



# Annual report 2017–18

**Victorian Pharmacy Authority**



**VICTORIAN PHARMACY AUTHORITY**

**EIGHTH ANNUAL REPORT**

**For the period 1 July 2017 to 30 June 2018**

Issued by authority of the Victorian Pharmacy Authority

**Chair**

Mr David McConville BPharm MPS AACPA

**Registrar**

Mr Aaron Bawden BPharm BPharmSci(Hons) GAICD MPS

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# Responsible bodies declaration

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

Dear Minister

In accordance with the *Financial Management Act 1994*, I am pleased to present the report of operations for the Victorian Pharmacy Authority for the year ending 30 June 2018.



David McConville  
**Chair**  
Victorian Pharmacy Authority  
Melbourne  
30 August 2018

# Chair's report

On behalf of the Victorian Pharmacy Authority (the Authority) I am pleased to present this Eighth Annual Report, and my first as the Authority's Chairperson. I was appointed as a pharmacist member and Chair of the Authority on 1 July 2018.

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

The Authority has continued to implement 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 the Authority's processes to ensure that pharmacy businesses comply with the ownership restrictions of the Act.

In April 2018 the Authority reviewed and revised its Strategic Plan. The Strategic Plan for 2018-2021 can be viewed at [www.pharmacy.vic.gov.au](http://www.pharmacy.vic.gov.au). The Authority also made significant improvements to its risk management framework.

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.

I would like to take this opportunity to thank Ms Toni Riley for her valuable contribution as Chair of the Authority from October 2015 and as a pharmacist member since October 2012.

I would also like to thank Richard Mullaly and Robert Jamieson for their contributions as community member and pharmacist member respectively over the last three years.

## **Ministerial Statements of Expectations**

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

The Authority received its third Statement of Expectations (SOE) from the Minister for Health in January 2018. The SOE and the Authority's response, outlining targets aimed at improving regulatory performance, are available on the Authority's website: [www.pharmacy.vic.gov.au](http://www.pharmacy.vic.gov.au).

### *Statement of Expectations 2017 – 2019*

The development of a risk-based audit program of pharmacy business ownership and commercial arrangements is a key improvement in the current SOE and implementation is progressing as planned.

The current SOE includes four key performance indicators, with progress to 30 June 2018 as follows:

- The Authority commenced a pilot audit program of pharmacy business ownership and commercial arrangements and published preliminary findings to 30 June 2018 in a communiqué and on its website (see page 16).
- A full audit program of pharmacy business ownership and commercial arrangements is planned to commence by 31 December 2018.
- Service standards for processing applications were reviewed and revised by 30 June 2018.
- Publication of further guidance on pharmacy business commercial arrangements is planned to be completed by 31 December 2018.

The Authority revised its application service standards in May 2018. Staffing levels and profile have also been revised to ensure continuing timely and efficient assessment of applications.

Communications to stakeholders will continue to include useful information on process changes, publication of guidance documents and general information on compliance with the ownership provisions of the Act.

*Statement of Expectations 2016 – 2017*

The Authority's report dated 2 March 2018 on implementation of improvements outlined in its previous SOE is also available on its website. Improvements were made in the following areas:

- Stakeholder consultation aimed at reducing regulatory burden and improving regulatory performance (licence application processes and stakeholder communications)
- Building on the Authority's established risk framework to further prioritise regulatory activities (regular review of inspection statistics to focus the inspection program towards areas of high risk)
- Implementation of a publicly available performance measurement framework that provides information on the Authority's activities and intended outcomes
- Development of a systematic approach to collaborating and sharing information with other regulators



David McConville  
**Chair**

# Registrar's report

This year was another very busy and productive year for the Authority, with significant time and resources directed towards implementing recommendations of the Licensing Review published in August 2017.

This has included:

- Developing and implementing new licence application processes including revised forms, supporting document requirements and assessment procedures;
- Developing a new standard licence condition requiring licensees to notify the Authority of changes to pharmacy business commercial arrangements, effective 1 July 2018;
- Implementing a new process for the assessment of pharmacy trusts and publishing related guidance for applicants and licensees; and
- Developing and commencing a pilot audit program of pharmacy business ownership and commercial arrangements.

## Financial operations

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

- Fees were increased by approximately 17% from 1 May 2018 to cover pharmacy business ownership/financial audits and associated staffing and legal costs.
- The Authority recorded a surplus of \$13,853 during the period resulting from an increase in total income of 5.25% and a decrease in total expenditure of 2.04%. The following significant variations from the previous period occurred:
  - Revenue from operating activities increased by 5.25%;
  - Interest on funds invested decreased by 13.2% following the downturn in interest rates; and
  - Legal fees increased significantly due to a further increase in matters requiring legal advice.
- No government funds have contributed to reserves.

In terms of performance against budgetary objectives, the total revenue of \$1,147,598 was 5.7% higher than the budget estimate, due to the increased number of applications for approval of pharmacies and business licence applications.

The total expenditure of \$1,133,745 was 0.40% less than the budget estimate. \$20,000 budgeted for pilot pharmacy business financial audits will be carried over to 2018-19.

## Service standards

Service standards for processing licence and registration applications were revised in May 2018. 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 (increased from three business days previously). In 2017-18:

- Ninety-nine percent (99%) of complete applications received an initial assessment within five working days of receipt;
- Ninety-five percent (95%) of applications were processed within a further three working days of receipt of outstanding information or a decision of the Authority.

With additional scrutiny of pharmacy business commercial arrangements, applicants may experience prolonged processing times, especially where proposed arrangements must be referred to the Authority's lawyers to determine compliance with the Act. The Authority plans to seek further stakeholder feedback on its service standards soon.

## **Staffing**

The Authority had a staff of eight at 30 June 2018, with a Full Time Equivalent (FTE) of 5.4. 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 pharmacist field staff, a Finance Officer and an Administration Officer.

A pharmacist field officer transferred to office duties to assist with the processing of more complex licence applications and the Authority advertised for a Program Officer (new position) to undertake pharmacy business audit, policy and administrative duties (position filled July 2018).

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.

On behalf of the staff and the Authority, I would like to thank David Newgreen for his assistance and valuable contribution to the work of the Authority and the former Pharmacy Board of Victoria since 2000. David retired in August 2018 and will be greatly missed by the Authority and the profession.

I would also like to acknowledge the excellent support and leadership of the former Chair, Toni Riley whose term expired in June 2018, along with the support of all the Authority members.

Finally, I would like to acknowledge the dedication and professional work of all the staff who have performed excellently during a very busy year.

The Authority values the guidance and assistance provided by the Drugs and Poisons Regulation branch of the Department of Health and Human Services which is sincerely appreciated.



