



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

FOR THE PERIOD 1 JULY 2016 TO 30 JUNE 2017



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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. Ministerial Review of CPEC and Governance Issues
- b. Performance of the Registration Authority
 - i The assessment and re-assessment process
 - ii The handling of complaints
 - iii Pathways ways to registration
- c. 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(b) - Hear appeals from decisions of the Registration Authority	4 appeals were received and/or heard during the year.
Section 45(c) - Review and report to the Minister on the performance and exercise of the Registration Authority's and the Council's respective functions and powers under the Act	
Registration Authority (s53)	2016 Report – published in June 2017
CPEC (s54)	2015-16 Report – published in October 2016

3. COUNCIL MEMBERSHIP AND MEETINGS

Jon Williams has continued as Chairman with Ross Tanner as Deputy Chairman. During the year, Anthony Wilson retired from the Council and Sandra Hardie joined the Council as a nominee of IPENZ.

Current Council Members:

Name	Position/nominee	Appointed on	Appointed until
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
Christopher Harrison	Nominated by IPENZ	18 December 2014	20 December 2017
Sandra Hardie	Nominated by IPENZ	30 October 2016	29 October 2018
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

Meetings:

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

Meeting # 57 - Friday 2 September 2016

Meeting # 58 - Friday 2 December 2016

Meeting # 59 - Friday 3 March 2017

Meeting # 60 - Friday 9 June 2017

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), also had representation at all meetings of the Council during the year.

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** The performance of the Registration Authority
- 4.2** Increased uptake of CPEng.
- 4.3** Speed of assessments and re-assessments.
- 4.4** Number and complexity of appeals.
- 4.5** Review of governance of the engineering profession.
- 4.6** Board Policies and self-review.

4.1 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). The RA reported to the Council on their activity for the year ended December 2016, and the Council provided its annual report on that performance to the Minister in June 2017.

The Council considers that the Registration Authority is performing well in the following areas:

- Financial surplus achieved for RA activities for the year.
- The processing time for initial (AFA) and ongoing assessments (CRA) has decreased markedly in the 2016 year. Both are now approaching their target period of 84 days.
- The total number of Chartered Professional Engineers has increased steadily in recent years. The total number of registrants has increased 18% over the past five years with a 2% increase in the last 12 months.
- The competency assessment and re-accreditation process for chartered professional engineers continues to be robust. The Council has in 2016 received three appeals from engineers who have been declined re-assessment. Of these appeals, one was upheld, one declined but referred back to the RA for further interview and the other was referred back to the Competence Assessment Board for re-assessment. 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, completed an organisational review. This review has strengthened the legal and permanent competence assessment teams.
- Significant effort has been made by the RA to streamline the complaints process. This has included workshops focussed on all parts of the complaints process, documenting best practice procedures and a focus on resolving issues before they become complaints.
- The RA has introduced a triage process to endeavour to resolve concerns on CPEng performance prior to concerns becoming complaints.

- The RA ran a number of workshops around the country to provide Chartered Professional Engineers more information on the changes to the Code of Ethical Conduct that were gazetted on 16 May 2016.
- Further refinements made to the website and membership management system appear to be having a positive impact on interactions with the membership and the processing of applications for registration.
- The Council discussed the new registration pathway with the RA and expressed its concerns over confusion between CPEng and Chartered Member status. The RA acknowledged the Council's concerns and incorporated them into their Communications Plan.

Overall the Council is encouraged that the RA is continuing to look for ways to improve its management of the CPEng assessment process.

Summary

The Council considers that the Registration Authority is performing well and has addressed a number of the concerns previously raised. It is very pleasing to see the reduction in assessment times for both initial and continuing assessments.

The restructuring of the organisation structure within IPENZ/RA and the engagement of an in-house legal team has promoted a positive review of the complaints process. The introduction of an early review system to address concerns before they become complaints is providing clarity for both the public and engineers on the expectations of performance and behaviour of engineers.

The nationwide promotion of the new ethical standards has done a lot to raise awareness of the wider engineering community of their obligations.

The relationship between the RA and the Council is seen as strong and positive.

