmacy Authority

Opinion	<p>I have audited the financial report of the Victorian Pharmacy Authority (the authority) which comprises the:</p> <ul style="list-style-type: none"> • balance sheet as at 30 June 2019 • comprehensive operating statement for the year then ended • statement of changes in equity for the year then ended • cash flow statement for the year then ended • notes to the financial statements, including significant accounting policies • authority member's, accountable officer's and chief finance & accounting officer's declaration. <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the authority as at 30 June 2019 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p>
Basis for Opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the authority in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
Other Information	<p>The Members of the authority are responsible for the Other Information, which comprises the information in the authority's annual report for the year ended 30 June 2019, but does not include the financial report and my auditor's report thereon.</p> <p>My opinion on the financial report does not cover the Other Information and accordingly, I do not express any form of assurance conclusion on the Other Information. However, in connection with my audit of the financial report, my responsibility is to read the Other Information and in doing so, consider whether it is materially inconsistent with the financial report or 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 am required to report that fact. I have nothing to report in this regard.</p>
Members' responsibilities for the financial report	<p>The Members of the authority are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, and for such internal control as the Members determine is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Members are responsible for assessing the authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p>

Auditor's responsibilities for the audit of the financial report	<p>As required by the <i>Audit Act 1994</i>, my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.</p> <p>As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:</p> <ul style="list-style-type: none"> • identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. • obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the authority's internal control • evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Members • conclude on the appropriateness of the Members' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the authority to cease to continue as a going concern. • evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation. <p>I communicate with the Members regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.</p>
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MELBOURNE
3 September 2019


 Travis Derricott
as delegate for the Auditor-General of Victoria

Victorian Pharmacy Authority**COMPREHENSIVE OPERATING STATEMENT
FOR THE YEAR ENDED 30 JUNE 2019**

	Notes	2019	2018
		\$	\$
Income			
Revenue from operating activities	2	1,427,193	1,101,067
Revenue from non-operating activities	2	42,659	46,531
Total income		<u>1,469,852</u>	<u>1,147,598</u>
Expenses			
Operating expenses	3	(1,422,606)	(1,133,884)
Total expenses		<u>(1,422,606)</u>	<u>(1,133,884)</u>
Net operating balance		<u>47,246</u>	<u>13,714</u>
Other economic flows included in net result			
Net gain/(loss) arising from revaluation of long service leave		6,964	139
Total other economic flows included in net result		<u>6,964</u>	<u>139</u>
Net result for the year		<u>54,210</u>	<u>13,853</u>
Other comprehensive income		-	-
COMPREHENSIVE RESULT		<u>54,210</u>	<u>13,853</u>

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

Victorian Pharmacy Authority**BALANCE SHEET
AS AT 30 JUNE 2019**

	Notes	2019	2018
		\$	\$
Assets			
Financial assets			
Cash and cash equivalents	11	2,866,871	1,056,515
Receivables and accrued revenue	4	15,044	20,725
Investments and other financial assets		-	1,638,357
Prepayments		2,165	2,124
Total financial assets		2,884,080	2,717,721
Non-financial assets			
Property, plant and equipment	9	14,408	15,551
Total non-financial assets		14,408	15,551
Total assets		2,898,488	2,733,272
Liabilities			
Fees received in advance	5	1,177,175	1,050,154
Payables and accrued expenses	6	78,566	66,046
Employee benefits and related on-costs	7	148,745	177,280
Total liabilities		1,404,486	1,293,480
Net assets		1,494,002	1,439,792
Equity			
Contributed capital		514,490	514,490
Accumulated surplus		979,512	925,302
Net worth		1,494,002	1,439,792
Commitments for expenditure	13		
Contingent assets and contingent liabilities	16		

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

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019**

	2019	2018
	\$	\$
Balance at beginning of the financial year	1,439,792	1,425,939
Comprehensive result for the year	54,210	13,853
Balance at end of the financial year	<u>1,494,002</u>	<u>1,439,792</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	925,302	911,449
Comprehensive result for the financial year	54,210	13,853
Balance at end of the financial year	<u>979,512</u>	<u>925,302</u>