Aaron Bawden  
**Registrar**

# Introduction

## Charter and Purpose

### Establishment

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

### Our vision

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

## Objectives, functions, powers and duties

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

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

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

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

# Year in review

## Authority Membership

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

Membership of the Authority to 30 June 2018 was as follows:

### Chair

Ms Toni Riley BPharm MPS

Initially appointed: 1 October 2015 (Pharmacist Member from 1 October 2012)

Term of appointment: until 30 June 2018 (not reappointed)

### Pharmacist Members

Mr Giuseppe Calandra BPharm Hons, MRPharmS, CertIVTAE MPS

Initially appointed: 1 July 2014

Present term of appointment: until 30 June 2020

Mr Robert Jamieson BPharm, MPS, FAIPM  
Initially appointed: 1 October 2015  
Term of appointment: until 30 June 2018 (not reappointed)

Ms Casuarina Fersterer BPharm MPharmPrac  
Initially appointed: 1 July 2016  
Present term of appointment: until 30 June 2019

One Australian Lawyer

Ms Esther Alter BEc, LLB, MBA, MAICD  
Initially appointed: 24 August 2010  
Present term of appointment: until 30 June 2019

One person who is not a registered pharmacist

Mr Richard Mullaly BSc (Hons), MBA, GAICD, AFCHSM  
Initially appointed: 7 July 2015  
Term of appointment: until 30 June 2018 (not reappointed)

[The Governor in Council appointed David McConville as Chair, Brendon Moar as a pharmacist member and Marie Ritchie as a person who is not a registered pharmacist from 1 July 2018.]

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

## Authority Meetings

During the period 1 July 2017 to 30 June 2018, twelve Authority meetings were held with attendance by Authority members as follows:

<b>Member</b>	<b>Authority Meetings</b>	<b>Leave of Absence</b>
Ms T Riley	12 of 12	-
Ms E Alter	10 of 12	2
Mr G Calandra	8 of 12	4
Mr R Jamieson	11 of 12	1
Ms R Mullaly	11 of 12	1
Ms C Fersterer	11 of 12	1

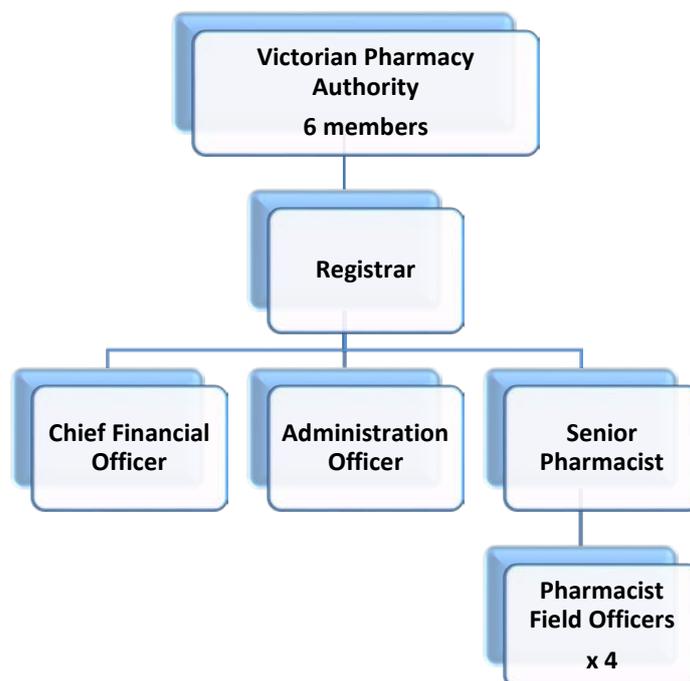
## Organisational Structure

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

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

The Authority has an Audit and Risk Committee comprising an independent external chairman with accounting qualifications, Mr N Marshall, and three members of the Authority; Ms T Riley, Mrs E Alter and Mr R Mullaly as at 30 June 2018. A quorum comprises the chairman and two other members. The Committee met four times during the reporting period.

Figure 1. Victorian Pharmacy Authority organisational structure



## Fees

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

Chair	\$315.00
Member	\$246.00

Schedule of gazetted fees (Effective from 1 May 2018):

PROVISION	FEE
<b>Licences</b>	
Annual licence – individual	\$260.00
Annual licence – corporate	\$575.00
Annual licence – hospital	\$335.00
<b>Registration</b>	
Annual registration – pharmacy business	\$255.00
Annual registration – pharmacy department	\$255.00
Annual registration – pharmacy depot	\$67.00
<b>Applications</b>	
Application for registration of pharmacy business	\$385.00
Application for registration of pharmacy department	\$470.00
Application for registration of pharmacy depot	\$67.00
Application for approval of alterations to a registered pharmacy business	\$385.00
Application for licence to carry on a pharmacy business	\$305.00
Application for approval to practise in special circumstances section 29(1)(b)	\$130.00
<b>Other fees</b>	
Site re-inspection	\$385.00
Trust assessment	\$1,500.00

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 2017 – 30 June 2018.

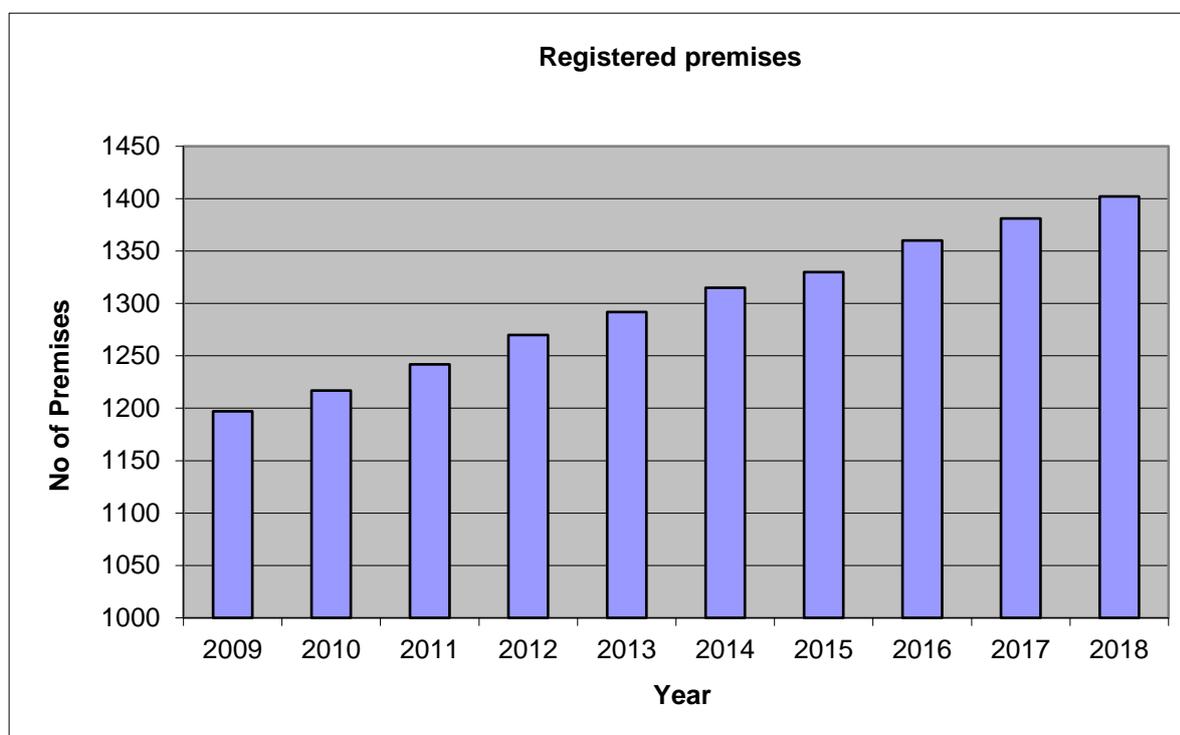
<b>Applications</b>	<b>Number 2015 - 2016</b>	<b>Number 2016 - 2017</b>	<b>Number 2017 - 2018</b>
Registration of pharmacy premises and pharmacy department premises	140	114	126 <sup>(1)</sup>
Pharmacy Depots	1	2	-
Approval of pharmacists to supply, compound or dispense medicines other than at a pharmacy or pharmacy department	66	63	60
Licence to carry on a pharmacy business	253	224	248 <sup>(2)</sup>

