



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

FOR THE PERIOD 1 JULY 2017 TO 30 JUNE 2018



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1. INTRODUCTION

The Council has continued this year to undertake its statutory functions which are covered in Sections 2 and 4 of the report. Additionally, there has been attention on the following areas:

- 1.1 Review with external legal input on the Council's appeal process
- 1.2 Briefing the incoming Minister following the 2017 election
- 1.3 Discussing IRD decision on the Tax Status of the Council
- 1.4 Making submissions to MBIE for suggested inclusions in the Regulatory Systems Bill

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	There were no changes to the existing Rules proposed by Engineering New Zealand this year.
Section 45(b) - Hear appeals from decisions of the Registration Authority	Five appeals were received during the year. One appeal was carried over from the previous year. Three appeals were heard during this financial year. Three appeals remained ongoing.
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	<p>2017 Annual Report on the Registration Authority – presented to MBIE in June 2018. (Refer s54) It is expected to be published in September once it has been tabled in Parliament.</p> <p>The Council's Annual Report on its own operations for 2016-17 was presented to MBIE in October 2017. (Refer s53) It was tabled in Parliament and published in January 2018.</p>

3. COUNCIL MEMBERSHIP AND MEETINGS

In line with Section 3 (c) of Schedule 1 of the Act, Jon Williams has continued as Chairman with Ross Tanner as Deputy Chairman. During the year, Roland Frost retired from the Council. Rebecca Knott joined the Council as a nominee of Engineering NZ (formerly IPENZ). Members, Sue Simons, Christopher Harrison and Alan Winwood had their terms extended until 31 January 2020.

Current Council Members:

Name	Position/nominee	Appointed on	Appointed until
Jon Williams	Chairman Nominated by ACENZ	01 July 2010 Chairman from 18 December 2014	30 June 2018 *
Ross Tanner	Deputy Chairman	1 September 2013	31 August 2018 *
Rebecca Knott	Nominated by Engineering NZ	1 February 2018	31 January 2020
Christopher Harrison	Nominated by Engineering NZ	18 December 2014	31 January 2020
Sandra Hardie	Nominated by Engineering NZ	30 October 2016	29 October 2018
Sue Simons	Consumer Representative	1 December 2015	31 January 2020
Alan Winwood	Nominated by Minister	18 December 2015	31 January 2020

*Continuing in these positions until further notice

Meetings:

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

Meeting # 61 - Friday 8 September 2017

Meeting # 62 - Friday 1 December 2017

Meeting # 63 - Friday 2 March 2018

Meeting # 64 - Friday 1 June 2018

Senior representatives from the Registration Authority (RA) which is Engineering New Zealand (ENZ), attended each of the Council's meetings. 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 the 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 Council policies and self-review.

4.1 The Performance of the Registration Authority

Through its routine quarterly and other interactions with the RA and on the basis of the RA's reporting, the Council considers that the RA is continuing to perform well with a culture of continued improvement evidenced. It is very pleasing to see the continued reduction in assessment times for both initial and continuing assessments.

As the RA commences the survey of all engineers going through registration, the Council looks forward to receiving more qualitative feedback on how the registration process is viewed by the users.

The rebranding of the Institution of Professional Engineers, New Zealand to Engineering New Zealand has given the RA the opportunity to connect more closely with the wider engineering profession. The Council will monitor the impact of the new Chartered Member status on the Chartered Professional Engineers register and will continue to engage with the RA to ensure that confusion between the "brands" is minimised.

As a part of its rebranding, Engineering New Zealand introduced a "Chartered Member" status. Whilst the initial assessment process aligns with that for "Chartered Professional Engineer" there is no requirement for periodic (every 5 or 6 years) reassessment. The rationale behind this change aligned with the proposed introduction of a "Licenced Engineer" category under the occupational regulation reform of the industry. The Council has continued to express its concern to the RA and MBIE of the potential confusion between the Chartered Member and Chartered Professional Engineer brands during the transition period. The revised approach to the occupational regulation changes may extend the period that this transitional state exists.

