



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT

Clinical Excellence Commission

To Members of the New South Wales Parliament

I have audited the accompanying financial report of the Clinical Excellence Commission (the Commission), which comprises the balance sheets as at 30 June 2009, the operating statements, statements of recognised income and expense, cash flow statements, a summary of significant accounting policies and other explanatory notes for both 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.

Auditor's Opinion

In my opinion, the financial report:

- presents fairly, in all material respects, the financial position of the Commission and the consolidated entity as at 30 June 2009, and of their financial performance for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- is in accordance with section 45E of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2005

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

Chief Executive's Responsibility for the Financial Report

The Chief Executive is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the PF&A Act. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on my audit. I conducted my audit in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Chief Executive, as well as evaluating the overall presentation of the financial report.

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

My opinion does *not* provide assurance:

- about the future viability of the Commission or consolidated entity,
- that they have carried out their activities effectively, efficiently and economically,
- about the effectiveness of their internal controls, or
- on the assumptions used in formulating the budget figures disclosed in the financial report.

Independence

In conducting this audit, the Audit Office of New South Wales has complied with the independence requirements of the Australian Auditing Standards and other relevant ethical requirements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their role by the possibility of losing clients or income.



Peter Achterstraat
Auditor-General

26 October 2009
SYDNEY

**Certification of Parent/Consolidated Financial Statements
For the Year Ended 30 June 2009**

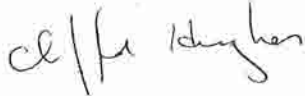
The attached financial statements of the Clinical Excellence Commission for the year ended 30 June 2009:

- i) Have been prepared in accordance with the requirements of applicable Australian Accounting Standards (which include Australian Accounting Interpretations), the requirements of the *Public Finance and Audit Act 1983* and its regulations, the Health Services Act 1997 and its regulations, the Accounts and Audit Determination and the Accounting Manual for Area Health Services and Public Hospitals;
- ii) Present fairly the financial position and transactions of the Clinical Excellence Commission.
- iii) Have no circumstances which would render any particulars in the financial statements to be misleading or inaccurate;



Professor Bruce Barraclough, AO
Chairman

22 October 2009



Professor Clifford Hughes, AO
Chief Executive Officer

22 October 2009



Mr Andre Jenkins
A/Director, Corporate Services

22 October 2009

Clinical Excellence Commission
Operating Statement for the year ended 30 June 2009

PARENT

Actual 2009 \$000	Budget 2009 \$000	Actual 2008 \$000	Notes	Actual 2009 \$000	Budget 2009 \$000	Actual 2008 \$000
0	4,961	0				
5,618	0	3,735	3	5,618	4,961	3,735
1,847	6,147	3,104	4	0	0	0
494	490	671	5	1,847	6,147	3,104
91	50	85	2(h), 6	494	490	671
			7	91	50	85
8,050	11,648	7,595		8,050	11,648	7,595

Expenses excluding losses

Operating Expenses

Employee Related	0		
Personnel Services	3,735		
Other Operating Expenses	3,104		
Depreciation and Amortisation	671		
Grants and Subsidies	85		

Total Expenses excluding losses

Revenue

Sale of Goods and Services	151		
Investment Revenue	48		
Grants and Contributions	55		

Total Revenue

(9) Gain/(Loss) on Disposal

Net Cost of Services

Government Contributions

NSW Health Department	10,131		
Recurrent Allocations	7,723		
Acceptance by the Crown Entity of employee benefits	56		

Total Government Contributions

RESULT FOR THE YEAR

CONSOLIDATION

Actual 2009 \$000	Budget 2009 \$000	Actual 2008 \$000	Notes	Actual 2009 \$000	Budget 2009 \$000	Actual 2008 \$000
80	0	80	8	80	0	151
352	0	352	9	352	0	48
132	0	132	10	132	0	55
564	0	564		564	0	254
5	0	5	11	5	0	(9)
7,481	11,648	7,481		7,481	11,648	7,350
7,723	7,723	7,723	2(d)	7,723	7,723	10,131
114	55	114	2(a)(ii)	114	55	56
7,837	7,778	7,837		7,837	7,778	10,187
356	(3,870)	356		356	(3,870)	2,837

The accompanying notes form part of these Financial Statements

Clinical Excellence Commission
Balance Sheet as at 30 June 2009

PARENT			CONSOLIDATION				
Actual 2009 \$000	Budget 2009 \$000	Actual 2008 \$000	Notes	Actual 2009 \$000	Budget 2009 \$000	Actual 2008 \$000	
ASSETS							
Current Assets							
5,647	1,017	4,498	12	5,647	1,017	4,498	
539	419	419	13	539	419	419	
669	0	0	14	669	0	0	
6,855	1,436	4,917		6,855	1,436	4,917	
Non-Current Assets							
569	917	604	15	569	917	604	
1,311	1,105	1,747	16	1,311	1,105	1,747	
1,880	2,022	2,351		1,880	2,022	2,351	
8,735	3,458	7,268		8,735	3,458	7,268	
LIABILITIES							
Current Liabilities							
660	98	97	17	660	98	97	
1,284	813	755	18	1,284	813	755	
1,944	911	852		1,944	911	852	
Non-Current Liabilities							
71	53	52	18	71	53	52	
71	53	52		71	53	52	
2,015	964	904		2,015	964	904	
6,720	2,494	6,364		6,720	2,494	6,364	
EQUITY							
6,720	2,494	6,364	19	6,720	2,494	6,364	
6,720	2,494	6,364		6,720	2,494	6,364	

Clinical Excellence Commission
Statement of Recognised Income and Expense for the year ended 30 June 2009

PARENT		CONSOLIDATION			
Actual 2009 \$000	Budget 2009 \$000	Actual 2008 \$000	Actual 2009 \$000	Budget 2009 \$000	Actual 2008 \$000
0	0	0	0	0	0
TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY					
356	(3,870)	2,837	356	(3,870)	2,837
Result for the Year					
356	(3,870)	2,837	356	(3,870)	2,837
TOTAL INCOME AND EXPENSE RECOGNISED FOR THE YEAR					

The accompanying notes form part of these Financial Statements

Clinical Excellence Commission
Cash Flow Statement for the year ended 30 June 2009