- (1) Registration applications
- new/relocated pharmacies 57
  - alterations 62
  - pharmacy department 7

- (2) Licence applications
- pharmacist 167
  - company/hospital/friendly society 81

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.

### Approved Pharmacy Premises Statistics



<b>Registered premises</b>	<b>At 30 June 2017</b>	<b>At 30 June 2018</b>
Pharmacies	1,381	1,402
Pharmacy Departments	75	76
Pharmacy Depots	22	20

## Standards monitoring

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

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

- change of ownership;
- new pharmacy premises;
- altered pharmacy premises;
- 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, compounding and provision of dose administration aids. 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:

<b>Inspection category</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Inspection on change of licence	72	84	99	83
Registration Inspection	111	106	131	115
Standards monitoring inspection – community pharmacy	548	518	641	624
Standards monitoring inspection – pharmacy department	16	3	10	35
<b>Total inspections</b>	<b>747</b>	<b>711</b>	<b>881</b>	<b>857</b>

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

### *Serious common 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:

- Reconciliation of Schedule 8 stocks and records
- Appropriate security of Schedule 8 poisons safes (namely key control)
- Routine barcode scanning during dispensing
- Adequacy of arrangements for privacy in pharmacies
- Adequacy of pharmacy reference library
- Appropriate storage and display of Schedule 3 medicines including Schedule 3 codeine and pseudoephedrine products

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.

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

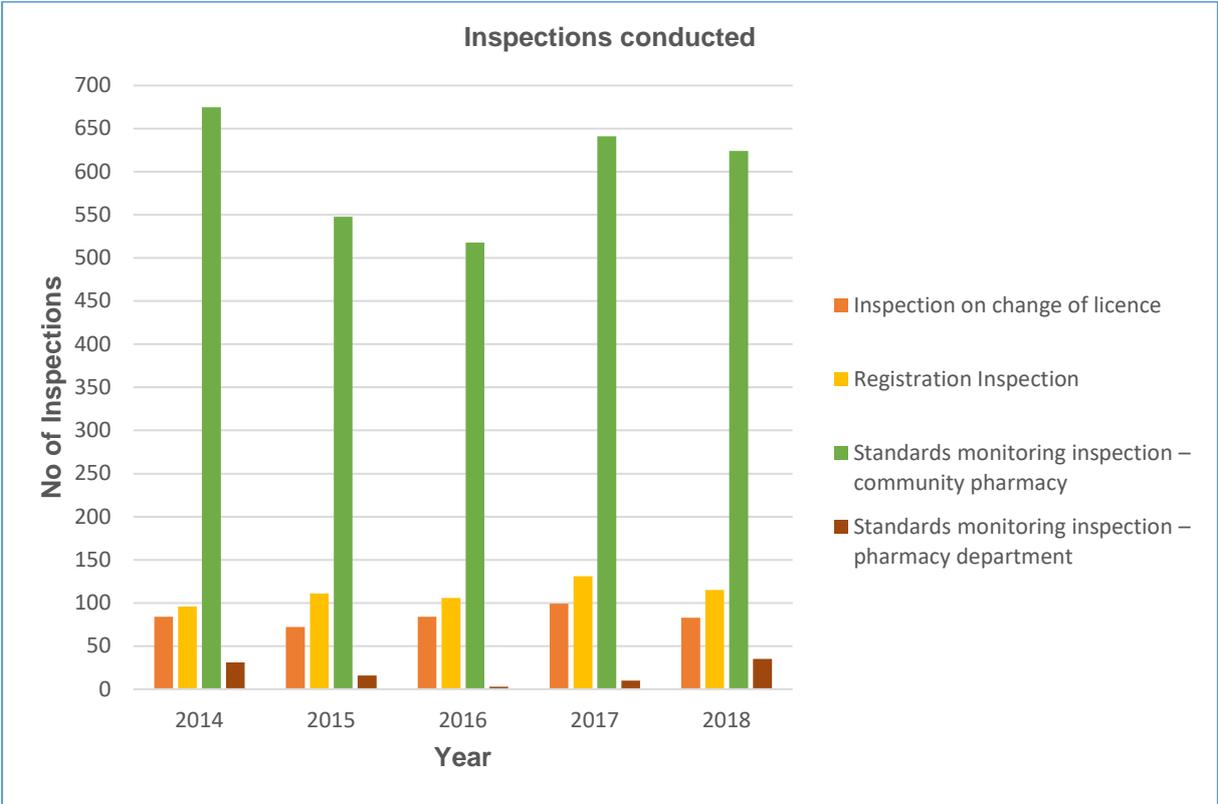


Figure 2

The Authority’s Guidelines were revised and published with effect 1 October 2017 following a period of public consultation. A further amendment to the guidelines was published in March 2018. All inspection protocols were reviewed and updated in December 2017.

# 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 by the Authority 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 billed to the pharmacy.

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

## Summary of 2017-18 Panel Hearings

Twenty-seven (27) Panel Hearings pursuant to section 57 of the *Pharmacy Regulation Act 2010* were conducted during the period. The hearings considered a total of 124 matters arising from inspections and notifications. The following table categorises these 124 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).

<b>Non-compliance category</b>	<b>Number of hearings considering matters in each category</b>	<b>Total number of matters considered (n=124)</b>
1. <i>Pharmacy Regulation Act 2010</i>	9	11
2. Victorian Pharmacy Authority Guidelines	9	18
3. Drugs Poisons and Controlled Substances Regulations	19	45
4. Pharmacy Board of Australia Guidelines	10	11
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]	21	39

### 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**

Nine hearings (33%) included consideration of matters relating to breaches of the Act, with such matters invariably being the trigger for the hearings. These included failures to comply with the requirements of the Schedule to the Act in relation to matters such as:

- unapproved alterations to a registered premise;
- failure to ensure the physical security of the premises;
- 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 two 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.