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

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2019**

	Notes	2019	2018
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Government grants		130,000	-
Fees from registrants		1,429,895	1,270,572
Payments to suppliers and employees		(1,423,614)	(1,104,027)
Net GST received		(5,618)	(14,050)
Interest received		42,659	46,531
Net cash flows from/ (used in) operating activities	10	<u>173,322</u>	<u>199,026</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for property, plant and equipment		(1,323)	-
Purchase of other financial assets		-	(630,560)
Redemption of other financial assets		1,638,357	512,131
Net cash flows from/ (used in) investing activities		<u>1,637,034</u>	<u>(118,429)</u>
Net increase/(decrease) in cash and cash equivalents		1,810,356	80,597
Cash and cash equivalents at beginning of financial year		1,056,515	975,918
Cash and cash equivalents at end of financial year	11	<u><u>2,866,871</u></u>	<u><u>1,056,515</u></u>

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

**Notes to the Financial Statements Victorian Pharmacy Authority
for the financial year ended 30 JUNE 2019**

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 2019. The purpose of the report is to provide users with information about the Authority's 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 Assistant Treasurer.

In complying with AASs, the Authority has, where relevant, applied those paragraphs applicable to not-for-profit entities. The annual financial statements were authorised for issue by the Authority on 27 August 2019.

(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 2019, and the comparative information for the year ended 30 June 2018.

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 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 Victorian Pharmacy Authority
for the financial year ended 30 JUNE 2019**

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))
- 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 Authority.

Its principal address is:
Level 2, 15-31 Pelham Street
Carlton Victoria 3053.

A description of the nature of the 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 is established under section 81 of the *Pharmacy Regulation Act 2010* (the Act) to regulate the ownership and operation of pharmacy businesses, pharmacy departments and pharmacy depots through the functions specified in section 82 of the Act. The Authority acts in the public interest to achieve a safe pharmacy system through its licensing, registration and monitoring activities.

For the purpose of section 102 of the Act, these financial statements correspond to the financial statements of the Victorian Pharmacy Authority Fund.

(D) 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.

**Notes to the Financial Statements Victorian Pharmacy Authority
for the financial year ended 30 JUNE 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(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.

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.

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%

**Notes to the Financial Statements Victorian Pharmacy Authority
for the financial year ended 30 JUNE 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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.

Intangible assets

Intangible assets represent identifiable non-monetary assets without physical substance such as computer software. Amortisation of intangible assets is calculated using 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

Intangible assets are initially recognised at cost. Subsequently intangible assets useful lives are carried out at cost, less accumulated amortisation, and accumulated impairment losses.

(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.

**Notes to the Financial Statements Victorian Pharmacy Authority
for the financial year ended 30 JUNE 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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.

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.

Government grant

One off grant received from DHHS to implement an audit program of pharmacy business ownership and commercial arrangements is recognised as revenue.

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.

Interest

Interest income on investments and cash holdings are recognised as interest received in this period.

Other income

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

**Notes to the Financial Statements Victorian Pharmacy Authority
for the financial year ended 30 JUNE 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(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, 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.

Other operating expenses

Other operating expenses generally represents the day to day running costs incurred in normal operations.

Rental expenses

Expense associated with the lease of the office building and associated outgoings.

Other economic flows included in net result

Other economic flows are changes in the volume or value of an asset or liability that do not result from transactions.

Other gains/(losses) from economic flows include the gain or losses from the revaluation of present value of the long service leave liability due to changes in wage inflation rate and discount rate.

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.

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.

**Notes to the Financial Statements Victorian Pharmacy Authority
for the financial year ended 30 JUNE 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(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.

(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.

(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 13) 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 16) 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 established 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.

**Notes to the Financial Statements Victorian Pharmacy Authority
for the financial year ended 30 JUNE 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(R) New and amended standards adopted by the Authority

AASB 9 replaces the provisions of AASB 139 Financial Instruments: Recognition and Measurements Requirements that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for impairment of financial assets.

While this represents significant new guidance, the implementation of this new guidance had no material impact on the measurement of transactions and balances recognised in the financial statements.

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

Certain new and revised accounting standards have been issued but not effective for the 2018-2019 reporting period. The Department of Treasury and Finance (DTF) assesses the impact of all these new standards and advises the Department of Health and Human Services of their applicability and early adoption where applicable.

