



**ANNUAL REPORT BY THE
CHARTERED PROFESSIONAL ENGINEERS COUNCIL**

FOR THE PERIOD 1 JULY 2015 TO 30 JUNE 2016



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1. INTRODUCTION

The Council has continued this year to undertake its statutory functions. Additionally there has been attention on the following areas:

- a. Code of Ethics Review
- b. Ministerial Review of CPEC and Governance Issues
- c. Performance of the Registration Authority
 - i The assessment and reassessment process
 - ii The handling of complaints.
- d. The growing number of appeals against decisions of the Registration Authority.
- e. Growing complexity of the appeals that are being received.

2. STATUTORY FUNCTIONS

The statutory functions of the Council are prescribed in the Chartered Professional Engineers of New Zealand Act 2002 ("Act"). These are summarised in the following table together with the activity, if any, during the year associated with their discharge.

Statutory Function	Activity During the Year
Section 45(a) - Review and approve proposed rules containing CPEng standards	The rules were amended during the year to incorporate the changes to the code of Ethics. The Council approved these changes at its March 2016 meeting.
Section 45(b) - Hear appeals from decisions of the Registration Authority	9 appeals were received during the year.
Section 45(c) - Review and report to the Minister on the performance and exercise of the respective functions and powers of:	
Registration Authority (s53)	2015 Report – published in June 2016
CPEC (s54)	2014-15 Report – published in October 2015

3. COUNCIL MEMBERSHIP AND MEETINGS

Jon Williams has continued as Chairman. Jane Nees stepped down as the consumer representative in December 2015 and was replaced by Sue Simons. Andrew Hazelton stepped down from the Council in October 2015 and Alan Winwood was appointed to the Council as a nominee of the Minister.

Current Council Members:

Name	Position	Date of Appointment	Date Appointed to
Jon Williams	Chairman Nominated by ACENZ	01 July 2010 as Chairman from 18 December 2014	30 June 2018
Roland Frost	Nominated by IPENZ	8 October 2008	13 October 2017
Jane Nees	Consumer representative	14 October 2011	17 December 2015
Christopher Harrison	Nominated by IPENZ	21 December 2014	20 December 2017
Sue Simons	Consumer Representative	1 December 2015	30 November 2017
Ross Tanner	Deputy Chairman	1 September 2013	31 August 2018
Alan Winwood	Nominated by Minister	18 December 2015	17 December 2017
Anthony Wilson	Nominated by IPENZ	30 October 2013	29 October 2016

During this year the Council held four formal meetings in Wellington on the following dates:

Meeting # 53 - Friday 11 September 2015

Meeting # 54 - Friday 11 December 2015

Meeting # 55 - Friday 4 March 2016

Meeting # 56 - Friday 3 June 2016

Representatives from the Registration Authority ('the RA'), which is the Institution of Professional Engineers New Zealand Inc. - IPENZ, including the Chief Executive, and the Registrar, attended each of the Council's meetings. Representatives from the Ministry of Business, Innovation and Employment (MBIE) were invited to all meetings. MBIE had representation at three meetings of the Council during the year.

At these meetings, as part of ongoing discussions, the Council continued to review and monitor:

- The up-take of the CPEng title - numbers applying to be registered.
- The speed of initial assessment and ongoing re-assessment of CPEng competence.
- The ongoing selection and training of staff and practice area assessors to match the practice areas of engineers seeking registration.
- The number of complaints and appeals.
- The new Code of Ethics for engineers.

4. COUNCIL BUSINESS

This report contains commentary on Council operations, including information that enables an informed assessment to be made of the Council's performance and exercise of its functions and powers under this Act during the financial year. Annual financial statements, including a statement of service performance and a statement of responsibility for them

prepared in accordance with section 55; and the auditor's report in accordance with section 56 are included.

