

# **Clinical Excellence Commission (CEC)**

## **Financial Statements**

for the year ended 30 June 2019





## INDEPENDENT AUDITOR'S REPORT

### Clinical Excellence Commission

To Members of the New South Wales Parliament

### Opinion

I have audited the accompanying financial statements of the Clinical Excellence Commission (the Commission), which comprise the Statement of Comprehensive Income for the year ended 30 June 2019, the Statement of Financial Position as at 30 June 2019, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, notes comprising a Statement of Significant Accounting Policies and other explanatory information of the Commission and the consolidated entity. The consolidated entity comprises the Commission and the entities it controlled at the year's end or from time to time during the financial year.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Commission and the consolidated entity as at 30 June 2019, and of their financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 45E of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

My opinion should be read in conjunction with the rest of this report.

### Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Commission and the consolidated entity in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

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

## **Emphasis of Matter – Presentation of Budget Information**

Without modification to the opinion expressed above, I draw attention to the basis of presenting adjusted budget information detailed in Note 1(w). The note states that AASB 1055 'Budgetary Reporting' is not applicable to the Commission. It also states that, unlike the requirement in AASB 1055 'Budgetary Reporting' to present original budget information, the Commission's financial statements present adjusted budget information.

## **The Chief Executive's Responsibilities for the Financial Statements**

The Chief Executive is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as the Chief Executive determines is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Executive is responsible for assessing the ability of the Commission and the consolidated entity to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting except where operations will cease as a result of an administrative restructure.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

My 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
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar3.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf). The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Commission or the consolidated entity carried out their activities effectively, efficiently and economically
- about the assumptions used in formulating the budget figures disclosed in the financial statements
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

S Bond .

Sally Bond  
Director, Financial Audit Services

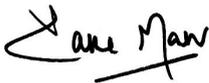
Delegate of the Auditor-General for New South Wales

23 September 2019  
SYDNEY

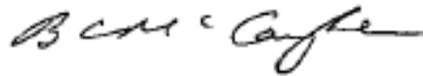
**Clinical Excellence Commission  
Certification of the Financial Statements  
for the year ended 30 June 2019**

We state, pursuant to section 45F of the *Public Finance and Audit Act 1983*:

- 1) The financial statements of the Clinical Excellence Commission for the year ended 30 June 2019 have been prepared in accordance with:
  - a) Australian Accounting Standards (AAS) (which include Australian Accounting Interpretations);
  - b) the requirements of the *Public Finance and Audit Act 1983 (the Act)*, the *Public Finance and Audit Regulation 2015*;
  - c) NSW Treasurer's Directions issued under the Act.
- 2) The financial statements exhibit a true and fair view of the financial position and the financial performance of the Clinical Excellence Commission; and
- 3) We are not aware of any circumstances which would render any particulars in the financial statements to be misleading or inaccurate.



Carrie Marr  
Chief Executive  
20 September 2019



A/Prof Brian McCaughan  
Board Chair  
20 September 2019

**Clinical Excellence Commission**  
**Statement of Comprehensive Income for the year ended 30 June 2019**

PARENT			CONSOLIDATION				
Actual	Adjusted Budget Unaudited	Actual		Actual	Adjusted Budget Unaudited	Actual	
2019	2019	2018	Notes	2019	2019	2018	
\$000	\$000	\$000		\$000	\$000	\$000	
<b>Continuing Operations</b>							
<b>Expenses excluding losses</b>							
-	-	-	Employee Related Expenses	2	16,044	17,221	12,810
13,908	15,137	12,382	Personnel Services	3	-	-	-
4,530	4,086	3,699	Other Expenses	4	4,530	4,086	3,699
697	509	383	Depreciation and Amortisation	1(l), 5	697	509	383
605	563	567	Grants and Subsidies	6	605	563	567
<b>19,740</b>	<b>20,296</b>	<b>17,031</b>	<b>Total Expenses excluding losses</b>		<b>21,876</b>	<b>22,380</b>	<b>17,459</b>
<b>Revenue</b>							
18,112	18,112	16,609	NSW Ministry of Health Recurrent Allocations	1(h)	18,112	18,112	16,609
69	85	85	NSW Ministry of Health Capital Allocations	1(h)	69	85	85
-	-	-	Acceptance by the Crown Entity of Employee Benefits	1(e)(ii),9	2,136	2,084	428
5	39	5	Sale of Goods and Services	1(h), 7	5	39	5
70	4	50	Grants and Other Contributions	1(h),8	70	4	50
15	9	82	Other Income	10	15	9	82
<b>18,271</b>	<b>18,249</b>	<b>16,831</b>	<b>Total Revenue</b>		<b>20,407</b>	<b>20,333</b>	<b>17,259</b>
<b>(1,469)</b>	<b>(2,047)</b>	<b>(200)</b>	<b>Operating Result</b>		<b>(1,469)</b>	<b>(2,047)</b>	<b>(200)</b>
-	-	2	Gains / (Losses) on Disposal	11	-	-	2
<b>(1,469)</b>	<b>(2,047)</b>	<b>(198)</b>	<b>Net Result from Continuing Operations</b>	21	<b>(1,469)</b>	<b>(2,047)</b>	<b>(198)</b>
<b>(1,469)</b>	<b>(2,047)</b>	<b>(198)</b>	<b>TOTAL COMPREHENSIVE INCOME</b>		<b>(1,469)</b>	<b>(2,047)</b>	<b>(198)</b>

The accompanying notes form part of these financial statements.

Clinical Excellence Commission  
Statement of Financial Position as at 30 June 2019

PARENT			CONSOLIDATION			
Actual	Adjusted Budget Unaudited	Actual	Notes	Actual	Adjusted Budget Unaudited	Actual
2019	2019	2018		2019	2019	2018
\$000	\$000	\$000		\$000	\$000	\$000
<b>ASSETS</b>						
<b>Current Assets</b>						
242	(1,325)	609	12	242	(1,325)	609
500	816	817	13	500	816	817
<b>742</b>	<b>(509)</b>	<b>1,426</b>		<b>742</b>	<b>(509)</b>	<b>1,426</b>
<b>742</b>	<b>(509)</b>	<b>1,426</b>		<b>742</b>	<b>(509)</b>	<b>1,426</b>
<b>Total Current Assets</b>						
<b>Non-Current Assets</b>						
133	588	72	14	133	588	72
112	(43)	431		112	(43)	431
<b>245</b>	<b>545</b>	<b>503</b>		<b>245</b>	<b>545</b>	<b>503</b>
449	223	223	15	449	223	223
<b>694</b>	<b>768</b>	<b>726</b>		<b>694</b>	<b>768</b>	<b>726</b>
<b>1,436</b>	<b>259</b>	<b>2,152</b>		<b>1,436</b>	<b>259</b>	<b>2,152</b>
<b>LIABILITIES</b>						
<b>Current Liabilities</b>						
1,498	705	676	16	1,498	705	676
2,121	2,074	1,958	17	2,121	2,074	1,958
14	198	198	18	14	198	198
<b>3,633</b>	<b>2,977</b>	<b>2,832</b>		<b>3,633</b>	<b>2,977</b>	<b>2,832</b>
<b>Total Current Liabilities</b>						
<b>Non-Current Liabilities</b>						
310	368	358	17	310	368	358
<b>310</b>	<b>368</b>	<b>358</b>		<b>310</b>	<b>368</b>	<b>358</b>
<b>3,943</b>	<b>3,345</b>	<b>3,190</b>		<b>3,943</b>	<b>3,345</b>	<b>3,190</b>
<b>(2,507)</b>	<b>(3,086)</b>	<b>(1,038)</b>		<b>(2,507)</b>	<b>(3,086)</b>	<b>(1,038)</b>
<b>Net Assets</b>						
<b>EQUITY</b>						
(2,507)	(3,086)	(1,038)		(2,507)	(3,086)	(1,038)
<b>(2,507)</b>	<b>(3,086)</b>	<b>(1,038)</b>		<b>(2,507)</b>	<b>(3,086)</b>	<b>(1,038)</b>
<b>Total Equity</b>						

The accompanying notes form part of these financial statements.

