



# Annual report 2016–17

**Victorian Pharmacy Authority**



**VICTORIAN PHARMACY AUTHORITY**

**SEVENTH ANNUAL REPORT**

**For the period 1 July 2016 to 30 June 2017**

Issued by authority of the Victorian Pharmacy Authority

**Chair**

Ms Toni Riley BPharm MPS

**Registrar**

Mr Aaron Bawden BPharm BPharmSci(Hons) MPS

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# Responsible bodies declaration

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

Dear Minister

In accordance with the *Financial Management Act 1994*, I am pleased to present the Victorian Pharmacy Authority Annual Report for the year ending 30 June 2017.

A handwritten signature in blue ink, appearing to read 'Toni Riley', is positioned above the typed name.

Toni Riley  
Chair  
Victorian Pharmacy Authority  
Melbourne  
19 September 2017

# Chair's report

On behalf of the Victorian Pharmacy Authority I am pleased to present the Authority's Seventh Annual Report, and my second as the Chair of the Authority.

This year has been an exceptionally full one involving the relocation of the Authority's offices from Parkville to Pelham St, Carlton. A huge move for all concerned but successfully executed by the careful project management of the Registrar, Aaron Bawden.

The Authority commissioned an external review of its pharmacy business licence application processes to ensure these are adequate to determine applications in the complex contemporary pharmacy environment. It is expected that the review will result in further changes to the Authority's processes to allow it to continue to ensure that pharmacy businesses comply with the ownership restrictions of the *Pharmacy Regulation Act 2010*. HLB Mann Judd were appointed as the Authority's new Internal Auditors in May 2017, with a broadening of the focus of the Authority's strategic internal audit plan.

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. This is a testament to the close attention and expertise of our Registrar.

Earlier in 2017, pharmacist member Joey Calandra was re-appointed to the Authority for a further three-year term providing continuity in the membership of the Authority.

Once again, I would like to thank all the Authority members Esther Alter, Joey Calandra, Cassie Fersterer, Robert Jamieson and Richard Mullaly for their continued hard work throughout this year and look forward to working together in the year to come.

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

## **Ministerial Statement of Expectations**

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

The Authority received its second Statement of Expectations (SOE) from the Minister for Health in June 2016 to which it responded in October 2016, committing to a number of targets aimed at improving its regulatory performance.

The SOE and the Authority's response are available on the Authority's website:

[www.pharmacy.vic.gov.au](http://www.pharmacy.vic.gov.au)

2016-17 Ministerial Statements of Expectations were extended by the Minister in June 2017.

With the extension of the Authority's current SOE until 31 December 2017, the requirement for the Authority to report on progress to achieve regulatory improvements in this Annual Report no longer applies. I am pleased to report that the Authority has already largely completed the implementation of regulatory improvements outlined in the SOE and will report on its progress after the extended Ministerial Statement of Expectations concludes.



Toni Riley  
Chair

# Registrar's report

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

## Financial operations

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

- Fees were increased by 2% from 1 May 2017.
- The Authority recorded a deficit of \$72,142 during the period resulting from a decrease in total income of 1.5% and an increase in total expenditure of 17.35%. The following significant variations from the previous period occurred:
  - Consulting fees increased significantly due to the external review of the Authority's pharmacy business licence application and renewal processes;
  - Legal fees increased significantly due to a further increase in matters requiring legal advice; and
  - The Authority incurred office relocation costs.
- No government funds have contributed to reserves.

The Authority approved a revised budget at its January meeting following its decision to engage an external consultant to review its pharmacy business licence application and renewal processes. This was subsequently revised in light of increasing legal fees associated with the assessment of pharmacy business licence applications.

In terms of performance against budgetary objectives, the total revenue of \$1,090,327 was 0.70% higher than the revised budget estimate of \$1,082,959.

The total expenditure of \$1,162,468 was 0.70% higher than the revised budget estimate of \$1,154,367.

## Service standards

The Authority aims to carry out an initial assessment of applications within five working days of receipt of a complete application, and to complete processing of applications within a further three working days of receipt of outstanding information or a decision of the Authority. In 2016-17:

- Ninety-nine percent (99%) of complete applications received an initial assessment within five working days of receipt;
- Eighty-nine percent (89%) of applications were processed within a further three working days of receipt of outstanding information or a decision of the Authority.

## Staffing

The Authority had a staff of eight at 30 June 2017, with a Full Time Equivalent (FTE) of 5.3. These comprise the Registrar who is the Authority's executive officer, a Senior Pharmacist whose responsibilities include assessing applications and managing the inspection program, four pharmacist field staff, a Finance Officer and an Administration Officer.

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.

I would like to acknowledge the support and leadership of the Chair, Toni Riley, and all the Authority members, as well as the dedication and professional work of all the staff who have again achieved excellent results.

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



Aaron Bawden  
Registrar

### **Correction**

The Authority's 2014-15 and 2015-16 Annual Reports incorrectly stated that a Financial Management Compliance Framework Certification was submitted in accordance with the requirements of the Victorian Public Sector Financial Management Compliance Framework. The report submitted to the Department of Treasury and Finance was *Annual reporting in relation to thefts and losses and purchasing card compliance*, under the Financial Management Compliance Framework.

