



Victorian Pharmacy Authority



Third Annual Report
For the period 1 July 2012 to
30 June 2013

For the period 1 July 2012 to 30 June 2013

VICTORIAN PHARMACY AUTHORITY

**THIRD
ANNUAL REPORT**

For the period 1 July 2012 to 30 June 2013

Issued by Authority of the Victorian Pharmacy Authority

Chair

Mr David Lau BPharm MCLinPharm GradCertHealthSysMgt FSHP (Until 30 September 2012)

Mr Michael Scavone BPharm MPS (From 1 October 2012)

Registrar

Adjunct Associate Professor Stephen H P Marty BPharm MPS FACP(HC) MAICD

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The Hon. David Davis MP
Minister for Health
Department of Health
Level 20,
50 Lonsdale Street
MELBOURNE VIC 3000

Dear Minister

Pursuant to the *Financial Management Act 1994*, the Victorian Pharmacy Authority has the honour to submit for presentation to Parliament this, its Third Annual Report.

Yours sincerely

A handwritten signature in black ink, appearing to read 'M Scavone', written in a cursive style.

Michael Scavone
Chair

Chair's Report

On behalf on the Victorian Pharmacy Authority (VPA) I am pleased to present this, the third Annual Report and first since my appointment in October 2012.

The past eight months have flown by ever so quickly with much to learn, and people and organisations to meet and work collaboratively with.

May I firstly thank the outgoing Chair Mr David Lau and Deputy Chair Mr Graham Beecroft for having served both VPA and previously the Pharmacy Board of Victoria with much distinction and dedication over many years.

I have been fortunate to have inherited VPA operating in a strong financial position and serviced by a dedicated team of pharmacists and support staff.

The recent reappointments of Authority members Ms Esther Alter and Ms Karen Samuel together with other members Ms Claire Filson, Mr Anthony Tassone and Ms Toni Riley will provide much experience and stability and further consolidate VPA as the lead Victorian Regulator of community and hospital pharmacy.

So far this year the Victorian Pharmacy Authority Guidelines and the current VPA Strategic Plan 2012 -2015 together with the Goals and Strategic Priorities 2012 were reviewed with significant changes and amendments made, to ensure consumer interests continue to be protected.

But much more can and will be done as VPA continues to build on previous achievements and take on a more influential role with regard to national standards and guidelines for the regulation of pharmacy premises.

The Australian healthcare system is forever developing and the pharmacy profession has been a willing participant in meeting many of the challenges.

As a Regulator of pharmacy it is VPA's responsibility to ensure that all premises where community or hospital pharmacy is practised provide the ideal environment to ensure safety in the storage, supply and use of medicines.

In conclusion, may I thank and record my appreciation for Mr Steve Marty who as Registrar has managed an effective, and dedicated staff and has been instrumental in hosting meetings of all State and Territory Pharmacy Registering Authorities, to promote sensible and common premises licencing standards.

May I also thank my VPA colleagues and staff for their dedication and support and for making me feel so welcome in my first year.



Michael Scavone
Chair

Registrar's Report

The Victorian Pharmacy Authority has completed its third year of operation to administer the provisions of the *Pharmacy Regulation Act 2010*. The Authority is the successor in law to the Pharmacy Board of Victoria and continues the role of licensing owners of pharmacies and pharmacy departments and the registration of pharmacy premises and pharmacy departments.

System reviews and enhancements have contributed to improved efficiency and processing with consequent cost savings. Online access to information and applications has continued in development with improved outcomes.

The Authority at its May meeting reviewed all of its policies as follows:

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

Ongoing analysis of needs has continued to provide improved management of the Authority's records and compliance role, together with statistical reporting.

Fees were increased by 2.25% in May 2013.

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

- The Authority obtained a surplus from revenue against expenditure during the period of \$40,727 with the following significant variations from the previous period:
 - Revenue from premises registration and business licence fees only increased by 4.2% and revenue from applications for licences decreased by 17.4% and approval of pharmacies decreased by 10.9% due to a decrease in new pharmacies being opened and fewer alterations being undertaken;
 - Interest on funds invested decreased by 14.9% following the downturn in interest rates;
 - Office sub-rental increased by 214% reflecting income for a full year compared to four months only in the previous year;
 - Legal fees increased by 307% following a matter being appealed to VCAT and then subsequently withdrawn following the applicant being placed into receivership; and
 - Member fees and expenses increased by 49.5% following appointment of an additional member and a small increase in sitting fees.
- No government funds have contributed to reserves; and
- Following consideration of a matter which may result in an appeal being lodged with VCAT a contingent liability exists at balance sheet date. The matter is not expected to exceed \$30,000.

The Authority is below the threshold required for submission of a Financial Management Compliance Framework Certification in accordance with the requirements of the Victorian Public Sector Financial Management Compliance Framework. The Authority in May 2013 reviewed all of its policies.

The Authority, again, greatly valued the guidance, assistance and leadership provided by the Health Regulation and Reform Branch of the Department of Health.

All staff were employed pursuant to merit and equity principles and compliance with the Code of Conduct for employees in the Public Sector.

During the period the Authority participated in the development and preparation of a Strategic Plan which has been incorporated into its workplan.

The diligence and cooperation of staff in ensuring the continued implementation of new procedures and timely completion of the workplan is gratefully acknowledged. Similarly the valuable support from staff of the Department of Health has been sincerely appreciated.



Stephen Marty
Registrar

1. Charter and Purpose

Establishment

The Victorian Pharmacy Authority (“the Authority”) is established pursuant to section 81 of the *Pharmacy Regulation Act 2010* (“the Act”) with the Minister for Health, the Hon David Davis MP as the responsible Minister.

2. 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.