4.2 Increased 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 1 January 2016 to 31 December 2016 the number of persons registered as CPEng increased by 2% - from 3428 to 3495. The Registration statistics for 2016 were as follows:

Registration Statistics for 2016	Number
Chartered Professional Engineers at the end of the reporting period	3495
Applicants (first) registered during the reporting period	191
Applicants declined registration during the reporting period	12
Registrants resigned or removed during the reporting period	150
Registrants suspended during the reporting period	26
Registrants placed in abeyance during the reporting period	18

The RA's Annual Report also provides detail of the age and gender breakdown of registrants as well as practice field and geographic distribution. 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 nine percent of all registrants.

The RA has made gender and diversity in the profession one of its strategic priorities. Key elements of the RA's plan include; collaborating with successfully diverse engineering firms, creating a resource kit of tools and information for engineering firms that are struggling to understand and implement diversity initiatives, and connecting all female engineers, currently running independent programmes, to create a broad and compelling movement that encourages women into the profession.

Some 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 (ranking 1st and 2nd respectively).

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.

4.3 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 the Council remains confident that the RA continues to maintain a credible and robust competency assessment system, the Council continues to monitor the speed of assessments and re-assessments with the Registration Authority at its quarterly meetings.

The median processing time for applications for admission fell to 92 days in 2016 from 159 days in 2015. The median processing time for continued registration fell to 86 days in 2016 from 216 days in 2015. The Council was very pleased to see a reduction in processing times. The organisational review undertaken by the RA resulting in the appointments of a third Competence Assessment Advisor, and two lead Assessors to permanent salary roles, has had a positive impact on reducing processing times.

4.4 Number and Complexity of Appeals

While appeals are still complex, they are fewer in number than in recent years. There may be an increased number of appeals in the 2017 – 2018 financial year resulting from complaints relating to the Kaikoura earthquake event in November 2016, an event which also had a significant effect on structures in the Wellington region.

During this financial year Appeal Panels made up of Council members, considered two ongoing appeals against competence assessment and received two new appeals. The two new appeals were complaints against two Chartered Professional Engineers. The hearing date for one of these appeals was 5 July 2017 so it remained ongoing at 31 June 2017.

Of the three appeals heard, one was upheld, one was referred back to the Competence Assessment Board and one was declined.

Two decisions reached in previous years are still under appeal to the District Court or High Court at the end of the financial year. A third decision was also appealed to the District Court and subsequently withdrawn during this financial year.

The RA reported that as at 1 June 2017, the current status of appeals was:

1. Triage is being performed on 19 complaints about CPEng holders. One of these concerns was mediated on 3 June 2017.

2. Three complaints are in the initial investigation stage.
3. Five complaints are with a Chairperson of Investigating Committees, acting as an adjudicator.
4. Four Complaints are with Investigation Committees.
5. Several complaints were resolved before entering the formal complaints process, two following mediation/facilitation.
6. Three appeals are current, one with CPEC, one with the District Court and one with the High Court.
7. The RA has an “Own Motion” investigation underway on the design of several buildings in Masterton. This is expected to be completed in the next CPEC Financial year.

4.5 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.

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.

4.6 Council Policies and Self-Review

During the year, the Council prepared and confirmed five policies - Appeals Procedure, Archiving, Fraud, Sensitive Expenditure and Health and Safety.

At the 9 June 2017 meeting the Council and MBIE representatives reviewed the Performance Agreement between CPEC and the Minister for Building and Construction. It was agreed that CPEC would undertake an annual self-appraisal of the Council’s performance as part of the annual reporting process to the Minister. An updated Performance Agreement was signed off after this meeting.

5. FINANCIAL REPORTS

Financial Statements

Financial Statements for the Council for the Year Ended 30 June 2017 are appended to this annual report.

From 1 July 2016, the RA's grant was increased to \$100,000. The Council considers that with the rate of appeals reducing, the Council should continue to operate within budget.