# 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 2017 was as follows:

### Chair

Ms Toni Riley BPharm MPS

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

Present term of appointment: until 30 June 2018

### Pharmacist Members

Mr Giuseppe Calandra BPharm Hons, MRPharmS, CertIVTAE MPS

Initially appointed: 1 July 2014

Present term of appointment: until 30 June 2017 (Since re-appointed)

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

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  
Present term of appointment: until 30 June 2018

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

## Authority Meetings

During the period 1 July 2016 to 30 June 2017, 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	11 of 12	1
Ms E Alter	7 of 12	5
Mr G Calandra	9 of 12	3
Mr R Jamieson	12 of 12	0
Ms R Mullaly	10 of 12	2
Ms C Fersterer	11 of 12	1

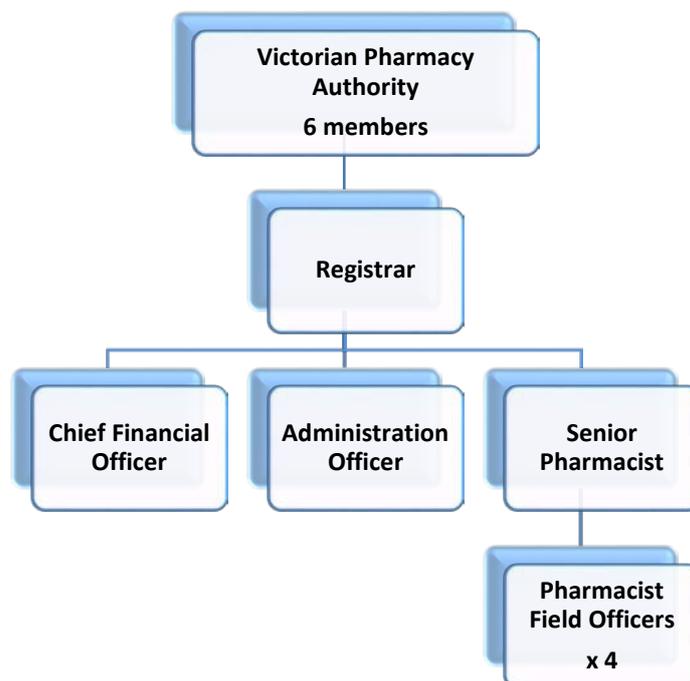
## Organisational Structure

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 2017. A quorum comprises the chairman and two other members. The Committee met five 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	\$309.00
Member	\$241.00

Schedule of gazetted fees (Effective from 1 May 2017):

PROVISION	FEE
<b>Licences</b>	
Annual licence – individual	\$219.15
Annual licence – corporate	\$490.35
Annual licence – hospital	\$288.45
<b>Registration</b>	
Annual registration – pharmacy business	\$219.10
Annual registration – pharmacy department	\$219.10
Annual registration – pharmacy depot	\$57.60
<b>Applications</b>	
Application for registration of pharmacy business	\$328.80
Application for registration of pharmacy department	\$403.80
Application for registration of pharmacy depot	\$57.60
Application for approval of alterations to a registered pharmacy business	\$328.80
Application for licence to carry on a pharmacy business	\$259.55
Application for approval to practise in special circumstances section 29(1)(b)	\$115.30
<b>Other fees</b>	
Site re-inspection	\$328.80

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 2016 – 30 June 2017.

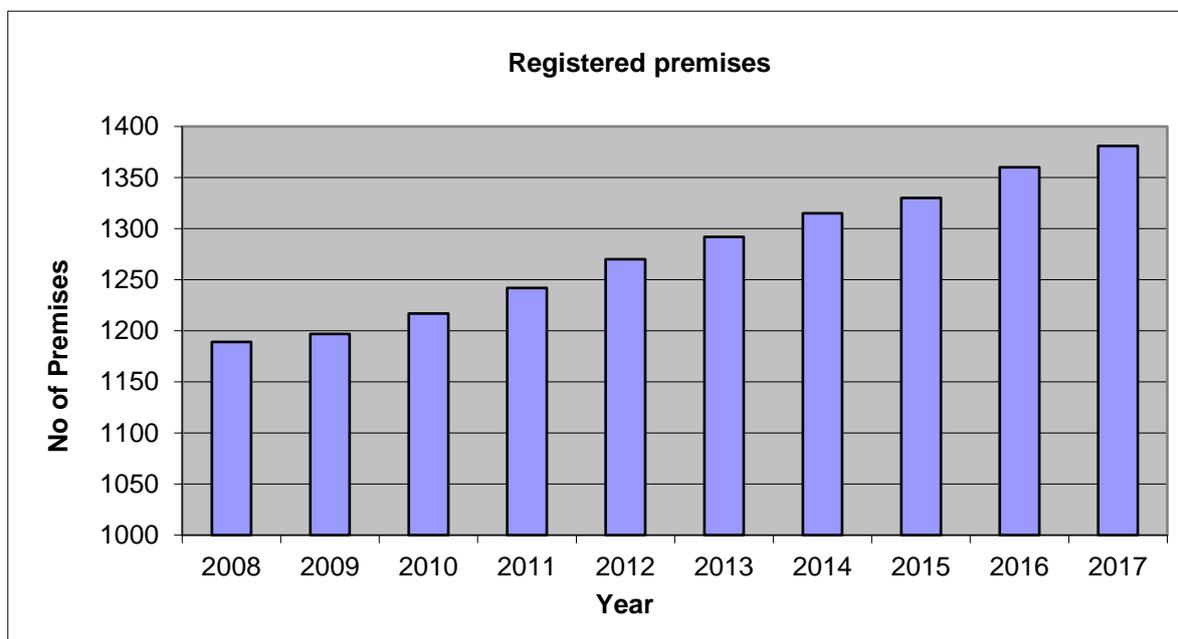
<b>Applications</b>	<b>Number 2014 - 2015</b>	<b>Number 2015 - 2016</b>	<b>Number 2016 - 2017</b>
Registration of pharmacy premises and pharmacy department premises	140	140	114 <sup>(1)</sup>
Pharmacy Depots	1	1	2
Approval of pharmacists to supply, compound or dispense medicines other than at a pharmacy or pharmacy department	61	66	63
Licence to carry on a pharmacy business	186	253	224 <sup>(2)</sup>