3. Authority Membership

Pursuant to s 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 as at 30 June 2013, was as follows:

Registered pharmacists

Chair

Mr Michael Scavone BPharm MPS

Initially appointed: 1 October 2012

Present term of appointment until: 30 September 2015

Member

Ms Karen Samuel BPharm MSHP

Initially appointed: 24 August 2010

Present term of appointment: until 30 June 2013 (Since re-appointed)

Member

Mr Anthony Tassone BPharm (Hons) AACPA Cert IV (TAA)

Initially appointed: 30 August 2011

Present term of appointment: until 30 April 2014

Member

Ms Toni Riley BPharm MPS

Initially appointed: 1 October 2012

Present term of appointment: until 30 September 2015

One Australian Lawyer

Ms Esther Alter BEc LLB MBA MAICD

Initially appointed: 24 August 2010

Present term of appointment: until 30 June 2013 (Since re-appointed)

One person who is not a registered pharmacist

Ms Claire Filson LLB MBA Grad Dip Applied Corporate Governance

Initially appointed: 10 July 2012

Present term of appointment: until 30 June 2015

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.

4. Authority Meetings

During the period 1 July 2012 to 30 June 2013, twelve Authority meetings were held with attendance by Authority members as follows:

Member	Authority Meetings	Leave of Absence
Mr D Lau	3 of 3	
Mr M Scavone	9 of 9	
Ms E Alter	11 of 12	1
Mr G Beecroft	3 of 3	
Ms C Filson	10 of 11	1
Ms T Riley	6 of 10	4
Ms K Samuel	9 of 12	3
Mr A Tassone	9 of 12	3

5. Organisational Structure

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

The Authority has an Audit Committee with an External Chair and three members.

6. Fees

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

President \$280.00

Member \$218.00

6.2 Schedule of gazetted fees

PROVISION	FEE (\$)
Licences	
Annual licence – individual	\$199.60
Annual licence – corporate	\$446.50
Annual licence – hospital	\$262.65
Registration	
Annual registration – pharmacy business	\$199.55
Annual registration – pharmacy department	\$199.55
Annual registration – pharmacy depot	\$52.50
Applications	
Application for registration of pharmacy business	\$299.40
Application for registration of pharmacy department	\$367.70
Application for registration of pharmacy depot	\$52.50
Application for approval of alterations to a registered pharmacy business	\$299.40
Application for licence to carry on a pharmacy business	\$236.35
Application for approval to practise in special circumstances section 29(1)(b)	\$105.05
Other fees	
Site re-inspection	\$299.40

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

7. Nature and range of services provided

The table below summarises the activities for the Period 1 July 2012 – 30 June 2013

Applications	Number 2010- 2011	Number 2011 - 2012	Number 2012 - 2013
Applications for registration of pharmacy premises and pharmacy department premises	105 *(1)	132 *(1)	102 *(1)
Pharmacy Depots	4	2	1
Approval of Pharmacists to supply, compounding or dispensing of medicines other than at a pharmacy or pharmacy department	7	33	60
Licence to carry on a pharmacy business	260 *(2)	274 *(2)	255 *(2)

*(1) Applications for

- new/relocation of pharmacies 64
- alterations 32
- pharmacy department 6

*(2) Licence to carry on a pharmacy business

- pharmacist 217
- company/friendly societies 38

Certain matters are delegated to officers of the Authority to approve subject to set approval criteria and compliance with the Guidelines for Good Pharmacy Practice published by the Authority in May 2013. All other applications and reports were considered by the Authority at its monthly meetings.

The Authority has a set of criteria for approval of pharmacy departments and conducted practice audits against these criteria.

7.1 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 in cases of:

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

Inspectors examine security, workload, privacy, equipment, fittings, compliance with legislation and pharmacy practice standards and pay particular attention to storage of controlled drugs, records of supply, opioid replacement therapy and residential aged care service programs. This pro-active process is seen as fundamental to providing public protection and to providing education to pharmacists regarding current requirements.

The employment of an additional pharmacist field officer has in addition to contributing to the Authority's succession planning provided for a marked increase in site inspections of pharmacies and pharmacy departments.

During the period the following site inspections were conducted:

	2011	2012	2013
Inspection on change of licence	88	79	103
Registration Inspection	89	115	102
Standards monitoring inspection – community pharmacy	323	358	542
Standards monitoring inspection – pharmacy department	47	5	26
Total inspections	547	557	773

Where necessary the Authority invited the proprietors of pharmacies 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 and subsequently identified action required to ensure compliance.

Privacy in pharmacies:

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

Compliance with legislation

The Authority has also noted instances where pharmacists have failed to comply with storage requirements contrary to good pharmaceutical practice and this constitutes a risk. In these instances the licensee/s have been required to attend an interview or a panel hearing at which conditions may have been imposed on their licence and/or premises registration.

The chart shown in Figure 1 indicates the progressive total of inspections of community pharmacies conducted in the standards monitoring program for the period 1 July 2012 to 30 June 2013.