The relationship between the RA and the Council is strong and positive. Whilst it is the Council's role to provide oversight of the RA's performance of its functions and powers under the Act it makes this role considerably easier and more effective with the lines of communication between the two parties open, as they currently are.

4.2 Increased Uptake of CPEng

The Council has continued to engage regularly with the RA on the trends around Chartered Professional Engineer (CPEng) membership and is encouraged to see the continuing uptake of registration for the CPEng title. During the period 1 January 2017 to 31 December 2017 the

number of persons registered as CPEng increased by 3.3 % - from 3495 to 3610. The Registration statistics for 2017 were as follows:

Registration Statistics for 2017	Number
Chartered Professional Engineers at the end of the reporting period	3610
Applicants (first) registered during the reporting period	205
Applicants declined registration during the reporting period	43
Registrants resigned or removed during the reporting period	107
Registrants suspended during the reporting period	62
Registrants placed in abeyance during the reporting period	31

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 is now 8.9% 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 Management field is in third position.

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. Discussion with the RA includes demand forecasts, issues encountered and measures in place or planned by the RA to meet that demand.

The RA has increased its pool of Practice Area Assessors to 374 (295 in 2016). This increase and the improved assessment processing system has resulted in a continued reduction in the average numbers of days required to process an application for initial or continued registration. The median processing time for continued registration fell to 68 days in 2017, from 86 days in 2016. Time for initial registration of 81 days has bettered the target time of 84 days. The Council was very pleased to see a reduction in processing times.

4.4 Number and Complexity of Appeals

While appeals are still complex, they remain fewer in number than in recent years. In the Council's report for the 2016-17 year it was suggested that there could be an increased number of appeals in the 2017 – 2018 financial year resulting from complaints relating to the Kaikoura earthquake event in November 2016. Such an increase has not yet eventuated but given the experience of the time taken for complaints and subsequent appeals to be submitted after the earlier Christchurch earthquakes, such an increase may yet occur. One other factor which appears to have caused a reduction in Appeals to CPEC is the RA's relatively recent enhancements to its complaints process which includes measures to resolve issues at an early stage without formal complaints being submitted, triaging and alternative dispute resolution measures.

During the financial year ending 30 June 2018, Appeal Panels, made up of Council members, considered one ongoing appeal and received five new appeals. Of these six appeals, three were completed during the year and three were ongoing. The five new appeals comprised four from members of the public and one by an Engineer against the RA for failure to secure registration as a CPEng. All three appeals heard, were dismissed by the Appeal Panels.

During the reporting period two court decisions were released relating to CPEC decisions that had been appealed to the Courts. Both appeals were upheld. These decisions resulted in the Council seeking legal advice on its appeal process. The Council is currently revising its appeal process.

4.5 Review of Governance

Governance as it relates to Professional Engineering under the current Act is routinely discussed with MBIE and with members of the RA at quarterly CPEC meetings.

Significant changes had been proposed by the former Minister of Building and Construction with respect to the occupational regulation of engineers in New Zealand. 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. Under that proposal CPEC would have been disestablished and transition arrangements put in place to manage the transfer of functions to the new body.

Under the newly elected Government, MBIE is now proposing to take a targeted approach to address pressing issues within the system. It is understood that the system of occupational regulation in the building and construction sector is seen to be working overall, albeit with some instances where improvements need the support of legislative change.

The Council is pleased to be engaging with both MBIE and the RA and has already submitted some initial observations aimed at securing a workable outcome which properly addresses all risks.

The Council is committed to assisting with the process of advancing this important work.

4.6 Council Policies and Self-Review

4.6.1 Council Policies

At its meeting on Friday 2 March 2018, the Council undertook the annual review of the following policies: Archiving, Fraud, Sensitive Expenditure and Health and Safety. All of these policies were confirmed to remain relevant.