- (1) Registration applications
- new/relocated pharmacies 66
  - alterations 44
  - pharmacy department 4

- (2) Licence applications
- pharmacist 139
  - company/hospital/friendly society 85

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 2016</b>	<b>At 30 June 2017</b>
Pharmacies	1,360	1,381
Pharmacy Departments	74	75
Pharmacy Depots	29	22

## 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>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Inspection on change of licence	84	72	84	99
Registration Inspection	96	111	106	131
Standards monitoring inspection – community pharmacy	675	548	518	641
Standards monitoring inspection – pharmacy department	31	16	3	10
<b>Total inspections</b>	<b>886</b>	<b>747</b>	<b>711</b>	<b>881</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 in the second half of the financial year:

- Reconciliation of S8 stocks and records and appropriate security of Schedule 8 safes
- 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 aim is to prevent unintended breaches of privacy during the sale of medicines and poor pharmaceutical outcomes which may occur because pharmacists and consumers are reluctant to exchange private but pertinent information within the hearing of other clients.

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.

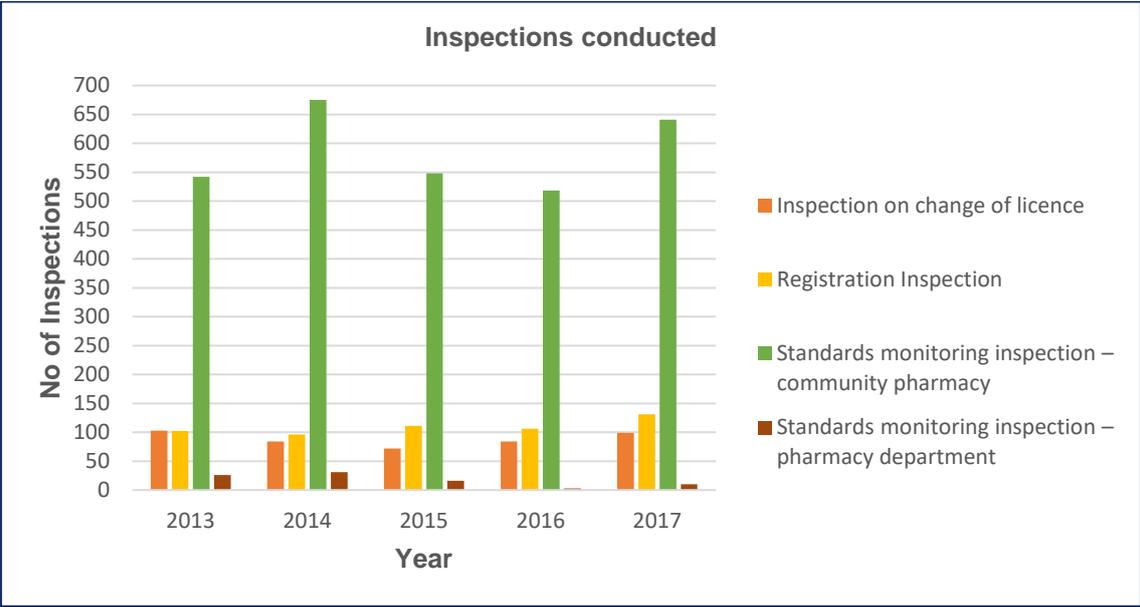


Figure 2

The Authority’s Guidelines were reviewed and updated and published with effect 1 October 2016 following a period of public consultation. All inspection protocols were reviewed and updated in December 2016.

# 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;
- a licence and/or premises registration being revoked;
- cautioning or reprimanding of the licensee or registration holder;
- the licence or premises registration continuing.