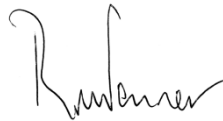
Income Tax

The IRD confirmed on 29 March 2017 that CPEC's Income Tax status had been changed from Exempt (as a public authority) to Taxable, to take effect from 1 July 2006. CPEC subsequently filed on 22 May 2017 Income Tax Returns, for the years ending 30 June 2007 to 30 June 2015.

Jon Williams
Chairman



Ross Tanner
Deputy Chair



Date: 23 September 2017

Chartered Professional Engineers Council
Financial Statements
For the Year Ended 30 June 2017

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Chartered Professional Engineers Council
Entity Information
For the Year Ended 30 June 2017

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 of New Zealand 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 2017 this was \$100,000 plus GST.

Council Members :

Jon Williams (Chair)
Ross Tanner (Deputy Chair)
Roly Frost
Sandra Hardie (Appointed 30 October 2016)
Chris Harrison
Sue Simons
Anthony Wilson (Term Ended 29 October 2016)
Alan Winwood

Executive Officer :

Sue Beasley

Auditors :

Staples Rodway Audit Limited on behalf of the Auditor-General

Bankers :

Westpac



Chartered Professional Engineers Council
Entity Information Continued
For the Year Ended 30 June 2017

Contact Details :

Physical Address :

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**INDEPENDENT AUDITOR'S REPORT
TO THE READERS OF
CHARTERED PROFESSIONAL ENGINEERS COUNCIL'S
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

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 Audit Limited, to carry out the audit of the financial statements of the Council on her behalf.

Opinion

We have audited the financial statements of the Council on pages 2 to 3 and 7 to 12, that comprise the entity information, statement of service performance, statement of financial position as at 30 June 2017, the statement of financial performance, the 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 include accounting policies and other explanatory information.

In our opinion the financial statements of the Council on pages 2 to 3 and 7 to 12, present fairly, in all material respects:

- its financial position as at 30 June 2017; 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)
- Our audit was completed on 21 September 2017. 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 governing body and our responsibilities relating to the financial statements, and we explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the Auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

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

Responsibilities of the Governing Body for the financial statements

The Governing Body is responsible for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand.

The Governing Body is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Governing Body is responsible on behalf of the Council for assessing the Council's ability to continue as a going concern. The Governing Body are also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to liquidate the Council or to cease operations, or there is no realistic alternative but to do so.

The Governing Body's responsibilities arise from the Chartered Professional Engineers of New Zealand Act 2002.

Responsibilities of the auditor for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these financial statements.

We did not evaluate the security and controls over the electronic publication of the financial statements.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements, 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.
- We 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 Council's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the governing body.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the governing body and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Council's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statement or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Council to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Governing Body regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibility arises from section 15 of the Public Audit Act 2001 and the Chartered Professional Engineers of New Zealand Act 2002.

Independence

We are independent of the Council in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1(Revised): *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board.

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



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

Chartered Professional Engineers Council

Statement of Responsibility


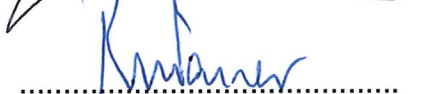
For the Year ended 30 June 2017

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 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 2017.

For and on behalf of the Council


.....

.....

Chair

Deputy Chair

Date 8 September 2017



Chartered Professional Engineers Council
Statement of Service Performance
For the Year Ended 30 June 2017

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

There were no changes to the rules during the year.

Code of Ethics

A new Code of Ethical Conduct for Chartered Professional Engineers was subjected to a robust consultation process before a final version was approved by the Registration Authority and subsequently by this Council.

This new Code of Ethical Conduct was gazetted in June 2016 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 2 ongoing appeals from 2016. This year a further 2 appeals were received and Appeal Panels of Council members appointed. Of these 4 appeals, 3 were completed during the year with 1 ongoing. In addition, 3 appeal decisions from 2016 were appealed to the District Court. During the 2017 year, one of these further appeals was withdrawn, one is still waiting for the District Court decision and one appellant has further appealed the District Court decision to the High Court.

The two appeals received this year were from members of the public.