PARENT			CONSOLIDATION			
Actual 2009 \$000	Budget 2009 \$000	Actual 2008 \$000	Notes	Actual 2009 \$000	Budget 2009 \$000	Actual 2008 \$000
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
0	(4,906)	0		(4,836)	(4,906)	(3,535)
(6,266)	(6,147)	(6,873)		(1,430)	(6,147)	(3,338)
(91)	(50)	(85)		(91)	(50)	(85)
<u>(6,357)</u>	<u>(11,103)</u>	<u>(6,958)</u>		<u>(6,357)</u>	<u>(11,103)</u>	<u>(6,958)</u>
Receipts						
(112)	0	793		(112)	0	793
90	0	48		90	0	48
132	0	55		132	0	55
290	0	0		290	0	0
<u>400</u>	<u>0</u>	<u>896</u>		<u>400</u>	<u>0</u>	<u>896</u>
Cash Flows From Government						
7,723	7,723	10,131	NSW Health Department Recurrent Allocations	7,723	7,723	10,131
<u>7,723</u>	<u>7,723</u>	<u>10,131</u>		<u>7,723</u>	<u>7,723</u>	<u>10,131</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES						
<u>1,766</u>	<u>(3,380)</u>	<u>4,069</u>	22	<u>1,766</u>	<u>(3,380)</u>	<u>4,069</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
36	0	0	Proceeds from Sale of Land and Buildings, Plant and Equipment and Infrastructure Systems	36	0	0
(53)	0	(9)	Purchases of Land and Buildings, Plant and Equipment, Infrastructure Systems and Intangible Assets	(53)	0	(9)
(600)	0	0	Purchases of Investments	(600)	0	0
<u>(617)</u>	<u>0</u>	<u>(9)</u>		<u>(617)</u>	<u>0</u>	<u>(9)</u>
CASH FLOWS FROM FINANCING ACTIVITIES						
0	0	0	Proceeds from Borrowings and Advances	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>		<u>0</u>	<u>0</u>	<u>0</u>
NET INCREASE / (DECREASE) IN CASH						
1,149	(3,380)	4,060		1,149	(3,380)	4,060
4,498	1,017	438	Opening Cash and Cash Equivalents	4,498	1,017	438
<u>5,647</u>	<u>(2,363)</u>	<u>4,498</u>	12	<u>5,647</u>	<u>(2,363)</u>	<u>4,498</u>

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2009

1 The Clinical Excellence Commission

The Institute for Clinical Excellence (ICE) was established on 5 December 2001 by the Health Services Amendment (Institute for Clinical Excellence) Order 2001. The Order established the Institute for Clinical Excellence as a statutory health corporation under Schedule 2 of the Health Services Act 1997. The Institute for Clinical Excellence's name change to Clinical Excellence Commission (CEC) was effected on 20th August 2004, in accordance with Amendment No. 154 to the Health Services Act 1997.

The mission of the Clinical Excellence Commission is to build confidence in healthcare in NSW by making it demonstrably better and safer for patients and a more rewarding workplace. The CEC will be the publicly respected voice providing the people of NSW with assurance of improvement in the safety and quality of health care.

With effect from 17 March 2006 fundamental changes to the employment arrangements of the Clinical Excellence Commission were made through amendment to the Public Sector Employment and Management Act 2002 and other Acts including the Health Services Act 1997.

The status of the previous employees of the Clinical Excellence Commission changed from that date. They are now employees of the Government of New South Wales in the service of the Crown rather than employees of the Clinical Excellence Commission. Employees of the Government are employed in Divisions of the Government Service.

In accordance with Accounting Standards these Divisions are regarded as special purpose entities that must be consolidated with the financial report of the Clinical Excellence Commission. This is because the Division was established to provide personnel services to enable the Clinical Excellence Commission to exercise its functions.

As a consequence the values in the annual financial statements presented herein consist of the Clinical Excellence Commission (as the parent entity), the financial report of the special purpose entity Division and the consolidated financial report for the economic entity. Notes have been extended to capture both the Parent and Consolidated values with Notes 3, 4, 10, 18 and 24 being especially relevant.

In the process of preparing the consolidated financial statements for the economic entity consisting of the controlling and controlled entities, all inter-entity transactions and balances have been eliminated.

The Clinical Excellence Commission is consolidated as part of the NSW Total State Sector Accounts. The Clinical Excellence Commission is a not-for-profit entity as profit is not its principal objective.

These financial statements have been authorised for issue by the Chief Executive Officer on 22 October 2009.

2 Summary of Significant Accounting Policies

The Clinical Excellence Commission's Financial Report are a general purpose financial report which has been prepared in accordance with applicable Australian Accounting Standards, (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 Area Health Services and Public Hospitals.

Property, plant and equipment, investment property and assets held for trading and available for sale are measured at fair value. Other financial statement items are prepared in accordance with the historical cost convention.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

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

Comparative figures are, where appropriate, reclassified to give a meaningful comparison with the current year.

No new or revised accounting standards or interpretations are adopted earlier than their prescribed date of application. Set out below are changes to be effected, their date of application and the possible impact on the financial report of the Clinical Excellence Commission.

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2009

Accounting Standard/Interpretation

AASB 127 and AASB 2008-3, Business Combinations, has application in reporting periods beginning on or after 1 July 2009 and determines information to be disclosed in respect of business acquisitions. Its applicability to not for profit entities is yet to be determined.

AASB 8 and AASB 2007-3 Operating Segments, has application in reporting periods beginning on or after 1 January 2009. It relates to for profit entities specifically and is therefore not applicable to the Commission

AASB 101, Presentation of Financial Statements, effective for reporting periods beginning on 1 July 2009, has reduced the disclosure requirements for various reporting entities. However, in not for profit entities such as the Commission there is no change required.

AASB 123 Borrowing Costs, has application in reporting periods beginning on or after 1 January 2009. The Standard, which requires capitalisation of borrowing costs, has not been adopted in 2008/09 nor is adoption expected prior to 2009/10.

AASB 1039, Concise Financial Reports, responds to changes in Section 314 of the Corporations Law. It is not applicable to the Commission.

AASB 2008-1, Share Based Payments has no applicability to the Commission.

AASB 2008-2, Puttable Financial Instruments and Obligations Arising on Liquidation, effective from 1 July 2009 has no application to the Commission.

AASB 2008-5 and AASB 2008-6, Annual Improvements Project, has application from 1 July 2009 and comprises changes for presentation, recognition or measurement purposes which are currently assessed as having no material impact on the Commission.

AASB 2008-7 Investment in a Subsidiary, Jointly Controlled Entity or Associate, has no impact on the Commission.

AASB 2008-8 Eligible Hedged Items, has application from 1 July 2009 but has no current applicability to the Commission.

AASB 2008-9 Amendments to AASB 1049 for Consistency with AASB 101, has mandatory application from 1 July 2009 and will not be early adopted by the Commission.

AASB 2008-11 Business Combinations Among Not for Profit, has application from 1 July 2009 and focuses largely on Local Government.

AASB 2008-13, Distribution of Non Cash Assets to Owners, has application in reporting periods beginning on or after 1 July 2009 but is assessed as having no applicability to the Commission.