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 2016-17 Panel Hearings

Twenty-nine (29) Panel Hearings pursuant to section 57 of the *Pharmacy Regulation Act 2010* were conducted during the period. The hearings considered a total of 155 matters arising from inspections and notifications. The following table categorises these 155 matters. Typically, a panel hearing will consider matters from a range of categories.

<b>Non-compliance category</b>	<b>Number of hearings considering matters in each category</b>	<b>Total number of matters considered (n=155)</b>
1. <i>Pharmacy Regulation Act 2010</i>	10	12
2. Victorian Pharmacy Authority Guidelines	17	41
3. Drugs Poisons and Controlled Substances Regulations 2006	23	47
4. Pharmacy Board of Australia Guidelines	12	17
5. Other matters: including requirements of Pharmacotherapy Policy 2013 (DHHS), APF, TGA, mandatory warning labels, disposal of RUMs, privacy legislation, other DPCS-related	26	38

### Abbreviations:

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

### **Pharmacy Regulation Act 2010**

Ten hearings (34%) included consideration of matters relating to breaches of the Act. These included failures to comply with the requirements of the Schedule to the Act including ensuring the physical security of the premises, maintaining the premises in a clean and hygienic manner, and having arrangements in place to ensure the identity of medicines being supplied or dispensed to a client of the pharmacy cannot be known by another person present in the pharmacy (12 matters).

### **Victorian Pharmacy Authority Guidelines**

Seventeen hearings (59%) included consideration of matters relating to failure to comply with VPA Guidelines. There were 41 matters considered across these hearings, including:

- Failure to store/display Schedule 3 poisons containing codeine in accordance with Authority guidelines (7 matters);
- Failure to maintain privacy and confidentiality when disposing of records and containers (four matters);
- Failure to maintain dedicated private prescription reception and counselling points (four matters); and
- Failure to store/possess keys to controlled drug safes appropriately (four matters).

### **Drugs Poisons and Controlled Substances Regulations 2006**

Twenty-three hearings (79%) 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.

- Nineteen hearings included matters relating to records for Schedule 8 poisons;
- Fifteen hearings involved matters relating to the storage of Schedule 8 poisons;
- Two 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.

### **Pharmacy Board of Australia Guidelines**

Twelve hearings included consideration of matters relating to failure to comply with Pharmacy Board of Australia Guidelines. These included failures to maintain current editions of mandatory references (five matters) and failure to undertake routine barcode scanning (four matters).

### **Panel Determinations**

Determinations of Panel Hearings were as follows:

- Eleven (11) of the 29 hearings resulted in licensees receiving a reprimand, and seventeen (17) hearings resulted in licensees received a caution;
- Of the above, four hearings resulted in a condition(s) being placed on a licence; and
- Four 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.

# Financial and other information

## Five-year summary of financial results

	2017	2016	2015	2014	2013
	\$000	\$000	\$000	\$000	\$000
Total Revenue	1,090	1,106	1,070	1,061	1,047
Total Expenses	1,162	986	1,053	1,040	1,006
<b>Net Result for the Year</b>	<b>(72)</b>	<b>120</b>	<b>17</b>	<b>21</b>	<b>40</b>
<b>Retained Surplus/(Accumulated Deficit)</b>	<b>911</b>	<b>983</b>	<b>863</b>	<b>845</b>	<b>824</b>
Total Assets	2,534	2,482	2,513	2,384	2,363
Total Liabilities	1,108	984	1,377	1,024	1,024
<b>Net Assets</b>	<b>1,426</b>	<b>1,498</b>	<b>1,377</b>	<b>1,360</b>	<b>1,338</b>
<b>Total Equity</b>	<b>1,426</b>	<b>1,498</b>	<b>1,377</b>	<b>1,360</b>	<b>1,338</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.

Four FOI requests were received during the period of this report.

### *Availability of other information:*

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

## Protected Disclosures

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

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

## Information and Communication Technology (ICT) expenditure

The Authority's total ICT Business As Usual expenditure (excluding GST) for the reporting period was \$55,986.

## Consultancies information

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

In 2016-17, there were three consultancies where the total fees payable to the consultants were less than \$10,000. The total expenditure incurred during 2016-17 in relation to these consultancies is \$14,290 (excl. GST).

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

In 2016-17 there was one consultancy where the total fees payable to the consultants was \$10,000 or greater. The total expenditure incurred during 2016-17 in relation to this consultancy is \$58,500 (excl. GST). Details of individual consultancies can be viewed at [www.pharmacy.vic.gov.au](http://www.pharmacy.vic.gov.au).

## Attestation for Compliance with the Ministerial Standing Direction 3.7.1 – Risk Management Framework and Processes

I, Toni Riley, certify that the Victorian Pharmacy Authority has complied with the Ministerial Standing Direction 3.7.1 – Risk Management Framework and Processes. The Victorian Pharmacy Authority Audit and Risk Committee has verified this.



Toni Riley  
Chair

Melbourne  
19 September 2017

# Disclosure Index

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

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	<i>Safe Patient Care Act 2015</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 2017**

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 2017 and financial position of the Authority at 30 June 2017.

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 31 August 2017.