Commentary is provided on the following matters of Council business:

- 4.1 New Code of Ethics
- 4.2 The performance of the Registration Authority
- 4.3 Increased uptake of CPEng
- 4.4 Speed of assessments and reassessments
- 4.5 Appeals
- 4.6 Review of governance of the engineering profession
- 4.7 Board Policies

4.1 New Code of Ethics

During the 2013-14 year, a working group of IPENZ prepared a new Code of Ethics for the engineering profession. This would apply to both chartered professional engineers and to IPENZ members. A former member of this Council (Mr Hazelton) had participated as a member of this sub-group. The RA completed its work on the review of the CPEng (and IPENZ) Code of Ethical Conduct during the year. The final draft code from the RA's working group was considered by CPEC and approved to be passed to the Parliamentary Counsel in June 2015. The revised Code has been approved by Order-in-Council and was gazetted on 16 May 2016.

4.2 The Performance of the Registration Authority

The Council is required to provide an annual report to the Minister on the performance of the Registration Authority (RA), based on their report to this Council. The RA reported to the Council on their activity for the year ended December 2015, and we provided our annual report on that performance to the Minister in June 2016.

We noted in our report that the Registration Authority is performing well in the following areas:

- The total number of Chartered Professional Engineers has increased steadily in recent years.
- The competency assessment and re-accreditation process for chartered professional engineers is robust. Indeed, the Council has in the 2015 calendar year received 5 appeals from engineers who have been declined assessment. Of these appeals received in 2015, 2 were declined and 3 were referred back to the Registration Authority. This appears to indicate that the assessment regime is rigorous and that the assessment standards are being appropriately applied.
- IPENZ, which is the organisation charged with performing the responsibilities of the RA, has been reorganised following the appointment of a new chief executive. An outcome of the reorganisation is the bringing together of all standard setting and regulatory functions of IPENZ / the Registration Authority into a single business unit. We consider this organisation change to be positive.

However, there are some areas of concern for the Council.

First, the amount of time being taken on average for decisions on initial assessment, and re-assessment, of competence has been too long.

- The median processing time for successful AFA applications completed during the reporting period was 159 days, compared to a target time of 84 days.
- The median processing time for applications for continued registration was 216 days, compared also to a target processing time of 84 days. The RA comments that while this delay did not have a big impact on any candidates as all assessments were completed before the expiry of their term of registration, this had led to frustration amongst registrants.
- Anecdotal evidence obtained by Council members also suggests that the assessment and re-accreditation process is not working well for some engineers.

The RA has addressed this problem during the past year by:

- Reviewing their staff assessor resource, and the way in which assessors are engaged. There are plans to employ a small pool of full time assessors to supplement the current part-time pool.
- Reviewing the assessment process itself to improve efficiency for both candidates and assessors while retaining the necessary rigour and validity of the process.
- Development and implementation of a new information management system that will reduce the administrative work required by staff and enable better capacity to manage the progress of an assessment.
- Changing of staff roles, to focus on case management of applications through each stage of the assessment process.
- Implementation of a verification process to improve the quality of the candidates' submissions and reduce their need to provide more evidence during the assessment process.

A further important initiative commenced during the 2015 year has been the redevelopment of the membership management system and website, which underpins the RA's competency assessment function. The new system includes an online portal, launched in September, through which engineers can prepare and submit their applications for assessment. The system, once fully in operation, will improve usability and functionality and, we hope, efficiency for the assessment process.

Overall we are encouraged that the RA is continuing to look for ways to improve its management of the CPEng assessment process. We propose during 2016-17 to conduct a survey of a sample of CPEng candidates and registrants to ascertain their views on the registration system and what is working or not working well for them.

The Council has discussed with the RA the apparent inconsistency of penalties being applied by Disciplinary Committees. During the year the RA has been working on a penalties guideline for use by Disciplinary Committees. The Council's concerns have continued beyond the end of the 2014/2015 year and we are currently documenting specific examples for issue to the RA and the Minister.