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 on the CPEng register for the year ended 31 December 2016. In June 2017 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 2017

2016 Actual \$		Note	2017 Actual \$	2017 Budget \$
	Income			
95,000	Levies Received		100,000	100,000
1,130	Interest Received		2,073	500
<u>96,130</u>	Total Income		<u>102,073</u>	<u>100,500</u>
	Less Expenses			
4,000	Accounting Fees		6,125	4,000
58,087	Appeal Costs	5 & 6	11,396	50,000
3,879	Audit Fees		4,210	4,150
854	Council Meeting Costs		978	1,250
10,792	Council Meeting Fees	5	10,298	14,000
7,804	Council Meeting Travel		9,632	8,000
12,164	Consultant/ Executive Officer Fees		10,482	13,000
1,580	Consultant/Legal Fees		3,403	4,000
2,511	Sundry Expenses		3,394	2,100
<u>101,671</u>	Total Expenses		<u>59,918</u>	<u>100,500</u>
<u>(5,541)</u>	Net Operating Surplus (Deficit)		<u>42,155</u>	<u>-</u>

Chartered Professional Engineers Council
Statement of Movements in Equity
For the Year Ended 30 June 2017

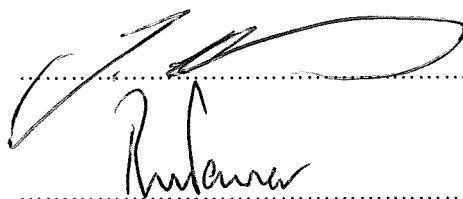
2016 Actual \$		2017 Actual \$	2017 Budget \$
(5,541)	Net Operating Surplus (Deficit)	42,155	-
<u>(5,541)</u>	Total Recognised Revenues and Expenses	<u>42,155</u>	<u>-</u>
(3,986)	Opening Equity Balance	(9,527)	(9,527)
<u>(9,527)</u>	Total Equity	<u>32,628</u>	<u>(9,527)</u>

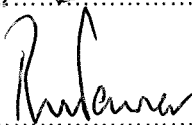


Chartered Professional Engineers Council
Statement of Financial Position
As at 30 June 2017

2016 Actual \$	Note	2017 Actual \$	2017 Budget \$
Current Assets			
3,502	Westpac Cheque Account	6,809	973
-	- Westpac Short Term Deposits	40,000	-
-	- Interest Receivable	270	-
4,866	GST Receivable	4,660	4,500
8,368	Total Current Assets	51,739	5,473
Less Current Liabilities			
17,895	Accounts Payable	19,111	15,000
17,895	Total Current Liabilities	19,111	15,000
(9,527)	Net Assets	32,628	(9,527)
Represented By:			
(9,527)	Total Equity	32,628	(9,527)

For and on behalf of the Council





Chair

Deputy Chair

Date: 8 September 2017



Chartered Professional Engineers Council
Statement of Cash Flows
For the Year Ended 30 June 2017

2016 Actual \$		Note	2017 Actual \$	2017 Budget \$
Cash Flow from Operating Activities				
Cash was Provided from:				
95,000	Levies Received		100,000	100,000
1,158	Interest Received		1,803	500
5,293	Net Goods and Services Tax Received		883	852
<u>101,451</u>			<u>102,686</u>	<u>101,352</u>
Cash was Disbursed to:				
118,705	Payments to Suppliers and Council Members		59,379	103,881
<u>118,705</u>			<u>59,379</u>	<u>103,881</u>
(17,254)	Net Cash Flow from Operating Activities	7	43,307	(2,529)
20,756	Add Opening Cash Brought Forward		3,502	3,502
<u>3,502</u>	Closing Cash Carried Forward		<u>46,809</u>	<u>973</u>
Represented By:				
3,502	Westpac Cheque Account		6,809	973
-	Westpac Short Term Deposit		40,000	-
<u>3,502</u>	Total Cash on Hand		<u>46,809</u>	<u>973</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 2017

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

The financial statements are prepared on the assumption that the Council will continue to operate in the foreseeable future. Last year 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. This year the Council is reporting an improved financial position with net assets of \$32,628 at 30 June 2017 following an operating surplus of \$42,155 for the year ended on that date. With the increase in the levies received and a reduction in appeal expenses, following a reduction in the number of appeals being received, the Council is confident it will have sufficient funds to operate in the foreseeable future.