Toni Riley  
**Chairperson**  
Melbourne  
31 August 2017



Aaron Bawden  
**Registrar**  
Melbourne  
31 August 2017



Koshala Nadekumar  
**Chief Finance and Accounting Officer**  
Melbourne  
31 August 2017

# Independent Auditor's Report

## To the Authority Members of the Victorian Pharmacy Authority

<b>Opinion</b>	<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 2017</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 a summary of significant accounting policies</li> <li>• authority member's, accountable officer's and chief finance &amp; 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 2017 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>
<b>Basis for Opinion</b>	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. My responsibilities under the Act are further described 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 Australia. 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>
<b>Authority Members' responsibilities for the financial report</b>	<p>The Authority Members of the Victorian Planning 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 determines 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 Authority Members are responsible for assessing the authority's ability to continue as a going concern, and using the going concern basis of accounting unless it is inappropriate to do so.</p>

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**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 our 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 Authority Members
- conclude on the appropriateness of the Authority 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 Authority 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  
1 September 2017



Charlotte Jeffries  
*as delegate for the Auditor-General of Victoria*

**Victorian Pharmacy Authority**

**COMPREHENSIVE OPERATING STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2017**

	Notes	2017	2016
		\$	\$
<b>Income</b>			
Revenue from operating activities	2	1,036,697	1,048,901
Revenue from non-operating activities	2	53,630	57,949
<b>Total income</b>		<u>1,090,327</u>	<u>1,106,850</u>
<b>Expenses</b>			
Operating expenses	3	(1,157,438)	(985,941)
<b>Total expenses</b>		<u>(1,157,438)</u>	<u>(985,941)</u>
<b>Net operating balance</b>		<u>(67,111)</u>	<u>120,909</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		(4,477)	(332)
<b>Total other economic flows included in net result</b>		<u>(5,031)</u>	<u>(332)</u>
<b>COMPREHENSIVE RESULT</b>		<u>(72,142)</u>	<u>120,577</u>

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

**Victorian Pharmacy Authority****BALANCE SHEET  
AS AT 30 JUNE 2017**

	Notes	2017	2016
		\$	\$
<b>Assets</b>			
<b>Financial assets</b>			
Cash and cash equivalents	11	975,918	1,282,363
Receivables and accrued revenue	4	17,930	17,906
Term deposit (investment)		1,519,928	1,170,303
Prepayments		2,170	8,542
<b>Total financial assets</b>		<b>2,515,946</b>	<b>2,479,114</b>
<b>Non-financial assets</b>			
Property, plant and equipment	9	18,074	3,085
Intangible assets	9	-	-
<b>Total non-financial assets</b>		<b>18,074</b>	<b>3,085</b>
<b>Total assets</b>		<b>2,534,020</b>	<b>2,482,199</b>
<b>Liabilities</b>			
Fees received in advance	5	877,855	788,499
Payables and accrued expenses	6	62,189	34,458
Employee benefits and related on-costs	7	168,037	161,161
<b>Total liabilities</b>		<b>1,108,081</b>	<b>984,118</b>
<b>Net assets</b>		<b>1,425,939</b>	<b>1,498,081</b>
<b>Equity</b>			
Contributed capital		514,490	514,490
Accumulated surplus		911,449	983,591
<b>Net worth</b>		<b>1,425,939</b>	<b>1,498,081</b>
Commitments for expenditure	13		
Contingent assets and contingent liabilities	16		

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

Victorian Pharmacy Authority

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2017

	2017	2016
	\$	\$
<b>Balance at beginning of the financial year</b>	1,498,081	1,377,504
Comprehensive result for the year	<u>(72,142)</u>	<u>120,577</u>
<b>Balance at end of the financial year</b>	<u><u>1,425,939</u></u>	<u><u>1,498,081</u></u>
 <b>Represented by:</b>		
<b>Contributed capital</b>		
<b>Balance at beginning of the financial year</b>	514,490	514,490
<b>Balance at end of the financial year</b>	<u><u>514,490</u></u>	<u><u>514,490</u></u>
 <b>Accumulated surplus</b>		
<b>Balance at beginning of the financial year</b>	983,591	863,014
Comprehensive result for the financial year	<u>(72,142)</u>	<u>120,577</u>
<b>Balance at end of the financial year</b>	<u><u>911,449</u></u>	<u><u>983,591</u></u>

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

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2017**

	Notes	2017	2016
		\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Fees from registrants		1,124,815	1,034,321
Payments to suppliers and employees		(1,107,062)	(1,099,463)
Net GST received		(11,906)	(24,007)
Interest received		54,843	60,703
<b>Net cash flows from/ (used in) operating activities</b>	10	<u>60,690</u>	<u>(28,446)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payment for property, plant and equipment		(17,510)	(1,369)
Purchase of other financial assets		(1,144,275)	(1,056,582)
Redemption of other financial assets		794,650	1,088,531
<b>Net cash flows from/ (used in) investing activities</b>		<u>(367,135)</u>	<u>30,580</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		(306,445)	2,134
<b>Cash and cash equivalents at beginning of financial year</b>		1,282,363	1,280,229
<b>Cash and cash equivalents at end of financial year</b>	11	<u><u>975,918</u></u>	<u><u>1,282,363</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 2017

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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 2017. 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 31 August 2017.