The policy/guideline documentation on the Appeals Procedures is currently being re-drafted and is expected to be confirmed and adopted for use by the end of 2018.

4.6.2 Self-Review

The Council undertakes an annual self-review of its performance as part of the annual reporting process to the Minister. The self-review was undertaken at the Council's meeting on Friday 2 March 2018 and submitted via MBIE in March 2018.

The self-review confirmed that the Council fulfilled its requirements relating to its Statutory functions as outlined in Section 2 above.

The self-review identified that the Council is working well in the following areas:

- the website which provides information from the Council to the public,
- the strong relationship and open communication with Engineering New Zealand and
- the relationship with representatives from MBIE, which will continue to strengthen once MBIE's internal restructuring has been finalised.

Areas noted for improvement were:

- the development of a membership succession plan and
- the refinement of appeals process and guidelines documentation.

To address the development of a succession plan, the Council created a document outlining the skill sets of each member. The Council then discussed the formulation of a succession plan at its September 2018 meeting.

To address the appeals process, the Council sought external legal advice. A legal overview has been provided and the Council is currently reviewing and redrafting its appeal guidelines.

5. FINANCIAL REPORTS

Financial Statements

Financial Statements for the Council for the Year Ended 30 June 2018 are appended to this annual report.

Jon Williams
Chairman

Chris Harrison
Council Member



Date: 6 September 2018

Chartered Professional Engineers Council
Financial Statements
For the Year Ended 30 June 2018

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Chartered Professional Engineers Council
Entity Information
For the Year Ended 30 June 2018

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 New Zealand Incorporated (IPENZ) was established as the Registration Authority under the Act. (On 1 October 2017 IPENZ changed its trading name to - Engineering New Zealand. The legal name remains The Institution of Professional Engineers New Zealand Incorporated.)

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 (now trading as Engineering New Zealand) which is funded through a levy on its members. For the year ended 30 June 2018 this was \$100,000 plus GST.

Council Members :

Jon Williams (Chair)
Ross Tanner (Deputy Chair)
Roly Frost (Term Ended 13 October 2017)
Sandra Hardie
Chris Harrison
Rebecca Knott (Appointed 1 February 2018)
Sue Simons
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 2018

Contact Details :

Physical Address :

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

Postal Address :

PO Box 6140, Wellington, 6140, New Zealand

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
FOR THE YEAR ENDED 30 JUNE 2018**

The Auditor-General is the auditor of the Chartered Professional Engineers Council (the Council). The Auditor-General has appointed me, Stuart Signal, using the staff and resources of Staples Rodway Audit Limited, to carry out the audit of the financial statements of the Council on his behalf.

Opinion

We have audited the financial statements of the Council on pages 1 to 2 and 7 to 12, that comprise the entity information and statement of financial position as at 30 June 2018, the statement of service performance, 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 1 to 2 and 7 to 12, present fairly, in all material respects:

- the entity information,
- its financial position as at 30 June 2018 and
- its service performance, 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 6 September 2018. 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 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 is 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 statements 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.



Stuart Signal
Staples Rodway Audit Limited
On behalf of the Auditor-General
Hastings, New Zealand

Chartered Professional Engineers Council

Statement of Responsibility

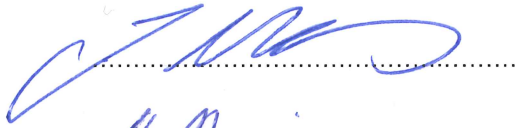
For the Year Ended 30 June 2018

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.

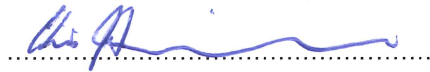
The Council accepts responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial and non financial reporting.

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 2018.

For and on behalf of the Council



Chair



Council Member

Date 6 September 2018



Chartered Professional Engineers Council
Statement of Service Performance
For the Year Ended 30 June 2018

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 Engineering New Zealand (previously traded as IPENZ) and from the Ministry of Business Innovation and Employment (MBIE).