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. Note that amending standard AASB 2015-8 <i>Amendments to Australian Accounting Standards – Effective Date of AASB 15</i> has deferred the effective date of AASB 15 to annual reporting periods beginning on or after 1 January 2018, instead of 1 January 2017.	1 January 2019	The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements. The Authority has assessed the potential impact of this standard and determined that it is not expected to have a significant impact on the Authority.
AASB 2015-8 <i>Amendments to Australian Accounting Standards – Effective Date of AASB 15</i>	This standard defers the mandatory effective date of AASB 15 from 1 January 2017 to 1 January 2018.	1 January 2018	The Authority has assessed the potential impact of this standard and determined that it is not expected to have a significant impact on the Authority.
AASB 2016-7 <i>Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities</i>	This standard defers the mandatory effective date of AASB 15 for not-for-profit entities from 1 January 2018 to 1 January 2019.	1 January 2019	The Authority has assessed the potential impact of this standard and determined that it is not expected to have a significant impact on the Authority.

**Notes to the Financial Statements Victorian Pharmacy Authority
for the financial year ended 30 JUNE 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Standard / Interpretation	Summary	Standard applicable for annual reporting periods beginning on	Expected Impact on the Authority financial statements
AASB 1058 <i>Income of Not-for-Profit Entities</i>	This Standard will replace AASB 1004 <i>Contributions</i> and establishes principles for transactions that are not within the scope of AASB 15, where the consideration to acquire an asset is significantly less than fair value to enable not-for-profit entities to further their objectives.	1 January 2019	The Authority has assessed the potential impact of this standard and determined that it is not expected to have a significant impact on the Authority.
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	The assessment has indicated that most operating leases, with the exception of short term and low value leases will come on to the balance sheet and will be recognised as right of use assets with a corresponding lease liability. In the operating statement, the operating lease expense will be replaced by depreciation expense of the asset and an interest charge

**Notes to the Financial Statements Victorian Pharmacy Authority
for the financial year ended 30 JUNE 2019**

	2019	2018
	\$	\$
2. INCOME		
Revenue from Operating Activities		
Premises registration and business licence fees	1,158,267	977,689
Application for licence to carry on pharmacy business	79,830	65,914
Approval of pharmacies	57,145	53,877
Other operating revenue	1,951	3,587
One off grant from government	130,000	-
Total Revenue from Operating Activities	1,427,193	1,101,067
 Revenue from Non-Operating Activities		
Interest	42,659	46,531
Total Revenue from Non-Operating Activities	42,659	46,531
 Total Income	1,469,852	1,147,598
 3. OPERATING EXPENSES		
Salaries	644,300	601,013
Other operating expenses	98,648	76,052
Bank fees	11,264	9,664
Computer maintenance	43,760	40,720
Authority member fees and expenses	36,825	51,244
Car expenses – Inspectorial	47,508	34,504
Printing	1,024	1,686
Legal expenses	280,847	146,143
Legal expenses - other	22,548	-
Consulting fees	41,600	31,142
Consulting fees - other	35,471	-
Depreciation (note 9)	2,466	2,523
Postage	2,546	2,442
Provision for employee entitlements	58,629	41,853
Rental of premises (i)	68,529	72,108
Subscriptions	3,420	4,509
Web site maintenance	4,060	2,242
Audit fees	13,000	9,200
Telephone	6,161	6,839
Total expenses	1,422,606	1,133,884

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

**Notes to the Financial Statements Victorian Pharmacy Authority
for the financial year ended 30 JUNE 2019**

	2019	2018
	\$	\$
4 RECEIVABLES AND ACCRUED REVENUE		
Contractual		
Sale of goods and services (Trade Debtors)	-	2,141
Accrued investment income	-	7,442
Statutory		
GST input tax credit recoverable	15,044	11,142
Total receivables	<u>15,044</u>	<u>20,725</u>

(a) Ageing analysis of contractual receivables

Please refer to Note 15 for the ageing analysis of contractual receivables.

(b) Ageing analysis of contractual receivables

Please refer to Note 15 for the nature and extent of risks arising from contractual receivables.