**(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 2017, and the comparative information for the year ended 30 June 2016.

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 2017

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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 2017

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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 2017

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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 2017

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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 2017

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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 2017

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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 2017**
**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 2017 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.	1 January 2018	No impact
AASB 9 Financial Instruments	The key changes introduced by AASB 9 include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred.	1 January 2018	No impact
AASB 2014-1 Amendments to Australian Accounting Standards [Part E Financial Instruments]	Amends various AASs to reflect the AASB's decision to defer the mandatory application date of AASB 9 to annual reporting periods beginning on or after 1 January 2018; as a consequence of Chapter 6; and to amend reduced disclosure requirements.	1 January 2018	No impact
AASB 16 Leases	The key changes introduced by AASB 16 include the recognition of most operating leases (which are currently not recognised) on balance sheet.	1 January 2019	The assessment has indicated that as most operating leases will come on balance sheet, recognition of lease assets and lease liabilities will cause net debt to increase.
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 2017**

<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 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 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 2016-3 <i>Amendments to Australian Accounting Standards – Clarifications to AASB 15</i>	This Standard amends AASB 15 to clarify requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence. The amendments require: a promise to transfer to a customer a good or service that is 'distinct' to be recognised as a separate performance obligation; for items purchased online, the entity is a principal if it obtains control of the good or service prior to transferring to the customer; and for licences identified as being distinct from other goods or services in a contract, entities need to determine whether the licence transfers to the customer over time (right to use) or at a point in time (right to access).	1 January 2018	No impact

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017**

	2017	2016
	\$	\$
<b>2. INCOME</b>		
<b>Revenue from Operating Activities</b>		
Premises registration and business licence fees	929,875	896,750
Application for licence to carry on pharmacy business	57,154	63,167
Office consolidated subscriptions	-	30,414
Approval of pharmacies	46,672	54,555
Other operating revenue	2,996	4,015
<b>Total Revenue from Operating Activities</b>	<u>1,036,697</u>	<u>1,048,901</u>
<b>Revenue from Non-Operating Activities</b>		
Interest	53,630	57,949
<b>Total Revenue from Non-Operating Activities</b>	<u>53,630</u>	<u>57,949</u>
<b>Total Income</b>	<u>1,090,327</u>	<u>1,106,850</u>
<b>3. OPERATING EXPENSES</b>		
Salaries	565,699	527,974
Purchase of acts and regulations	-	36,124
Other operating expenses	95,349	67,588
Bank fees	10,284	8,203
Computer maintenance	46,364	39,120
Authority member fees and expenses	42,443	35,647
Car expenses – Inspectorial	32,971	28,614
Printing	1,609	520
Legal expenses	126,570	48,658
Consulting fees	72,790	11,244
Depreciation	1,967	858
Postage	4,727	5,715
Provision for employee entitlements	20,924	29,270
Rental of premises (i)	107,910	120,759
Subscriptions	3,295	2,584
Web site maintenance	3,681	2,882
Audit fees	9,000	8,600
Telephone	11,855	11,581
<b>Total expenses</b>	<u>1,157,438</u>	<u>985,941</u>

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

	2017	2016
<b>4 RECEIVABLES AND ACCRUED REVENUE</b>	<b>\$</b>	<b>\$</b>
<b>Contractual</b>		
Sale of goods and services	1,137	1,981
Accrued investment income	6,713	7,925
<b>Statutory</b>		
GST input tax credit recoverable	10,080	8,000
<b>Total receivables</b>	<u>17,930</u>	<u>17,906</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	304,611	276,662
Pharmacy business licence fees	573,244	511,837
	<u>877,855</u>	<u>788,499</u>
<b>6 PAYABLES AND ACCRUED EXPENSES</b>		
<b>Contractual</b>		
Supplies and services	9,912	16,895
Accrued expenses	40,407	5,750
<b>Statutory</b>		
PAYG payable	11,870	11,813
<b>Total payables</b>	<u>62,189</u>	<u>34,458</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017**

	2017	2016
	\$	\$
<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	21,274	19,273
<i>Long service leave</i>		
Unconditional and expected to be settled within 12 months	22,050	2,873
Unconditional and expected to be settled after 12 months	103,862	118,630
<i>Provisions for on-cost</i>		
Unconditional and expected to be settled within 12 months	6,796	7,949
Unconditional and expected to be settled after 12 months	11,004	10,848
<b>Total current provisions for employee benefits</b>	<b>164,986</b>	<b>159,573</b>
<i>Non-current provisions</i>		
Employee benefits	2,759	1,436
On-costs	292	152
<b>Total non-current provisions</b>	<b>3,051</b>	<b>1,588</b>
<b>Total provisions</b>	<b>168,037</b>	<b>161,161</b>
<b>Reconciliation of annual and long service leave</b>		
Current employee benefits and related on-costs	164,986	159,573
Non-current employee benefits and related on-costs	3,051	1,588
<b>Total</b>	<b>168,037</b>	<b>161,161</b>
<b>Movement in long service leave provisions</b>		
<b>Balance at start of year</b>	135,964	259,153
Additional provision recognised	13,688	3,657
Revaluations due to change in long service leave model	-	475
Revaluations due to change in discount and inflation rate	(4,477)	(332)
Reductions arising from payments	(2,872)	(126,989)
<b>Balance at end of year</b>	<b>142,303</b>	<b>135,964</b>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

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 \$57,959. (2016: \$54,828). The detail of these contributions are below.