**Clinical Excellence Commission**  
**Statement of Changes in Equity for the year ended 30 June 2019**

**PARENT AND CONSOLIDATION**

	Notes	Accumulated Funds \$000	Total \$000
Balance at 1 July 2018		(1,038)	(1,038)
Restated balance at 1 July 2018		<u>(1,038)</u>	<u>(1,038)</u>
Net Result for the Year		(1,469)	(1,469)
Total Comprehensive Income for the Year		<u>(1,469)</u>	<u>(1,469)</u>
Balance at 30 June 2019		<u>(2,507)</u>	<u>(2,507)</u>
Balance at 1 July 2017		(840)	(840)
Restated balance at 1 July 2017		<u>(840)</u>	<u>(840)</u>
Net Result for the Year		(198)	(198)
Total Comprehensive Income for the Year		<u>(198)</u>	<u>(198)</u>
Balance at 30 June 2018		<u>(1,038)</u>	<u>(1,038)</u>

The accompanying notes form part of these financial statements.

**Clinical Excellence Commission**  
**Statement of Cash Flows for the year ended 30 June 2019**

PARENT			CONSOLIDATION			
Actual	Adjusted Budget Unaudited	Actual	Notes	Actual	Adjusted Budget Unaudited	Actual
2019	2019	2018		2019	2019	2018
\$000	\$000	\$000		\$000	\$000	\$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
<b>Payments</b>						
-	-	-	Employee Related	(14,240)	(15,595)	(12,710)
(4,221)	(4,712)	(4,424)	Suppliers for Goods and Services	(4,221)	(4,712)	(4,424)
(693)	(651)	(632)	Grants and Subsidies	(693)	(651)	(632)
(14,240)	(15,595)	(12,710)	Other	-	-	-
<b>(19,154)</b>	<b>(20,958)</b>	<b>(17,766)</b>	<b>Total Payments</b>	<b>(19,154)</b>	<b>(20,958)</b>	<b>(17,766)</b>
<b>Receipts</b>						
18,112	18,112	16,609	NSW Ministry of Health Recurrent Allocations	18,112	18,112	16,609
69	85	85	NSW Ministry of Health Capital Allocations	69	85	85
663	663	350	Reimbursements from the Crown Entity	663	663	350
41	48	363	Sale of Goods and Services	41	48	363
130	64	50	Grants and Other Contributions	130	64	50
438	604	705	Other	438	604	705
<b>19,453</b>	<b>19,576</b>	<b>18,162</b>	<b>Total Receipts</b>	<b>19,453</b>	<b>19,576</b>	<b>18,162</b>
<b>299</b>	<b>(1,382)</b>	<b>396</b>	<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>299</b>	<b>(1,382)</b>	<b>396</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
-	(23)	25	Proceeds from Sale of Property, Plant & Equipment and Intangibles	-	(23)	25
(666)	(529)	(323)	Purchases of Property, Plant & Equipment and Intangibles	(666)	(529)	(323)
<b>(666)</b>	<b>(552)</b>	<b>(298)</b>	<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(666)</b>	<b>(552)</b>	<b>(298)</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>						
(367)	(1,934)	98		(367)	(1,934)	98
609	609	511	Opening Cash and Cash Equivalents	609	609	511
<b>242</b>	<b>(1,325)</b>	<b>609</b>	<b>CLOSING CASH AND CASH EQUIVALENTS</b>	<b>242</b>	<b>(1,325)</b>	<b>609</b>

The accompanying notes form part of these financial statements.

**Clinical Excellence Commission**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2019**

**1. Statement of Significant Accounting Policies**

**a) The Reporting Entity**

The Clinical Excellence Commission (the CEC) was established under the provisions of the Health Services Act 1997 with effect from 18 August 2004.

The CEC is a NSW Government entity and is controlled by the NSW Ministry of Health, which is the immediate parent. The reporting entity is also controlled by the State of New South Wales (and is consolidated as part of the NSW Total State Sector Accounts), which is the ultimate parent. The reporting entity is a not-for-profit entity (as profit is not its principal objective).

The CEC, as a reporting entity, comprises all the entities under its control, namely:

- \* The parent entity, comprises all the operating activities of the CEC
- \* The Clinical Excellence Commission Special Purpose Service Entity, which was established as a Division of the CEC on 18 August 2004 in accordance with the Health Services Act 1997. This Division provides personnel services to enable the CEC to exercise its functions.

As a consequence the values in the financial statements presented herein consist of the parent entity and the consolidated entity which comprises the parent and special purpose service entity. In the process of preparing the consolidated financial statements consisting of the controlling and controlled entities, all inter-entity transactions and balances have been eliminated, and like transactions and other events are accounted for using uniform accounting policies.

These consolidated financial statements for the year ended 30 June 2019 have been authorised for issue by the Chief Executive on 15 July 2019.

**b) Basis of Preparation**

The CEC's financial statements are general purpose financial statements which have been prepared on an accrual basis and in accordance with applicable Australian Accounting Standards (AAS) (which include Australian Accounting Interpretations), the requirements of the Health Services Act 1997 and its regulations (including observation of the Accounts and Audit Determination for Public Health Organisations), the Public Finance and Audit Act 1983 (the Act) and the Public Finance and Audit Regulation 2015, and the NSW Treasurer's Directions issued under the Act. The financial statements comply with the NSW Treasury mandates circular for NSW General Government Sector Entities.

The financial statements of the CEC have been prepared on a going concern basis.

The Secretary of NSW Health, the Chair of the Clinical Excellence Commission Board and the Chief Executive, have agreed to service and funding levels for the forward financial year. The Performance Agreement sets out the level of financial resources for public health services under the CEC's control and the source of these funds. The Performance Agreement requires local management to control its financial liquidity and in particular meet benchmarks for the payment of creditors. Where the CEC fails to meet Performance Agreement performance standards, the NSW Ministry of Health as the state manager can take action in accordance with annual performance framework requirements, including financial support and increased management interaction by the NSW Ministry of Health.

Other circumstances why the going concern assumption is appropriate include:

- \* Allocated funds, combined with other revenues earned, are applied to pay debts as and when they become due and payable.
- \* The CEC has the capacity to review timing of subsidy cash flows to ensure that debts can be paid when they become due and payable.

Financial statement items are prepared in accordance with the historical cost convention except where specified otherwise.

Judgements, key assumptions and estimations management has made are disclosed in the relevant notes to the financial statements.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency, which is the CEC's presentation and functional currency.

**c) Comparative Information**

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is disclosed in respect of the previous period for all amounts reported in the financial statements.

Certain comparative information has been reclassified to ensure consistency with current year presentation and classification.

**d) Statement of Compliance**

The financial statements and notes comply with Australian Accounting Standards which include Australian Accounting Interpretations.

**Clinical Excellence Commission**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2019**

**1. Statement of Significant Accounting Policies**

**e) Employee Benefits and Other Provisions**

*i) Salaries and Wages, Annual Leave, Sick Leave, Allocated Days Off (ADO) and On-Costs*

Salaries and wages (including non-monetary benefits) and paid sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the service are recognised and measured at the undiscounted amounts of the benefits.

Annual leave and ADO are not expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service. As such, they are required to be measured at present value in accordance with AASB 119 Employee Benefits (although short-cut methods are permitted).

Actuarial advice obtained by NSW Treasury, a controlled entity of the ultimate parent, has confirmed that using the nominal annual leave balance plus the annual leave entitlements accrued while taking annual leave can be used to approximate the present value of the annual leave liability. On-costs of 16.1% are applied to the value of leave payable at 30 June 2019 (comparable on-costs for 30 June 2018 were 16.1%). The CEC has assessed the actuarial advice based on the CEC's circumstances to both the annual leave and ADO and has determined that the effect of discounting is immaterial. All annual leave and ADO are classified as a current liability even where the consolidated entity does not expect to settle the liability within 12 months as the consolidated entity does not have an unconditional right to defer settlement.

Unused non-vesting sick leave does not give rise to a liability as it is not considered probable that sick leave taken in the future will be greater than the benefits accrued in the future.