5 FEES RECEIVED IN ADVANCE		
Pharmacy premises registration fees	396,855	354,569
Pharmacy business licence fees	780,320	695,585
	<u>1,177,175</u>	<u>1,050,154</u>

6 PAYABLES AND ACCRUED EXPENSES		
Contractual		
Supplies and services (Trade Creditors)	35,652	8,104
Accrued expenses	29,237	43,423
Statutory		
PAYG payable	13,677	14,519
Total payables	<u>78,566</u>	<u>66,046</u>

**Notes to the Financial Statements Victorian Pharmacy Authority
for the financial year ended 30 JUNE 2019**

	2019	2018
	\$	\$
7. EMPLOYEE BENEFITS AND RELATED ON-COSTS		
Current Provisions		
<i>Annual leave</i>		
Unconditional and expected to be settled within 12 months	18,360	20,993
<i>Long service leave</i>		
Unconditional and expected to be settled within 12 months	20,839	25,562
Unconditional and expected to be settled after 12 months	71,837	104,124
<i>Provisions for on-cost</i>		
Unconditional and expected to be settled within 12 months	7,438	7,523
Unconditional and expected to be settled after 12 months	7,611	11,032
Total current provisions for employee benefits	126,085	169,234
<i>Non-current provisions</i>		
Employee benefits	20,489	7,275
On-costs	2,171	771
Total non-current provisions	22,660	8,046
Total provisions	148,745	177,280
Reconciliation of annual and long service leave		
Current employee benefits and related on-costs	126,085	169,234
Non-current employee benefits and related on-costs	22,660	8,046
Total	148,745	177,280
Movement in long service leave provisions		
Balance at start of year	151,472	142,303
Additional provision recognised	11,167	15,636
Revaluations due to change in long service leave model	-	-
Revaluations due to change in discount and inflation rate	6,964	139
Reductions arising from payments	(44,449)	(6,606)
Balance at end of year	125,154	151,472

**Notes to the Financial Statements Victorian Pharmacy Authority
for the financial year ended 30 JUNE 2019**

8. 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 \$68,131. (2018: \$62,071). The detail of these contributions are below.

	2019 \$	2018 \$
MLC Superannuation Fund	23,006	24,980
Other Funds	45,125	37,091
	<u>68,131</u>	<u>62,071</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%
Others	9.50 - 14.50%

9. PROPERTY, PLANT AND EQUIPMENT

	Gross carrying amount \$		Accumulated Depreciation \$		Net carrying amount \$	
	2019	2018	2019	2018	2019	2018
Office equipment at fair value	4,892	3,569	3,901	(3,186)	991	383
Furniture at fair value	21,100	21,100	7,683	(5,932)	13,417	15,168
Net carrying amount	25,992	24,669	11,584	(9,118)	14,408	15,551

Depreciation for the period

Charge for the period	2019 \$	2018 \$
Office equipment	715	493
Furniture	1,751	2,030
Total depreciation	2,466	2,523

Reconciliation of movements in carrying amount of property, plant and equipment

	Office Equipment at fair value \$		Furniture at fair value \$	
	2019	2018	2019	2018
Opening balance	383	876	15,168	17,198
Additions	1,323	-	-	-
Disposals	-	-	-	-
Depreciation	(715)	(493)	(1,751)	(2,030)
Closing balance	991	383	13,417	15,168

**Notes to the Financial Statements Victorian Pharmacy Authority
for the financial year ended 30 JUNE 2019**

9. PROPERTY, PLANT AND EQUIPMENT (cont.)

Fair value: Non-financial physical assets

Fair value measurement hierarchy

	<i>Carrying amount as at 30 June 2019</i>	<i>Fair value measurement at end of reporting period using: (i)</i>		
2019	\$	Level 1	Level 2	Level 3
Office equipment	991			991
Furniture	13,417			13,417
Total of assets at fair value	14,408			14,408

	<i>Carrying amount as at 30 June 2018</i>	<i>Fair value measurement at end of reporting period using: (i)</i>		
2018	\$	Level 1	Level 2	Level 3
Office equipment	383			383
Furniture	15,168			15,168
Total of assets at fair value	15,551			15,551

(i) Classified in accordance with the fair value hierarchy

Reconciliation of level 3 fair value movements

	Office Equipment \$		Furniture \$	
	2019	2018	2019	2018
Opening balance	383	876	15,168	17,198
Purchase/addition	1,323	-	-	-
Transfer out/disposal	-	-	-	-
Depreciation	(715)	(493)	(1,751)	(2,030)
Closing balance	991	383	13,417	15,168

Description of significant unobservable inputs to Level 3 valuations

Office equipment and furniture are brought to account initially at cost and subsequently measured at depreciated replacement cost. Expected useful life of office equipment is 3-5 years and furniture 5-10 years.

