



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 statements of the Clinical Excellence Commission (the Commission), which comprise the statement of financial position as at 30 June 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, 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 statements:

- present fairly, in all material respects, the financial position of the Commission and the consolidated entity as at 30 June 2010, and of their financial performance for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- are in accordance with section 45E of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010

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

Chief Executive's Responsibility 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 (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 financial statements that are 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 statements 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 statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, 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 statements 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 statements.

I believe 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 statements.

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
- 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

20 October 2010
SYDNEY

**Certification of Parent/Consolidated Financial Statements
For the Year Ended 30 June 2010**

The attached financial statements of the Clinical Excellence Commission for the year ended 30 June 2010:

- 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 Carol Pollock
Chairman

19 October 2010



Professor Clifford Hughes, AO
Chief Executive Officer

19 October 2010



Mr André Jenkins
A/Director, Corporate Services

19 October 2010

Clinical Excellence Commission
Statement of Comprehensive Income for the year ended 30 June 2010

	PARENT		CONSOLIDATION	
	Actual 2010 \$000	Budget 2010 \$000	Actual 2010 \$000	Budget 2010 \$000
Expenses excluding losses				
Operating Expenses				
0 Employee Related	0	5,272	6,579	5,272
3 5,618 Personnel Services	6,579	0	0	0
4 1,847 Other Operating Expenses	2,345	3,672	2,345	3,672
5 494 Depreciation and Amortisation	490	490	490	490
2(h), 6 91 Grants and Subsidies	381	50	381	50
7				
	9,795	9,484	9,795	9,484
8,050 Total Expenses excluding losses				
Revenue				
80 Sale of Goods and Services	33	0	33	0
8 352 Investment Revenue	337	0	337	0
9 132 Grants and Contributions	263	0	263	0
10				
	633	0	633	0
564 Total Revenue				
5 Gain/(Loss) on Disposal	(2)	0	(2)	0
11				
	9,164	9,484	9,164	9,484
Government Contributions				
NSW Health Department	8,379	8,379	8,379	8,379
2(d) Recurrent Allocations	7,723		7,723	
Acceptance by the Crown Entity of				
2(a)(ii) employee benefits	132	55	132	55
	8,511	8,434	8,511	8,434
7,837 Total Government Contributions				
	(653)	(1,050)	(653)	(1,050)
356 RESULT FOR THE YEAR				
Other Comprehensive Income				
Net Increase/(Decrease) in				
Property, Plant & Equipment				
Asset Revaluation Reserve				
Available for Sale Financial Assets				
- Valuation Gains/(Losses)				
- Transferred to Result For Year on Disposal				
Net Change in the Asset Revaluation Reserve Arising from a Change in the Restoration Liability				
Other Net Increases/(Decreases) in Equity (SPECIFY)				
Other Comprehensive Income for the year				
TOTAL COMPREHENSIVE INCOME	(653)	(1,050)	(653)	(1,050)
	356			
	(653)			
	(1,050)			
	356			
	(653)			
	(1,050)			
	356			
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	(653)			
	(1,050)			
	356			
	(653)			
	(1,050)			
	356			

The accompanying notes form part of these financial statements.

Clinical Excellence Commission
Statement of Financial Position as at 30 June 2010

PARENT			CONSOLIDATION				
Actual 2010 \$000	Budget 2010 \$000	Actual 2009 \$000	Notes	Actual 2010 \$000	Budget 2010 \$000	Actual 2009 \$000	
ASSETS							
Current Assets							
6,827	546	5,647	12	6,827	546	5,647	
294	514	539	13	294	514	539	
128	5,170	669	14	128	5,170	669	
7,249	6,230	6,855		7,249	6,230	6,855	
Non-Current Assets							
514	882	569	15	514	882	569	
874	668	1,311	16	874	668	1,311	
1,388	1,550	1,880		1,388	1,550	1,880	
8,637	7,780	8,735		8,637	7,780	8,735	
LIABILITIES							
Current Liabilities							
736	619	660	17	736	619	660	
1,756	1,404	1,284	18	1,756	1,404	1,284	
2,492	2,023	1,944		2,492	2,023	1,944	
Non-Current Liabilities							
78	71	71	18	78	71	71	
78	71	71		78	71	71	
2,570	2,094	2,015		2,570	2,094	2,015	
6,067	5,686	6,720		6,067	5,686	6,720	
Net Assets							
EQUITY							
6,067	5,686	6,720		6,067	5,686	6,720	
6,067	5,686	6,720		6,067	5,686	6,720	