4.3 Increase in the Uptake of CPEng

The Council was encouraged to see the continuing uptake of registration for the Chartered Professional Engineer (CPEng) title by the profession. During the period 1st January – 31st December 2015 the number of persons registered as CPEng increased by 2.1% - from 3358 to 3428.

The Registration statistics for 2015 were as follows:

Registration Statistics for 2015	Number
Chartered Professional Engineers at the end of the reporting period	3,428
Applicants (first) registered during the reporting period	161
Applicants declined registration during the reporting period	19
Registrants resigned or removed during the reporting period	239
Registrants suspended during the reporting period	29
Registrants placed in abeyance during the reporting period	22

The RA's Annual Report also provides detail of the age and gender breakdown of registrants as well as practice field and geographic distribution and age. The Council has previously commented in its own reports that engineering continues to be a male-dominated profession: the proportion of women registered as CPEng remains at eight percent of all registrants, and only nine percent of first time applications for registration in 2015 were women, compared to 14 percent in 2014.

We also note that at one university in NZ offering a major programme in engineering, 23 percent of enrolments in engineering are female. However, the gender balance at university is closest in the Chemical and Process and Electrical courses. The associated Practice Fields are under-represented in the CPEng numbers. The CPEng register is still very heavily dominated by fields associated with Civil and Structural engineering.

The RA comments in its report that research is currently being undertaken by IPENZ to understand the barriers to registration that might exist and ways in which they can be addressed. A particular focus for 2016 will be trying to enhance support mechanisms for engineers who may be on career breaks.

However, this Council continues to believe that a more fundamental approach might be required as to why females are not being attracted into different parts of the engineering profession. We remain of the view that attracting women into the profession is something that should be high priority for the RA, IPENZ and other professional engineering organisations.

4.4 Speed of Assessments and Re-Assessments

The Council has in past years expressed some concern that the length of time being taken for applications for initial assessment and re-assessment for CPEng accreditation remained high. While we remain confident that the RA continues to maintain a credible and robust competency assessment system, we continue to monitor the speed of assessments and reassessments with the Registration Authority at our quarterly meetings. We consider that given the increase in numbers of assessors, and the projected number of CRAs in 2016-17, the risks (of a backlog etc.) are low and that the assessment workload is being monitored and managed carefully.

4.5 Appeals

The formal process for considering complaints by the RA is complex, and in the view of the Council, requires simplification. The Council has been invited to attend a workshop by the RA on the appeals process and positive steps have been made towards simplifying

the process. There is currently a preliminary adjudication stage, followed by referral to and consideration by an Investigating Committee. The Investigating Committee may then if the case warrants it, refer the matter to a Disciplinary Committee for their decision.

At the start of this financial year, Appeal Panels made up of Council members were considering 11 on-going appeals. During this financial year a further 9 appeals were received and Appeal Panels of Council members have been appointed to consider these appeals.

Of these 20 appeals heard or considered, 12 were declined, 3 were upheld, 3 were withdrawn and 2 were ongoing as at the 30th of June 2016. 3 of the decisions reached were appealed to the District Court.

Of the 9 appeals received this year 4 were for assessment to be registered as a Chartered Professional Engineer. The other appeals were from members of the public and territorial authorities complaining about the performance of engineers or relating to complaints.

4.6 Review of Governance

In September 2014, the Minister of Building and Construction announced proposals to change the occupational regulation of engineers in New Zealand. A consultation document was published by the Ministry of Business, Innovation and Employment, and submissions were invited from engineering organisations, engineering businesses and the public, by 31 October 2014.

The proposed changes included a new construction industry body that would be responsible for this Council's current performance monitoring and oversight functions on the Registration Authority, approving rules and standards, and hearing serious complaints against engineers and appeals from the Registration Authority.

CPEC would be disestablished and transition arrangements would be put in place to manage the transfer of functions to the new body.

CPEC is supportive of the changes and expects to be engaged in implementing these changes during the 2016/17 year.

It has been confirmed by MBIE that any changes to the role and functions of CPEC itself are unlikely to proceed for some time yet.