AASB 2009-2, Improving Disclosures about Financial Instruments, has mandatory application from 1 July 2009. Changes to be advised by NSW Treasury concerning fair value measurement and liquidity risk will be adopted by the Commission.

Interpretation 15 Construction of Real Estate, applies from 1 July 2009 but has no impact on the Commission which is not involved in the construction of real estate for sale.

Interpretation 16, Agreements for the Hedges of a Net Investment in a Foreign Operation, has application from 1 July 2009 but has no relevance to the Commission.

Interpretation 17 & AASB 2008-13 Distributions of Non Cash Assets to Owners, applies from 1 July 2009 and principally addresses share holder distributions. It is not applicable to the Commission.

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2009

Other significant accounting policies used in the preparation of these financial statements are as follows:

a) Employee Benefits and Other Provisions

i) Salaries & Wages, Annual Leave, Sick Leave and On Costs

At the consolidated level of reporting liabilities for salaries and wages (including non monetary benefits), annual leave and paid sick leave that fall wholly within 12 months of the reporting date are recognised and measured in respect of employees' services up to the reporting date at undiscounted amounts based on the amounts expected to be paid when the liabilities are settled.

All Annual Leave employee benefits are reported as "Current" as there is an unconditional right to payment. Current liabilities are then further classified as "Short Term" or "Long Term" based on past trends and known resignations and retirements. Anticipated payments to be made in the next twelve months are reported as "Short Term". On costs of 17% are applied to the value of leave payable at 30 June 2009, such on costs being consistent with actuarial assessment (Comparable on costs for 30 June 2008 were also 17%).

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.

The outstanding amounts of workers' compensation insurance premiums and fringe benefits which are consequential to employment, are recognised as liabilities and expenses where the employee benefits to which they relate have been recognised.

ii) Long Service Leave and Superannuation

At the consolidated level of reporting Long Service Leave employee leave entitlements are dissected as "Current" if there is an unconditional right to payment and "Non Current" if the entitlements are conditional. Current entitlements are further dissected between "Short Term" and "Long Term" on the basis of anticipated payments for the next twelve months. This in turn is based on past trends and known resignations and retirements.

Long Service Leave provisions are measured on a short hand basis at an escalated rate of 9.8% (8.1% at 30 June 2008) for all employees with five or more years of service. The escalation applied is consistent with actuarial assessment and is affected in the main by the fall in the Commonwealth Government 10 year bond yield which is used as the discount rate.

The Clinical Excellence Commission's liability for the closed superannuation pool schemes (State Authorities Superannuation Scheme and State Superannuation Scheme) is assumed by the Crown Entity. The Clinical Excellence Commission 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". Any liability attached to Superannuation Guarantee Charge cover is reported in Note 17 "Payables".

The superannuation expense for the financial year is determined by using the formulae specified by the NSW Department of Health. The expense for certain superannuation schemes (ie Basic Benefit and First State Super) is calculated as a percentage of the employees' salary. For other superannuation schemes (ie State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employees' superannuation contributions.

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2009

iii) Other Provisions

Other provisions exist when: the Clinical Excellence Commission 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.

These provisions are recognised when it is probable that a future sacrifice of economic benefits will be required and the amount can be measured reliably.

b) Insurance

The Clinical Excellence Commission's insurance activities are conducted through the NSW Treasury Managed Fund Scheme of self insurance for Government Agencies. The expense (premium) is determined by the Fund Manager based on past experience.

c) Finance Costs

Finance costs are recognised as expenses in the period in which they are incurred.

d) 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 and Services

Revenue from the sale of goods and services comprises revenue from the provision of products or services, ie user charges. User charges are recognised as revenue when the service is provided or by reference to the stage of completion.

Investment Revenue

Interest revenue is recognised using the effective interest method as set out in AASB139, "Financial Instruments: Recognition and measurement". Rental revenue is recognised in accordance with AASB117 "Leases" on a straight line basis over the lease term. Dividend revenue is recognised in accordance with AASB118 "Revenue" when the Clinical Excellence Commission's right to receive payment is established.

Debt Forgiveness

Debts are accounted for as extinguished when and only when settlement occurs through repayment or replacement by another liability.

Grants and Contributions

Grants and Contributions are generally recognised as revenues when the Clinical Excellence Commission obtains control over the assets comprising the contributions. Control over contributions is normally obtained upon the receipt of cash.

NSW Department of Health Allocations

Payments are made by the NSW Department of Health on the basis of the allocation for the Clinical Excellence Commission as adjusted for approved supplementations mostly for salary agreements, patient flows between Clinical Excellence Commissions and approved enhancement projects. This allocation is included in the Operating Statement before arriving at the "Result for the Year" on the basis that the allocation is earned in return for the Clinical Excellence Commission provided on behalf of the Department. Allocations are normally recognised upon the receipt of Cash.

e) Accounting for the Goods & Services Tax (GST)

Revenues, expenses, assets and liabilities are recognised net of the amount of GST. The Clinical Excellence Commission is registered as part of the South Eastern Sydney and Illawarra Area Health Service Group for GST purposes up until the 28 February 2009.

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

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

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2009

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

f) Acquisition of Assets

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by the Clinical Excellence Commission. 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 specific requirements of other Australian Accounting Standards.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and revenues at their fair value at the date of acquisition except for assets transferred as a result of an administrative restructure. (Note 2(z) refers)

Fair value means the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

Where settlement of any part of cash consideration is deferred beyond normal credit terms, its cost is the cash price equivalent, i.e. the deferred payment amount is effectively discounted at an asset-specific rate.

g) Capitalisation Thresholds

Individual items of property, plant & equipment are capitalised where their cost is \$10,000 or above.

h) Depreciation

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 Clinical Excellence Commission. Land is not a depreciable asset.

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

Buildings	2.5%
Electro Medical Equipment	
- Costing less than \$200,000	10.0%
- Costing more than or equal to \$200,000	12.5%
Computer Equipment	20.0%
Infrastructure Systems	2.5%
Motor Vehicle Sedans	12.5%
Motor Vehicles, Trucks & Vans	20.0%
Office Equipment	10.0%
Plant and Machinery	10.0%
Linen	25.0%
Furniture, Fittings and Furnishings	5.0%

"Infrastructure Systems" means assets that comprise public facilities and which provide essential services and enhance the productive capacity of the economy including roads, bridges, water infrastructure and distribution works, sewerage treatment plants, seawalls and water reticulation systems.