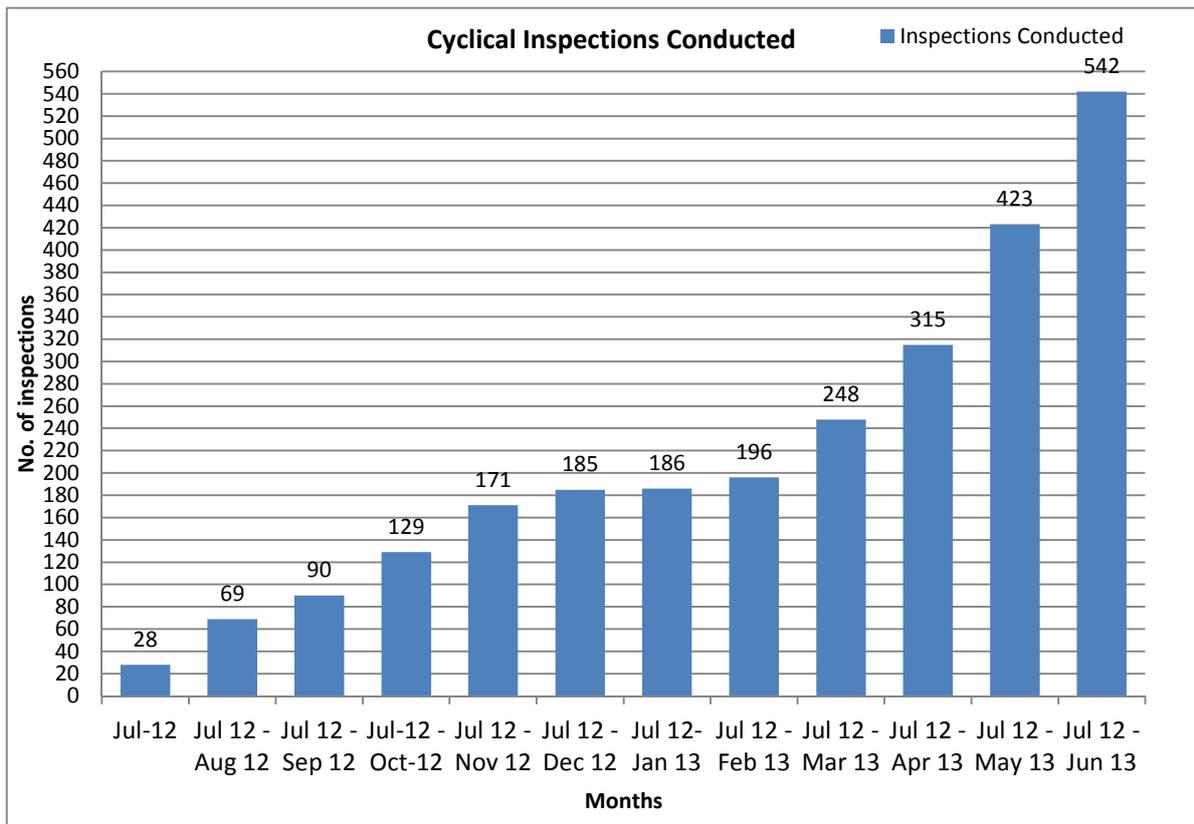


Figure 1.

7.2 Audit Committee

The Audit Committee consists of an independent chairman with accounting qualifications and the members of the Authority. A quorum comprises the chairman and two other members. The internal auditor and the Registrar attend meetings. The Committee met once during the reporting period.

8. Panel Hearings

Thirteen Panel Hearings pursuant to section 57 of the *Pharmacy Regulation Act 2010* were conducted during the period. Determinations ranged from the issuing of cautions or reprimands, imposition of conditions to notices of intention to revoke the ownership licence and/or registration of the premises.

Financial and other information

9. Freedom of Information

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 the application process is also available upon request.

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

Availability of other information

All records of the former Pharmacy Board of Victoria's operations relating to premises registration and licensing to carry on pharmacy business have been retained and along with those records created during the period are maintained in accordance with the *Public Records Act 1973* at the offices of the Authority.

10. Whistleblowers Protection Act 2001

No disclosures pursuant to Part 2 of the *Whistleblowers Protection Act 2001* were received during the period.

The *Whistleblowers Protection Act 2001* was repealed in 2012

11. 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 Department's compliance with statutory disclosure requirements.

Legislation	Requirement	Page Reference
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Ministerial Directions

Report of Operations

Charter and purpose

FRD 22C	Manner of establishment and the relevant Ministers	6
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Management and structure

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Financial and other information

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FRD 11	Disclosure of ex-gratia payments	12
FRD 15B	Executive officer disclosures	
FRD 21B	Responsible person and executive officer disclosures	12
FRD 22C	Application and operation of <i>Freedom of Information Act 1982</i>	10
FRD 22C	Application and operation of <i>Whistleblowers Protection Act 2001</i>	10
FRD 22C	Compliance with building and maintenance provisions of <i>Building Act 1993</i>	
FRD 22C	Details of consultancies over \$10,000	
FRD 22C	Details of consultancies under \$10,000	

Legislation	Requirement	Page Reference
FRD 22C	Major changes or factors affecting performance	5
FRD 22C	Occupational health and safety	5
FRD 22C	Operational and budgetary objectives and performance against objectives	5
FRD 22C	Significant changes in financial position during the year	5
FRD 22C	Statement of availability of other information	10
FRD 22C	Statement on National Competition Policy	
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FRD 22B	Summary of the financial results for the year	13
FRD 22B	Workforce Data Disclosures including a statement on the Application of employment and conduct principles	
FRD 25A	Victorian Industry Participation Policy disclosures	
SD 4.2(j)	Sign-off requirements	15
SD 3.4.13	Attestation on Data Integrity	12
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Financial Statements

Financial statements required under Part 7 of the FMA

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Other requirements under Standing Directions 4.2

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SD 4.2(c)	Accountable officer's declaration	15
SD 4.2(c)	Compliance with Ministerial Directions	22
SD 4.2(d)	Rounding of amounts	23

Legislation

<i>Freedom of Information Act 1982</i>	10
<i>Whistleblowers Protection Act 2001</i>	10
<i>Victorian Industry Participation Policy Act 2003</i>	
<i>Building Act 1993</i>	
<i>Financial Management Act 1994</i>	3, 22

Disclosure of ex-gratia payments

No ex-gratia payments were made during the period.

Responsible person and executive officer disclosures

12. Attestation on Data Integrity

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



Stephen Marty
Registrar

Melbourne
3 September 2013

13. Compliance with Australian/New Zealand Risk Management Standard

I, Stephen Henry Peter Marty, certify that the Victorian Pharmacy Authority has risk management processes in place consistent with the Australian/New Zealand Risk Management Standard AS/NZS ISO 31000:2009 and an internal control system is in place that enables the executive to understand, manage and satisfactorily control risk exposures. The Authority verifies this assurance and that the risk profile of the Victorian Pharmacy Authority has been critically reviewed within the last twelve months.



Stephen Marty
Registrar

Melbourne
3 September 2013

14. Five Year Summary of Financial Results

REPORT OF OPERATIONS

	2013	2012	2011	2010	2009
	\$000	\$000	\$000	\$000	\$000
Total Revenue	1,047	1,029	779	2,259	2,382
Total Expenses	1,006	890	2,001	1,987	1,893
Net Result for the year	40	139	(1,222)	272	489
Retained Surplus/(Accumulated Deficit)	824	783	644	1,866	1,595
Total Assets	2,363	2,287	2,049	3,461	3,373
Total Liabilities	1,024	989	890	1,080	1,263
Net Assets	1,338	1,298	1,158	2,381	2,109
Total Equity	1,338	1,298	1,158	2,381	2,109

VICTORIAN PHARMACY AUTHORITY

**FINANCIAL STATEMENTS FOR THE
YEAR ENDED 30 JUNE 2013**

VICTORIAN PHARMACY AUTHORITY

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

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

The Authority further states that, in its opinion, the information set out in the Comprehensive Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and notes to and forming part of the financial statements, presents fairly the financial transactions during the financial year ended 30 June 2013 and the financial position of the Victorian Pharmacy Authority as at 30 June 2013.