Measurement Base

The measurement base adopted is historical cost.

Changes in Accounting Policies

All financial information is reported on a basis consistent with previous years.

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

In the past no provision was made for income tax as it was believed that the Chartered Professional Engineers Council was tax exempt under the Income Tax Act 2007. This year, following an Inland Revenue review, the IRD advised the Chartered Professional Engineers Council that it was to be taxed at the company rate. The Chartered Professional Engineers Council does not have the funds or resources to challenge this decision. The Council believes the current situation has been caused by an oversight when drafting the Chartered Professional Engineers Act and has referred this matter to the Minister. Inland Revenue has allowed the Chartered Professional Engineers to lodge tax returns for the 10 year period 2007 to 2016. This resulted in accumulated tax losses to carry forward at 30 June 2016 of \$171,071. These losses to carry forward will reduce to \$128,916 after deducting this year's surplus of \$42,155.

2. Contingent Liabilities

The Chartered Professional Engineers Council had no contingent liabilities as at balance date (2016 Nil).

3. 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.



Chartered Professional Engineers Council
Notes to the Financial Statements (Continued)
For the Year Ended 30 June 2017

4. Commitments

The Chartered Professional Engineers Council had no commitments as at balance date (2016 Nil).

5. Related Party Transactions

During the course of business operations Council Members received fees totalling \$10,298 (2016 \$10,792) for attending 4 Council Meetings and \$4,937 (2016 \$48,091) for Appeal Hearings as follows;

	2017 Actual \$ Council Meetings	2016 Actual \$ Council Meetings	2017 Actual \$ Appeal Hearings	2016 Actual \$ Appeal Hearings
Jon Williams (Chairperson)	2,496	2,496	790	14,022
Ross Tanner (Deputy Chair)	1,482	1,976	-	5,826
Roly Frost	790	790	395	5,629
Sandra Hardie	1,185	-	-	-
Chris Harrison	1,580	1,580	987	9,776
Andrew Hazelton	-	395	-	3,160
Jane Nees	-	790	-	1,383
Sue Simons	790	790	395	1,778
Alan Winwood	1,580	1,185	1,185	1,975
Anthony Wilson	395	790	1,185	4,542
	<u>10,298</u>	<u>10,792</u>	<u>4,937</u>	<u>48,091</u>

Council Members were also reimbursed travel expenses totalling \$9,632 (2016 \$7,804) for attending Council Meetings and \$1,776 (2016 \$5,335) for attending Appeal Hearings.

During the year ended 30 June 2017 in addition to the Council Meeting and Appeal fees listed above: The Chairperson received \$1,872 for attending meetings with the RA, Auditors and IRD plus for time preparing the 2017 Report on the Performance of the RA.

The Deputy Chair received \$741 for attending meetings with the Auditors and IRD plus for time preparing the 2016 Report on the Performance of the RA.

Chris Harrison received \$395 for meetings with the RA.

Alan Winwood received \$395 for time preparing the CPEC 2016 Annual Report.

During the year ended 30 June 2016 in addition to the Council Meeting and Appeal fees listed above: The Chairperson received \$1,185 for meetings on CPEC Levies and a review of IPENZ complaints and disciplinary procedures.

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 2017 year the Council incurred \$11,396 (2016, \$58,087) in appeal costs for 4 appeals (2016, 20 appeals). The appeal costs this year also include expenses associated with the 3 appeal decisions from 2016 that were appealed to the District Court. Since 1 July the Council has incurred costs associated with 1 ongoing appeal (2016, 2 ongoing appeals) and these expenses will be recorded in the 2018 Financial Statements.

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

	2017 Actual \$	2016 Actual \$
Net Operating (Deficit) Surplus	42,155	(5,541)
Movements in Other Working Capital Items		
Increase (Decrease) in Accounts Payable	1,216	(19,450)
Decrease in GST Receivable	206	7,709
(Increase) Decrease in Interest Receivable	(270)	28
Net Cash Flow from Operating Activities	<u>43,307</u>	<u>(17,254)</u>





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