4.7 Council Policies and Self-Review

During the year, the Council prepared and confirmed policies on Archiving and Health and Safety.

At the March 2016 meeting the Council undertook a Self-Review based on the Accountability Agreement. The Council discussed its performance under the following headings: Governance, Service Delivery, Expectations, Strategy and Capability as set out in Schedule One of the Accountability Agreement.

5. FINANCIAL REPORTS

Financial statements for the Council for the Year Ended 30 June 2016 are appended to this annual report.

The cost of appeals over the past two years has exhausted the Council's financial reserves. Following requests by the Council to the Minister, the grant for the year ended 30 June 2016 was increased from \$70,000 to \$95,000. From 1 July, 2016, the grant was

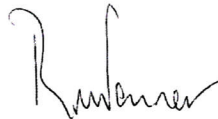
increased to \$100,000. Despite these increases, the Council has negative equity at 30 June 2016. The Council considers that with the rate of appeals reducing, the Council should be able to recover this deficit and continue to operate within budget.

No provision is made for income tax as the Chartered Professional Engineers Council is a tax exempt under the Income Tax Act 2007. The taxation status of CPEC is currently under review by the IRD and may result in a change in taxation status going forward. This is not expected to have an effect on the financial results to 30 June 2016.

Jon Williams
Chairman



Ross Tanner
Deputy Chair



Date: 19 September 2016

Chartered Professional Engineers Council
Financial Statements
For the Year Ended 30 June 2016

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Chartered Professional Engineers Council
Entity Information
For the Year Ended 30 June 2016

Legal Name :

Chartered Professional Engineers Council

Type of Entity and Legal Basis :

The Chartered Professional Engineers Council is a statutory body established under the Chartered Professional Engineers Act 2002, that came into force on 1 July 2002.

Entity's Purpose :

The Council's primary role is to hear appeals from decisions of the Registration Authority about the registration of, or complaints about the conduct of, professional engineers. The Institution of Professional Engineers NZ Inc (IPENZ) was established as the Registration Authority under the Act. It is also the role of the Council :

- to review proposed rules containing CPEng standards to ensure they are in accordance with the Act and if they meet the applicable requirements, to approve them.
- to review and report to the Minister on the performance and exercise of the functions of the Registration Authority.
- to report to the Minister on the Council's exercise of its own functions.

Entity's Structure :

Under the Act the Council must have at least 6, but no more than 8 members, who are appointed by the Governor General on the recommendation of the Minister. It is supported by a part-time Executive Officer.

Main Source of the Entity's Income :

The Council receives an annual grant from IPENZ which is funded through a levy on IPENZ members. For the year ended 30 June 2016 this was \$70,000 plus GST with an additional . grant of \$25,000 plus GST approved during the year. For the Year Ended 30 June 2017 the grant is \$100,000 plus GST.

Council Members :

Jon Williams (Chairperson)
Ross Tanner (Deputy Chair)
Sue Simons (Appointed 1 December 2015)
Roly Frost
Chris Harrison
Andrew Hazelton (to 29 October 2015)
Jane Nees (to 17 December 2015)
Anthony Wilson
Alan Winwood (Appointed 18 December 2015)

Executive Officer :

Sue Beasley

Auditors :

Staples Rodway Wellington on behalf of the Auditor-General

Bankers :

Westpac



Chartered Professional Engineers Council
Entity Information Continued
For the Year Ended 30 June 2016

Contact Details :

Physical Address :

Level 4, 32 The Terrace, Wellington, New Zealand.

Postal Address :

PO Box 6140, Wellington, 6140, New Zealand

Fax :

Attention: Sue Beasley +64 4 473 7991

Email :

info@cpec.org.nz

Website :

www.cpec.org.nz



**INDEPENDENT AUDITOR'S REPORT
TO THE READERS OF
CHARTERED PROFESSIONAL ENGINEERS COUNCIL'S
FINANCIAL STATEMENTS AND STATEMENT OF SERVICE PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2016**

The Auditor-General is the auditor of the Chartered Professional Engineers Council (the Council). The Auditor-General has appointed me, Robert Elms, using the staff and resources of Staples Rodway Wellington, to carry out the audit of the financial statements and the statement of service performance of the Council on her behalf.