The accompanying notes form part of these Financial Statements

Clinical Excellence Commission Statement of Changes in Equity for the year ended 30 June 2010
Clinical Excellence Commission
Statement of Changes in Equity for the year ended 30 June 2010

	Notes	Accumulated Funds	Total
	\$000	\$000	\$000
Balance at 1 July 2009		6,720	6,720
Restated Total Equity at 1 July 2009		6,720	6,720
Result For The Year		(653)	(653)
Other Comprehensive Income:			
Net Increase/(Decrease) in Property, Plant & Equipment		0	0
Available for Sale Financial Assets:		0	0
-Valuation Gains/(Losses)		0	0
-Transfers on Disposal		0	0
Changes in Restoration Liability		0	0
Other (SPECIFY)		0	0
Total Other Comprehensive Income		0	0
Total Comprehensive Income For The Year		6,067	6,067
Transactions With Owners In Their Capacity As Owners			
Increase/(Decrease) in Net Assets From Equity Transfers		6,067	6,067
Balance at 30 June 2010		6,067	6,067
Balance at 1 July 2008		6,364	6,364
Changes in Accounting Policy		0	0
Correction of Errors (SPECIFY)		0	0
Restated Total Equity at 1 July 2008		6,364	6,364
Result For The Year		356	356
Other Comprehensive Income:			
Net Increase/(Decrease) in Property, Plant & Equipment		0	0
Available for Sale Financial Assets:		0	0
-Valuation Gains/(Losses)		0	0
-Transfers on Disposal		0	0
Changes in Restoration Liability		0	0
Other (SPECIFY)		0	0
Total Other Comprehensive Income		0	0
Total Comprehensive Income For The Year		6,720	6,720
Transactions With Owners In Their Capacity As Owners			
Increase/(Decrease) in Net Assets From Equity Transfers		6,720	6,720
Balance at 30 June 2009		6,720	6,720

The accompanying notes form part of these financial statements.

Clinical Excellence Commission
Cash Flow Statement for the year ended 30 June 2010

PARENT			CONSOLIDATION			
Actual 2010 \$000	Budget 2010 \$000	Actual 2009 \$000	Notes	Actual 2010 \$000	Budget 2010 \$000	Actual 2009 \$000
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
0	(5,217)	0		(5,855)	(5,217)	(4,836)
(8,367)	(3,672)	(6,266)		(2,512)	(3,672)	(1,430)
(251)	(50)	(91)		(251)	(50)	(91)
(8,618)	(8,939)	(6,357)		(8,618)	(8,939)	(6,357)
Receipts						
55	0	(112)		55	0	(112)
405	0	90		405	0	90
260	0	132		260	0	132
151	0	290		151	0	290
871	0	400		871	0	400
Cash Flows From Government						
8,379	8,379	7,723		8,379	8,379	7,723
8,379	8,379	7,723		8,379	8,379	7,723
NET CASH FLOWS FROM OPERATING ACTIVITIES						
632	(560)	1,766	21	632	(560)	1,766
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from Sale of Land and Buildings, Plant and						
23	0	36		23	0	36
Equipment and Infrastructure Systems						
(25)	0	(53)		(25)	0	(53)
Purchases of Land and Buildings, Plant and Equipment						
550	0	(600)		550	0	(600)
Purchases of Investments						
548	0	(617)		548	0	(617)
CASH FLOWS FROM FINANCING ACTIVITIES						
0	0	0		0	0	0
Proceeds from Borrowings and Advances						
0	0	0		0	0	0
NET CASH FLOWS FROM FINANCING ACTIVITIES						
1,180	(560)	1,149		1,180	(560)	1,149
NET INCREASE / (DECREASE) IN CASH						
5,647	5,647	4,498		5,647	5,647	4,498
Opening Cash and Cash Equivalents						
6,827	5,087	5,647	12	6,827	5,087	5,647
CLOSING CASH AND CASH EQUIVALENTS						