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

The Authority authorises the attached financial report for issue on 3 September 2013.



Michael Scavone
Chairperson

Melbourne
3 September 2013



Koshala Nadanakumar
Chief Finance and Accounting Officer

Melbourne
3 September 2013



Stephen Marty
Registrar

Melbourne
3 September 2013

INDEPENDENT AUDITOR'S REPORT

To the Members, Victorian Pharmacy Authority

The Financial Report

The accompanying financial report for the year ended 30 June 2013 of the Victorian Pharmacy Authority which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the Authority Member's, Accountable Officer's and Chief Finance and Accounting Officer's declaration has been audited.

The Members' Responsibility for the Financial Report

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

Auditor's Responsibility

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit, which has been conducted in accordance with Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, consideration is given to the internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Members, as well as evaluating the overall presentation of the financial report.

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

Independent Auditor's Report (continued)

Independence

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

Opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Victorian Pharmacy Authority as at 30 June 2013 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the financial report of the Victorian Pharmacy Authority for the year ended 30 June 2013 included both in the Victorian Pharmacy Authority's annual report and on the website. The Members of the Victorian Pharmacy Authority are responsible for the integrity of the Victorian Pharmacy Authority's website. I have not been engaged to report on the integrity of the Victorian Pharmacy Authority's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in the website version of the financial report.

MELBOURNE
3 September 2013


for John Doyle
Auditor-General

Victorian Pharmacy Authority

**COMPREHENSIVE OPERATING STATEMENT
FOR THE YEAR ENDED 30 JUNE 2013**

	Notes	2013	2012
		\$	\$
INCOME			
Revenues from Operating Activities	2	939,877	919,230
Revenues from Non-operating Activities	2	107,276	110,252
TOTAL INCOME		<u>1,047,153</u>	<u>1,029,482</u>
EXPENSES			
Operating expenses	3	(1,006,426)	(890,183)
TOTAL EXPENSES		<u>(1,006,426)</u>	<u>(890,183)</u>
NET RESULT		<u>40,727</u>	<u>139,299</u>
COMPREHENSIVE RESULT		<u>40,727</u>	<u>139,299</u>

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

Victorian Pharmacy Authority**BALANCE SHEET
AS AT 30 JUNE 2013**

	Notes	2013	2012
		\$	\$
ASSETS			
Current Assets			
Cash and cash equivalents	8	629,272	267,278
Receivables and accrued revenue	4	25,585	36,315
Term deposits placed with banks		1,685,258	1,956,829
Prepayments		19,115	18,289
Total Current Assets		2,359,230	2,278,711
Non-Current Assets			
Property, Plant and Equipment	6	4,290	8,510
Total Non-Current assets		4,290	8,510
TOTAL ASSETS		2,363,520	2,287,221
LIABILITIES			
Current Liabilities			
Fees received in advance		732,534	707,178
Payables and accrued expenses		44,528	62,485
Employee Benefits and Related on-costs	5	239,645	212,602
Total Current Liabilities		1,016,707	982,265
Non-Current Liabilities			
Employee Benefits and Related on-cost	5	7,815	6,685
Total Non-Current liabilities		7,815	6,685
TOTAL LIABILITIES		1,024,522	988,950
Net Assets		1,338,998	1,298,271
EQUITY			
Contributed capital		514,490	514,490
Accumulated surplus		824,508	783,781
Total Equity		1,338,998	1,298,271
Commitments for expenditure	10		
Contingent assets and contingent liabilities	14		

Victorian Pharmacy Authority

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2013

	2013	2012
	\$	\$
Balance at beginning of the financial year	1,298,271	1,158,972
Comprehensive result for the year	40,727	139,299
Balance at end of the financial year	<u>1,338,998</u>	<u>1,298,271</u>
Represented by:		
Contributed Capital		
Balance at beginning of the financial year	514,490	514,490
Balance at end of the financial year	<u>514,490</u>	<u>514,490</u>
Accumulated Surplus		
Balance at beginning of the financial year	783,781	644,482
Net result for the financial year	40,727	139,299
Balance at end of the financial year	<u>824,508</u>	<u>783,781</u>

Victorian Pharmacy Authority

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2013

	Notes	2013	2012
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Fees from registrants		965,233	1,002,959
Payments to suppliers (GST inclusive) and employees		(1,042,042)	(906,370)
Net GST received		47,556	27,246
Interest received		52,119	91,065
Rents received		18,520	5,887
Net cash provided by operating activities	7	<u>41,386</u>	<u>220,787</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of other financial assets		(650,000)	(595,239)
Redemption of other financial assets		970,608	273,341
Net cash provided by/(used in) investing activities		<u>320,608</u>	<u>(321,898)</u>
Net increase/(decrease) in cash and cash equivalents		361,994	(101,111)
Cash and cash equivalents at beginning of financial year		267,278	368,389
Cash and cash equivalents at end of financial year	8	<u><u>629,272</u></u>	<u><u>267,278</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 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These annual financial statements represent the audited general purpose financial statements for the Victorian Pharmacy Authority for the period ended 30 June 2013. The purpose of the report is to provide users with information about the Authority's stewardship of resources entrusted to it.

(a) Statement of Compliance

This general-purpose financial statement has been prepared in accordance with the *Financial Management Act 1994* and applicable Australian Accounting Standards (AASs) and Interpretations and other mandatory requirements.

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

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.

In complying with AASs, the Victorian Pharmacy Authority has, where relevant, applied those paragraphs applicable to not-for-profit entities. The annual financial statement was authorised for issue by the Victorian Pharmacy Authority on 3 September 2013.

(b) Basis of Preparation

The accrual basis of accounting has been applied in the preparation of these financial statements whereby assets and liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

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

The financial statements are presented in Australian dollars and prepared in accordance with the historical cost convention, except for non-current physical assets, which subsequent to acquisition, are measured at a revalued amount being their fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent impairment loss. Revaluation are made with sufficient regularity to ensure that the carrying amounts do not materially differ from their fair values.