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

i) Revaluation of Non Current Assets

Non-specialised assets with short useful lives are measured at depreciated historical cost, as a surrogate for fair value.

j) Impairment of Property, Plant and Equipment

As a not-for-profit entity with no cash generating units, the Clinical Excellence Commission is effectively exempt from AASB 136 "Impairment of Assets" and impairment testing. This is because AASB136 modifies the recoverable amount test to the higher of fair value less costs to sell and depreciated replacement cost. This means that, for an asset already measured at fair value, impairment can only arise if selling costs are regarded as material. Selling costs are regarded as immaterial.

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2009

k) Intangible Assets

The Clinical Excellence Commission recognises intangible assets only if it is probable that future economic benefits will flow to the Health Service 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 capitalised only when certain criteria are met.

The useful lives of intangible assets are assessed to be finite. Intangible assets are subsequently measured at fair value only if there is an active market. As there is no active market for the Clinical Excellence Commission's intangible assets, the assets are carried at cost less any accumulated amortisation. The Clinical Excellence Commission's intangible assets are amortised using the straight line method over a period of 7 years. In general, intangible assets are tested for impairment where an indicator of impairment exists. However, as a not-for-profit entity the Clinical Excellence Commission is effectively exempted from impairment testing (see Note 2(j)).

l) Maintenance

The costs of maintenance are charged as expenses as incurred, except where they relate to the replacement of a component of an asset in which case the costs are capitalised and depreciated.

m) Leased Assets

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased assets, and operating leases under which the lessor effectively retains all such risks and benefits.

Where a non-current asset is acquired by means of a finance lease, the asset is recognised at its fair value at the commencement of the lease term. The corresponding liability is established at the same amount. Lease payments are allocated between the principal component and the interest expense.

Operating lease payments are charged to the Operating Statement in the periods in which they are incurred.

n) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any impairment of receivables. Any changes are accounted for in the operating statement when impaired, derecognised or through the amortisation process.

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

o) Investments

Investments are initially recognised at fair value plus, in the case of investments not at fair value through profit or loss, transaction costs. The Clinical Excellence Commission determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this at each financial year end.

Fair value through profit or loss - The Clinical Excellence Commission subsequently measures investments classified as "held for trading" or designated upon initial recognition "at fair value through profit or loss" at fair value. Financial assets are classified as "held for trading" if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading. Gains or losses on these assets are recognised in the operating statement.

The Hour-Glass Investment facilities are designated at fair value through profit or loss using the second leg of the fair value option i.e. these financial assets are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy, and information about these assets is provided internally on that basis to the agency's key management personnel.

The risk management strategy of the The Clinical Excellence Commission has been developed consistent with the investment powers granted under the provision of the Public Authorities (Financial Arrangements) Act. T Corp investments are made in an effort to improve interest returns on cash balances otherwise available whilst also providing secure investments guaranteed by the State market exposures.

The movement in the fair value of the Hour-Glass Investment facilities incorporates distributions received as well as unrealised movements in fair value and is reported in the line item 'investment revenue'.

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2009

- * *Held to maturity investments* – Non-derivative financial assets with fixed or determinable payments and fixed maturity that the Clinical Excellence Commission has the positive intention and ability to hold to maturity are classified as "held to maturity". These investments are measured at amortised cost using the effective interest method. Changes are recognised in the operating statement when impaired, derecognised or through the amortisation process.
- * *Available for sale investments* - Any residual investments that do not fall into any other category are accounted for as available for sale investments and measured at fair value directly in equity until disposed or impaired, at which time the cumulative gain or loss previously recognised in equity is recognised in the operating statement. However, interest calculated using the effective interest method and dividends are recognised in the operating statement.

Purchases or sales of investments under contract that require delivery of the asset within the timeframe established by convention or regulation are recognised on the trade date; i.e. the date the Health Service commits to purchase or sell the asset.

The fair value of investments that are traded at fair value in an active market is determined by reference to quoted current bid prices at the close of business on the balance sheet date.

p) Impairment of financial assets

All financial assets, except those measured at fair value through profit and loss, are subject to an annual review for impairment. An allowance for impairment is established when there is objective evidence that the entity will not be able to collect all amounts due.

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 operating statement.

When an available for sale financial asset is impaired, the amount of the cumulative loss is removed from equity and recognised in the operating statement, based on the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss previously recognised in the operating statement.

Any reversals of impairment losses are reversed through the operating statement, where there is objective evidence, except reversals of impairment losses on an investment in an equity instrument classified as "available for sale" must be made through the reserve. 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.

q) De-recognition of financial assets and financial liabilities

A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire; or if the agency transfers the financial asset:

- * where substantially all the risks and rewards have been transferred; or
- * where the Clinical Excellence Commission has not transferred substantially all the risks and rewards, if the entity has not retained control.

Where the Clinical Excellence Commission has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of the Clinical Excellence Commission's continuing involvement in the asset.

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires.

r) Payables

These amounts represent liabilities for goods and services provided to the Clinical Excellence Commission and other amounts. Payables are recognised initially at fair value, usually based on the transaction cost or face value. 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 Clinical Excellence Commission.

s) Borrowings

Loans are not held for trading or designated at fair value through profit or loss and are recognised at amortised cost using the effective interest rate method. Gains or losses are recognised in the operating statement on derecognition.

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2009

t) Equity Transfers

The transfer of net assets between agencies as a result of an administrative restructure, transfers of programs/functions and parts thereof between NSW public sector agencies is designated as a contribution by owners and is recognised as an adjustment to "Accumulated Funds".

Transfers arising from an administrative restructure between Health Services/Government Departments are recognised at the amount at which the asset was recognised by the transferor Health Service/Government Department immediately prior to the restructure. In most instances this will approximate fair value. All other equity transfers are recognised at fair value.

All other equity transfers are recognised at fair value, except for intangibles. Where an intangible has been recognised at (amortised) cost by the transferor because there is no active market, the agency recognises the asset at the transferor's carrying amount. Where the transferor is prohibited from recognising internally generated intangibles, the agency does not recognise that asset.

The Statement of Recognised Income and Expense does not reflect the Net Assets or change in equity in accordance with AASB 101 Clause 97.

u) Budgeted Amounts

The budgeted amounts are drawn from the budgets agreed with the NSW Health Department at the beginning of the financial reporting period and with any adjustments for the effects of additional supplementation provided.

v) Service Group Statements

The Clinical Excellence Commission only operates under one program, that program being 6.1 Teaching & Research (see below). Separate group statements are therefore not required.

Program 6.1 Teaching & Research

To develop the skills and knowledge of the health workforce to support patient care and population health. To extend knowledge through scientific enquiry and applied research aimed at improving the health and well being of people of New South Wales.