	2017 \$	2016 \$
MLC Superannuation Fund	24,512	24,582
Other Funds	33,447	30,246
	57,959	54,828

- (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 \$	
	2017	2016	2017	2016	2017	2016
Office equipment at fair value	3,569	13,160	(2,693)	(11,791)	876	1,369
Furniture at fair value	21,100	8,580	(3,902)	(6,864)	17,198	1,716
<b>Net carrying amount</b>	<b>24,669</b>	<b>21,740</b>	<b>(6,595)</b>	<b>(18,655)</b>	<b>18,074</b>	<b>3,085</b>

**Depreciation for the period**

<b>Charge for the period</b>	2017 \$	2016 \$
Office equipment	493	-
Furniture	1,474	858
<b>Total depreciation</b>	<b>1,967</b>	<b>858</b>

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

	Office Equipment at fair value \$		Furniture at fair value \$	
	2017	2016	2017	2016
Opening balance	1,369	-	1,716	2,574
Additions	-	1,369	17,510	-
Disposals	-	-	(554)	-
Depreciation	(493)	-	(1,474)	(858)
<b>Closing balance</b>	<b>\$876</b>	<b>\$1,369</b>	<b>\$17,198</b>	<b>\$1,716</b>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

## 9. PROPERTY, PLANT AND EQUIPMENT (cont.)

Fair value: Non-financial physical assets

## Fair value measurement hierarchy

	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>

	Carrying amount as at 30 June 2016	Fair value measurement at end of reporting period using: (i)		
		Level 1	Level 2	Level 3
<b>2016</b>	\$			
Office equipment	1,369			1,369
Furniture	1,716			1,716
<b>Total of assets at fair value</b>	<b>3,085</b>			<b>3,085</b>

(i) Classified in accordance with the fair value hierarchy

## Reconciliation of level 3 fair value movements

	Office Equipment \$		Furniture \$	
	2017	2016	2017	2016
Opening balance	1,369	-	1,716	2,574
Purchase/addition	-	1,369	17,510	-
Transfer out/disposal	-	-	(554)	-
Depreciation	(493)	-	(1,474)	(858)
<b>Closing balance</b>	<b>876</b>	<b>1,369</b>	<b>17,198</b>	<b>1,716</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 \$	
	2017	2016	2017	2016	2017	2016
Computer software at fair value	2,950	2,950	2,950	2,950	-	-

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017**

<b>10. RECONCILIATION OF NET RESULT FOR THE YEAR TO CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Net result for the year	(72,142)	120,577
<i>Add/(Less):</i>		
Depreciation	1,967	858
(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	6,876	(145,950)
Increase/(decrease) in payables	27,731	8,181
Increase/(decrease) in fees in advance and accrued expenses	89,355	(14,236)
(Increase)/decrease in receivables and accrued revenue	(24)	2,411
(Increase)/decrease in prepayments	6,373	(287)
Net cash provided by/(used in) operating activities	<b>60,690</b>	<b>(28,446)</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	616,310	350,299
Deposits – under 3 months maturity	359,358	931,814
Petty cash	250	250
<b>Total Cash and Cash Equivalents</b>	<b>975,918</b>	<b>1,282,363</b>

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

Audit or review of the financial statements	9,000	8,600
No other amounts were received by the external auditors		

**13 COMMITMENTS FOR EXPENDITURE**

Nominal amounts	Less than	1-5	5+	Total (\$)
2017	1 year	years	years	
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>-</b>	<b>301,881</b>
Less GST recoverable				(27,444)
<b>Total commitments (exclusive of GST)</b>				<b>274,437</b>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

## 13 COMMITMENTS FOR EXPENDITURE (cont.)

Nominal amounts 2016	Less than 1 year	1-5 years	5+ years	Total (\$)
Rental commitment payable <sup>(i)</sup>	71,923	-	-	71,923
Operating and lease commitments payable <sup>(ii)</sup>	4,135	5,824	-	9,959
<b>Total commitments (inclusive of GST)</b>	<b>76,058</b>	<b>5,824</b>	<b>-</b>	<b>81,882</b>
Less GST recoverable				(7,444)
<b>Total commitments (exclusive of GST)</b>				<b>74,438</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		01/07/16 – 30/06/17
<b>(b) Authority Members &amp; Accountable Officer</b>		
Authority Members	Ms Toni Riley (Chair)	01/07/16 – 30/06/17
	Mrs Esther Alter	01/07/16 – 30/06/17
	Mr Joey Calandra	01/07/16 – 30/06/17
	Mr Richard Mullaly	01/07/16 – 30/06/17
	Mr Robert Jamieson	01/07/16 – 30/06/17
	Ms Casuarina Fersterer	01/07/16 – 30/06/17
Registrar	Mr Aaron Bawden	01/07/16 – 30/06/17