We have audited:

- the financial statements of the Council on pages 1 to 2 and 7 to 11, that comprise the entity information, the statement of financial position as at 30 June 2016, the statement of financial performance, statement of movements in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that includes accounting policies and other explanatory information.
- the statement of service performance of the Council on page 6.

In our opinion:

- the financial statements of the Council:
 - present fairly in all material respects:
 - its financial position as at 30 June 2016; and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand and have been prepared in accordance with Public Benefit Entity Simple Format Reporting – Accrual (Public Sector).
- the statement of service performance of the Council:
 - presents fairly, in all material respects, the Council's achievements measured against the performance targets adopted for the year ended 30 June 2016; and
 - has been prepared in accordance with generally accepted accounting practice.

Our audit was completed 15 September 2016. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Council and our responsibilities, and we explain our independence.

Appropriateness of the going concern assumption

Without modifying our opinion, we draw attention to Note 1 in the financial statements on the going concern assumption, which notes that the Council had negative equity at 30 June 2016 and is dependent on receiving adequate funding to fulfil its obligations to hear appeals.

We consider the disclosure to be adequate.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements and the statement of service performance are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements and the statement of service performance. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the statement of service performance. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and the statement of service performance whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the Council's financial statements and statement of service performance that fairly reflect the matters 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 Council's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Council;
- the appropriateness of the reported outputs within the Council's framework for reporting performance;
- the adequacy of the disclosures in the financial statements and statement of service performance ; and
- the overall presentation of the financial statements and statement of service performance.

We did not examine every transaction, nor do we guarantee complete accuracy of the performance report. Also we did not evaluate the security and controls over the electronic publication of the financial statements and statement of service performance.

We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Council

The Council is responsible for the preparation and fair presentation of financial statements for the Council that comply with generally accepted accounting practice in New Zealand.

The Council's responsibilities arise from the Chartered Professional Engineers Act 2002.

The Council is also responsible for the preparation of the statement of service performance for the Council, because it has elected to prepare performance information in accordance with Public Benefit Entity Simple Format Reporting Standard – Accrual (Public Sector).

The Council is responsible for such internal control as it determines is necessary to enable the preparation of a financial statements and statement of service performance that is free from material misstatement, whether due to fraud or error. The Council is also responsible for the publication of the financial statements and statement of service performance, whether in printed or electronic form.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you based on our audit, in accordance with the Public Audit Act 2001. Further, we have agreed to audit the statement of service performance that the Council have elected to prepare for the Council. Therefore, we are responsible for expressing an independent opinion on the statement of service performance and reporting that opinion to you based on our audit, in accordance with the Public Audit Act 2001.

Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

Other than the audit, we have no relationship with or interests in the Council.



Robert Elms
Staples Rodway Wellington
On behalf of the Auditor-General
Wellington, New Zealand

Chartered Professional Engineers Council

Statement of Responsibility


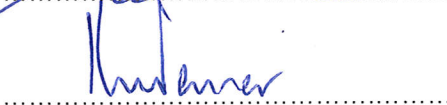
For the Year Ended 30 June 2016

The Council is responsible for the preparation of the Chartered Professional Engineers Council 's Financial Statements and Statement of Service Performance and for the judgements made in them.

The Council of the Chartered Professional Engineers Council accepts responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial and non financial reporting.

In the Council's opinion these Financial Statements and the Statement of Service Performance fairly reflect the financial position and the operations of the Chartered Professional Engineers Council for the year ended 30 June 2016.