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2010

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 financial statements prepared for both the NSW Department of Health and 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 19 October 2010.

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 statements.

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.

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 statements of the Clinical Excellence Commission.

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2010

Accounting Standard/Interpretation

AASB 9, Financial Instruments and AASB 2009-11, Amendments to Australian Accounting Standards arising from AASB 9, have application from 1 July 2013 and focus on simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value. They also simplify the requirements for embedded derivatives and remove the tainting rules associated with held-to-maturity assets. They have been assessed as having no material impact on the Health Service.

AASB 1053, Application of tiers of Australian Accounting Standards, has application from 1 July 2013 and establishes a differential reporting framework consisting of two tiers of reporting requirements. Tier 1 entities will continue to apply existing Australian Accounting Standards. Tier 2 entities will apply the same recognition, measurement and presentation requirements but reduced disclosure requirements. Tier 2 entities include the majority of public sector entities. This standard has been assessed as having no material impact on the Health Service.

AASB 2009-5, Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project, has application from 1 July 2010 and comprises accounting changes for presentation, recognition or measurement purposes. This standard has been assessed as having no material impact on the Health Service.

AASB 2009-8, Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions, has application from 1 July 2010 and makes amendments which clarify the scope of AASB 2 by requiring an entity that receives goods or services in a share-based payment arrangement to account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash. This standard has been assessed as having no impact on the Health Service.

AASB 2009-9, Amendments to Australian Accounting Standards- Additional Exemptions for First-time Adopters, has application from 1 July 2010 and makes amendments to ensure that entities applying Australian Accounting Standards for the first time will not face undue cost or effort in the transition process in particular situations. This standard has been assessed as having no impact on the Health Service

AASB 2009-10, Amendments to Australian Accounting Standards- Classification of Rights Issues, has application from 1 July 2010 and provides clarification concerning equity instruments. This standard has been assessed as having no material impact on the Health Service.

AASB 124, Related Party Disclosures and AASB 2009-12, Amendments to Australian Accounting Standards, have application from 1 July 2011 and simplify the definition of a related party. They have been assessed as having no impact on the Health Service.

Interpretation 19, Extinguishing Financial Liabilities with Equity Instruments and AASB 2009-13, Amendments to Australian Accounting Standards arising from Interpretation 19, have application from 1 July 2010 and addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor to extinguish all or part of the financial liability. They have been assessed as having no impact on the Health Service.

AASB 2009-14, Amendments to Australian Interpretation- Prepayments of a Minimum Funding Requirement, has application from 1 July 2011 and makes limited-application amendments to Interpretation 14 AASB 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. This standard has been assessed as having no impact on the Health Service.

AASB 2010-1, Amendments to Australian Accounting Standards- Limited Exemption from Comparative AASB 7 Disclosures for First-time Adopters, has application from 1 July 2010 and provides additional exemption on IFRS transition in relation to AASB 7 Financial Instruments: Disclosures, to avoid the potential use of hindsight and to ensure that first-time adopters are not disadvantaged as compared with current IFRS-compliant preparers. This standard has been assessed as having no impact on the Health Service.

AASB 2010-2, Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements, has application from 1 July 2013 and determines disclosures in Australian Accounting Standards from which Tier 2 entities are exempt. This standard has been assessed as having no material impact on the Health Service.

AASB 2010-3 and AASB 2010-4, Amendments to Australian Accounting Standards arising from the Annual Improvements Project, have application from 1 January 2011 and amend a number of different Australian Accounting Standards. These standards have been assessed as having no material impact on the Health Service.