Changes to Rules

There were no changes to the rules during the year.

Appeals under consideration

At the start of this year Appeal Panels made up of Council members were considering 1 ongoing appeal from 2017. This year a further 5 appeals were received and Appeal Panels of Council members appointed. Of these 6 appeals, 3 were completed during the year with 3 ongoing.

Four of the appeals received this year were from members of the public. The other appeal was against the Registrar for failure to be registered as a Chartered Professional Engineer.

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 Chartered Professional Engineer (CPEng) register for the year ended 31 December 2017. In June 2018 the Council reported to the Minister on the performance of the Registration Authority.



Chartered Professional Engineers Council
Statement of Financial Performance
For the Year Ended 30 June 2018

2017 Actual \$	Note	2018 Actual \$	2018 Budget \$
Income			
100,000	Levies Received	100,000	100,000
2,073	Interest Received	3,081	2,000
<u>102,073</u>	Total Income	<u>103,081</u>	<u>102,000</u>
Less Expenses			
6,125	Accounting Fees	7,200	7,500
11,396	Appeal Costs	16,521	30,000
4,210	Audit Fees	4,290	4,300
978	Council Meeting Costs	1,433	1,150
10,298	Council Meeting Fees	11,187	12,000
9,632	Council Meeting Travel	9,965	9,500
10,482	Consultant/ Executive Officer Fees	12,126	13,000
3,403	Consultant/Legal Fees	10,247	4,000
3,394	Sundry Expenses	4,563	3,550
<u>59,918</u>	Total Expenses	<u>77,532</u>	<u>85,000</u>
<u>42,155</u>	Net Operating Surplus	<u>25,549</u>	<u>17,000</u>

Chartered Professional Engineers Council
Statement of Movements in Equity
For the Year Ended 30 June 2018

2017 Actual \$		2018 Actual \$	2018 Budget \$
42,155	Net Operating Surplus (Deficit)	25,549	17,000
<u>42,155</u>	Total Recognised Revenues and Expenses	<u>25,549</u>	<u>17,000</u>
(9,527)	Opening Equity Balance	32,628	32,628
<u>32,628</u>	Total Equity	<u>58,177</u>	<u>49,628</u>

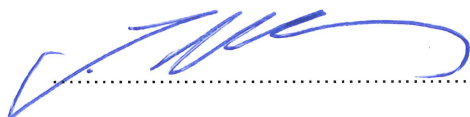
The accompanying notes form part of these financial statements



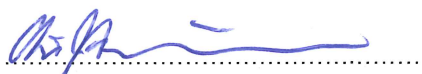
Chartered Professional Engineers Council
Statement of Financial Position
As at 30 June 2018

2017 Actual \$	Note	2018 Actual \$	2018 Budget \$
Current Assets			
6,809	Westpac Cheque Account	18,080	2,328
40,000	Westpac Short Term Deposits	50,000	60,000
270	Interest Receivable	693	300
4,660	GST Receivable	5,263	5,000
51,739	Total Current Assets	74,036	67,628
Less Current Liabilities			
19,111	Accounts Payable	15,859	18,000
19,111	Total Current Liabilities	15,859	18,000
32,628	Net Assets	58,177	49,628
Represented By:			
32,628	Total Equity	58,177	49,628

For and on behalf of the Council


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Chair


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Council Member

Date: 6 September 2018

The accompanying notes form part of these financial statements



Chartered Professional Engineers Council
Statement of Cash Flows
For the Year Ended 30 June 2018