For and on behalf of the Council

Chairperson

Deputy Chair

Date 2 September 2016

Chartered Professional Engineers Council

Statement of Service Performance

For the Year Ended 30 June 2016

Meetings of the Council

During the Year the Council held 4 quarterly meetings in September, December, March and June. These meetings were attended by representatives from the Registration Authority including the Chief Executive of IPENZ and from the Ministry of Business, Innovation and Employment (MBIE).

Changes to Rules

The rules were amended during the year to incorporate the changes to the Code of Ethics. The Council approved these changes at its March 2016 meeting.

Code of Ethics

The new Code of Ethics approved last year by the Council for Chartered Professional Engineers was, subjected to a robust consultation process before a final version was approved by the IPENZ board. The new Code of Ethical Conduct was gazetted in June and came into force 1 July 2016.

Appeals under consideration

At the start of this year Appeal Panels made up of Council members were considering 11 ongoing appeals. During the year a further 9 appeals were received and Appeal Panels of Council members appointed. Of these 20 appeals, 15 were completed, 3 were dismissed or withdrawn and 2 continue under consideration. 3 of the 15 appeal decisions were appealed to the District Court. 4 of the appeals received this year were for re-assessment to be registered as a Chartered Professional Engineer. The other 5 appeals were from members of the public or territorial authorities. A small number of these appeals involved multiple complainants.

Report on the performance of the Registration Authority

As required by the Act the Registration Authority provided the Council with a report on its operations and the CPEng register for the year ended 31 December 2015. In June 2016 the Council reported to the Minister on the performance of the RA.



Chartered Professional Engineers Council
Statement of Financial Performance
For the Year Ended 30 June 2016

2015 Actual \$		Note	2016 Actual \$	2016 Budget \$
Income				
70,000	Levies Received		95,000	120,000
3,638	Interest Received		1,130	3,000
<u>73,638</u>	Total Income		<u>96,130</u>	<u>123,000</u>
Less Expenses				
4,400	Accounting Fees		4,000	4,000
87,180	Appeal Costs	5 & 6	58,087	70,000
4,070	Audit Fees		3,879	4,250
1,290	Council Meeting Costs		854	1,250
11,384	Council Meeting Fees	5	10,792	14,000
5,815	Council Meeting Travel		7,804	6,000
14,497	Consultant/ Executive Officer Fees		12,164	12,000
1,326	Consultant/ Executive Officer Travel		-	-
3,412	Consultant/Legal Fees		1,580	6,000
3,069	Sundry Expenses		2,511	2,500
<u>136,443</u>	Total Expenses		<u>101,671</u>	<u>120,000</u>
<u>(62,805)</u>	Net Operating (Deficit)		<u>(5,541)</u>	<u>3,000</u>

Chartered Professional Engineers Council
Statement of Movements in Equity
For the Year Ended 30 June 2016

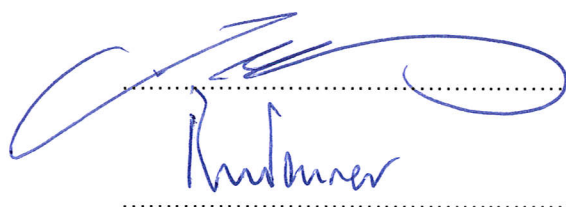
2015 Actual \$		2016 Actual \$	2016 Budget \$
(62,805)	Net Operating (Deficit)	(5,541)	3,000
<u>(62,805)</u>	Total Recognised Revenues and Expenses	<u>(5,541)</u>	<u>3,000</u>
58,819	Opening Equity Balance	(3,986)	(3,986)
<u>(3,986)</u>	Total Equity	<u>(9,527)</u>	<u>(986)</u>



Chartered Professional Engineers Council
Statement of Financial Position
As at 30 June 2016