Intangible assets

	Gross carrying amount \$		Accumulated Depreciation \$		Net carrying amount \$	
	2019	2018	2019	2018	2019	2018
Computer software at fair value	2,950	2,950	2,950	2,950	-	-

**Notes to the Financial Statements Victorian Pharmacy Authority
for the financial year ended 30 JUNE 2019**

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

	2019	2018
	\$	\$
Net result for the year	54,210	13,853
<i>Add/(Less):</i>		
Depreciation	2,466	2,523
<i>Movement in assets and liabilities</i>		
Increase/(decrease) in provision for employee entitlements	(28,535)	9,243
Increase/(decrease) in payables	12,520	3,857
Increase/(decrease) in fees in advance and accrued expenses	127,021	172,299
(Increase)/decrease in receivables and accrued revenue	5,681	(2,795)
(Increase)/decrease in prepayments	(41)	46
Net cash provided by/(used in) operating activities	173,322	199,026

11. 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	897,050	723,338
Deposits at call - Central Banking System (CBS)	1,969,571	-
Deposits – under 3 months maturity	-	332,927
Petty cash	250	250
Total Cash and Cash Equivalents	2,866,871	1,056,515

12. REMUNERATION OF AUDITORS

Victorian Auditor-General's office

Audit of the financial statements	13,000	9,200
No other amounts were received by the external auditors		

13 COMMITMENTS FOR EXPENDITURE

Nominal amounts	Less than	1-5	5+	
2019	1 year	years	years	Total (\$)
Rental commitment payable ⁽ⁱ⁾	60,909	106,038	-	166,947
Operating and lease commitments payable ⁽ⁱⁱ⁾	1,049	-	-	1,049
Total commitments (inclusive of GST)				167,996
Less GST recoverable				(15,272)
Total commitments (exclusive of GST)				152,724

**Notes to the Financial Statements Victorian Pharmacy Authority
for the financial year ended 30 JUNE 2019**

13 COMMITMENTS FOR EXPENDITURE (cont.)

Nominal amounts	Less than	1-5	5+	
2018	1 year	years	years	Total (\$)
Rental commitment payable ⁽ⁱ⁾	58,850	166,947	-	225,797
Operating and lease commitments payable ⁽ⁱⁱ⁾	8,966	1,049	-	10,015
Total commitments (inclusive of GST)			-	235,813
Less GST recoverable				(21,438)
Total commitments (exclusive of GST)				214,375

- (i) Rental commitment related to the ongoing lease of the office premises but not included in the balance sheet
(ii) Operating and lease commitment related to lease of photocopy machine for 4 years expired and is on month to month rental. computer rental for 3 year which is coming to an end,

14. RESPONSIBLE PERSONS AND EXECUTIVE OFFICERS

In accordance with the Directions from the Assistant Treasurer under the *Financial Management Act 1994* (FMA) the following disclosures are made for the responsible persons for the reporting period

(a) Responsible Ministers	Period
The Honourable Jill Hennessy Minister for Health and Minister for Ambulance Services	01/07/18 – 29/11/18
The Honourable Jenny Mikakos Minister for Health and Minister for Ambulance Services	29/11/18 – 30/06/2019
(b) Authority Members & Accountable Officer	
Authority Members	Mr David McConville (Chair) 01/07/18 – 30/06/19
	Mrs Esther Alter 01/07/18 – 30/06/19
	Mr Joey Calandra 01/07/18 – 30/06/19
	Ms Casuarina Fersterer 01/07/18 – 30/06/19
	Mr Brendon Moar 01/07/18 – 30/06/19
	Ms Marie Ritchie 01/07/18 – 30/06/19
Registrar	Mr Aaron Bawden 01/07/18 – 30/06/19

Remuneration

Remuneration received by the accountable officer during the reporting period was in the range:
\$170,001 - \$180,000 (\$160,001 - \$170,000 in 2017-18)

(c) Remuneration of Responsible Persons The total annualised employee equivalent provides a measure of full time equivalent executive officers over the reporting period.

Income Band	Total Remuneration		Base Remuneration	
	2019	2018	2019	2018
	No.	No.	No.	No.
\$1 - 10,000	5	4	5	5
\$10,001 - \$20,000	1	2	1	1
\$130,001 - \$140,000	-	-	-	-
\$140,001 - \$150,000	-	-	-	-
\$150,001 - \$160,000	-	1	1	1
\$160,001 - \$170,000	-	-	-	-
\$170,001 - \$180,000	1	-	-	-
Total number of executives	7	7	7	7
Total annualised employee equivalents	1.00	1.00	1.00	1.00
Total Remuneration	209,680	209,177	186,342	184,775

**Notes to the Financial Statements Victorian Pharmacy Authority
for the financial year ended 30 JUNE 2019**

14. RESPONSIBLE PERSONS AND EXECUTIVE OFFICERS (cont.)

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.