*ii) Long Service Leave and Superannuation*

The CEC's liability for long service leave and defined benefit superannuation (State Authorities Superannuation Scheme and State Superannuation Scheme) are assumed by the Crown Entity, which is a controlled entity of the ultimate parent.

The CEC accounts for the liability as having been extinguished, resulting in the amount assumed being shown as part of the non-monetary revenue item described as 'Acceptance by the Crown Entity of Employee Benefits'.

Specific on-costs relating to Long Service Leave assumed by the Crown Entity are borne by the CEC as shown in Note 17.

Long service leave is measured at the present value of expected future payments to be made in respect of services provided up to the reporting date. Consideration is given to certain factors based on actuarial review, including expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using the long-term Commonwealth Government bond rate at the reporting date.

The superannuation expense for the financial year is determined by using the formulae specified in the Treasurer's Directions. The expense for certain superannuation schemes (i.e. Basic Benefit and First State Super) is calculated as a percentage of the employee's salary. For other superannuation schemes (i.e. State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employee's superannuation contributions.

*iii) Consequential On-Costs*

Consequential costs to employment are recognised as liabilities and expenses where the employee benefits to which they relate have been recognised. This includes outstanding amounts of workers' compensation insurance premiums and fringe benefits tax.

*iv) Other Provisions*

Other provisions are recognised when the CEC has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

**f) Insurance**

The CEC's insurance activities are conducted through the NSW Treasury Managed Fund (TMF) Scheme of self insurance for government entities. The expense (premium) is determined by the Fund Manager based on past claims experience. The TMF is managed by Insurance and Care NSW (iCare), a controlled entity of the ultimate parent.

**g) Grants and Subsidies**

Grants and subsidies expense generally comprise contributions in cash or in kind to various local government authorities and not-for-profit community organisations to support their health-related objectives and activities. The grant and subsidies are expensed on the transfer of the cash or assets. The transferred assets are measured at their fair value.

**Clinical Excellence Commission**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2019**

**1. Statement of Significant Accounting Policies**

**h) Income Recognition**

Income is measured at the fair value of the consideration or contribution received or receivable. Additional comments regarding the accounting policies for the recognition of revenue are discussed below.

*Sale of Goods*

Revenue from the sale of goods is recognised as revenue when the CEC transfers the significant risks and rewards of ownership of the goods, usually on delivery of the goods.

*Rendering of Services*

Revenue is recognised when the service is provided or by reference to the stage of completion (based on labour hours incurred to date).

*Grants and Other Contributions*

Grants and other contributions, comprising mainly cash and in-kind contributions, are recognised as revenues when control passes to the CEC and the contractual obligations have been satisfied. In-kind contributions are measured at fair value on transfer date.

*NSW Ministry of Health Allocations*

Payments are made by the immediate parent on the basis of the allocation for the CEC as adjusted for approved supplementations mostly for salary agreements and approved enhancement projects.

This allocation is included in the Statement of Comprehensive Income before arriving at the 'Net Result' on the basis that the allocation is earned in return for the health services provided on behalf of the NSW Ministry of Health. Allocations are normally recognised upon the receipt of cash.

**i) Accounting for the Goods & Services Tax (GST)**

Income, expenses and assets are recognised net of the amount of GST, except that the:

- \* amount of GST incurred by the CEC as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of an asset's cost of acquisition or as part of an item of expense; and
- \* receivables and payables are stated with the amount of GST included.

Cash flows are included in the Statement of Cash Flows on a gross basis. However, the GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

**j) Acquisition of Property, Plant and Equipment**

Property, plant and equipment acquired are initially recognised at cost and subsequently revalued at fair value less accumulated depreciation and impairment. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the requirements of other Australian Accounting Standards.

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at measurement date.

Where payment for an asset is deferred beyond normal credit terms, its cost is the cash price equivalent, i.e. the deferred payment amount is effectively discounted over the period of credit.

**k) Capitalisation Thresholds**

Property, plant and equipment costing \$10,000 and above individually (or forming part of a network costing more than \$10,000) and intangible assets costing \$50,000 are capitalised.

**l) Depreciation of Property, Plant and Equipment**

Depreciation is provided for on a straight-line basis for all depreciable assets so as to write off the depreciable amount of each asset as it is consumed over its useful life to the CEC. All material identifiable components of assets are depreciated over their useful lives.

Details of depreciation rates initially applied for major asset categories are as follows:

Leasehold Improvements *	10.0%
Plant and Equipment	
- Computer Equipment	20.0%
- Furniture, Fittings and Furnishings	5.0%
- Motor Vehicle Sedans	12.5%
- Office Equipment	10.0%

\* Depending on the term of the lease arrangements

Depreciation rates are subsequently varied where changes occur in the assessment of the remaining useful life of the assets reported.

**Clinical Excellence Commission**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2019**

**1. Statement of Significant Accounting Policies**

**m) Revaluation of Non-Current Assets**

Physical non-current assets are valued in accordance with the 'Valuation of Physical Non-Current Assets at Fair Value' Policy and Guidelines Paper (TPP 14-01). This policy adopts fair value in accordance with AASB 13 Fair Value Measurement, AASB 116 Property, Plant and Equipment and AASB 140 Investment Property.

Non-specialised assets with short useful lives are measured at depreciated historical cost, as an approximation of fair value. The CEC has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

**n) Impairment of Property, Plant and Equipment**

As a not-for-profit entity with no cash generating units, impairment under AASB 136 Impairment of Assets is unlikely to arise. As property, plant and equipment is carried at fair value or an amount that approximates fair value, impairment can only arise in the rare circumstances such as where the costs of disposal are material. Specifically, impairment is unlikely for not-for-profit entities given that AASB 136 Impairment of Assets modifies the recoverable amount test for non-cash generating assets of not-for-profit entities to the higher of fair value less costs of disposal and depreciated replacement cost, where depreciated replacement cost is also fair value.

**p) Intangible Assets**

The CEC recognises intangible assets only if it is probable that future economic benefits will flow to the CEC and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost.

Where an asset is acquired at no or nominal cost, the cost is its fair value as at the date of acquisition. All research costs are expensed. Development costs are only capitalised when certain criteria are met.

The useful lives of intangible assets are assessed to be finite.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

Intangible assets are subsequently measured at fair value only if there is an active market. As there is no active market for the CEC's intangible assets, the assets are carried at cost less any accumulated amortisation and impairment losses.

Computer software developed or acquired by CEC are recognised as intangible assets and are amortised over four to ten years using the straight line method based on the useful life of the asset for both internally developed assets and direct acquisitions. Most computer software is acquired from the Health Administration Corporation, a controlled entity of the immediate parent.

Intangible assets are tested for impairment where an indicator of impairment exists. If the recoverable amount is less than its carrying amount the carrying amount is reduced to recoverable amount and the reduction is recognised as an impairment loss.

**q) Maintenance**

Day-to-day servicing costs or maintenance are charged as expenses as incurred except where they relate to the replacement of a part or component of an asset, in which case the costs are capitalised and depreciated.

**r) Receivables and Other Financial Assets**

*Recognition and Measurement*

All 'regular way' purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Receivables are initially recognised at fair value plus any directly attributable transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price.

**Subsequent measurement under AASB 9 Financial Instruments (from 1 July 2018)**

The CEC holds receivables with the objective to collect the contractual cash flows and therefore measures them at amortised cost using the effective interest method, less any impairment. Changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

**Classification and measurement under AASB 139 Financial Instruments: Recognition and Measurement (for comparative period ended 30 June 2018)**

Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment. Changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

Amounts due from lessees under finance leases are classified as loans and receivables and recognised at the amount of the consolidated entity's net investment in the lease. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the consolidated entity's net investment outstanding in respect of the leases.

Short-term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

**Clinical Excellence Commission**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2019**

**1. Statement of Significant Accounting Policies**

**s) Impairment of Financial Assets**

**Impairment under AASB 9 (from 1 July 2018)**

The CEC recognises an allowance for expected credit losses (ECLs) for all debt financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows and the cash flows that the CEC expects to receive, discounted at the original effective interest rate.