In the application of AASs, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments. Actual results may differ from these estimates.

Revision to accounting estimate 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 effects on the financial statements and estimates relate to:

- Fair value of plant and equipment (refer Note 1 (j))
- Actuarial assumption for employee benefit provisions based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates (refer Note 1 (k))
- Superannuation expenses (refer Note 1 (k))

(c) Reporting Entity

This financial statements cover the Victorian Pharmacy Authority as an individual reporting entity. Its principal address is: Level 6, 369 Royal Parade, Parkville Victoria.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(d) Scope and presentation of financial statements

Comprehensive operating statement

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

Balance Sheet

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

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

Cash flow statement

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

Statement of equity

The statement of changes in equity presents reconciliations of non-owner and owner changes in equity from opening balances at the beginning of the reporting period to the closing balances at the end of the reporting period. It also shows separately changes due to amounts recognised in other comprehensive results and amounts recognised in other income related to other changes in equity.

Rounding

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

(e) 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 readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

(f) Investments and term deposits

Term deposits with maturity greater than three months are measured at amortised cost using the effective interest method, less impairment. The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period. Where the Authority has the positive intent and ability to hold investments to maturity they are measured at amortised cost less impairment losses. Any interest earned in investments and term deposits is recognised in the comprehensive operating statements as a transaction.

(g) Prepayments

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(h) Receivables

Receivables consist of:

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

Contractual receivables 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.

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, except those measured at fair value through profit or loss, are subject to annual review for impairment.

Receivables are assessed for bad and doubtful debts on a regular basis. Those bad debts considered as written off by mutual consent are classified as a transaction expense. Bad debts not written off by mutual consent and the allowance for doubtful receivables are classified as other economic flows in the net result.

(i) Payables

Payable 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

(j) 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 or where the infrastructure is held by a not for profit entity, the fair value may be derived from estimates of the present value of future cash flows. For the Authority's property, plant and equipment, existing depreciated historical cost is generally a reasonable proxy for depreciation 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%
Plant and Equipment	20.0 - 36.0%
Computer Equipment	20.0 - 36.0%

(k) 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 2013

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Wages and Salaries, Annual Leave and Sick Leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave which are expected to be settled within 12 months of the reporting date are recognised in the provision for employee benefits, classified as current liabilities and measured at their nominal values.

Those liabilities that the entity does not expect to be settled within 12 months are also recognised in the provision for employee benefits as current liabilities, measured at present value of the amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

Long Service Leave (LSL)

The liability for long service leave (LSL) is recognised in the provision for employee benefits.

Current Liability – 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 it 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:

- Present value – component that the Authority does not expect to settle within 12 months; and
- Nominal value – component that the Authority expects to settle within 12 months.

Non-Current Liability – conditional LSL (representing less than 10 years of continuous service) is disclosed as a non-current liability. There is an unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service. Conditional LSL is required to be measured at present value.

Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates of Commonwealth Government guaranteed securities in Australia.

Employee expenses

These expenses include all 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.

Superannuation

Defined Contribution Plans

Contributions to defined contribution superannuation plans are expensed when incurred.

On-costs

Employee benefits on-costs (such as workers compensation and superannuation) are recognised separately from the provision for employee benefits.

(l) **Income Recognition**

Revenue is recognised in accordance with AASB 118 *Revenue* and is recognised to the extent it is earned. Unearned income at reporting date is reported as income in advance.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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 in the Balance Sheet.
- Office Consolidation of Legislation – Subscription
The Office Consolidation of Legislation – Subscription receipts are attributable to the current financial year and recognised as income.
- Interest
Interest income on investments and cash holdings are recognised using effective interest method which allocates the interest over the relevant period.

(m) 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.

(n) 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*.

(o) Goods and Services Tax (GST)

Income, expenses and assets are recognised net of the amount of associated GST. Receivables and payables are stated exclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority 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 taxation authority, are presented as operating cash flow.

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

(p) Contributed Capital

Consistent with Australian Accounting Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities* and FRD 119 *Contributions to Owners*, appropriations for additions to the net asset base have been designated as contributed capital. Other transfers that are in the nature of contributions or distributions that have been designated as contributed capital are also treated as contributed capital.

(q) 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 and those that do not.

Loans and receivables

Loans and receivables are financial instrument assets with fixed and determinable payments that are not quoted on an active market. These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement, loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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

(r) 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.

(s) Commitments

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are disclosed by way of a note (refer to Note 10 *Commitments*) at their nominal value and inclusive of the GST payable. In addition, where it is considered appropriate and provides additional relevant information to users, the net present values 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.

(t) Contingent assets and contingent liabilities

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

(u) Corporate Structure

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

(v) Comparative Figures

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

(w) New Accounting Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2013 reporting period

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

Standard/Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
<i>AASB 9 Financial instruments</i>	This standard simplifies requirements for the classification and measurement of financial assets resulting from Phase 1 of the IASB's project to replace IAS 39 <i>Financial Instruments: Recognition and Measurement</i> (AASB 139 <i>Financial Instruments: Recognition and Measurement</i>).	1 Jan 2015	Subject to AASB's further modifications to AASB 9, together with the anticipated changes resulting from the staged projects on impairments and hedge accounting, details of impacts will be assessed.
<i>AASB 13 Fair Value Measurement</i>	This Standard outlines the requirements for measuring the fair value of assets and liabilities and replaces the existing fair value definition and guidance in other Australian accounting standards. AASB 13 includes a 'fair value hierarchy' which ranks the valuation technique inputs into three levels using unadjusted quoted prices in active markets for identical assets or liabilities; other observable inputs; and unobservable inputs.	1 Jan 2013	Disclosure for fair value measurements using unobservable inputs are relatively detailed compared to disclosure for fair value measurements using observable inputs. Consequently, the Standard may increase the disclosures required assets measured using depreciated replacement cost.
<i>AASB 119 Employee Benefits</i>	In this revised Standard for defined benefit superannuation plans, there is a change to the methodology in the calculation of superannuation expenses, in particular there is now a change in the split between superannuation interest expense (classified as transactions) and actuarial gains and losses (classified as 'Other economic flows – other movements in equity') reported on the comprehensive operating statement.	1 Jan 2013	Not-for-profit entities are not permitted to apply this Standard prior to the mandatory application date. While the total superannuation expense is unchanged, the revised methodology is expected to have a negative impact on the net result from transactions a few Victorian public sector entities that report superannuation defined benefit plans.
<i>AASB 1053 Application of Tiers of Australian Accounting Standards</i>	This Standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements.	1 July 2013	The Victorian Government is currently considering the impacts of Reduced Disclosure Requirements (RDRs) for certain public sector entities, and has not decided if RDRs will be implemented in the Victorian public sector.