2015 Actual \$	Note	2016 Actual \$	2016 Budget \$
Current Assets			
756	Westpac Cheque Account	3,502	514
20,000	Westpac Short Term Deposits	-	-
28	Interest Receivable	-	-
12,575	GST Receivable	4,866	7,500
<u>33,359</u>	Total Current Assets	<u>8,368</u>	<u>8,014</u>
Less Current Liabilities			
37,345	Accounts Payable	17,895	9,000
<u>37,345</u>	Total Current Liabilities	<u>17,895</u>	<u>9,000</u>
<u>(3,986)</u>	Net Assets	<u>(9,527)</u>	<u>(986)</u>
Represented By:			
<u>(3,986)</u>	Total Equity	<u>(9,527)</u>	<u>(986)</u>

For and on behalf of the Council



Chairperson

Deputy Chair

Date: 2 September 2016



Chartered Professional Engineers Council
Statement of Cash Flows
For the Year Ended 30 June 2016

2015 Actual \$		Note	2016 Actual \$	2016 Budget \$
Cash Flow from Operating Activities				
Cash was Provided from:				
70,000	Levies Received		95,000	120,000
3,836	Interest Received		1,158	3,028
-	Net Goods and Services Tax Received		5,293	2,663
<u>73,836</u>			<u>101,451</u>	<u>125,691</u>
Cash was Disbursed to:				
113,892	Payments to Suppliers and Council Members		118,705	145,933
7,057	Net Goods and Services Tax Paid		-	-
<u>120,949</u>			<u>118,705</u>	<u>145,933</u>
(47,113)	Net Cash Flow from Operating Activities	7	(17,254)	(20,242)
67,869	Add Opening Cash Brought Forward		20,756	20,756
<u>20,756</u>	Closing Cash Carried Forward		<u>3,502</u>	<u>514</u>
Represented By:				
756	Westpac Cheque Account		3,502	514
20,000	Westpac Short Term Deposit		-	-
<u>20,756</u>	Total Cash on Hand		<u>3,502</u>	<u>514</u>

The accompanying notes form part of these financial statements



Chartered Professional Engineers Council
Notes to the Financial Statements
For the Year Ended 30 June 2016

1. Statement of Accounting Policies

Reporting Entity

The financial statements presented here are for the reporting entity Chartered Professional Engineers Council (the Council). The Council was established on 1 July 2002 by the Chartered Professional Engineers of New Zealand Act 2002 (the Act).

Basis of Preparation

Under Section 55 of the Act, the Council is required to prepare financial statements that comply with generally accepted accounting practice in New Zealand (GAAP). From 1 July 2014 under the latest GAAP standards the Council is designated as a Public Benefit Entity (PBE) for financial reporting purposes. The Council has elected to apply PBE SFR-A (PS) Tier 3 - PBE Simple Format Reporting - Accrual (Public Sector) Tier 3 on the basis that the Council has no public accountability and has total annual expenses of less than \$2 million. All transactions in the financial statements are reported using the accrual basis of accounting.

Going Concern Assumption

As at 30 June 2016 the Council had negative equity of \$9,527, negative net current assets of \$9,527 after it incurred a deficit of \$5,541 for the year ended 30 June 2016. The financial Statements are prepared on the assumption that the Council will continue to operate in the foreseeable future. This assumption is made with the following proviso:

- The ability of the Council to deal with the current number of appeals within an efficient period of time is subject to receiving adequate funding. For the years ended 30 June 2015 and 2016 the costs associated with hearing appeals exhausted the Council's funds leaving it in deficit at the end of the year. If the annual appeal costs continue at or exceed the current level the Council may continue to have insufficient funds to fulfil its obligations under the Act. Currently the number of appeals being received has reduced. With this reduction and the increase in the annual grant from \$70,000 per annum to \$100,000 per annum the Council should be able to recover the deficit and continue to operate within budget.

Measurement Base

The measurement base adopted is historical cost.

Changes in Accounting Policies

From 30 June 2015 the Council prepared its financial statements using the new PBE SFR-A (PS) Tier 3 standard. The adoption of this standard required no changes to the financial information presented. All financial information is reported on a basis consistent with previous years. This standard requires the inclusion of a Statement of Service Performance and more detailed information about the entity in the Non Financial section and some minor changes to the Notes to the Financial Statements.