*Receivables*

For trade receivables, the CEC applies a simplified approach in calculating ECLs. The CEC recognises a loss allowance based on lifetime ECLs at each reporting date. The CEC has established a provision matrix based on its historical credit loss experience for trade receivables, adjusted for forward looking factors specific to the receivable.

**Impairment of financial assets under AASB 139 (for the comparative period ended 30 June 2018)**

All financial assets, except those measured at fair value through profit or loss, are subject to an annual review for impairment. An allowance for impairment is established when there is objective evidence that the CEC will not be able to collect all amounts due, as a result of one or more events that occurred after the initial recognition of the asset, the estimated cash flows have been affected.

For certain categories of financial assets, such as trade receivables, the CEC first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Further, receivables are assessed for impairment on a collective basis if they were assessed not to be impaired individually.

For financial assets carried at amortised cost, the amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the impairment loss is recognised in the net result for the year.

Any reversals of impairment losses are reversed through the net result for the year, where there is objective evidence. Reversals of impairment losses of financial assets carried at amortised cost cannot result in a carrying amount that exceeds what the carrying amount would have been had there not been an impairment loss.

**t) Payables**

These amounts represent liabilities for goods and services provided to the CEC and other amounts. Payables are recognised initially at fair value, net of directly attributable transaction costs.

Subsequent measurement is at amortised cost using the effective interest method. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

Payables are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the CEC.

**u) Fair Value Hierarchy**

For non-specialised assets with short useful lives, AASB 13 allows recognition at depreciated historical cost as an acceptable surrogate for fair value as differences are considered immaterial. Thus the values of Plant & Equipment and Leasehold Improvement are not required to be reported under the fair value hierarchy.

**v) Equity and Reserves**

**(i) Accumulated Funds**

The category 'accumulated funds' includes all current and prior period retained funds.

**(ii) Revaluation Surplus**

The revaluation surplus is used to record increments and decrements on the revaluation of non-current assets. This accords with the CEC's policy on the revaluation of property, plant and equipment as discussed in Note 1(m).

**w) Adjusted Budget Amounts**

NSW Health's budget is shown at a consolidated level when presented in parliament each year (i.e. in the NSW Government Budget Papers). The CEC's budget is not presented in parliament, therefore AASB 1055 Budgetary Reporting is not applicable. Unlike the requirement in AASB 1055 Budgetary Reporting to present original budget information, the CEC's financial statements present adjusted budget information. The adjusted budgeted amounts are drawn from the initial Performance Agreement between the CEC and the NSW Ministry of Health at the beginning of the financial year, as well as any adjustments for the effects of additional supplementation provided in accordance with delegations to derive a final budget at year end (i.e. adjusted budget). The budget amounts are not subject to audit and, accordingly, the relevant column entries in the financial statements are denoted as 'Unaudited'.

Major variances between the original budgeted amounts and the actual amounts disclosed in the primary financial statements are explained in Note 22.

**Clinical Excellence Commission**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2019**

**1. Statement of Significant Accounting Policies**

**x) Changes in Accounting Policy, Including New or Revised Australian Accounting Standards**

**(i) Effective for the first time in 2018-19**

The accounting policies applied in 2018-19 are consistent with those of the previous financial year except as a result of new or revised Australian Accounting Standards that have been applied for the first time as follows:

The CEC has adopted AASB 9 Financial Instruments (AASB 9), which resulted in changes in accounting policies in respect of recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting. AASB 9 also significantly amends other standards dealing with financial instruments such as the revised AASB 7 Financial Instruments: Disclosures (AASB 7R).

The CEC applied AASB 9 retrospectively but has not restated the comparative information which is reported under AASB 139 Financial Instruments: Recognition and Measurement (AASB 139). Any differences arising from the adoption of AASB 9 have been recognised directly in accumulated funds and other components of equity.

The effect of adopting AASB 9 on the CEC Statement of Financial Position has no impact as at 1 July 2018.

*a) Classification and measurement of financial instruments*

On 1 July 2018 (the date of initial application of AASB 9), the CEC's management has assessed which business models apply to the financial assets by the CEC and has classified its financial instruments into the appropriate AASB 9 categories. The classification and measurement requirements of AASB 9 did not have a material impact to the CEC.

There was no impact of transition to AASB 9 on reserves and accumulated funds.

**(ii) Issued but not yet effective**

NSW public sector entities are not permitted to early adopt new Australian Accounting Standards, unless NSW Treasury determines otherwise. The following new Australian Accounting Standards, excluding standards not considered applicable or material to the CEC have not been applied and are not yet effective. The possible impact of these Accounting Standards in the period of initial application includes:

AASB 16 Leases replaces all existing lease requirements and applies to annual periods beginning on or after 1 January 2019. For lessees, the distinction between operating and finance leases will no longer exist. Instead, AASB 16 Leases will require lessees to account for practically all leases under a single on-balance sheet model in a similar way to finance leases under AASB 117 Leases. The standard includes two recognition exemptions for lessees – leases of 'low value' assets (e.g. personal computers below \$10,000) and short term leases (i.e. leases with a lease term of 12 months or less). At the commencement of a lease, a lessee will recognise a liability representing its obligation to make future lease payments and an asset representing its right of use to the underlying asset for the lease term. Lessees will be required to separately recognise interest expense on the lease liability and depreciation expense on the right of use asset rather than operating lease expense.

The new standard will gross up the Statement of Financial Position and change Statement of Comprehensive Income and cash flow presentation. Rent and lease expense will be replaced by depreciation and interest expense in Statement of Comprehensive Income. This results in a front-loaded lease expense, decreasing the net result and equity position. The Statement of Cash Flows for lessees will also be affected as payments for the principal portion of the lease liability will be presented within financing activities.

Lessor accounting is substantially unchanged from today's accounting under AASB 117 Leases. Lessors will continue to classify all leases using the same classification as in AASB 117 Leases and distinguish between two types of leases: operating and finance leases.

The standard permits two methods of adoption: full retrospective – by retrospectively adjusting each prior reporting period presented and recognising the cumulative effect of initially applying the new requirements at the start of the earliest period, which would be 1 July 2018; or modified retrospective – by recognising the cumulative effect of initially applying the new requirements at the initial application, which would be 1 July 2019. NSW Treasury has mandated a modified retrospective application of this accounting standard.

AASB 15 Revenue from Contracts with Customers (and associated amending standards AASB 2014-5, AASB 2015-8, AASB 2016-3, AASB 2016-7 and AASB 2016-8) applies to annual periods beginning on or after 1 January 2019 for not-for-profit entities. AASB 15 Revenue from Contracts with Customers establishes a contract-based five-step analysis of transactions to determine the nature, amount and timing of revenue arising from contracts with customers. This new standard requires revenue to be recognised when control of the goods or services are transferred to the customer at the transaction price. This may impact the timing of recognising certain revenue currently recognised by reference to the stage of completion of the transaction.

AASB 1058 Income of Not-for-Profit Entities applies to not-for-profit entities and is effective for annual periods beginning on or after 1 January 2019. This standard requires entities to recognise income where the consideration to acquire an asset, including cash, is significantly less than the fair value principally to enable the entity to further its objectives. Under this standard, the timing of income recognition may be impacted depending on whether there is a liability or other performance obligation associated with the acquired asset, including cash. AASB 1058 Income of Not-for-Profit Entities also requires government agencies to recognise income for volunteer services received if the fair value of those services can be measured reliably and the services would have been purchased if they had not been donated. This is consistent with current practice under AASB 1004 Contributions and is not expected to materially impact these financial statements.

**Clinical Excellence Commission**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2019**

**1. Statement of Significant Accounting Policies**

AASB 1059 Service Concession Arrangements is applicable to public sector entities only and is effective for annual periods beginning on or after 1 January 2020. This standard requires the grantor to recognise a service concession asset in a service concession arrangement where it controls the asset. A corresponding financial liability and/or grant of right liability is also recognised depending on the nature of the consideration exchanged. Service concession assets (including those provided by the operator, an upgrade to or a major component replacement of an existing asset of the grantor; and existing assets of the grantor – also applicable to previously unrecognised intangible assets except goodwill) are initially measured at current replacement cost based on AASB 13 Fair Value Measurement principles. They are subsequently accounted for under AASB 116 Property, Plant & Equipment or AASB 138 Intangible Assets. Service concession liabilities are initially measured at the same amount as the service concession asset and subsequently measured using either the 'financial liability' model applying AASB 9 Financial Instruments or, the 'grant of right' model under AASB 1059 Service Concession Arrangements. AASB 1059 Service Concession Arrangements requires retrospective application.