In addition to the new standards above, the AASB has issued a list of amending standards that are not effective for the 2012-13 reporting period (as listed below). In general, these amending standards include editorial and references changes that are expected to have insignificant impacts on public sector reporting. The two AASB Interpretations in the list below are also not effective for the 2012-13 reporting period and considered to have insignificant impacts on public sector reporting.

- AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9.
- AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements.
- AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010).
- AASB 2010-10 Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

- AASB 2011-2 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements.
- AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements.
- AASB 2011-6 Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation – Reduced Disclosure Requirements.
- AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13.
- AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011).
- AASB 2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements.
- AASB 2011-12 Amendments to Australian Accounting Standards arising from Interpretation 20
- 2012-1 Amendments to Australian Accounting Standards - Fair Value Measurement - Reduced Disclosure Requirements.
- 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities.
- 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities.
- 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle.
- 2012-7 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements.
- 2012-9 Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039.
- 2012-10 Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments.
- 2012-11 Amendments to Australian Accounting Standards – Reduced Disclosure Requirements and Other Amendments.
- 2013-1 Amendments to AASB 1049 – Relocation of Budgetary Reporting Requirements.
- 2013-2 Amendments to AASB 1038 – Regulatory Capital.
- 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets.
- AASB Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine.
- AASB Interpretation 21 Levies.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

	2013	2012
	\$	\$
2. INCOME		
Revenues from Operating Activities		
Premises registration and business licence fees	779,701	748,112
Application for licence to carry on pharmacy business	50,303	60,890
Office consolidated subscriptions	71,595	68,257
Approval of pharmacies	36,478	40,971
Other operating revenue	1,800	1,000
Total Revenues from Operating Activities	<u>939,877</u>	<u>919,230</u>
Revenues from Non-Operating Activities		
Interest	88,756	104,365
Office sub-rental	18,520	5,887
Total Revenue from Non-Operating Activities	<u>107,276</u>	<u>110,252</u>
Total Income	<u>1,047,153</u>	<u>1,029,482</u>
3. OPERATING EXPENSES		
Salaries	499,359	488,032
Purchase Consolidation of Acts & Regulations	49,424	57,973
Other operating expenses	59,762	51,643
Bank fees	13,565	10,472
Computer software & maintenance	28,428	31,213
Authority member fees and expenses	25,292	16,915
Car expenses – Inspectorial	28,771	30,626
Printing	1,803	1,210
Legal expenses	83,362	20,445
Consulting fees	11,250	7,492
Depreciation	4,220	1,995
Postage & freight	12,712	12,927
Provision for employee entitlements	38,760	22,597
Rental of premises (i)	121,728	109,398
Subscriptions	3,900	2,563
Web site maintenance	2,048	877
Audit fees	7,800	9,300
Telephone	14,242	14,505
Total Expenses	<u>1,006,426</u>	<u>890,183</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

	2013	2012
	\$	\$
4. RECEIVABLES AND ACCRUED REVENUE		
GST receivable	10,985	9,315
Accrued revenue	14,600	27,000
Total receivable and accrued revenue	<u>25,585</u>	<u>36,315</u>
5. EMPLOYEE BENEFITS AND RELATED ON-COSTS		
Current Provisions		
Employee Benefits		
Unconditional and expected to be settled within 12 months	37,843	24,491
Unconditional and expected to be settled after 12 months	201,802	188,111
Total Current Provisions	<u>239,645</u>	<u>212,602</u>
Non-Current Provisions		
Provision for LSL	7,815	6,685
Total Non-Current Provisions	<u>7,815</u>	<u>6,685</u>
Total Provisions	<u>247,460</u>	<u>219,287</u>
Current Employee Benefits and Related On-costs		
Unconditional LSL entitlement	201,802	188,111
Annual leave entitlement	37,843	24,491
Non-current Employee Benefits and Related On-costs		
Conditional LSL entitlement	7,815	6,685
Total Employee Benefits	<u>247,460</u>	<u>219,287</u>
Movement in Long Service Leave		
Balance at Start of Year	194,796	177,908
Provision made during the year	14,821	16,888
Balance at End of Year	<u>209,617</u>	<u>194,796</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

	2013	2012
	\$	\$
6 PROPERTY, PLANT AND EQUIPMENT		
Furniture, Fixtures and Fittings at Fair Value	8,580	8,580
Less: Accumulated depreciation	(4,290)	(3,077)
Total Furniture, Fixtures and Fittings	<u>4,290</u>	<u>5,503</u>
Computer equipment at Fair Value	2,950	2,950
Less: Accumulated depreciation	(2,950)	(1,960)
Total Computer equipment	<u>-</u>	<u>990</u>
Plant and Equipment at Fair Value	11,791	35,487
Less: Accumulated depreciation	(11,791)	(33,470)
Total Plant and Equipment	<u>-</u>	<u>2,017</u>
Total Property, Plant and Equipment	<u>4,290</u>	<u>8,510</u>
Reconciliation of movements		
Furniture, Fixtures and Fittings		
Balance at 1 July	5,503	6,114
Depreciation	(1,213)	(611)
Balance at 30 June	<u>4,290</u>	<u>5,503</u>
Computer Equipment		
Balance at 1 July	990	1,238
Depreciation	(990)	(248)
Balance at 30 June	<u>-</u>	<u>990</u>
Plant and Equipment		
Balance at 1 July	2,017	3,153
Write-offs/Disposals	(23,696)	-
Depreciation	(2,017)	(1,136)
Accumulated depreciation on disposal	23,696	
Balance at 30 June	<u>-</u>	<u>2,017</u>
Total carrying amount at end of year	<u>4,290</u>	<u>8,510</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