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2010

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 are due to be settled within 12 months after the end of the period in which the employees render the service 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 2010, such on-costs being consistent with actuarial assessment (Comparable on-costs for 30 June 2009 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 17.2 % (9.8% at 30 June 2009) 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 2010

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 in accordance with Departments's Mandate to not-for-profit general government sector agencies.

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 is recognised as revenue when the agency transfers the significant risks and rewards of ownership of the assets.

Rendering of Services

Revenue from the rendering of services is generally recognised as revenue when the service is provided

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 Health Service'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 Statement of Comprehensive Income 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)

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 2010

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 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 (See also assets transferred as a result of an equity transfer Note 2(t) refers).

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

Where payment for an asset is deferred beyond normal credit terms, its cost is the cash price equivalent, ie 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 Health Service. Land is not a depreciable asset. All material separately identifiable components of assets are depreciated over their shorter useful lives.

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 2010

k) Intangible Assets

The Health Service 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 only capitalised 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 Health Service's intangible assets, the assets are carried at cost less any accumulated amortisation.

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.

l) 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.

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 Statement of Comprehensive Income in the periods in which they 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 recognised in the Result for the Year 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 Result for the Year.

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 2010

- * *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 Result for the Year 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 in other comprehensive Income until disposed or impaired, at which time the cumulative gain or loss previously recognised in other comprehensive income is recognised in the Result for the Year. However, interest calculated using the effective interest method and dividends are recognised in the Result for the Year.

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 Statement of Financial Position.

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 Result for the Year.

When an available for sale financial asset is impaired, the amount of the cumulative loss is removed from equity and recognised in the Result for the Year, 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 Result for the Year.

Any reversals of impairment losses are reversed through the Result for the Year, 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 Result for the Year on derecognition.

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2010

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 or required by Accounting Standards to be treated as contributions by owners and is recognised as an adjustment to "Accumulated Funds". This treatment is consistent with AASB1004, Contributions and Australian Interpretation 1038 Contributions by Owners Made to Wholly Owned Public Sector Entities.

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.

aa) Equity and Reserves

(i) Asset Revaluation Reserve

The asset revaluation reserve is used to record increments and decrements on the revaluation of non current assets. This accords with the Health Service's policy on the revaluation of property, plant and equipment as discussed in Note 2(i).

(ii) Accumulated Funds

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

(iii) Separate Reserves

Separate reserve accounts are recognised in the financial statements only if such accounts are required by specific legislation or Australian Accounting Standards.

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 2010

PARENT			CONSOLIDATION	
2010	2009		2010	2009
\$000	\$000		\$000	\$000
3. Employee Related				
Employee related expenses comprise the following:				
0	0	Salaries and Wages	5,252	4,365
0	0	Awards	0	0
0	0	Superannuation - defined benefit plans	132	114
0	0	Superannuation - defined contributions	324	260
0	0	Long Service Leave	254	364
0	0	Annual Leave	403	411
0	0	Sick Leave and Other Leave	198	105
0	0	Workers Compensation Insurance	16	15
0	0	Fringe Benefits Tax	0	(16)
<u>0</u>	<u>0</u>		<u>6,579</u>	<u>5,618</u>
4. Personnel Services				
Personnel Services comprise the purchase of the following:				
5,252	4,365	Salaries and Wages	0	0
132	114	Superannuation - defined benefit plans	0	0
324	260	Superannuation - defined contributions	0	0
254	364	Long Service Leave	0	0
403	411	Annual Leave	0	0
198	105	Sick Leave and Other Leave	0	0
16	15	Workers Compensation Insurance	0	0
0	(16)	Fringe Benefits Tax	0	0
<u>6,579</u>	<u>5,618</u>		<u>0</u>	<u>0</u>
5. Other Operating Expenses				
12	6	Domestic Supplies and Services	12	6
49	61	Food Supplies	49	61
0	1	Fuel, Light and Power	0	1
738	664	General Expenses (See (a) below)	738	664
230	100	Information Management Expenses	230	100
		Maintenance (See (b) below)		
16	6	Maintenance Contracts	16	6
15	29	New/Replacement Equipment under \$10,000	15	29
7	24	Repairs	7	24
89	61	Postal and Telephone Costs	89	61
287	199	Printing and Stationery	287	199
3	0	Rates and Charges	3	0
311	358	Rental	311	358
48	41	Special Service Departments	48	41
184	25	Staff Related Costs	184	25
356	272	Travel Related Costs	356	272
<u>2,345</u>	<u>1,847</u>		<u>2,345</u>	<u>1,847</u>