## **Victorian Pharmacy Authority Guidelines**

Nine hearings (33%) included specific consideration of matters relating to failure to comply with VPA Guidelines\*. There were 18 matters considered across a range of areas.

\* 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 hearings and matters considered.

## **Drugs Poisons and Controlled Substances Regulations**

Nineteen hearings (70%) included consideration of matters related to potential breaches of drugs and poisons legislation. Most of these panel hearings were convened due to these potential breaches.

- Eighteen hearings included matters relating to records for Schedule 8 poisons;
- Eleven hearings involved matters relating to the storage of Schedule 8 poisons;
- Four hearings included matters relating to the storage and display of Schedule 3 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, Drugs and Poisons Regulation branch.

The Authority continues its focus on compliance in this area due to the very serious public safety risks posed by Schedule 8 poisons. In percentage terms, there has been a reduction in hearings considering these matters since 2016 (90% in 2016; 79% in 2017; 70% in 2018).

## **Pharmacy Board of Australia Guidelines**

Ten hearings (37%) 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.

## **Panel Determinations**

Determinations of Panel Hearings were as follows:

- Twelve (12) of the 27 hearings resulted in licensees receiving a reprimand, and fifteen (15) hearings resulted in licensees received a caution;
- Of the above, eight hearings resulted in condition(s) being placed on a licence; and
- Nine 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.

## Pilot pharmacy business audit – preliminary findings

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

The Authority commenced implementation of a pilot program in April 2018 and intends to introduce a more extensive audit program by 31 December 2018.

### *Pilot program method*

Twelve pharmacy businesses were selected for a pilot audit. They were selected randomly from groups of pharmacies with different risk factors.

Each of the twelve were to be subject to an 'ownership audit', that is, an audit to determine if their pharmacy ownership arrangements comply with the ownership and undue influence provisions of the *Pharmacy Regulation Act 2010*.

Additionally, two of the twelve were selected to be subject to a financial audit, that is, an audit of the pharmacy financial records to confirm their stated ownership arrangements and to ensure that there are no undeclared or unlawful arrangements in place. Any of the other ten businesses 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 documents including any partnership agreement, lease or title, franchise agreement, service agreement, licence issued by a third party, finance agreement, trust deed. They were required to make a statutory declaration attesting to the completeness and truthfulness of their audit return. Licensees who are required to lodge financial records will be required to do so only after the ownership audit has been completed.

### *Report at 30 June 2018*

<b>Ownership audit returns received.</b>	<b>Ownership audits completed &amp; satisfactory</b>	<b>Ownership audits in progress.</b>	<b>Financial audit returns received</b>
12	6	6 – in these cases further documentation or information has been sought.	Nil requested to date.*

\*Pilot financial audits are planned to commence before the end of the 2018 calendar year.

# Financial and other information

## Five-year summary of financial results

	2018 \$000	2017 \$000	2016 \$000	2015 \$000	2014 \$000
Total Revenue	1,147	1,090	1,106	1,070	1,061
Total Expenses	1,134	1,162	986	1,053	1,040
<b>Net Result for the Year</b>	<b>13</b>	<b>(72)</b>	<b>120</b>	<b>17</b>	<b>21</b>
<b>Retained Surplus/(Accumulated Deficit)</b>	<b>925</b>	<b>911</b>	<b>983</b>	<b>863</b>	<b>845</b>
Total Assets	2,733	2,534	2,482	2,513	2,384
Total Liabilities	1,293	1,108	984	1,377	1,024
<b>Net Assets</b>	<b>1,440</b>	<b>1,426</b>	<b>1,498</b>	<b>1,377</b>	<b>1,360</b>
<b>Total Equity</b>	<b>1,440</b>	<b>1,426</b>	<b>1,498</b>	<b>1,377</b>	<b>1,360</b>

## 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](http://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*.

## Protected Disclosures

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

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

## Information and Communication Technology (ICT) expenditure

The Authority's total ICT Business as Usual expenditure (excluding GST) for the reporting period was \$48,659.

## Consultancies information

### Details of consultancies (under \$10,000)

In 2017-18, there were seven 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 \$31,142 (excl. GST).

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

In 2017-18 there was no consultancy where the total fees payable to the consultants was \$10,000 or greater.

## 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  
22 August 2018

## Financial Management Compliance attestation

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



David McConville  
**Chair**

Melbourne  
22 August 2018

# 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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<b>Legislation</b>	<b>Requirement</b>	<b>Page Reference</b>
FRD 25C	Victorian Industry Participation Policy disclosures	
FRD 29B	Workforce Data disclosures	
FRD 103F	Non-Financial Physical Assets	42
FRD 110A	Cash flow Statements	28
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SD 5.2.3	Declaration in report of operations	3
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<b>Other requirement under Standing Directions 5.2</b>		
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SD 5.2.1(a)	Compliance with Australian accounting standards and other authoritative pronouncements	29
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	<i>Protected Disclosure Act 2012</i>	17
	<i>Carers Recognition Act 2012</i>	
	<i>Victorian Industry Participation Policy Act 2003</i>	
	<i>Building Act 1993</i>	
	<i>Financial Management Act 1994</i>	3, 18, 22, 29, 44
	<i>Safe Patient Care Act 2015</i>	
	<i>Disability Act 2006</i>	

#### **Disclosure of *ex-gratia* expenses**

No *ex-gratia* payments were made during the period.

**VICTORIAN PHARMACY AUTHORITY**

**FINANCIAL STATEMENTS FOR THE  
YEAR ENDED 30 JUNE 2018**

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 Minister for Finance 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 2018 and financial position of the Authority at 30 June 2018.

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 22 August 2018.



David McConville  
**Chairperson**  
Melbourne  
22 August 2018



Aaron Bawden  
**Registrar**  
Melbourne  
22 August 2018



Koshala Nadanakumar  
**Chief Finance and Accounting Officer**  
Melbourne  
22 August 2018

## Independent Auditor's Report

### To the Members of the Victorian Pharmacy Authority

<p><b>Opinion</b></p>	<p>I have audited the financial report of the Victorian Pharmacy Authority (the authority) which comprises the:</p> <ul style="list-style-type: none"> <li>• balance sheet as at 30 June 2018</li> <li>• comprehensive operating statement for the year then ended</li> <li>• statement of changes in equity for the year then ended</li> <li>• cash flow statement for the year then ended</li> <li>• notes to the financial statements, including significant accounting policies</li> <li>• authority member's, accountable officer's and chief finance and accounting officer's declaration.</li> </ul> <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the authority as at 30 June 2018 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>
<p><b>Basis for Opinion</b></p>	<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>
<p><b>Members' responsibilities for the financial report</b></p>	<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**

As required by the *Audit Act 1994*, 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.

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:

- 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.

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.