**Overview of Assessment Activities**

The Ministry of Health has formed a project team to lead the implementation of the new accounting standards. The objective of the project is to continuously analyse and assess the impact of the new accounting standards. This includes changes to our accounting policies, internal and external reporting requirements, IT systems, business processes and associated internal controls with the objectives of quantifying the expected first time adoption impacts as well as supporting ongoing compliance with the new accounting requirements.

The project team has conducted various data gathering tasks with health entities around leases and certain revenue streams.

Work currently underway includes:

- \* implementation of an IT solution for lease management and accounting
- \* comprehensive review and capture of lease information
- \* review of accounting policies and processes surrounding leases and revenue.

**Potential Impact on the CEC's Financial Report**

While the consolidated entity, controlled by the ultimate parent, is yet to complete full implementation and adoption of the new accounting standards, the following summaries work undertaken by the CEC so far and the known and expected impacts:

*Leases*

The CEC has compiled a lease register and calculated the likely impact of the new leasing standards, to be as follows.

- \* The total assets and liabilities on the Statement of Financial Position will increase by approximately \$741 thousand on the date of transition (on 1 July 2019). In subsequent years, total equity is expected to decrease due to a reduction in capitalised assets being on a straight line basis whilst the liability reduces the principal amount of repayments.
- \* Interest expenses will increase by approximately \$11 thousand in the 2019-2020 financial year due to the unwinding of the effective interest rate implicit in the lease. Interest expense will be greater earlier in a lease life due to the higher principal value causing profit variability over the course of the leases life. This effect may be partially mitigated due to the number of leases held by the CEC at different stages of their lease terms.
- \* Depreciation expense will be booked on right of use assets, which will be on a straight line basis. For 2019-2020 financial year, depreciation expense is expected to be higher by approximately \$635 thousand.
- \* Operating lease expense recognised under AASB 17 Leases will decrease by approximately \$645 thousand in the 2019-2020 financial year.
- \* Operating cash flows will be higher as repayment of the principal portion of all lease liabilities will be classified as financing activities.
- \* The assessment outcomes are based on certain assumptions and are indicative only. There are likely to be variances with the actual impacts to be reported in 2019-2020 financial year and onwards.

*Revenue and Income of Not-for-Profit Entities*

CEC in consultation with the NSW Ministry of Health has performed a preliminary impact assessment by the major revenue lines. The review has not indicated any material impact arising from the adoption of the new revenue accounting standard. The likely impacts are:

- \* Deferral of 'Grants and Other Contributions' revenue. The impacts are not expected to be material as most funds received correlates to the level of activities performed during the year and most contracts are short to medium term only. Some timing differences is expected between inflow of funds and the level of activity, which may require some deferral or accrual of grant and other contribution revenue.
- \* Specific quantitative and qualitative disclosures will be required under AASB 15 Revenue from Contracts with Customers.

*Service Concession Arrangements*

The work on Service Concession Arrangements is in progress. The CEC expects the following impacts from the preliminary work performed so far:

- \* No significant impact expected on the CEC.

**Application Date**

The CEC plans to adopt the new accounting standards on the required effective date in line with the NSW Treasury's instructions.

**Clinical Excellence Commission**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2019**

PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
		<b>2. Employee Related Expenses</b>		
-	-	Salaries and Wages (including Annual Leave and ADO)	12,423	11,299
-	-	Superannuation - Defined Benefit Plans	188	180
-	-	Superannuation - Defined Contribution Plans	1,073	999
-	-	Long Service Leave	2,074	282
-	-	Redundancies	215	-
-	-	Workers' Compensation Insurance	45	37
-	-	Fringe Benefits Tax	26	13
-	-		<b>16,044</b>	<b>12,810</b>
		The amounts below are capitalised and do not form part of the above total employee related costs:		
-	-	Employee Related Expenses Capitalised - Intangibles	237	-
-	-		<b>237</b>	-
		Some of the amounts in 'Salaries and Wages (including Annual Leave and ADO)' relate to South Eastern Sydney LHD, the Sydney Childrens Hospital Network and Western NSW LHD which are controlled by the ultimate parent.		
		<b>3. Personnel Services</b>		
12,423	11,299	Salaries and Wages (including Annual Leave and ADO)	-	-
1,073	999	Superannuation - Defined Contribution Plans	-	-
126	34	Long Service Leave	-	-
215	-	Redundancies	-	-
45	37	Workers' Compensation Insurance	-	-
26	13	Fringe Benefits Tax	-	-
<b>13,908</b>	<b>12,382</b>		<b>-</b>	<b>-</b>
		Personnel services of Clinical Excellence Commission were provided by its controlled entity, Clinical Excellence Commission Special Purpose Service Entity.		
		The amounts below are capitalised and do not form part of the above total personnel services:		
237	-	Personnel Services Expenses Capitalised - Intangibles	-	-
<b>237</b>	-		<b>-</b>	<b>-</b>

**Clinical Excellence Commission**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2019**

PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
		<b>4. Other Expenses</b>		
39	34	Auditor's Remuneration - Audit of Financial Statements	39	34
73	192	Consultancies	73	192
694	288	Contractors	694	288
2	2	Domestic Supplies and Services	2	2
52	40	Food Supplies	52	40
44	37	Fuel, Light and Power	44	37
721	501	Information Management Expenses	721	501
2	1	Insurance	2	1
167	50	Maintenance (See Note 4(b))	167	50
9	8	Motor Vehicle Expenses	9	8
134	157	Postal and Telephone Costs	134	157
76	100	Printing and Stationery	76	100
12	19	Rates and Charges	12	19
28	11	Rental	28	11
22	32	Hosted Services Purchased from Entities Controlled by the Immediate Parent	22	32
521	381	Staff Related Costs	521	381
422	353	Travel Related Costs	422	353
1,512	1,493	Other (See Note 4(a))	1,512	1,493
<b>4,530</b>	<b>3,699</b>		<b>4,530</b>	<b>3,699</b>

The majority of 'Maintenance' and 'Postal Telephone Costs' relate to the Health Administration Corporation, an entity controlled by the immediate parent.

'Auditor's Remuneration - Audit of the Financial Statements' relates to the Audit Office of NSW an entity controlled by the ultimate parent.

**Clinical Excellence Commission**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2019**

PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
		<b>4. Other Expenses</b>		
		<b>a) Other Includes:</b>		
189	193	Corporate Support Services	189	193
8	13	Courier and Freight	8	13
48	16	Membership/Professional Fees	48	16
8	8	Motor Vehicle Operating Lease Expense - Minimum Lease Payments	8	8
783	809	Other Operating Lease Expense - Minimum Lease Payments	783	809
1	-	Security Services	1	-
28	31	Audiovisual	28	31
49	32	Audit Fees Other Services	49	32
24	28	Member Sitting Fees	24	28
307	347	Functions	307	347
28	1	Human resources services	28	1
20	16	Intrahealth Other	20	16
19	(1)	Goods & Services	19	(1)
<b>1,512</b>	<b>1,493</b>		<b>1,512</b>	<b>1,493</b>
		<b>b) Reconciliation of Total Maintenance</b>		
1	-	Maintenance Contracts	1	-
223	47	New/Replacement Equipment under \$10,000	223	47
(57)	3	Repairs Maintenance/Non Contract	(57)	3
167	50	Maintenance Expense - Contracted Labour and Other (Non-Employee Related in Note 4)	167	50
<b>167</b>	<b>50</b>		<b>167</b>	<b>50</b>

The majority of 'Information Management Expenses' were paid to Health Administration Corporation, an entity controlled by the immediate parent.