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2009

PARENT			CONSOLIDATION	
2009 \$000	2008 \$000		2009 \$000	2008 \$000
3. Employee Related				
Employee related expenses comprise the following:				
0	0	Salaries and Wages	4,365	2,790
0	0	Awards	0	0
0	0	Superannuation - defined benefit plans	114	56
0	0	Superannuation - defined contributions	260	190
0	0	Long Service Leave	364	192
0	0	Annual Leave	411	344
0	0	Sick Leave and Other Leave	105	133
0	0	Workers Compensation Insurance	15	14
0	0	Fringe Benefits Tax	(16)	16
<u>0</u>	<u>0</u>		<u>5,618</u>	<u>3,735</u>
4. Personnel Services				
Personnel Services comprise the purchase of the following:				
4,365	2,790	Salaries and Wages	0	0
114	56	Superannuation - defined benefit plans	0	0
260	190	Superannuation - defined contributions	0	0
364	192	Long Service Leave	0	0
411	344	Annual Leave	0	0
105	133	Sick Leave and Other Leave	0	0
15	14	Workers Compensation Insurance	0	0
(16)	16	Fringe Benefits Tax	0	0
<u>5,618</u>	<u>3,735</u>		<u>0</u>	<u>0</u>
5. Other Operating Expenses				
6	9	Domestic Supplies and Services	6	9
61	12	Food Supplies	61	12
1	7	Fuel, Light and Power	1	7
664	1,960	General Expenses (See (a) below)	664	1,960
100	236	Information Management Expenses	100	236
Maintenance (See (b) below)				
6	5	Maintenance Contracts	6	5
29	9	New/Replacement Equipment under \$10,000	29	9
24	1	Repairs	24	1
61	56	Postal and Telephone Costs	61	56
199	147	Printing and Stationery	199	147
0	1	Rates and Charges	0	1
358	296	Rental	358	296
41	21	Special Service Departments	41	21
25	90	Staff Related Costs	25	90
272	254	Travel Related Costs	272	254
<u>1,847</u>	<u>3,104</u>		<u>1,847</u>	<u>3,104</u>

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2009

PARENT			CONSOLIDATION	
2009	2008		2009	2008
\$000	\$000		\$000	\$000
		(a) General Expenses include:-		
2	13	Advertising	2	13
51	31	Audio Visual	51	31
14	4	Books, Magazines and Journals	14	4
148	813	Consultancies	148	813
4	2	Courier and Freight	4	2
7	4	Sitting Allowance Committee Membership Fees	7	4
26	15	Auditor's Remuneration - Audit of financial reports	26	15
48	42	Auditor's Remuneration - Other Services	48	42
30	57	Legal Services	30	57
102	150	Membership/Professional Fees	102	150
19	0	Motor Vehicle Expenses	19	0
178	777	Other Management Services	178	777
35	52	Other	35	52
664	1,960		664	1,960
		(b) Maintenance		
		Reconciliation Total Maintenance		
59	15	Maintenance (non employee Maintenance expense - contracted labour and other related), included in Note 5	59	15
59	15	Total maintenance expenses included in Notes 3, 4 and 5	59	15

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2009

PARENT			CONSOLIDATION	
2009 \$000	2008 \$000		2009 \$000	2008 \$000
6. Depreciation and Amortisation				
57	95	Depreciation - Plant and Equipment	57	95
<u>437</u>	<u>576</u>	Amortisation - Intangible Assets	<u>437</u>	<u>576</u>
<u>494</u>	<u>671</u>		<u>494</u>	<u>671</u>
7. Grants and Subsidies				
56	50	Research Organisations	56	50
<u>35</u>	<u>35</u>	Ian O'Rourke Scholarship Fund (University of Sydney)	<u>35</u>	<u>35</u>
<u>91</u>	<u>85</u>		<u>91</u>	<u>85</u>

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2009

PARENT			CONSOLIDATION	
2009 \$000	2008 \$000		2009 \$000	2008 \$000
8. Sale of Goods and Services				
(a) Sale of Goods comprise the following:-				
19	(4)	Commercial Activities	19	(4)
61	155	Other	61	155
<u>80</u>	<u>151</u>		<u>80</u>	<u>151</u>
9. Investment Revenue				
283	48	Interest	283	48
69	0	T Corp Hour Glass Investment Facilities designated at Fair Value through profit & loss	69	0
<u>352</u>	<u>48</u>		<u>352</u>	<u>48</u>

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2009

PARENT			CONSOLIDATION	
2009 \$000	2008 \$000		2009 \$000	2008 \$000
10. Grants and Contributions				
0	55	NSW Government grants	0	55
<u>132</u>	<u>0</u>	Other grants	<u>132</u>	<u>0</u>
<u>132</u>	<u>55</u>		<u>132</u>	<u>55</u>
11. Gain/(Loss) on Disposal				
59	34	Property Plant and Equipment	59	34
<u>28</u>	<u>0</u>	Less Accumulated Depreciation	<u>28</u>	<u>0</u>
31	34	Written Down Value	31	34
<u>36</u>	<u>25</u>	Less Proceeds from Disposal	<u>36</u>	<u>25</u>
<u>5</u>	<u>(9)</u>	Gain/(Loss) on Disposal of Property Plant and Equipment	<u>5</u>	<u>(9)</u>
<u>5</u>	<u>(9)</u>	Total Gain/(Loss) on Disposal	<u>5</u>	<u>(9)</u>

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2009

PARENT			CONSOLIDATION	
2009 \$000	2008 \$000		2009 \$000	2008 \$000
		12 Cash & Cash Equivalent Assets		
1,147	4,498	Cash at bank and on hand	1,147	4,498
<u>4,500</u>	<u>0</u>	Short Term Deposits	<u>4,500</u>	<u>0</u>
<u>5,647</u>	<u>4,498</u>		<u>5,647</u>	<u>4,498</u>
Cash & cash equivalent assets recognised in the Balance Sheet are reconciled to cash at the end of the financial year as shown in the Cash Flow Statement as follows:				
<u>5,647</u>	<u>4,498</u>	Cash and cash equivalents (per Balance Sheet)	<u>5,647</u>	<u>4,498</u>
<u>5,647</u>	<u>4,498</u>	Closing Cash and Cash Equivalents (per Cash Flow Statement)	<u>5,647</u>	<u>4,498</u>

Refer to Note 25 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 2009

PARENT			CONSOLIDATION	
2009	2008		2009	2008
\$000	\$000		\$000	\$000
		13. Receivables		
		Current		
		(a) Sale of Goods and Services :		
83	37	NSW Health Department	83	37
120	373	Debtors Intra Health	120	373
107	0	Goods & Services Tax	107	0
198	3	Other Debtors	198	3
<hr/>	<hr/>		<hr/>	<hr/>
508	413	Sub Total	508	413
<hr/>	<hr/>		<hr/>	<hr/>
508	413	Sub Total	508	413
6	6	Prepayments S&W	6	6
25	0	Prepayments Rent	25	0
<hr/>	<hr/>		<hr/>	<hr/>
539	419	Total	539	419
<hr/>	<hr/>		<hr/>	<hr/>

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in Note 25.