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MELBOURNE  
28 August 2018



Ron Mak

*as delegate for the Auditor-General of Victoria*

**Victorian Pharmacy Authority**

**COMPREHENSIVE OPERATING STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2018**

	Notes	2018	2017
		\$	\$
<b>Income</b>			
Revenue from operating activities	2	1,101,067	1,036,697
Revenue from non-operating activities	2	46,531	53,630
<b>Total income</b>		<u>1,147,598</u>	<u>1,090,327</u>
<b>Expenses</b>			
Operating expenses	3	(1,133,884)	(1,157,438)
<b>Total expenses</b>		<u>(1,133,884)</u>	<u>(1,157,438)</u>
<b>Net operating balance</b>		<u>13,714</u>	<u>(67,111)</u>
<b>Other economic flows included in net result</b>			
Net gain/(loss) on non-financial assets		-	(554)
Net gain/(loss) arising from revaluation of long service leave		139	(4,477)
<b>Total other economic flows included in net result</b>		<u>139</u>	<u>(5,031)</u>
<b>COMPREHENSIVE RESULT</b>		<u>13,853</u>	<u>(72,142)</u>

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

**Victorian Pharmacy Authority****BALANCE SHEET  
AS AT 30 JUNE 2018**

	Notes	2018	2017
		\$	\$
<b>Assets</b>			
<b>Financial assets</b>			
Cash and cash equivalents	11	1,056,515	975,918
Receivables and accrued revenue	4	20,725	17,930
Term deposit (investment)		1,638,357	1,519,928
Prepayments		2,124	2,170
<b>Total financial assets</b>		<b>2,717,721</b>	<b>2,515,946</b>
<b>Non-financial assets</b>			
Property, plant and equipment	9	15,551	18,074
<b>Total non-financial assets</b>		<b>15,551</b>	<b>18,074</b>
<b>Total assets</b>		<b>2,733,272</b>	<b>2,534,020</b>
<b>Liabilities</b>			
Fees received in advance	5	1,050,154	877,855
Payables and accrued expenses	6	66,046	62,189
Employee benefits and related on-costs	7	177,280	168,037
<b>Total liabilities</b>		<b>1,293,480</b>	<b>1,108,081</b>
<b>Net assets</b>		<b>1,439,792</b>	<b>1,425,939</b>
<b>Equity</b>			
Contributed capital		514,490	514,490
Accumulated surplus		925,302	911,449
<b>Net worth</b>		<b>1,439,792</b>	<b>1,425,939</b>
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 2018

	2018	2017
	\$	\$
<b>Balance at beginning of the financial year</b>	1,425,939	1,498,081
Comprehensive result for the year	13,853	(72,142)
<b>Balance at end of the financial year</b>	<u>1,439,792</u>	<u>1,425,939</u>
<b>Represented by:</b>		
<b>Contributed capital</b>		
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>
<b>Accumulated surplus</b>		
Balance at beginning of the financial year	911,449	983,591
Comprehensive result for the financial year	13,853	(72,142)
Balance at end of the financial year	<u>925,302</u>	<u>911,449</u>

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2018**

	Notes	2018	2017
		\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Fees from registrants		1,270,572	1,124,815
Payments to suppliers and employees		(1,104,027)	(1,107,062)
Net GST received		(14,050)	(11,906)
Interest received		46,531	54,843
<b>Net cash flows from/ (used in) operating activities</b>	10	<u>199,026</u>	<u>60,690</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payment for property, plant and equipment		-	(17,510)
Purchase of other financial assets		(630,560)	(1,144,275)
Redemption of other financial assets		512,131	794,650
<b>Net cash flows from/ (used in) investing activities</b>		<u>(118,429)</u>	<u>(367,135)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		80,597	(306,445)
<b>Cash and cash equivalents at beginning of financial year</b>		975,918	1,282,363
<b>Cash and cash equivalents at end of financial year</b>	11	<u><u>1,056,515</u></u>	<u><u>975,918</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018

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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 2018. The purpose of the report is to provide users with information about the Authority stewardship of the resources entrusted to it.

**(A) Statement of Compliance**

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

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

In complying with AASs, the Victorian Pharmacy Authority has, where relevant, applied those paragraphs applicable to not-for-profit entities. The annual financial statements were authorised for issue by the Victorian Pharmacy Authority on 22 August 2018.

**(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 2018, and the comparative information for the year ended 30 June 2017.

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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

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

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

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

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

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

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

**(C) Reporting Entity**

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

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

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

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

**(D) 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  
FOR THE YEAR ENDED 30 JUNE 2018

---

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  
FOR THE YEAR ENDED 30 JUNE 2018

---

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. Depreciation of intangible asset 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  
FOR THE YEAR ENDED 30 JUNE 2018

---

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.

***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 using accrued interest method which allocates the interest over the relevant period.

***Other income***

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018

---

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, fringe benefits tax, leave entitlements, redundancy payments and WorkCover premiums.

***Defined contribution superannuation plans***

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

***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  
FOR THE YEAR ENDED 30 JUNE 2018

---

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 formed under the *Pharmacy Regulation Act 2010*.

(P) Comparative figures

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

(Q) Events after the reporting period

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**
**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**
**(R) Australian Accounting Standards issued that are not yet effective**

Certain new Australian Accounting Standards (AAS) have been published that are not mandatory for the 30 June 2018 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.

<b>Standard / Interpretation</b>	<b>Summary</b>	<b>Standard applicable for annual reporting periods beginning on</b>	<b>Expected Impact on the Authority financial statements</b>
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 2018	No impact
AASB 9 Financial Instruments	The key changes include the simplified requirements for the classification and measurement of financial assets, a new hedge accounting model and a revised impairment loss model to recognise expected impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred.	1 January 2018	No impact
AASB 2014-1 Amendments to Australian Accounting Standards [Part E Financial Instruments]	Amends various AASs to reflect the AASB's decision to defer the mandatory application date of AASB 9 to annual reporting periods beginning on or after 1 January 2018, and to amend reduced disclosure requirements.	1 January 2018	No impact
AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9	Amends various AASs to incorporate the consequential amendments arising from the issuance of AASB 9.	1 January 2018	No impact
AASB 2015-8 Amendments to Australian Accounting Standards – Effective Date of AASB 15	This standard defers the mandatory effective date of AASB 15 from 1 January 2017 to 1 January 2018.	1 January 2018	No impact

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018

<b>Standard / Interpretation</b>	<b>Summary</b>	<b>Standard applicable for annual reporting periods beginning on</b>	<b>Expected Impact on the Authority financial statements</b>
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	No impact
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	No impact
AASB 16 Leases	The key changes introduced by AASB 16 include the recognition of most operating leases (which are currently not recognised) on balance sheet.	1 January 2019	<p>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.</p> <p>In the operating statement, the operating lease expense will be replaced by depreciation expense of the asset and an interest charge.</p> <p>There will be no change for lessors as the classification of operating and finance leases remains unchanged..</p>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