**Clinical Excellence Commission**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2019**

PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
		<b>5. Depreciation and Amortisation</b>		
33	15	Depreciation - Plant and Equipment	33	15
319	368	Amortisation - Leasehold Improvements	319	368
345	-	Amortisation - Intangible Assets	345	-
<b>697</b>	<b>383</b>		<b>697</b>	<b>383</b>
		<b>6. Grants and Subsidies</b>		
-	17	Grants to Research Organisations	-	17
35	18	Grants Paid to Entities Controlled by the Immediate Parent	35	18
336	154	Therapeutic Advisory Group	336	154
234	378	Other Grants	234	378
<b>605</b>	<b>567</b>		<b>605</b>	<b>567</b>

**Clinical Excellence Commission**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2019**

PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
		<b>7. Sale of Goods and Services</b>		
		<b>Rendering of Services comprise the following:-</b>		
		Salary Packaging Fee		
5	5		5	5
<u>5</u>	<u>5</u>		<u>5</u>	<u>5</u>

**Clinical Excellence Commission**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2019**

PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
		<b>8. Grants and Other Contributions</b>		
35	50	Grants & Contributions Received from Entities Controlled by the Immediate	35	50
35	-	Other Grants	35	-
<u>70</u>	<u>50</u>		<u>70</u>	<u>50</u>
		Some of the Grants & Contributions were received from the Immediate Parent, the Ministry of Health.		
		<b>9. Acceptance by the Crown Entity of Employee Benefits</b>		
		The following liabilities and expenses have been assumed by the Crown Entity:		
-	-	Superannuation - Defined Benefit Plans	188	180
-	-	Long Service Leave Provision	1,948	248
<u>-</u>	<u>-</u>		<u>2,136</u>	<u>428</u>
		<b>10. Other Income</b>		
		Other Income comprises the following:-		
13	47	Conference and Training Fees	13	47
-	35	Sponsorship	-	35
2	-	Other	2	-
<u>15</u>	<u>82</u>		<u>15</u>	<u>82</u>
		<b>11. Gains / (Losses) on Disposal</b>		
-	52	Property, Plant and Equipment	-	52
-	(30)	Less: Accumulated Depreciation	-	(30)
<u>-</u>	<u>22</u>	<b>Written Down Value</b>	<u>-</u>	<u>22</u>
-	24	Less: Proceeds from Disposal	-	24
<u>-</u>	<u>2</u>	<b>Gain / (Loss) on Disposal of Property, Plant and Equipment</b>	<u>-</u>	<u>2</u>
<u>-</u>	<u>2</u>	<b>Total Gains / (Losses) on Disposal</b>	<u>-</u>	<u>2</u>

**Clinical Excellence Commission**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2019**

PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
<b>12. Cash and Cash Equivalents</b>				
242	609	Cash at Bank and On Hand	242	609
<u>242</u>	<u>609</u>		<u>242</u>	<u>609</u>
<p>For the purposes of the Statement of Cash Flows, 'Cash and Cash Equivalents' includes cash at bank, cash on hand, short-term deposits with original maturities of three months or less, which are subject to an insignificant risk of changes in value, and net of outstanding bank overdraft.</p> <p>Cash and Cash Equivalent assets recognised in the Statement of Financial Position are reconciled at the end of the financial year to the Statement of Cash Flows as follows:</p>				
242	609	Cash and Cash Equivalents (per Statement of Financial Position)	242	609
<u>242</u>	<u>609</u>	<b>Closing Cash and Cash Equivalents (per Statement of Cash Flows)</b>	<u>242</u>	<u>609</u>

Refer to Note 23 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

**Clinical Excellence Commission**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2019**

<b>PARENT</b>			<b>CONSOLIDATION</b>	
<b>2019</b>	<b>2018</b>		<b>2019</b>	<b>2018</b>
<b>\$000</b>	<b>\$000</b>		<b>\$000</b>	<b>\$000</b>
		<b>13. Receivables</b>		
		<b>Current</b>		
4	89	Sale of Goods and Services	4	89
74	100	Intra Health Receivables	74	100
116	81	Goods and Services Tax	116	81
89	19	Other Debtors	89	19
<b>283</b>	<b>289</b>	<b>Sub Total</b>	<b>283</b>	<b>289</b>
217	528	Prepayments	217	528
<b>500</b>	<b>817</b>		<b>500</b>	<b>817</b>

'Intra Health Receivables' includes amounts receivable from entities controlled by the immediate parent. Some of the balance at reporting date were receivable from ACI, Mid North Coast LHD, Murrumbidgee LDH, South Eastern Sydney LHD, Sydney LHD and the Sydney Childrens Hospital Network and the immediate parent itself, the Ministry of Health.

**Clinical Excellence Commission**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2019**

<b>PARENT</b>			<b>CONSOLIDATION</b>	
<b>2019</b>	<b>2018</b>		<b>2019</b>	<b>2018</b>
<b>\$000</b>	<b>\$000</b>		<b>\$000</b>	<b>\$000</b>
<b>14. Property, Plant and Equipment</b>				
<b>Plant and Equipment - Fair Value*</b>				
204	110	Gross Carrying Amount	204	110
71	38	Less: Accumulated Depreciation and Impairment	71	38
<u>133</u>	<u>72</u>	<b>Net Carrying Amount</b>	<u>133</u>	<u>72</u>
<b>Leasehold Improvements - Fair Value*</b>				
1,631	1,631	Gross Carrying Amount	1,631	1,631
1,519	1,200	Less: Accumulated Depreciation and Impairment	1,519	1,200
<u>112</u>	<u>431</u>	<b>Net Carrying Amount</b>	<u>112</u>	<u>431</u>
<u>245</u>	<u>503</u>	<b>Total Property, Plant and Equipment at Net Carrying Amount</b>	<u>245</u>	<u>503</u>

\* For non-specialised assets with short useful lives, recognition at depreciated historical cost is regarded as an acceptable approximation of fair value, in accordance with Treasury Policy Paper 14-01.

**Clinical Excellence Commission**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2019**

**PARENT AND CONSOLIDATION**

**14. Property, Plant and Equipment - Reconciliation**

A reconciliation of the carrying amount for each class of property, plant and equipment is set out below:

	<b>Plant and Equipment \$000</b>	<b>Leasehold Improvements \$000</b>	<b>Total \$000</b>
<b>2019</b>			
Net Carrying Amount at Beginning of Year	71	431	502
Additions	95	-	95
Depreciation Expense	(33)	(319)	(352)
<b>Net Carrying Amount at End of Year</b>	<b>133</b>	<b>112</b>	<b>245</b>

	<b>Plant and Equipment \$000</b>	<b>Leasehold Improvements \$000</b>	<b>Total \$000</b>
<b>2018</b>			
Net Carrying Amount at Beginning of Year	143	666	809
Additions	18	81	99
Disposals	(22)	-	(22)
Depreciation Expense	(15)	(368)	(383)
Reclassifications	(52)	52	-
<b>Net Carrying Amount at End of Year</b>	<b>72</b>	<b>431</b>	<b>503</b>

**Clinical Excellence Commission**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2019**

PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
		<b>15. Intangible Assets</b>		
		<i>Intangibles</i>		
794	223	Cost (Gross Carrying Amount)	794	223
345	-	Less: Accumulated Amortisation and Impairment	345	-
<u>449</u>	<u>223</u>	<b>Net Carrying Amount</b>	<u>449</u>	<u>223</u>
<u>449</u>	<u>223</u>	<b>Total Intangible Assets at Net Carrying Amount</b>	<u>449</u>	<u>223</u>

**PARENT AND CONSOLIDATION**

**15. Intangible Assets - Reconciliation**

	Total \$000
<b>2019</b>	
Net Carrying Amount at Beginning of Year	223
Additions	571
Amortisation (Recognised in Depreciation and Amortisation)	(345)
<b>Net Carrying Amount at End of Year</b>	<b>449</b>
	<b>Total \$000</b>
<b>2018</b>	
Net Carrying Amount at Beginning of Year	-
Additions	223
<b>Net Carrying Amount at End of Year</b>	<b>223</b>

**Clinical Excellence Commission**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2019**

PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
		<b>16. Payables</b>		
		<b>Current</b>		
-	-	Accrued Salaries, Wages and On-Costs	233	168
-	-	Taxation and Payroll Deductions	191	155
424	323	Accrued Liability - Purchase of Personnel Services	-	-
301	41	Creditors	301	41
		Other Creditors		
533	161	- Payables to Entities Controlled by the Immediate Parent	533	161
240	151	- Other	240	151
<b>1,498</b>	<b>676</b>		<b>1,498</b>	<b>676</b>

'Taxation and Payroll Deductions' include some amounts owing to the immediate parent, the Ministry of Health.