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2009

PARENT			CONSOLIDATION	
2009 \$000	2008 \$000		2009 \$000	2008 \$000
		14 Financial Assets at Fair Value		
		Current		
669	0	Treasury Corporation - Hour Glass Investment Facilities	669	0
<u>669</u>	<u>0</u>		<u>669</u>	<u>0</u>

Refer Note 25 for further information regarding credit risk, liquidity risk and market risk arising from financial investments.

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2009

PARENT			CONSOLIDATION	
2009	2008		2009	2008
\$000	\$000		\$000	\$000
15. Plant and Equipment				
		Plant and Equipment		
756	722	At Fair Value	756	722
(187)	(118)	Less Accumulated depreciation and impairment	(187)	(118)
<u>569</u>	<u>604</u>	Net Carrying Amount	<u>569</u>	<u>604</u>
<u>569</u>	<u>604</u>	Total Plant and Equipment At Net Carrying Amount	<u>569</u>	<u>604</u>

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2009

PARENT AND CONSOLIDATION

15. Plant and Equipment - Reconciliations

	Plant and Equipment	Total
	\$000	\$000
2009		
Carrying amount at start of year	604	604
Additions	53	53
Disposals	(31)	(31)
Depreciation expense	(57)	(57)
Carrying amount at end of year	569	569

	Plant and Equipment	Total
	\$000	\$000
2008		
Carrying amount at start of year	699	699
Additions	34	34
Disposals	(34)	(34)
Depreciation expense	(95)	(95)
Carrying amount at end of year	604	604

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2009

PARENT			CONSOLIDATION	
2009	2008		2009	2008
\$000	\$000		\$000	\$000
		16. Intangible Assets		
		Software		
2,390	2,390	Cost (Gross Carrying Amount)	2,390	2,390
(1,079)	(67)	Less Accumulated Amortisation and Impairment	(1,079)	(643)
<u>1,311</u>	<u>2,323</u>	Net Carrying Amount	<u>1,311</u>	<u>1,747</u>
<u>1,311</u>	<u>2,323</u>	Total Intangible Assets at Net Carrying Amount	<u>1,311</u>	<u>1,747</u>

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2009

PARENT AND CONSOLIDATION

16. Intangibles - Reconciliation

	Software	Total
	\$000	\$000
2009		
Net Carrying amount at start of year	1,747	1,747
Additions (from internal development or acquired separately)	0	0
Amortisation (recognised in depreciation and amortisation)	(436)	(436)
Net Carrying amount at end of year	1,311	1,311

	Software	Total
	\$000	\$000
2008		
Net Carrying amount at start of year	2,323	2,323
Additions (from internal development or acquired separately)	0	0
Amortisation (recognised in depreciation and amortisation)	(576)	(576)
Net Carrying amount at end of year	1,747	1,747

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2009

PARENT			CONSOLIDATION	
2009	2008	17. Payables	2009	2008
\$000	\$000		\$000	\$000
		Current		
126	5	Accrued Salaries and Wages	126	5
113	0	Taxation & Payroll Deductions	113	0
291	92	Creditors	291	92
		Other Creditors		
130	0	- Intra Health Liability	130	0
<u>660</u>	<u>97</u>		<u>660</u>	<u>97</u>

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in Note 25.

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2009

PARENT			CONSOLIDATION	
2009 \$000	2008 \$000		2009 \$000	2008 \$000
18. Provisions				
Current Employee benefits and related on-costs				
0	0	Employee Annual Leave - Short Term Benefit	287	212
0	0	Employee Annual Leave - Long Term Benefit	259	157
0	0	Employee Long Service Leave - Short Term Benefit	39	92
0	0	Employee Long Service Leave - Long Term Benefit	699	294
1,284	755	Provision for Personnel Services Liability	0	0
1,284	755	Total Current Provisions	1,284	755
Non Current Employee benefits and related on-costs				
0	0	Employee Long Service Leave - Conditional	71	52
71	52	Provision for Personnel Services Liability	0	0
71	52	Total Non Current Provisions	71	52
Aggregate Employee Benefits and Related On-costs				
1,284	755	Provisions - current	1,284	755
71	52	Provisions - non-current	71	52
126	5	Accrued Salaries and Wages and on costs (Note 17)	126	5
1,481	812		1,481	812

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2009

19

PARENT AND CONSOLIDATION

Equity	Accumulated Funds		Total Equity	
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
Balance at the beginning of the financial year	6,364	3,527	6,364	3,527
Restated Opening Balance	6,364	3,527	6,364	3,527
Changes in equity other than transactions with owners as owners				
Result for the year	356	2,837	356	2,837
Balance at the end of the financial year	6,720	6,364	6,720	6,364

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2009

PARENT				CONSOLIDATION	
2009 \$000	2008 \$000	20		2009 \$000	2008 \$000
			Commitments for Expenditure		
			(a) Other Expenditure Commitments		
			Aggregate other expenditure contracted for at balance date but not provided for in the accounts:		
448	110		Not later than one year	448	110
0	457		Later than one year and not later than five years	0	457
0	114		Later than five years	0	114
<u>448</u>	<u>681</u>		Total Other Expenditure Commitments (Including GST)	<u>448</u>	<u>681</u>
			The amount payable to HSS in any year is determined using a number of criteria, including the level of activity and full cost recovery by HSS. A commitment figure cannot be readily determined and has not been included within the commitments above.		
			(b) Operating Lease Commitments		
			Commitments in relation to non-cancellable operating leases are payable as follows:		
319	280		Not later than one year	319	280
26	290		Later than one year and not later than five years	26	290
0	0		Later than five years	0	0
<u>345</u>	<u>570</u>		Total Operating Lease Commitments (Including GST)	<u>345</u>	<u>570</u>
			The operating lease commitments above are for rental payments as per lease agreement.		
			(c) Contingent Asset related to Commitments for Expenditure		
			The total of "Commitments for Expenditure" \$782,748 as at 30 June 2009 includes input tax credits of \$71,158 that are expected to be recoverable from the Australian Taxation Office.		

21 Contingent Liabilities

There are no contingent liabilities.