	2018	2017
	\$	\$
<b>2. INCOME</b>		
<b>Revenue from Operating Activities</b>		
Premises registration and business licence fees	977,689	929,875
Application for licence to carry on pharmacy business	65,914	57,154
Approval of pharmacies	53,877	46,672
Other operating revenue	3,587	2,996
<b>Total Revenue from Operating Activities</b>	<u>1,101,067</u>	<u>1,036,697</u>
<b>Revenue from Non-Operating Activities</b>		
Interest	46,531	53,630
<b>Total Revenue from Non-Operating Activities</b>	<u>46,531</u>	<u>53,630</u>
<b>Total Income</b>	<u><u>1,147,598</u></u>	<u><u>1,090,327</u></u>
<b>3. OPERATING EXPENSES</b>		
Salaries	601,013	565,699
Other operating expenses	76,052	95,349
Bank fees	9,664	10,284
Computer maintenance	40,720	46,364
Authority member fees and expenses	51,244	42,443
Car expenses – Inspectorial	34,504	32,971
Printing	1,686	1,609
Legal expenses	146,143	126,570
Consulting fees	31,142	72,790
Depreciation	2,523	1,967
Postage	2,442	4,727
Provision for employee entitlements	41,853	20,924
Rental of premises (i)	72,108	107,910
Subscriptions	4,509	3,295
Web site maintenance	2,242	3,681
Audit fees	9,200	9,000
Telephone	6,839	11,855
<b>Total expenses</b>	<u><u>1,133,884</u></u>	<u><u>1,157,438</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018

	2018	2017
	\$	\$
<b>4 RECEIVABLES AND ACCRUED REVENUE</b>		
<b>Contractual</b>		
Sale of goods and services	2,141	1,137
Accrued investment income	7,442	6,713
<b>Statutory</b>		
GST input tax credit recoverable	11,142	10,080
<b>Total receivables</b>	<u>20,725</u>	<u>17,930</u>
<b>(a) Ageing analysis of contractual receivables</b>		
Please refer to Note 15 for the ageing analysis of contractual receivables.		
<b>(b) Ageing analysis of contractual receivables</b>		
Please refer to Note 15 for the nature and extent of risks arising from contractual receivables.		
<b>5 FEES RECEIVED IN ADVANCE</b>		
Pharmacy premises registration fees	354,569	304,611
Pharmacy business licence fees	695,585	573,244
	<u>1,050,154</u>	<u>877,855</u>
<b>6 PAYABLES AND ACCRUED EXPENSES</b>		
<b>Contractual</b>		
Supplies and services	8,104	9,912
Accrued expenses	43,423	40,407
<b>Statutory</b>		
PAYG payable	14,519	11,870
<b>Total payables</b>	<u>66,046</u>	<u>62,189</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

	2018	2017
	\$	\$
<b>7. EMPLOYEE BENEFITS AND RELATED ON-COSTS</b>		
<b>Current Provisions</b>		
<i>Annual leave</i>		
Unconditional and expected to be settled within 12 months	20,993	21,274
<i>Long service leave</i>		
Unconditional and expected to be settled within 12 months	25,562	22,050
Unconditional and expected to be settled after 12 months	104,124	103,862
<i>Provisions for on-cost</i>		
Unconditional and expected to be settled within 12 months	7,523	6,796
Unconditional and expected to be settled after 12 months	11,032	11,004
<b>Total current provisions for employee benefits</b>	<b>169,234</b>	<b>164,986</b>
<i>Non-current provisions</i>		
Employee benefits	7,275	2,759
On-costs	771	292
<b>Total non-current provisions</b>	<b>8,046</b>	<b>3,051</b>
<b>Total provisions</b>	<b>177,280</b>	<b>168,037</b>
<b>Reconciliation of annual and long service leave</b>		
Current employee benefits and related on-costs	169,234	164,986
Non-current employee benefits and related on-costs	8,046	3,051
<b>Total</b>	<b>177,280</b>	<b>168,037</b>
<b>Movement in long service leave provisions</b>		
<b>Balance at start of year</b>	<b>142,303</b>	<b>135,964</b>
Additional provision recognised	15,636	13,688
Revaluations due to change in long service leave model	-	-
Revaluations due to change in discount and inflation rate	139	(4,477)
Reductions arising from payments	(6,606)	(2,872)
<b>Balance at end of year</b>	<b>151,472</b>	<b>142,303</b>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018

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 \$62,071. (2017: \$57,959). The detail of these contributions are below.

	2018 \$	2017 \$
MLC Superannuation Fund	24,980	24,512
Other Funds	37,091	33,447
	62,071	57,959

- (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 \$	
	2018	2017	2018	2017	2018	2017
Office equipment at fair value	3,569	3,569	(3,186)	(2,693)	383	876
Furniture at fair value	21,100	21,100	(5,932)	(3,902)	15,168	17,198
<b>Net carrying amount</b>	<b>24,669</b>	<b>24,669</b>	<b>(9,118)</b>	<b>(6,595)</b>	<b>15,551</b>	<b>18,074</b>

**Depreciation for the period**

<b>Charge for the period</b>	2018 \$	2017 \$
Office equipment	493	493
Furniture	2,030	1,474
<b>Total depreciation</b>	<b>2,523</b>	<b>1,967</b>

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

	Office Equipment at fair value \$		Furniture at fair value \$	
	2018	2017	2018	2017
Opening balance	876	1,369	17,198	1,716
Additions	-	-	-	17,510
Disposals	-	-	-	(554)
Depreciation	(493)	(493)	(2,030)	(1,474)
<b>Closing balance</b>	<b>383</b>	<b>876</b>	<b>15,168</b>	<b>17,198</b>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018

9. PROPERTY, PLANT AND EQUIPMENT (cont.)

Fair value: Non-financial physical assets

Fair value measurement hierarchy

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

	Carrying amount as at 30 June 2017	Fair value measurement at end of reporting period using: (i)		
		Level 1	Level 2	Level 3
<b>2017</b>	\$			
Office equipment	876			876
Furniture	17,198			17,198
<b>Total of assets at fair value</b>	<b>18,074</b>			<b>18,074</b>

(i) Classified in accordance with the fair value hierarchy

Reconciliation of level 3 fair value movements

	Office Equipment \$		Furniture \$	
	2018	2017	2018	2017
Opening balance	876	1,369	17,198	1,716
Purchase/addition	-	-	-	17,510
Transfer out/disposal	-	-	-	(554)
Depreciation	(493)	(493)	(2,030)	(1,474)
<b>Closing balance</b>	<b>383</b>	<b>876</b>	<b>15,168</b>	<b>17,198</b>

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 \$	
	2018	2017	2018	2017	2018	2017
Computer software at fair value	2,950	2,950	2,950	2,950	-	-

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

10. RECONCILIATION OF NET RESULT FOR THE YEAR TO CASH FLOW FROM OPERATING ACTIVITIES	2018	2017
	\$	\$
Net result for the year	13,853	(72,142)
<i>Add/(Less):</i>		
Depreciation	2,523	1,967
(Gain)/loss on sale or disposal of non current assets	-	554
<i>Movement in assets and liabilities</i>		
Increase/(decrease) in provision for employee entitlements	9,243	6,876
Increase/(decrease) in payables	3,857	27,731
Increase/(decrease) in fees in advance and accrued expenses	172,299	89,355
(Increase)/decrease in receivables and accrued revenue	(2,795)	(24)
(Increase)/decrease in prepayments	46	6,373
Net cash provided by/(used in) operating activities	<b>199,026</b>	<b>60,690</b>