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2010

PARENT			CONSOLIDATION	
2010	2009		2010	2009
\$000	\$000		\$000	\$000
		(a) General Expenses include:-		
101	2	Advertising	101	2
12	51	Audio Visual	12	51
5	14	Books, Magazines and Journals	5	14
44	148	Consultancies	44	148
3	4	Courier and Freight	3	4
13	7	Sitting Allowance Committee Membership Fees	13	7
25	26	Auditor's Remuneration - Audit of financial reports	25	26
107	48	Auditor's Remuneration - Other Services	107	48
6	30	Legal Services	6	30
29	102	Membership/Professional Fees	29	102
19	19	Motor Vehicle Expenses	19	19
311	178	Other Management Services	311	178
63	35	Other	63	35
738	664		738	664
		(b) Maintenance		
		Reconciliation Total Maintenance		
38	59	Maintenance (non employee Maintenance expense - contracted labour and other related), included in Note 5	38	59
38	59	Total maintenance expenses included in Notes 3, 4 and 5	38	59

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2010

PARENT			CONSOLIDATION	
2010	2009		2010	2009
\$000	\$000		\$000	\$000
6. Depreciation and Amortisation				
53	57	Depreciation - Plant and Equipment	53	57
<u>437</u>	<u>437</u>	Amortisation - Intangible Assets	<u>437</u>	<u>437</u>
<u>490</u>	<u>494</u>		<u>490</u>	<u>494</u>
7. Grants and Subsidies				
113	56	Research Organisations	113	56
130	0	Australasian Cardiac Surgery Research Institution	130	0
35	35	Ian O'Rourke Scholarship Fund (University of Sydney)	35	35
13	0	Other	13	0
<u>90</u>	<u>0</u>	Falls Program Funding	<u>90</u>	<u>0</u>
<u>381</u>	<u>91</u>		<u>381</u>	<u>91</u>

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2010

PARENT

CONSOLIDATION

2010
\$000

2009
\$000

2010
\$000

2009
\$000

8. Sale of Goods and Services

(a) Sale of Goods comprise the following:-

28	19	Commercial Activities	28	19
5	61	Other	5	61
<hr/>	<hr/>		<hr/>	<hr/>
33	80		33	80
<hr/> <hr/>	<hr/> <hr/>		<hr/> <hr/>	<hr/> <hr/>

9. Investment Revenue

328	283	Interest	328	283
9	69	T Corp Hour Glass Investment Facilities designated at Fair Value through profit & loss	9	69
<hr/>	<hr/>		<hr/>	<hr/>
337	352		337	352
<hr/> <hr/>	<hr/> <hr/>		<hr/> <hr/>	<hr/> <hr/>

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2010

PARENT			CONSOLIDATION	
2010 \$000	2009 \$000		2010 \$000	2009 \$000
		10. Grants and Contributions		
60	0	NSW Government grants	60	0
203	132	Other grants	203	132
263	132		263	132
		11. Gain/(Loss) on Disposal		
40	59	Property Plant and Equipment	40	59
15	28	Less Accumulated Depreciation	15	28
25	31	Written Down Value	25	31
23	36	Less Proceeds from Disposal	23	36
(2)	5	Gain/(Loss) on Disposal of Property Plant and Equipment	(2)	5
(2)	5	Total Gain/(Loss) on Disposal	(2)	5