2017 Actual \$	Note	2018 Actual \$	2018 Budget \$
Cash Flow from Operating Activities			
Cash was Provided from:			
100,000	Levies Received	100,000	100,000
1,803	Interest Received	2,658	1,970
883	Net Goods and Services Tax Received	-	-
<u>102,686</u>		<u>102,658</u>	<u>101,970</u>
Cash was Disbursed to:			
59,379	Payments to Suppliers and Council Members	80,087	86,101
-	Net Goods and Services Tax Paid	1,300	350
<u>59,379</u>		<u>81,387</u>	<u>86,451</u>
43,307	Net Cash Flow from Operating Activities	21,271	15,519
3,502	Add Opening Cash Brought Forward	46,809	46,809
<u>46,809</u>	Closing Cash Carried Forward	<u>68,080</u>	<u>62,328</u>
Represented By:			
6,809	Westpac Cheque Account	18,080	2,328
40,000	Westpac Short Term Deposit	50,000	60,000
<u>46,809</u>	Total Cash on Hand	<u>68,080</u>	<u>62,328</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 2018

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). Under the GAAP Standards, that applied from 1 July 2014, the Council is designated 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.

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

Prior to the Year Ended 30 June 2016, no provision was made for income tax as it was believed the Chartered Engineers Council was tax exempt under the Income Tax Act 2007. Following an Inland Revenue review, 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 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 1 July 2016 of \$171,071. After deducting the 2017 surplus of \$42,155 the losses to carry forward reduced to \$128,916 and this will reduce to \$103,367 after deducting this years surplus of \$25,549.

2. Contingent Liabilities

The Chartered Professional Engineers Council had no contingent liabilities as at balance date (2017 Nil).

3. Financial Instruments

The Chartered Professional Engineers Council is party to financial instruments in the form of bank accounts, accounts receivable and accounts payable 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.

4. Commitments

The Chartered Professional Engineers Council had no commitments as at balance date (2017 Nil).



**Chartered Professional Engineers Council
Notes to the Financial Statements (Continued)
For the Year Ended 30 June 2018**

5. Related Party Transactions

During the course of business operations Council Members received fees totalling \$11,187 (2017 \$10,298) for attending 4 Council Meetings and \$13,035 (2017 \$4,937) for Appeal Hearings as follows;

	2018 Actual \$ Council Meetings	2017 Actual \$ Council Meetings	2018 Actual \$ Appeal Hearings	2017 Actual \$ Appeal Hearings
Jon Williams (Chairperson)	2,496	2,496	1,185	790
Ross Tanner (Deputy Chair)	1,976	1,482	2,765	-
Roly Frost	395	790	-	395
Sandra Hardie	1,580	1,185	395	-
Chris Harrison	1,580	1,580	4,345	987
Rebecca Knott	790	-	-	-
Sue Simons	790	790	1,185	395
Alan Winwood	1,580	1,580	3,160	1,185
Anthony Wilson	-	395	-	1,185
	<u>11,187</u>	<u>10,298</u>	<u>13,035</u>	<u>4,937</u>

Council Members were also reimbursed travel expenses totalling \$9,965 (2017 \$9,632) for attending Council Meetings and \$922 (2017 \$1,776) for attending Appeal Hearings.

During the year ended 30 June 2018 in addition to the Council Meeting and Appeal fees listed above: The Chairperson received \$1,872 for time preparing the Annual Report on the Performance of the RA and for meetings with the CPEC Legal Advisor.

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

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 Annual 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 Annual 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 Annual Report.

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

6. Appeal Costs

During the 2018 year the Council incurred \$16,521 (2017, \$11,396) in appeal costs for 6 appeals (2017, 4 appeals). Since 1 July the Council has incurred costs associated with 3 ongoing appeals (2017, 1 ongoing appeals) and these expenses will be recorded in the 2019 Financial Statements.

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

	2018 Actual \$	2017 Actual \$
Net Operating (Deficit) Surplus	25,549	42,155
Movements in Other Working Capital Items		
(Decrease) Increase in Accounts Payable	(3,252)	1,216
(Increase) Decrease in GST Receivable	(603)	206
(Increase) in Interest Receivable	(423)	(270)
Net Cash Flow from Operating Activities	<u>21,271</u>	<u>43,307</u>



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