**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	723,338	616,310
Deposits – under 3 months maturity	332,927	359,358
Petty cash	250	250
<b>Total Cash and Cash Equivalents</b>	<b>1,056,515</b>	<b>975,918</b>

**12. REMUNERATION OF AUDITORS**
**Victorian Auditor-General's office**

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

**13 COMMITMENTS FOR EXPENDITURE**

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018

## 13 COMMITMENTS FOR EXPENDITURE (cont.)

Nominal amounts 2017	Less than 1 year	1-5 years	5+ years	Total (\$)
Rental commitment payable <sup>(i)</sup>	56,860	225,797	-	282,657
Operating and lease commitments payable <sup>(ii)</sup>	9,208	10,016	-	19,224
<b>Total commitments (inclusive of GST)</b>	<b>66,068</b>	<b>235,813</b>	-	<b>301,881</b>
Less GST recoverable				(27,444)
<b>Total commitments (exclusive of GST)</b>				<b>274,437</b>

(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 and computer rental for 3 years.

## 14. RESPONSIBLE PERSONS AND EXECUTIVE OFFICERS

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

(a) Responsible Minister	Period
Responsible Minister - The Hon. Jill Hennessy MLA, Minister for Health, Minister for Ambulance Services	01/07/17 – 30/06/18

## (b) Authority Members &amp; Accountable Officer

Authority Members	Ms Toni Riley (Chair)	01/07/17 – 30/06/18
	Mrs Esther Alter	01/07/17 – 30/06/18
	Mr Joey Calandra	01/07/17 – 30/06/18
	Mr Richard Mullaly	01/07/17 – 30/06/18
	Mr Robert Jamieson	01/07/17 – 30/06/18
	Ms Casuarina Fersterer	01/07/17 – 30/06/18
Registrar	Mr Aaron Bawden	01/07/17 – 30/06/18

## Remuneration

Remuneration received by the accountable officer during the reporting period was in the range: \$150,001 - \$160,000 (\$140,001- \$143,000 in 2016-17)

(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	
	2018 No.	2017 No.	2018 No.	2017 No.
\$1 - 10,000	4	5	5	5
\$10,001 - \$20,000	2	1	1	1
\$130,001 - \$140,000	-	-	-	-
\$140,001 - \$150,000	-	1	-	1
\$150,001 - \$160,000	1	-	1	-
Total number of executives	7	7	7	7
Total annualised employee equivalents	1.00	1.00	1.00	1.00
<b>Total Remuneration</b>	<b>209,177</b>	<b>185,250</b>	<b>184,775</b>	<b>173,780</b>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018

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 include:

- 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 include:

<b>Key Management Personnel</b>	<b>Position title</b>
Ms Toni Riley	Chair
Mrs Esther Alter	Authority member
Mr Joey Calandra	Authority member
Mr Richard Mullaly	Authority member
Mr Robert Jamieson	Authority member
Ms Casuarina Fersterer	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

<b>Compensation of KMPs</b>	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Short term employee benefits	195,272	171,683
Post-employment benefits	13,906	13,567
Other long-term benefits	3,665	3,332
<b>Total</b>	<b>212,843</b>	<b>188,582</b>

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.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018

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 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 139 *Financial Instruments*.

	Carrying Amount 2018	Carrying Amount 2017
<b>Financial assets</b>	\$	\$
Cash and cash equivalents	1,056,515	975,918
Receivables	9,583	7,850
Term deposits	1,638,357	1,519,928
<b>Total financial assets</b>	<b>2,704,455</b>	<b>2,503,696</b>
<b>Financial liabilities</b>		
Payables – creditors	51,527	50,319
<b>Total financial liabilities</b>	<b>51,527</b>	<b>50,319</b>

(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  
FOR THE YEAR ENDED 30 JUNE 2018

## 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 \$
<b>2018</b>					
<b>Financial assets</b>					
Cash and cash equivalents	-	-	1,056,515	-	1,056,515
Receivables	-	-	-	9,583	9,583
Term deposits	-	-	1,638,357	-	1,638,357
<b>Total</b>	-	-	<b>2,694,872</b>	<b>9,583</b>	<b>2,704,455</b>
<b>2017</b>					
<b>Financial assets</b>					
Cash and cash equivalents	--	-	975,918	-	975,918
Receivables	-	-	-	7,850	7,850
Term deposits	-	-	1,519,928	-	1,519,928
<b>Total</b>	-	-	<b>2,495,846</b>	<b>7,850</b>	<b>2,503,696</b>

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 2017.

## 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	
<b>2018</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Financial assets</b>							
Cash and cash equivalents	1,056,515	1,056,515	-	-	-	-	-
Receivables	9,583	9,583	-	-	-	-	-
Term deposits	1,638,357	1,638,357	-	-	-	-	-
<b>Total financial assets</b>	<b>2,704,455</b>	<b>2,704,455</b>	-	-	-	-	-
<b>2017</b>							
<b>Financial assets</b>							
Cash and cash equivalents	975,918	975,918	-	-	-	-	-
Receivables	7,850	7,850	-	-	-	-	-
Term deposits	1,519,928	1,519,928	-	-	-	-	-
<b>Total financial assets</b>	<b>2,503,696</b>	<b>2,503,696</b>	-	-	-	-	-

## (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  
FOR THE YEAR ENDED 30 JUNE 2018

## 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
<b>2018</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Financial liabilities</b>						
Payables <sup>(i)</sup>	51,527	51,527	51,527	-	-	-
<b>Total financial liabilities</b>				-	-	-
<b>2017</b>						
<b>Financial liabilities</b>						
Payables <sup>(i)</sup>	50,319	50,319	50,319	-	-	-
<b>Total financial liabilities</b>	<b>50,319</b>	<b>50,319</b>	<b>50,319</b>	-	-	-

(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  
FOR THE YEAR ENDED 30 JUNE 2018**
**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 \$
<b>2018</b>					
<b>Financial assets</b>					
Cash and cash equivalents	0.81	1,056,515	332,927	723,338	250
Receivables <sup>(i)</sup>		9,583	-	-	9,583
Term deposits	2.53	1,638,357	1,638,357	-	-
		<b>2,704,455</b>	<b>1,971,284</b>	<b>723,338</b>	<b>9,833</b>
<b>Financial liabilities</b>					
Payables		51,527	-	-	51,527
		<b>51,527</b>	<b>-</b>	<b>-</b>	<b>51,527</b>
<b>2017</b>					
<b>Financial assets</b>					
Cash and cash equivalents	1.14	975,918	359,358	616,310	250
Receivables <sup>(i)</sup>		7,850	-	-	7,850
Term deposits	2.57	1,519,928	1,519,928	-	-
		<b>2,503,696</b>	<b>1,879,286</b>	<b>616,310</b>	<b>8,100</b>
<b>Financial liabilities</b>					
Payables	-	50,319	-	-	50,319
		<b>50,319</b>	<b>-</b>	<b>-</b>	<b>50,319</b>