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2009

PARENT			CONSOLIDATION	
2009	2008		2009	2008
\$000	\$000		\$000	\$000
22 Reconciliation Of Net Cash Flows from Operating Activities To Net Cost Of Services				
1,766	4,069	Net Cash Flows from Operating Activities	1,766	4,069
(494)	(671)	Depreciation	(494)	(671)
(114)	(56)	Acceptance by the Crown Entity of Employee Superannuation Benefits	(114)	(56)
(548)	(144)	(Increase)/ Decrease in Employee Provisions	(548)	(144)
265	29	(Increase) / Decrease in Goods and Services Debtors	265	29
(170)	(671)	(Increase) / Decrease in Other Debtors (Intra Hlth)	(170)	(671)
25	(40)	Increase / (Decrease) in Prepayments	25	(40)
(563)	274	(Increase)/ Decrease in Creditors	(563)	274
5	(9)	Net Gain/ (Loss) on Sale of Property, Plant and Equipment	5	(9)
(7,723)	(10,131)	(NSW Health Department Recurrent Allocations)	(7,723)	(10,131)
70	0	Fair Value (T-Corp)	70	0
<u>(7,481)</u>	<u>(7,350)</u>	Net Cost of Services	<u>(7,481)</u>	<u>(7,350)</u>

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2009

PARENT AND CONSOLIDATION

23 Unclaimed Moneys

Unclaimed salaries and wages are paid to the credit of the Department of Industrial Relations and Employment in accordance with the provisions of the Industrial Arbitration Act, 1940, as amended.

24 Budget Review - Parent and Consolidated

Net Cost of Services

The actual Net Cost of Services was lower than budget by \$4.18m. This was primarily due to some major projects still in their service delivery stage, which continues to reflect the timing differences between budgeted allocation and actual projected expenditure. Greater than budgeted actual revenue of \$564K represents mainly investment income from short term fixed deposits. Additional project funding from various NSW Health Organisations for short term projects has been brought to account in the profit & loss for this financial year. The remainder represents commercial activity revenue from health campaign resource development and dissemination on behalf of NSW Health.

Result for the Year

The result for the year was higher than budget by \$4.24m due to the favourable Net Cost of Services position.

Assets and Liabilities

Current Assets

Current Assets were greater than budget by \$5.39m. This was primarily due to higher than budgeted cash comprising of the 07/08 rollover allocated to the Clinical Excellence Commission for 08/09 from the NSW Department of Health. The Clinical Excellence Commission has been in a position to negotiate its cash allocation based on its expenditure requirements.

Non-Current Assets

Non-current assets were less than budget by \$142K reflecting the IIMS increase in depreciation to reflect its true value.

Current Liabilities

The current creditors are more than budget due to the Clinical Excellence Commission's complete separation from SESIAH resulting in our own set of accounts

Current leave provisions are greater than budget due to an increase in staffing levels and LSL transfers in.

Non-Current Liabilities

Non- Current Liabilities were more than budget due to an increase in staff leave transfers in.

Cash Flows

Operating Activities

The better than expected actual result is largely attributable to lower actual expenditure, however this continues to reflect timing differences between budget allocation and service delivery.

Investing Activities

Actual capital expenditure has no significant variance compared to budget. Short Term Investments have significantly increased to budget

Financing Activities

There are no Financing activities currently undertaken by the Clinical Excellence Commission.

Movements in the level of the NSW Health Department Recurrent Allocation that have occurred since the time of the initial allocation on 30th July 2008 are as follows:

	2009	2008
	\$000	\$000
Initial Allocation, 30th July 2008	7,581	11,418
Blood Watch Program	169	(262)
Central Line Associated Bloodstream	157	311
Statewide Clinical Leadership Program	(547)	(1,495)
Improving Early Pregnancy Care	90	0
Falls Prevention Program	271	125
Super Guarantee Charge	2	34
Balance as per Operating Statement	<u>7,723</u>	<u>10,131</u>

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2009

Note 25 Financial Instruments

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

The Clinical Excellence Commission's main risks arising from financial instruments are outlined below, together with the Health Service's objectives, policies and processes for measuring and managing risk. Further quantitative and qualitative disclosures are included throughout this financial report.

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 risk faced by the Clinical Excellence Commission, to set risk limits and controls and monitor risks. Compliance with policies is reviewed by the Audit Committee/Internal auditors on a continuous basis.

a) Financial Instrument Categories

PARENT

		Total carrying amounts as per the Balance Sheet	
		2009	2008
		\$000	\$000
Financial Assets			
Class:	Category		
Cash and Cash Equivalents (note 12)		5647	4498
Receivables at Amortised Cost (note 13) ¹		401	413
Financial Assets at Fair Value designated as such per initial recognition (note 14)		669	0
Total Financial Assets		<u>6717</u>	<u>4911</u>

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2009

Financial Liabilities

Payables (Note 17)2	97
Total Financial Liabilities	97

Notes

- 1 Excludes statutory receivables and prepayments (ie not within scope of AASB 7)
- 2 Excludes statutory payables and unearned revenue (ie not within scope of AASB 7)

CONSOLIDATION

Total carrying amounts as per
the Balance Sheet

Financial Assets

Class:	2009 \$000	2008 \$000	Category
Cash and Cash Equivalents (note 12)	5,647	4,498	
Receivables at Amortised Cost (note 13)1	401	413	
Financial Assets at Fair Value designated as such per initial recognition (note 14)	669	0	
Total Financial Assets	6,717	4,911	

Financial Liabilities

Payables (Note 17)2	97
Total Financial Liabilities	97

Notes

- 1 Excludes statutory receivables and prepayments (ie not within scope of AASB 7)
- 2 Excludes statutory payables and unearned revenue (ie not within scope of AASB 7)

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2009

b) Credit Risk

Credit risk arises when there is the possibility of the Entity's debtors defaulting on their contractual obligations, resulting in a financial loss to the Entity. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for impairment).

Credit risk arises from financial assets of the Entity i.e receivables. No collateral is held by the Entity nor has it granted any financial guarantees.

Credit risk associated with the Clinical Excellence Commission'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.

Cash

Cash comprises cash on hand and bank balance deposited in accordance with Public Authorities (Financial Arrangements) Act approvals. Interest is earned on daily bank balances at rates of approximately 3.03% in 2008/09 compared to 6.71% in the previous year. The TCorp Hour Glass cash facility is discussed in para (d) below.

Receivables - trade debtors

All trade debtors are recognised as amounts receivable at balance date. Collectibility of trade debtors is reviewed on an ongoing basis. Procedures as established in the NSW Department of Health Accounting Manual 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 entity will not be able to collect the amounts due. The evidence includes past experience and current and expected changes in economic conditions and debtor credit ratings. No interest is earned on trade debtors.

The Clinical Excellence Commission 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 (2009:\$0.315m; 2008: \$0.371 m) and not more than [3] months past due (2009: \$15k; 2008:\$0k) are not considered impaired and together these represent 82% of the total trade debtors.