(d) Remuneration of executives

The executive officer and the accountable officer is the Registrar (refer note 14 (b))

(e) Related parties

The Victorian Pharmacy Authority is a wholly owned and controlled entity of the State of Victoria.

Related parties of the Victorian Pharmacy Authority includes:

- all key management personnel and their close family members and personal business interests (controlled entities, joint ventures and entities they have significant influence over).
- all cabinet ministers and their close family members; and
- all departments and public sector entities that are controlled and consolidated into the whole of state consolidated financial statements.

Key management personnel of the Victorian Pharmacy Authority includes:

Key Management Personnel	Position title
Mr David McConville (Chair)	Chair
Mrs Esther Alter	Authority member
Mr Joey Calandra	Authority member
Ms Casuarina Fersterer	Authority member
Mr Brandon Moar	Authority member
Ms Marie Ritchie	Authority member
Mr Aaron Bawden	Registrar

Remuneration comprises employee benefits in all forms of consideration paid, payable or provided by the entity, or on behalf of the entity, in exchange for services rendered, and is disclosed in the following categories.

Short-term employee benefits include amounts such as wages, salaries, annual leave or sick leave that are usually paid or payable on a regular basis, as well as non-monetary benefits such as allowances and free or subsidised goods or services.

Post-employment benefits include pensions and other retirement benefits paid or payable on discrete basis when employment ceased.

Other long-term benefits include long service leave, other long service benefits or deferred compensation.

Compensation of KMPs	2019	2018
	\$	\$
Short term employee benefits	193,320	195,272
Post-employment benefits	16,359	13,906
Other long-term benefits	3,739	3,665
Total	213,418	212,843

Transactions and balances with key management personnel and other related parties

Given the nature of the Authority's statutory obligation, no involvement in third party related transaction.

There were no related party transactions that involved key management personnel, their family close family members and their personal business interest. No provision has been required, nor any expenses recognised, for impairment of receivable from related parties.

15 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.

The authority uses different methods to measure and manage the risks to which it is exposed. Primary responsibility for the identification and management of financial risk rests with the Authority's Audit and Risk committee.

Categorisation of financial instruments

Details of each category has been disclosed either in the balance sheet or in the notes in accordance with AASB 9 *Financial Instruments*.

	Carrying Amount 2019	Carrying Amount 2018
Financial assets	\$	\$
Cash and cash equivalents	2,866,871	1,056,515
Receivables	-	9,583
Term deposits	-	1,638,357
Total financial assets	2,866,871	2,704,455
Financial liabilities		
Payables – creditors	64,889	51,527
Total financial liabilities	64,889	51,527

(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 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.

**Notes to the Financial Statements Victorian Pharmacy Authority
for the financial year ended 30 JUNE 2019**

15 FINANCIAL INSTRUMENTS (cont.)

Credit quality of contractual financial assets that are neither past due nor impaired

	Financial Institutions (AAA credit rating)	Government Agencies (AAA credit rating)	Other (AA credit rating)	Other (no credit rating)	Total \$
2019					
Financial assets					
Cash and cash equivalents	-	-	2,866,871	-	2,866,871
Receivables	-	-	-	-	-
Term deposits	-	-	-	-	-
Total	-	-	2,866,871	-	2,866,871
2018					
Financial assets					
Cash and cash equivalents	--	-	1,056,515	-	1,056,515
Receivables	-	-	-	9,583	9,583
Term deposits	-	-	1,638,357	-	1,638,357
Total	-	-	2,694,872	9,583	2,704,455

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 2019.

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	
2019	\$	\$	\$	\$	\$	\$	\$
Financial assets							
Cash and cash equivalents	2,866,871	2,866,871	-	-	-	-	-
Receivables	-	-	-	-	-	-	-
Term deposits	-	-	-	-	-	-	-
Total financial assets	2,866,871	2,866,871	-	-	-	-	-
2018							
Financial assets							
Cash and cash equivalents	1,056,515	1,056,515	-	-	-	-	-
Receivables	9,583	9,583	-	-	-	-	-
Term deposits	1,638,357	1,638,357	-	-	-	-	-
Total financial assets	2,704,455	2,704,455	-	-	-	-	-

(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.