	2013	2012
	\$	\$
7. RECONCILIATION OF NET RESULT FOR THE YEAR TO CASH FLOW FROM OPERATING ACTIVITIES		
Net result for the year	40,727	139,299
<i>Add/(Less) :</i>		
Depreciation	4,220	1,995
Interest income	(49,037)	4,285
<i>Movement in assets and liabilities</i>		
Increase/(Decrease) in Provision for employee entitlements	28,173	(2,898)
Increase/(Decrease) in Payables	(17,957)	34,379
Increase/(Decrease) in Fees in advance	25,356	67,203
(Increase)/Decrease in Receivables	10,730	(19,130)
(Increase)/Decrease in Prepayments	(826)	(4,346)
Net cash provided by operating activities	<u>41,386</u>	<u>220,787</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

	2013	2012
	\$	\$
8. CASH AND CASH EQUIVALENTS		
For the purposes of the Cash Flow Statement, cash assets 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	169,380	186,813
Deposits – under 3 months maturity	459,641	80,215
Petty cash	250	250
Total Cash and Cash Equivalents	<u>629,272</u>	<u>267,278</u>
9. AUDITORS' REMUNERATION		
Amounts received or due and receivable by the auditor, the Auditor-General of Victoria, for:		
- auditing of the accounts	8,000	7,800
No other amounts were received by the auditors.		
10. COMMITMENTS		
(a) Rental Arrangements		
Not later than one year.	61,313	88,427
Later than one year but no later than 5 years.	-	58,951
Total (Inclusive GST)	<u>61,313</u>	<u>147,378</u>
(b) Operating Lease commitments - payable		
Operating lease commitments represent photocopy machine and computer rental as per contract but not included in the accounts		
Not later than one year	5,285	9,477
Later than one year but not later than 5 years	7,775	13,364
Total (Inclusive GST)	<u>13,060</u>	<u>22,841</u>
(c) Operating Lease commitments - receivable		
Not later than one year	13,839	19,760
Later than one year but not later than 5 years	-	13,839
Total (Inclusive GST)	<u>13,839</u>	<u>33,599</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

11. RESPONSIBLE PERSONS AND EXECUTIVE OFFICERS

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

(a) Responsible Minister

Responsible Minister - The Hon. David Davis MLC, Minister for Health

Period
01/07/12 – 30/06/13

(b) Authority Members & Accountable Officer

Authority Members	Mr David Lau (Chair)	1/07/12 – 30/09/12
	Mr Michael Scavone (Chair)	1/10/12 – 30/06/13
	Mr Grahame Beecroft (Deputy Chair)	1/07/12 – 30/09/12
	Mrs Esther Alter	1/07/12 – 30/06/13
	Ms Karen Samuel	1/07/12 – 30/06/13
	Mr Anthony Tassone	1/07/12 – 30/06/13
	Ms Claire Filson	10/07/12 – 30/06/13
	Ms Toni Riley	01/10/12 – 30/06/13
Registrar	Mr Stephen Marty	01/07/12 – 30/06/13

(c) Remuneration of Responsible Persons Income

	2013 No.	2012 No.
\$1 - 10,000	8	5
\$131,001 - 140,000	-	-
\$141,001 - 150,000	1	-
\$151,001 - \$160,000	-	-
\$161,001 - \$170,000	-	-
\$171,001 - \$180,000	-	-
\$180,001 - 190,000	-	1
	9	6
Total Remuneration	\$168,616	\$206,430

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

12. SUPERANNUATION

Details in relation to superannuation funds are as follows:

- a) The Authority contributes to the MLC Superannuation Fund and a number of other 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 \$57,975 (2012 - \$66,594).

MLC Superannuation Fund	\$ 45,854	\$57,289
Other Funds	\$ 12,121	\$ 9,305

- c) The basis for calculating 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	9.0 - 14.0%
Other	9.0 - 14.0%

13. FINANCIAL INSTRUMENTS

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

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

- Cash Assets
- Term Deposits
- Receivables (excluding statutory receivables)
- 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.

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.

	Carrying Amount 2013 \$	Carrying Amount 2012 \$
Financial Assets		
Cash and Cash Equivalents	629,272	267,278
Receivables	14,600	27,000
Term Deposits	1,685,258	1,956,829
Total Financial Assets	2,329,130	2,251,107
Financial Liabilities		
Payables – creditors	34,757	55,887
Total Financial Liabilities	34,757	55,887

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**
13. FINANCIAL INSTRUMENTS (cont)
(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.

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

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:

- only banks and financial institutions with an 'AA' rating are utilised.

The Authority's exposure to credit risk by ageing periods is set out in the following table.

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	
2013	\$	\$	\$	\$	\$	\$	\$
Financial Assets							
Cash and Cash Equivalents	629,272	629,272	-	-	-	-	-
Receivables	14,600	14,600	-	-	-	-	-
Term Deposits	1,685,258	1,685,258	-	-	-	-	-
Total Financial Assets	2,329,130	2,329,130	-	-	-	-	-
2012	\$	\$	\$	\$	\$	\$	\$
Financial Assets							
Cash and Cash Equivalents	267,278	267,278	-	-	-	-	-
Receivables	27,000	27,000	-	-	-	-	-
Term Deposits	1,956,829	1,956,829	-	-	-	-	-
Total Financial Assets	2,251,107	2,251,107	-	-	-	-	-

(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 liquidity 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