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2010

PARENT			CONSOLIDATION	
2010 \$000	2009 \$000		2010 \$000	2009 \$000
		12 Cash & Cash Equivalent Assets		
407	1,147	Cash at bank and on hand	407	1,147
6,420	4,500	Short Term Deposits	6,420	4,500
6,827	5,647		6,827	5,647
Cash & 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:				
6,827	5,647	Cash and cash equivalents (per Statement of Financial Position)	6,827	5,647
6,827	5,647	Closing Cash and Cash Equivalents (per Statement of Cash Flows)	6,827	5,647

Refer to Note 24 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 2010

PARENT			CONSOLIDATION	
2010	2009		2010	2009
\$000	\$000		\$000	\$000
		13. Receivables		
		Current		
		(a) Sale of Goods and Services :		
58	83	NSW Health Department	58	83
30	120	Debtors Intra Health	30	120
50	107	Goods & Services Tax	50	107
123	198	Other Debtors	123	198
261	508	Sub Total	261	508
261	508	Sub Total	261	508
5	6	Prepayments S&W	5	6
28	25	Prepayments Rent	28	25
294	539	Total	294	539

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in Note 24.

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2010

PARENT			CONSOLIDATION	
2010	2009		2010	2009
\$000	\$000		\$000	\$000
		14 Financial Assets at Fair Value		
		Current		
<u>128</u>	<u>669</u>	Treasury Corporation - Hour Glass Investment Facilities (Cash)	<u>128</u>	<u>669</u>
<u>128</u>	<u>669</u>		<u>128</u>	<u>669</u>

Refer Note 24 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 2010

PARENT			CONSOLIDATION	
2010	2009		2010	2009
\$000	\$000		\$000	\$000
15. Plant and Equipment				
		Plant and Equipment		
754	756	At Fair Value	754	756
(240)	(187)	Less Accumulated depreciation and impairment	(240)	(187)
514	569	Net Carrying Amount	514	569
514	569	Total Plant and Equipment	514	569
514	569	At Net Carrying Amount	514	569

**Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2010**

PARENT AND CONSOLIDATION

15. Plant and Equipment - Reconciliations

	Plant and Equipment	Total
	\$000	\$000
2010		
Carrying amount at start of year	569	569
Additions	23	23
Disposals	(25)	(25)
Depreciation expense	(53)	(53)
Carrying amount at end of year	514	514

	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

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2010

PARENT			CONSOLIDATION	
2010	2009		2010	2009
\$000	\$000		\$000	\$000
		16. Intangible Assets		
		Software		
2,390	2,390	Cost (Gross Carrying Amount)	2,390	2,390
(1,516)	(1,079)	Less Accumulated Amortisation and Impairment	(1,516)	(1,079)
874	1,311	Net Carrying Amount	874	1,311
874	1,311	Total Intangible Assets at Net Carrying Amount	874	1,311

**Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2010**

PARENT AND CONSOLIDATION

16. Intangibles - Reconciliation

	Software	Total
	\$000	\$000
2010		
Net Carrying amount at start of year	1,311	1,311
Additions (from internal development or acquired separately)	0	0
Amortisation (recognised in depreciation and amortisation)	(437)	(437)
Net Carrying amount at end of year	874	874

	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

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2010

PARENT			CONSOLIDATION	
2010	2009	17. Payables	2010	2009
\$000	\$000		\$000	\$000
		Current		
122	126	Accrued Salaries and Wages	122	126
5	113	Taxation & Payroll Deductions	5	113
74	0	PAYG	74	0
386	291	Creditors	386	291
149	130	- Intra Health Liability	149	130
<u>736</u>	<u>660</u>		<u>736</u>	<u>660</u>

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in Note 24.