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018

## 15. FINANCIAL INSTRUMENTS (cont.)

	Carrying Amount	Interest Rate Risk			
		-1%		+1%	
		Profit	Equity	Profit	Equity
<b>2018</b>	\$	\$	\$	\$	\$
<b>Financial assets</b>					
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
		<b>(26,948)</b>	<b>(26,948)</b>	<b>26,948</b>	<b>26,948</b>
<b>2017</b>					
<b>Financial assets</b>					
Cash and cash equivalents	975,918	(9,759)	(9,759)	9,759	9,759
Term deposits	1,519,928	(15,199)	(15,199)	15,199	15,199
		<b>(24,958)</b>	<b>(24,958)</b>	<b>24,958</b>	<b>24,958</b>

(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  
FOR THE YEAR ENDED 30 JUNE 2018**
**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
	2018	2018	2017	2017
	\$	\$	\$	\$
<b>Financial assets</b>				
Cash and cash equivalents	1,056,515	1,056,515	975,918	975,918
Receivables <sup>(i)</sup>	9,583	9,583	7,850	7,850
Term deposits	1,638,357	1,638,357	1,519,928	1,519,928
<b>Total financial assets</b>	<b>2,704,455</b>	<b>2,704,455</b>	<b>2,503,696</b>	<b>2,503,696</b>
<b>Financial liabilities</b>				
Payables <sup>(ii)</sup>	51,527	51,527	50,319	50,319
<b>Total financial liabilities</b>	<b>51,527</b>	<b>51,527</b>	<b>50,319</b>	<b>50,319</b>

(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 (2017: Nil) and no contingent asset (2017: 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 (2017: Nil).

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018

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18. GLOSSARY OF TECHNICAL TERMS

**Amortisation**

Amortisation is the expense which results from the consumption, extraction or use over time of a non-produced physical or intangible asset.

**Comprehensive result**

The net result of all items of income and expense recognised for the period. It is the aggregate of operating result and other comprehensive income.

**Commitments**

Commitments include those operating, capital and other outsourcing commitments arising from non-cancellable contractual or statutory sources.

**Depreciation**

Depreciation is an expense that arises from the consumption through wear or time of a produced physical or intangible asset. This expense reduces the 'net result for the year'.

**Employee benefits expenses**

Employee benefits expenses include all costs related to employment including wages and salaries, fringe benefits tax, leave entitlements, redundancy payments, defined benefits superannuation plans, and defined contribution superannuation plans.

**Financial asset**

A financial asset is any asset that is:

- (a) cash;
- (b) an equity instrument of another entity;
- (c) a contractual or statutory right:
  - to receive cash or another financial asset from another entity; or
  - to exchange financial assets or financial liabilities with another entity under conditions that are potentially favorable to the entity; or
- (d) a contract that will or may be settled in the entity's own equity instruments and is:
  - a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or
  - a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

**Financial instrument**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets or liabilities that are not contractual (such as statutory receivables or payables that arise as a result of statutory requirements imposed by governments) are not financial instruments.

**Financial liability**

A financial liability is any liability that is:

- (a) A contractual obligation:
  - (i) to deliver cash or another financial asset to another entity; or
  - (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the entity; or

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018

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18. GLOSSARY OF TECHNICAL TERMS (cont.)

- b) A contract that will or may be settled in the entity's own equity instruments and is:
- (i) a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or
  - (ii) a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

**Financial statements**

A complete set of financial statements comprises:

- (a) Balance sheet as at the end of the period;
- (b) Comprehensive operating statement for the period;
- (c) A statement of changes in equity for the period;
- (d) Cash flow statement for the period;
- (e) Notes, comprising a summary of significant accounting policies and other explanatory information;
- (f) Comparative information in respect of the preceding period as specified in paragraph 38 of AASB 101 Presentation of Financial Statements; and
- (g) A statement of financial position at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements in accordance with paragraphs 41 of AASB 101.

**Interest income**

Interest income includes unwinding over time of discounts on financial assets and interest received on bank term deposits and other investments.

**Liabilities**

Liabilities refers to interest-bearing liabilities mainly raised from public liabilities raised through the Treasury Corporation of Victoria, finance leases and other interest-bearing arrangements. Liabilities also include non-interest-bearing advances from government that are acquired for policy purposes.

**Net result**

Net result is a measure of financial performance of the operations for the period. It is the net result of items of income, gains and expenses (including losses) recognised for the period, excluding those that are classified as 'other comprehensive income'.

**Net result from transactions/net operating balance**

Net result from transactions or net operating balance is a key fiscal aggregate and is income from transactions minus expenses from transactions. It is a summary measure of the ongoing sustainability of operations. It excludes gains and losses resulting from changes in price levels and other changes in the volume of assets.

**Non-financial assets**

Non-financial assets are all assets that are not 'financial assets'. It includes inventories, land, buildings, infrastructure, road networks, land under roads, plant and equipment, investment properties, cultural and heritage assets, intangible and biological assets.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018

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18. GLOSSARY OF TECHNICAL TERMS (cont.)

**Payables**

Includes short and long term trade debt and accounts payable, grants, taxes and interest payable.

**Receivables**

Includes amounts owing from government through appropriation receivable, short and long term trade credit and accounts receivable, accrued investment income, grants, taxes and interest receivable.

**Sales of goods and services**

Refers to income from the direct provision of goods and services and includes fees and charges for services rendered, sales of goods and services, fees from regulatory services and work done as an agent for private enterprises. It also includes rental income under operating leases and on produced assets such as buildings and entertainment, but excludes rent income from the use of non-produced assets such as land. User charges includes sale of goods and services income.

**Supplies and services**

Supplies and services generally represent cost of goods sold and the day-to-day running costs, including maintenance costs, incurred in the normal operations of the Department.

**Taxation income**

Taxation income represents income received from the State's taxpayers and includes:

- payroll tax; land tax; duties levied principally on conveyances and land transfers;
- gambling taxes levied mainly on private lotteries, electronic gaming machines, casino operations and racing;
- insurance duty relating to compulsory third party, life and non-life policies;
- insurance company contributions to fire brigades;
- motor vehicle taxes, including registration fees and duty on registrations and transfers;
- levies (including the environmental levy) on statutory corporations in other sectors of government; and
- other taxes, including landfill levies, license and concession fees.

**Style conventions**

Figures in the tables and in the text have been rounded. Discrepancies in tables between totals and sums of components reflect rounding. Percentage variations in all tables are based on the underlying unrounded amounts.

The notation used in the tables is as follows:

zero, or rounded to zero

(xxx.x) negative numbers

201x year period

201x-1x year period