**Remuneration**

Remuneration received by the accountable officer during the reporting period was in the range:  
\$140,000 - \$143,000 (\$138,000- \$140,000 in 2015-16)

**(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	<u>Total Remuneration</u>		<u>Base Remuneration</u>	
	2017 No.	2016 No.	2017 No.	2016 No.
\$1 - 10,000	5	7	5	7
\$10,001 - \$20,000	1	-	1	1
\$131,001 - \$140,000	-	1	-	1
\$141,001 - \$150,000	1	-	1	-
\$151,001 - \$160,000	-	1	-	-
Total number of executives	7	9	7	9
Total annualised employee equivalents	1.00	1.00	1.00	1.00
<b>Total Remuneration</b>	<b>\$185,250</b>	<b>\$327,893</b>	<b>\$173,780</b>	<b>\$176,890</b>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

14. RESPONSIBLE PERSONS AND EXECUTIVE OFFICERS (cont.)

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

There were no payments to contractors with significant management responsibilities.

**(d) Remuneration of executives**

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

**(e) Related parties**

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

Related parties of the Victorian Pharmacy Authority includes:

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

Key management personnel of the Victorian Pharmacy Authority includes:

<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>2017</b>
Short term employee benefits	\$171,683
Post-employment benefits	\$13,567
Other long-term benefits	\$3,332
<b>Total</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 2017

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 2017	Carrying Amount 2016
<b>Financial assets</b>	\$	\$
Cash and cash equivalents	975,918	1,282,363
Receivables	7,850	9,906
Term deposits	1,519,928	1,170,303
<b>Total financial assets</b>	<b>2,503,696</b>	<b>2,462,572</b>
<b>Financial liabilities</b>		
Payables – creditors	50,319	22,645
<b>Total financial liabilities</b>	<b>50,319</b>	<b>22,645</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 2017

## 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>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>
<b>2016</b>					
<b>Financial assets</b>					
Cash and cash equivalents	--	-	1,282,363	-	1,282,363
Receivables	-	-	-	9,906	9,906
Term deposits	-	-	1,170,303	-	1,170,303
<b>Total</b>	-	-	<b>2,452,666</b>	<b>9,906</b>	<b>2,462,572</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>2017</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</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>	-	-	-	-	-
<b>2016</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Financial assets</b>							
Cash and cash equivalents	1,282,363	1,282,363	-	-	-	-	-
Receivables	9,906	9,906	-	-	-	-	-
Term deposits	1,170,303	1,170,303	-	-	-	-	-
<b>Total financial assets</b>	<b>2,462,572</b>	<b>2,462,572</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 2017**
**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>2017</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Financial liabilities 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>	<b>-</b>	<b>-</b>	<b>-</b>
<b>2016</b>						
Financial liabilities Payables <sup>(i)</sup>	22,645	22,645	22,645	-	-	-
<b>Total financial liabilities</b>	<b>22,645</b>	<b>22,645</b>	<b>22,645</b>	<b>-</b>	<b>-</b>	<b>-</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 2017

## 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>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>
<b>2016</b>					
<b>Financial assets</b>					
Cash and cash equivalents	2.01	1,282,363	931,814	350,299	250
Receivables <sup>(i)</sup>		9,906	-	-	9,906
Term deposits	2.93	1,170,303	1,170,303	-	-
		<b>2,462,572</b>	<b>2,102,117</b>	<b>350,299</b>	<b>10,156</b>
<b>Financial liabilities</b>					
Payables	-	22,645	-	-	22,645
		<b>22,645</b>	<b>-</b>	<b>-</b>	<b>22,645</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 2017

## 15. FINANCIAL INSTRUMENTS (cont.)

	Carrying Amount	Interest Rate Risk			
		-1%		+1%	
		Profit	Equity	Profit	Equity
<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>
<b>2016</b>					
<b>Financial assets</b>					
Cash and cash equivalents	1,282,363	(12,823)	(12,823)	12,823	12,823
Term deposits	1,170,303	(11,703)	(11,703)	11,703	11,703
		<b>(24,526)</b>	<b>(24,526)</b>	<b>24,526</b>	<b>24,526</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 2017**
**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
	2017	2017	2016	2016
	\$	\$	\$	\$
<b>Financial assets</b>				
Cash and cash equivalents	975,918	975,918	1,282,363	1,282,363
Receivables <sup>(i)</sup>	7,850	7,850	9,906	9,906
Term deposits	1,519,928	1,519,928	1,170,303	1,170,303
<b>Total financial assets</b>	<b>2,503,696</b>	<b>2,503,696</b>	<b>2,462,572</b>	<b>2,462,572</b>
<b>Financial liabilities</b>				
Payables <sup>(ii)</sup>	50,319	50,319	22,645	22,645
<b>Total financial liabilities</b>	<b>50,319</b>	<b>50,319</b>	<b>22,645</b>	<b>22,645</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 (2016: Nil) and no contingent asset (2016: 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 (2016: Nil).

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

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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

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 2017

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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