13. FINANCIAL INSTRUMENTS (cont)

Maturity Analysis of Financial Liabilities as at 30 June

	Carrying Amount	Contractual Cash Flows	Maturity Dates			
			Less than 1 month	1-3 Months	3 Months 1 Year	1-5 Years
2013	\$	\$	\$	\$	\$	\$
Financial Liabilities						
Payables	34,757	34,757	34,757	-	-	-
Total Financial Liabilities	34,757	34,757	34,757	-	-	-
2012						
Financial Liabilities						
Payables	55,887	55,887	55,887	-	-	-
Total Financial Liabilities	55,887	55,887	55,887	-	-	-

d) Market Risk

Interest Rate Exposure of Financial Instrument

	Weighted Average Effective Interest %	Carrying Amount	Interest rate Exposure		
			Fixed Interest rate	Variable Interest rate	Non Interest Bearing
2013					
Financial Assets					
Cash and Cash Equivalents	2.70	629,272	359,427-	269,845	-
Receivables	n/a	14,600	-	-	14,600
Term Deposits	4.10	1,685,258	1,685,258	-	-
		2,329,130	2,044,685	269,845	14,600
Financial Liabilities					
Payables	n/a	34,757	-	-	34,757
		34,757	-	-	34,757
2012					
Financial Assets					
Cash and Cash Equivalents	1.60	267,278	-	267,278	-
Receivables	n/a	27,000	-	-	27,000
Term Deposits	5.38	1,956,829	1,956,829	-	-
		2,251,107	1,956,829	267,278	27,000
Financial Liabilities					
Payables	n/a	55,887	-	-	55,887
		55,887	-	-	55,887

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

13. FINANCIAL INSTRUMENTS (cont)

Interest Rate Risk

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

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 (Base rates are sourced from the Reserve Bank of Australia).

- 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.

	Carrying Amount	Interest Rate Risk			
		-1%		+1%	
		Profit	Equity	Profit	Equity
2013	\$	\$	\$	\$	\$
Financial Assets					
Cash and Cash Equivalents	629,272	(6,292)	(6,292)	6,292	6,292
Receivables	14,600	-	-	-	-
Term Deposits	1,685,258	(16,852)	(16,852)	16,852	16,852
Financial Liabilities					
Payables	34,757	-	-	-	-
		(23,144)	(23,144)	23,144	23,144
2012					
Financial Assets					
Cash and Cash Equivalents	267,278	(2,673)	(2,673)	2,673	2,673
Receivables	27,000	-	-	-	-
Term Deposits	1,956,829	(19,568)	(19,568)	19,568	19,568
Financial Liabilities					
Payables	55,887	-	-	-	-
		(22,241)	(22,241)	22,241	22,241

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

13. FINANCIAL INSTRUMENTS (cont)

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

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

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

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

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

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

The following table shows that the fair values of most 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
	2013	2013	2012	2012
	\$	\$	\$	\$
Financial Assets				
Cash and Cash Equivalents	629,272	629,272	267,278	267,278
Receivables	14,600	14,600	27,000	27,000
Term Deposits	1,685,258	1,685,258	1,956,829	1,956,829
Total Financial Assets	2,329,130	2,329,130	2,251,107	2,251,107
Financial Liabilities				
Payables	34,757	34,757	55,887	55,887
Total Financial Liabilities	34,757	34,757	55,887	55,887

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

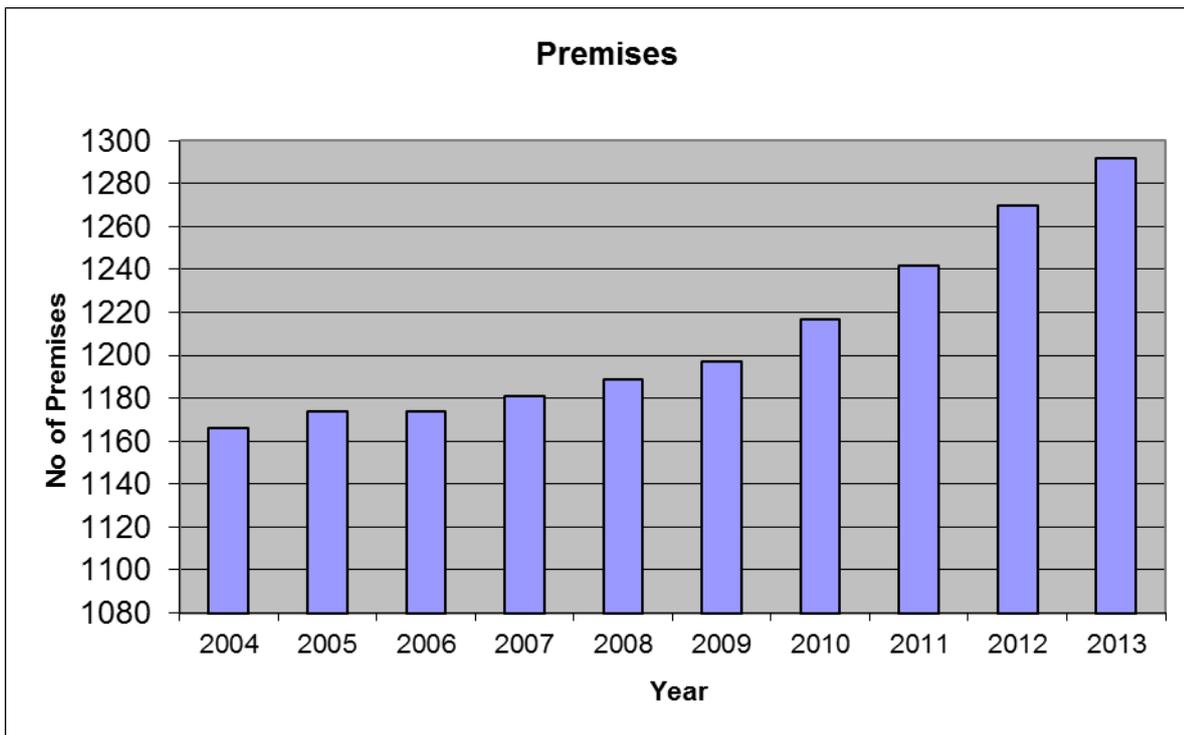
14. CONTINGENT LIABILITY AND CONTINGENT ASSET

There is a contingent liability for an appeal lodged at VCAT and is not expected to exceed \$10,000.
There is no contingent asset (2012, Nil) as at balance sheet date.

15. EVENTS SUBSEQUENT TO BALANCE DATE

There have been no post balance date events that significantly affect the operation, the results, or the state of affairs of the Authority (2012, Nil).

16. Approved Pharmacy Premises Statistics



At 30 June 2012

1,270
76
30

At 30 June 2013

1,292
76
30

Pharmacies
Pharmacy Departments
Pharmacy Depot