**Notes to the Financial Statements Victorian Pharmacy Authority
for the financial year ended 30 JUNE 2019**

15. FINANCIAL INSTRUMENTS (cont.)

Maturity Analysis of Financial Liabilities as at 30 June

	Carrying Amount	Nominal amount	Maturity Dates			
			Less than 1 month	1-3 Months	3 Months-1 Year	1-5 Years
2019	\$	\$	\$	\$	\$	\$
Financial liabilities						
Payables ⁽ⁱ⁾	64,889	64,889	64,889	-	-	-
Total financial liabilities	64,889	64,889	64,889	-	-	-
2018						
Financial liabilities						
Payables ⁽ⁱ⁾	51,527	51,527	51,527	-	-	-
Total financial liabilities	51,527	51,527	51,527	-	-	-

⁽ⁱ⁾ Ageing analysis of financial liabilities exclude the types of statutory financial liabilities. (ie GST payable)

(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 Authority has no exposure to currency risk and other market risk.

Cash flow interest rate risk is the risk that the future cashflows of financial instruments will fluctuate because of changes in market interest rate.

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

**Notes to the Financial Statements Victorian Pharmacy Authority
for the financial year ended 30 JUNE 2019**

15. 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 \$
2019					
Financial assets					
Cash and cash equivalents	1.06	2,866,871	-	2,866,871	-
Receivables ⁽ⁱ⁾		-	-	-	-
Term deposits		-	-	-	-
		2,866,871	-	2,866,871	-
Financial liabilities					
Payables		64,889	-	-	64,889
		64,889	-	-	64,889
2018					
Financial assets					
Cash and cash equivalents	0.81	1,056,515	332,927	723,338	250
Receivables ⁽ⁱ⁾		9,583	-	-	9,583
Term deposits	2.53	1,638,357	1,638,357	-	-
		2,704,455	1,971,284	723,338	9,833
Financial liabilities					
Payables		51,527	-	-	51,527
		51,527	-	-	51,527

(i) The carrying amount must exclude types of statutory financial assets and liabilities. (ie GST input tax credit and GST payable)

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 the Authority at year end as presented to key management personnel, if changes in the relevant risk occur.

**Notes to the Financial Statements Victorian Pharmacy Authority
for the financial year ended 30 JUNE 2019**

15. FINANCIAL INSTRUMENTS (cont.)

	Carrying Amount	Interest Rate Risk			
		-1%		+1%	
		Profit	Equity	Profit	Equity
2019	\$	\$	\$	\$	\$
Financial assets					
Cash and cash equivalents	2,866,871	(28,668)	(28,668)	28,668	28,668
Term deposits	-	-	-	-	-
		(28,668)	(28,668)	28,668	28,668
2018					
Financial assets					
Cash and cash equivalents	1,056,515	(10,565)	(10,565)	10,565	10,565
Term deposits	1,638,357	(16,383)	(16,383)	16,383	16,383
		(26,948)	(26,948)	26,948	26,948

- (i) The carrying amount exclude the type of statutory financial assets and liabilities. (ie GST input tax credit and GST payable)

(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.

**Notes to the Financial Statements Victorian Pharmacy Authority
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15 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.

Comparison between carrying amount and fair value

	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	2019 \$	2019 \$	2018 \$	2018 \$
Financial assets				
Cash and cash equivalents	2,866,871	2,866,871	1,056,515	1,056,515
Receivables ⁽ⁱ⁾	-	-	9,583	9,583
Term deposits	-	-	1,638,357	1,638,357
Total financial assets	2,866,871	2,866,871	2,704,455	2,704,455
Financial liabilities				
Payables ⁽ⁱⁱ⁾	64,889	64,889	51,527	51,527
Total financial liabilities	64,889	64,889	51,527	51,527

(i) The carrying amount exclude the type of statutory financial assets and liabilities. (ie GST input tax credit and GST payable)

(ii) Financial liabilities exclude the types of statutory financial liabilities. (ie PAYG payable)

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.

There have been no transfers between levels during the period.

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.

16. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

There is no contingent liability (2018: Nil) and no contingent asset (2018: Nil) as at balance sheet date.

17. 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 (2018: Nil).