The only financial assets that are past due or impaired are 'sales of goods and services' in the 'receivables' category of the balance sheet.

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\$000

2009	Total	Past due but not impaired	Considered impaired
<3 months overdue	15	15	0
3 months - 6 months overdue	71	71	0
> 6 months overdue	0	0	0
	86	86	0
2008			
<3 months overdue	0	0	0
3 months - 6 months overdue	0	0	0
> 6 months overdue	42	42	0
	42	42	0

The ageing analysis excludes statutory receivables, as these are not within the scope of AASB 7.

Authority Deposits

The Clinical Excellence Commission has placed funds on deposit with TCorp, which has been rated "AAA" by Standard and Poor's. These deposits are similar to money market or bank deposits and can be placed "at call" or for a fixed term. For fixed term deposits, the interest rate payable by TCorp is negotiated initially and is fixed for the term of the deposit, while the interest rate payable on at call deposits vary. The deposits at balance date were earning an average interest rate of 4.49%, while over the year the weighted average interest rate was 5.64% on a weighted average balance during the year of \$1.569 mil. None of these assets are past due or impaired.

c) Liquidity risk

Liquidity risk is the risk that the Clinical Excellence Commission will be unable to meet its payment obligations when they fall due. The Clinical Excellence Commission 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 effective management of cash, investments and liquid assets and liabilities.

The Clinical Excellence Commission has negotiated no loans outside of arrangements with the NSW Department of Health or the Sustainable Energy Development Authority.

No assets have been pledged as collateral. The Clinical Excellence Commission exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

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The 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 Department of Health. 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.

The table below summarises the maturity profile of the Health Service's financial liabilities together with the interest rate exposure.

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Maturity Analysis and interest rate exposure of financial liabilities

	\$'000					Maturity Dates			Weighted Average Effective int rate
	Interest Rate Exposure					< 1 Yr	1-5 Yr	> 5Yr	
2009	Fixed Interest Rate	Variable Interest Rate	Nominal Amount ¹	Variable Interest Rate	Non - Interest Bearing	\$000	\$000	\$000	%
	%	%	\$	\$000	\$000	\$000	\$000	\$000	%
Payables:									
Accrued salaries			126		126	126			
Creditors			291		291	291			
Intra-Health Creditors			130		130	130			
			547		547	547			
2008									
Payables:									
Accrued salaries			5		5	5			
Creditors			92		92	92			
			97		97	97			

Notes:

¹The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities, therefore the amounts disclosed above will not reconcile to the balance sheet in respect of non interest bearing loans negotiated with the NSW Department of Health.

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Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Clinical Excellence Commission exposures to market risk are primarily through interest rate risk on the Clinical Excellence Commission's investments and other price risks associated with the movement in the unit price of the Hour Glass Investment facilities. The Clinical Excellence Commission has no exposure to foreign currency risk and does not enter into commodity contracts.

The effect on profit and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the Clinical Excellence Commission operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the balance sheet date. The analysis is performed on the same basis for 2008. The analysis assumes that all other variables remain constant.

Interest rate risk

Exposure to interest rate risk arises primarily through the Health Service's interest bearing liabilities.

However, the Clinical Excellence Commission are not permitted to borrow external to the NSW Department of Health (Sustainable Energy Development Authority loans which are negotiated through Treasury excepted). Both SEDA and NSW Department of Health loans are set at fixed rates and therefore are generally not affected by fluctuations in market rates. For financial instruments a reasonably possible change of +/-1% is consistent with trends in interest. The Clinical Excellence Commission exposure to interest rate risk is set out below.

	\$'000				
	Carrying Amount	-1%		+1%	
		Profit	Equity	Profit	Equity
2009					
Financial assets					
Cash and cash equivalents	5,647	-56	-56	56	56
Receivables	401	-4	-4	4	4
Financial assets at fair value	669	-7	-7	7	7
Other financial assets					
Financial liabilities					
Payables	547	-5	-5	5	5
2008					
Financial assets					
Cash and cash equivalents	4,498	-45	-45	45	45
Receivables	413	-4	-4	4	4
Financial liabilities					
Payables	97	-1	-1	1	1

Other price risk - TCorp Hour Glass facilities

Exposure to 'other price risk' primarily arises through the investment in the TCorp Hour Glass Investment facilities, which are held for strategic rather than trading purposes. The Clinical Excellence Commission has no direct equity investments. The Clinical Excellence Commission holds units in the following Hour-Glass investment trusts:

Facility	Investment Sectors	Investment horizon	2009	2008
			\$'000	\$'000
Cash facility	Cash, money market instruments	Up to 2 years	669	0

The unit price of each facility is equal to the total fair value of net assets held by the facility divided by the total number of units on issue for that facility. Unit prices are calculated and published daily.

NSW TCorp as trustee for each of the above facilities is required to act in the best interest of the unitholders and to administer the trusts in accordance with the trust deeds. As trustee, TCorp has appointed external managers to manage the performance and risk of each facility in accordance with a mandate agreed by the parties. However, TCorp, acts as manager for part of the Cash facility. A significant portion of the administration of the facilities is outsourced to an external custodian.

Investment in the Hour Glass facilities limits the Clinical Excellence Commission exposure to risk, as it allows diversification across a pool of funds, with different investment horizons and a mix of investments.

NSW TCorp provides sensitivity analysis information for each of the facilities, using historically based volatility information. The TCorp Hour Glass Investment facilities are designated at fair value through profit

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or loss and therefore any change in unit price impacts directly on profit (rather than equity).

A reasonable possible change is based on the percentage change in unit price multiplied by the redemption price as at 30 June each year for each facility of 1% (as advised by TCorp).

	Change in unit price	Impact on profit/loss	
		2009	2008
		\$'000	\$'000
Hour Glass Investment - Cash facility	+ 1%	7	0

Fair Value

Financial instruments are generally recognised at cost, with the exception of the TCorp Hour Glass facilities, which are measured at fair value. As discussed, the value of the Hour Glass Investments is based on the Clinical Excellence Commission's share of the value of the underlying assets of the facility, based on the market value. All of the Hour Glass facilities are valued using 'redemption' pricing.

Except where specified below, the amortised cost of financial instruments recognised in the balance sheet approximates the fair value because of the short term nature of many of the financial instruments. The following table details the financial instruments where the fair value differs from the carrying amount:

	2009 \$'000	2009 \$'000	2008 \$'000	2008 \$'000
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
T-Corp (Hour glass on call)	0	669	0	0
Fixed cash Investment	0	0	0	0
	0	669	0	0

Note 26 Post Balance Date Events

Since the reporting date, there are no events that have come to light that require the financial report to be amended.

END OF AUDITED FINANCIAL STATEMENTS