Goods and Services Tax

The financial statements have been prepared on a GST exclusive basis, except Accounts Payable which are shown inclusive of GST.

Taxation

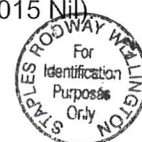
No provision is made for income tax as the Chartered Professional Engineers Council is a tax exempt under the Income Tax Act 2007. The taxation status of CPEC is currently under review by the IRD and may result in a change in taxation status going forward. This is not expected to have an effect on the financial results to 30 June 2016.

2. Contingent Liabilities

The Chartered Professional Engineers Council had no contingent liabilities as at balance date (2015 Nil).

3. Commitments

The Chartered Professional Engineers Council had no commitments as at balance date (2015 Nil).



Chartered Professional Engineers Council
Notes to the Financial Statements (Continued)
For the Year Ended 30 June 2016

4. Financial Instruments

The Chartered Professional Engineers Council is party to financial instruments in the form of bank accounts, accounts receivable, accounts payable and accruals as part of its everyday operations. These instruments are reflected in the Statement of Financial Position at their fair value. Revenues and expenses in relation to the financial statements are recognised in the Statement of Financial Performance in arriving at the operating result.

5. Related Party Transactions

During the course of business operations Council Members received fees totalling \$10,792 (2015 \$11,384) for attending 4 Council Meetings and \$40,091 (2015 \$60,238) for Appeal Hearings as follows;

	2016 Actual \$ Council Meetings	2015 Actual \$ Council Meetings	2016 Actual \$ Appeal Hearings	2015 Actual \$ Appeal Hearings
Jon Williams (Chairperson)	2,496	2,496	14,022	13,825
Ross Tanner (Deputy Chair)	1,976	1,580	5,826	6,715
Roly Frost	790	1,185	5,629	10,467
Chris Harrison	1,580	790	9,776	-
Andrew Hazelton	395	1,185	3,160	17,380
Jane Nees	790	1,580	1,383	6,913
Sue Simons	790	-	1,778	-
Sharyn Westlake	-	790	-	2,173
Alan Winwood	1,185	-	1,975	-
Anthony Wilson	790	1,778	4,542	2,765
	<u>10,792</u>	<u>11,384</u>	<u>48,091</u>	<u>60,238</u>

Council Members were also reimbursed travel expenses totalling \$7,804 (2015 \$5,815) for attending Council Meetings and \$5,335 (2015 \$8,297) for attending Appeal Hearings.

In addition to the above fees. During the year ended 30 June 2016 the Chairperson received \$1,185 for attending a meeting on CPEC Levies and \$395 for attending a review of IPENZ complaints and disciplinary procedures. During the year ended 30 June 2015 Andrew Hazelton received fees of \$1,580 for reviewing the Code of Ethics.

No related party debts were written off or forgiven during the year.

6. Appeal Costs

During the 2016 year the Council incurred \$58,087 (2015 \$87,180) in appeal costs for 20 appeals (2015 25 appeals). Since 1 July 2016 the council has incurred costs associated with 2 ongoing appeals plus the costs associated with 3 appeal decisions that were appealed to the District Court (11 ongoing appeals 2015) and nil new appeals received after balance date (nil new appeals 2015). The costs associated with these ongoing appeals will be recorded in the 2017 Financial Statements.

7. Reconciliation of the Net Operating Surplus with the Net Cash Flow from Operating Activities

	2016 Actual \$	2015 Actual \$
Net Operating (Deficit) Surplus	(5,541)	(62,805)
Movements in Other Working Capital Items		
(Decrease) Increase in Accounts Payable	(19,450)	24,887
Decrease (Increase) in GST Receivable	7,709	(9,393)
Decrease in Interest Receivable	28	198
Net Cash Flow from Operating Activities	<u>(17,254)</u>	<u>(47,113)</u>



CPEC

Chartered Professional Engineers Council
Kāhui Kaiwetepanga Ngaio Whaimana