'Creditors' include some amounts owing to Government Property NSW, an entity controlled by the ultimate parent.

The majority of 'Payables to Entities Controlled by the Immediate Parent' relate to balances payable to the Health Administration Corporation, an entity controlled by the immediate parent. Some relate to the immediate parent itself, the Ministry of Health.

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 23.

**Clinical Excellence Commission**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2019**

PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
		<b>17. Provisions</b>		
		<b>Current</b>		
-	-	Annual Leave - Short Term Benefit	1,271	1,180
-	-	Annual Leave - Long Term Benefit	231	293
-	-	Long Service Leave Consequential On-Costs	549	433
-	-	Provision for Other Employee Benefits	70	52
2,121	1,958	Provision for Personnel Services Liability	-	-
<b>2,121</b>	<b>1,958</b>		<b>2,121</b>	<b>1,958</b>
		<b>Non-Current</b>		
-	-	Long Service Leave Consequential On-Costs	48	38
48	38	Provision for Personnel Services Liability	-	-
262	320	Other	262	320
<b>310</b>	<b>358</b>		<b>310</b>	<b>358</b>
		<b>Aggregate Employee Benefits and Related On-Costs</b>		
-	-	Provisions - Current	2,121	1,958
-	-	Provisions - Non-Current	48	38
-	-	Accrued Salaries, Wages and On-Costs, Taxation and Payroll Deductions (Note	424	323
2,593	2,319	Liability - Purchase of Personnel Services	-	-
<b>2,593</b>	<b>2,319</b>		<b>2,593</b>	<b>2,319</b>
		<b>Movements in provisions (other than employee benefits)</b>		
		<b>Movements in 'Other' provisions during the financial year, are set below:</b>		
320	319	Carrying Amount at 1 July	320	319
(58)	1	- Additional Provisions Recognised	(58)	1
<b>262</b>	<b>320</b>	Carrying Amount at 30 June	<b>262</b>	<b>320</b>
		<b>18. Other Liabilities</b>		
		<b>Other Current Liabilities</b>		
14	198	Unearned Revenue	14	198
<b>14</b>	<b>198</b>		<b>14</b>	<b>198</b>

The majority of 'Annual Leave - Long Term Benefit' balance includes amounts from ACI, Central Coast LHD, Justice Health, Mid North Coast LHD, Nepean Blue Mountains LHD, Northern Sydney LHD, South Eastern Sydney LHD, Sydney Local LHD, the Sydney Childrens Hospital Network, Western Sydney LHD and the Health Administration Corporation which are entities control controlled by the immediate parent. Some are also amounts from the immediate parent itself, the Ministry of Health.

**Clinical Excellence Commission**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2019**

PARENT			CONSOLIDATION	
2019 \$000	2018 \$000		2019 \$000	2018 \$000
		<b>19. Commitments</b>		
		<b>a) Capital Commitments</b>		
		Aggregate capital expenditure for the acquisition of land and buildings, plant and equipment, infrastructure systems, and intangible assets, contracted for at balance date and not provided for:		
-	76	Within one year	-	76
-	76	<b>Total (Including GST)</b>	-	76
		<b>b) Operating Lease Commitments</b>		
		<i>Entity as Lessee</i>		
		Future minimum rentals payable under non-cancellable operating leases at balance date are, as follows:		
1,020	888	Within one year	1,020	888
168	-	Later than one year and not later than five years	168	-
1,188	888	<b>Total (Including GST)</b>	1,188	888
		All 'Operating Lease Commitments' contracted but not provided for related to leases with Government Property NSW, an entity controlled by the ultimate parent.		
		<b>c) Input Tax Receivable Related to Commitments for Expenditure</b>		
		The total 'Capital Expenditure Commitments' and 'Operating Lease Commitments (Entity as Lessee)' of \$1.19 million as at 30 June 2019 includes input tax credits of \$0.108 million that are expected to be recoverable from the Australian Taxation Office (2018 \$0.173 million).		

**Clinical Excellence Commission**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2019**

**PARENT AND CONSOLIDATION**

**20. Contingent Liabilities and Assets**

*There are no contingent assets or liabilities as at 30 June 2019*

**Clinical Excellence Commission**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2019**

<b>PARENT</b>			<b>CONSOLIDATION</b>	
<b>2019</b>	<b>2018</b>		<b>2019</b>	<b>2018</b>
<b>\$000</b>	<b>\$000</b>		<b>\$000</b>	<b>\$000</b>
<b>21. Reconciliation of Cash Flows from Operating Activities to Net Result</b>				
299	396	Net Cash Used on Operating Activities	299	396
(697)	(383)	Depreciation and Amortisation Expense	(697)	(383)
184	(163)	(Increase) / Decrease in Unearned Revenue	184	(163)
(118)	10	Decrease / (Increase) in Provisions	(118)	10
(313)	(134)	Increase / (Decrease) in Prepayments and Other Assets	(313)	(134)
(824)	74	Decrease / (Increase) in Payables	(824)	74
-	2	Net Gain / (Loss) on Sale of Property, Plant and Equipment	-	2
<b>(1,469)</b>	<b>(198)</b>	<b>Net Result</b>	<b>(1,469)</b>	<b>(198)</b>

**Clinical Excellence Commission**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2019**

**PARENT AND CONSOLIDATION**

**22. Adjusted Budget Review**

**Net Result**

The actual Net Result was higher than adjusted budget by \$578 thousand, primarily due to:

A full financial years supplementation of \$1.1 million being received in February 2019, and the CEC were not able to commence recruitment and spend on other program costs prior to receipt of the supplementation.

**Assets and Liabilities**

The actual to budget variance in net assets is due to the end of year budget adjustment to cash which was processed to align the CEC's actual 'NSW Ministry of Health Recurrent Allocations' revenue to budget.

**Cash Flows**

Actual to budget variance in the cash flow from operating activities is mostly due to the above mentioned full year supplementation being received in February 2019 which caused a reduction in actual 'Operating Activity' payments. There were also delays in other recruitment during the financial year which created further reductions.

Movements in the level of the NSW Ministry of Health Recurrent Allocation that have occurred since the time of the initial allocation on \$18,111,702 are as follows:

	<b>\$000</b>
<b>Initial Allocation, 20th July 2018*</b>	18,240
<b>Award Increases</b>	303
<b>Special Projects</b>	
Implement the Legislative Changes Serious Incident Management Implementation Plan	1,115
2019 CEC Foundational Clinical Leadership Program (budget transfers)	(1,199)
Mental Health Patient Safety Program	750
Therapeutic Advisory Group Additional Funding	361
NSW Falls Prevention Network	138
HIA Project Officer	130
FONT Project Officer	75
<b>Other</b>	
Finalisation of recurrent subsidy	(1,935)
Budget Sup to Health Entities for FY18-19 voluntary redundancy payments made up 31 January 19	130
Other	3
<b>Balance as per Statement of Comprehensive Income</b>	<b>18,112</b>

\* when the Performance Agreement was signed by CEC and the Secretary

**Clinical Excellence Commission**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2019**

**23. Financial Instruments**

The CEC's principal financial instruments are outlined below. These financial instruments arise directly from the CEC's operations or are required to finance its operations. The CEC does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The CEC's main risks arising from financial instruments are outlined below, together with the CEC's objectives, policies and processes for measuring and managing risk. Further quantitative and qualitative disclosures are included throughout these financial statements.

The Chief Executive has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks. Risk management policies are established to identify and analyse the risks faced by the CEC, to set risk limits and controls and to monitor risks. Compliance with policies is reviewed on a continuous basis.

**a) Financial Instrument Categories**

**i. As at 30 June 2019 under AASB 9**

**PARENT AND CONSOLIDATION**

Class	Category	Carrying Amount 2019 \$000
Cash and Cash Equivalents (Note 12)	N/A	242
Receivables (Note 13) <sup>1</sup>	Amortised cost	167
<b>Total Financial Assets</b>		<b>409</b>
<b>Financial Liabilities</b>		
Payables (Note 16) <sup>2</sup>	Financial liabilities measured at amortised cost	1,307
<b>Total Financial Liabilities</b>		<b>1,307</b>

**Notes**

<sup>1</sup> Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7 Financial Instruments: Disclosures).

<sup>2</sup> Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7 Financial Instruments: Disclosures).

**ii. As at 30 June 2018 under AASB 139 (comparative period)**

**PARENT AND CONSOLIDATION**

Class	Category	Carrying Amount 2018 \$000
Cash and Cash Equivalents (Note 12)	N/A	609
Receivables (Note 13) <sup>1</sup>	Loans and receivables (at amortised cost)	208
<b>Total Financial Assets</b>		<b>817</b>
<b>Financial Liabilities</b>		
Payables (Note 16) <sup>2</sup>	Financial liabilities measured at amortised cost	521
<b>Total Financial Liabilities</b>		<b>521</b>

**Notes**

<sup>1</sup> Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7 Financial Instruments: Disclosures).

<sup>2</sup> Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7 Financial Instruments: Disclosures).

**b) Financial Risk**

**i. Credit Risk**

Credit risk arises when there is the possibility that the counterparty will default on their contractual obligations, resulting in a financial loss to the CEC. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for credit losses or allowance for impairment).

Credit risk arises from financial assets of the CEC, including cash and receivables. No collateral is held by the CEC. The CEC has not granted any financial guarantees.

Credit risk associated with the CEC's financial assets, other than receivables, is managed through the selection of counterparties and establishment of minimum credit rating standards. Authority deposits held with NSW TCorp are guaranteed by the State.

The CEC considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the CEC may also consider a financial asset to be in default when internal or external information indicates that the CEC is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the CEC.

**Clinical Excellence Commission**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2019**

**23. Financial Instruments**

**Cash and Cash Equivalents**

Cash comprises cash on hand and bank balances deposited within the NSW Treasury banking system. Interest is earned on daily bank balances at rates of approximately 0.00% in 2018/19 compared to 2.35% in the previous year.

**Accounting policy for impairment of Trade Debtors and Other Financial Assets under AASB 9**

**Receivables - Trade Debtors**

Collectability of trade debtors is reviewed on an ongoing basis. Procedures as established in the Treasurer's Directions are followed to recover outstanding amounts, including letters of demand.

The CEC applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade debtors.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on historical observed loss rates. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The CEC has not identified any relevant factors, and accordingly not adjusted the historical loss rates based on no expected changes in these factors.

Trade debtors are written off when there is no reasonable expectation of recovery. The CEC have not required a provision for doubtful debts in the past or current year as receivables have historically all been recoverable. This is demonstrated during the current financial year with 99% of receivables paid within 61 days.

The CEC is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors as at 30 June 2019.

**Accounting policy for impairment of Trade Debtors and Other Financial Assets under AASB 139 (comparative period only)**

**Receivables - Trade Debtors**

All trade debtors are recognised as amounts receivable at balance date. Collectability of trade debtors is reviewed on an ongoing basis. Procedures as established in the NSW Ministry of Health Accounting Manual for Public Health Organisations and Fee Procedures Manual are followed to recover outstanding amounts, including letters of demand. Debts which are known to be uncollectable are written off. An allowance for impairment is raised when there is objective evidence that the CEC will not be able to collect all amounts due. This evidence includes past experience and current and expected changes in economic conditions and debtor credit ratings. No interest is earned on trade debtors.

The CEC is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. Based on past experience, debtors that are not past due are not considered impaired.

Financial assets that are past due or impaired could be either 'Sales of Goods and Services' or 'Other Debtors' in the 'Receivables' category of the Statement of Financial Position.

**ii. Liquidity Risk**

Liquidity risk is the risk that the CEC will be unable to meet its payment obligations when they fall due. The CEC continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets. The objective is to maintain a balance between continuity of funding and flexibility through the use of overdrafts, loans and other advances.

The CEC has not negotiated any loans.

The CEC has exposure to liquidity risk. However, the risk is minimised by the service agreement with the NSW Ministry of Health, as the annual service agreement requires local management to control its financial liquidity and in particular meet benchmarks for the payment of creditors. Where the CEC fails to meet service agreement performance standards, the Ministry as the state manager can take action in accordance with annual performance framework requirements, including providing financial support and increased management interaction (refer Note 1).

Liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set by the NSW Ministry of Health in accordance with NSW Treasury Circular 11/12. For small business suppliers, where terms are not specified, payment is made not later than 30 days from date of receipt of a correctly rendered invoice. For other suppliers, if trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received.

For small business suppliers, where payment is not made within the specified time period, simple interest must be paid automatically unless an existing contract specifies otherwise.

For other suppliers, where settlement cannot be effected in accordance with the above, e.g. due to short term liquidity constraints, contact is made with creditors and terms of payment are negotiated to the satisfaction of both parties.

**Clinical Excellence Commission**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2019**

**23. Financial Instruments**

**iii. Market Risk**

*Interest Rate Risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Exposure to interest rate risk arises primarily through the CEC's interest bearing liabilities. This risk is minimised by undertaking mainly fixed rate borrowings, primarily through NSW TCorp. The CEC does not account for any fixed rate financial instruments at fair value through profit or loss or as at fair value through other comprehensive income or available for sale (until 30 June 2018). Therefore, for these financial instruments, a change in interest rates would not affect profit or loss or equity. A reasonably possible change of +/- 1% is used, consistent with current trends in interest rates (based on official Reserve Bank of Australia interest rate volatility over the last five years). The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility.

However, the CEC is not permitted to borrow external to the NSW Ministry of Health (except energy loans which are negotiated through NSW Treasury). Both NSW Treasury and NSW Ministry of Health loans are set at fixed rates and therefore are generally not affected by fluctuations in market rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates:

		-1%		+1%	
	Carrying Amount \$000	Net Result \$000	Equity \$000	Net Result \$000	Equity \$000
<b>2019</b>					
<b>Financial Assets</b>					
Cash and Cash Equivalents	242	(2)	(2)	2	2
Receivables	167	-	-	-	-
<b>Financial Liabilities</b>					
Payables <sup>1</sup>	1,307	-	-	-	-
<b>2018</b>					
<b>Financial Assets</b>					
Cash and Cash Equivalents	609	(6)	(6)	6	6
Receivables	208	-	-	-	-
<b>Financial Liabilities</b>					
Payables <sup>1</sup>	521	-	-	-	-

<sup>1</sup> Excludes statutory payables and unearned revenue (i.e. not within scope of AASB7 Financial Instruments: Disclosures).

**Clinical Excellence Commission**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2019**

**24. Related Party Transactions**

**PARENT AND CONSOLIDATION**

Key management personnel compensation is as follows:

	<b>2019</b>	<b>2018</b>
	<b>\$000</b>	<b>\$000</b>
Short-Term Employee Benefits	79	75
Post-Employment Benefits	7	6
	<u>86</u>	<u>81</u>

During the financial year, Clinical Excellence Commission obtained key management personnel services from the immediate parent and incurred \$0.332 million (2018: \$0.330 million) for these services.

Compensation for the Minister for Health is paid by the Legislature and is not reimbursed by the Ministry of Health and its controlled entities. Accordingly no such amounts are included in the key management personnel compensation disclosures above.

Remuneration for the Secretary and Deputy Secretaries are paid by the Ministry of Health and is not reimbursed by the health entities. Accordingly no such There were no transactions with key management personnel and their close family members (2018: \$Nil).

**Transactions with the ultimate parent**

There were no transactions with the ultimate parent during the financial period (2018: \$Nil).

**25. Events After the Reporting Period**

There were no events after the reporting period

**END OF AUDITED FINANCIAL STATEMENTS**