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2010

PARENT			CONSOLIDATION	
2010	2009		2010	2009
\$000	\$000		\$000	\$000
18. Provisions				
Current Employee Benefits and Related On-Costs				
0	0	Employee Annual Leave - Short Term Benefit	318	287
0	0	Employee Annual Leave - Long Term Benefit	403	259
0	0	Employee Long Service Leave - Short Term Benefit	36	39
0	0	Employee Long Service Leave - Long Term Benefit	999	699
<u>1,756</u>	<u>1,284</u>	Provision for Personnel Services Liability	<u>0</u>	<u>0</u>
<u>1,756</u>	<u>1,284</u>	Total Current Provisions	<u>1,756</u>	<u>1,284</u>
Non Current Employee benefits and Related On-Costs				
0	0	Employee Long Service Leave - Conditional	78	71
<u>78</u>	<u>71</u>	Provision for Personnel Services Liability	<u>0</u>	<u>0</u>
<u>78</u>	<u>71</u>	Total Non Current Provisions	<u>78</u>	<u>71</u>
Aggregate Employee Benefits and Related On-Costs				
1,756	1,284	Provisions - Current	1,756	1,284
78	71	Provisions - Non-Current	78	71
<u>122</u>	<u>126</u>	Accrued Salaries and Wages and On-Costs (Note 17)	<u>122</u>	<u>126</u>
<u>1,956</u>	<u>1,481</u>		<u>1,956</u>	<u>1,481</u>

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2010

PARENT		CONSOLIDATION	
2010 \$000	2009 \$000	2010 \$000	2009 \$000
		19 Commitments for Expenditure	
		(a) Other Expenditure Commitments	
		Aggregate other expenditure contracted for at balance date but not provided for in the accounts:	
207	448	207	448
440	0	440	0
0	0	0	0
<hr/>	<hr/>	<hr/>	<hr/>
647	448	647	448
		Total Other Expenditure Commitments (Including GST)	
		(b) Operating Lease Commitments	
		Commitments in relation to non-cancellable operating leases are payable as follows:	
416	319	416	319
2,006	26	2,006	26
0	0	0	0
<hr/>	<hr/>	<hr/>	<hr/>
2,422	345	2,422	345
		Total Operating Lease Commitments (Including GST)	
		(c) Contingent Asset related to Commitments for Expenditure	
		The total of "Commitments for Expenditure" \$3,139M as at 30 June 2010 includes input tax credits of \$285,364 that are expected to be recoverable from the Australian Taxation Office.	

20 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 2010

PARENT			CONSOLIDATION	
2010	2009		2010	2009
\$000	\$000		\$000	\$000
21 Reconciliation Of Net Cash Flows from Operating Activities To Net Cost Of Services				
632	1,766	Net Cash Used on Operating Activities	632	1,766
(490)	(494)	Depreciation	(490)	(494)
(132)	(114)	Acceptance by the Crown Entity of Employee Superannuation Benefits	(132)	(114)
(479)	(548)	(Increase)/ Decrease in Employee Provisions	(479)	(548)
(133)	265	(Increase) / Decrease in Goods and Services Debtors	(133)	265
(115)	(170)	(Increase) / Decrease in Other Debtors (Intra Hlth)	(115)	(170)
2	25	Increase / (Decrease) in Prepayments	2	25
(77)	(563)	(Increase)/ Decrease in Creditors	(77)	(563)
(2)	5	Net Gain/ (Loss) on Sale of Property, Plant and Equipment	(2)	5
(8,379)	(7,723)	(NSW Health Department Recurrent Allocations)	(8,379)	(7,723)
9	70	Fair Value (T-Corp)	9	70
<u>(9,164)</u>	<u>(7,481)</u>	Net Cost of Services	<u>(9,164)</u>	<u>(7,481)</u>

**Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2010**

PARENT AND CONSOLIDATION

22 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.

23 Budget Review - Parent and Consolidated

Net Cost of Services

The actual Net Cost of Services was lower than budget by \$320K.. This was primarily due to the non-cash budget adjustment of \$600K which assisted the Clinical Excellence Commission achieve its tighter budget surplus this financial year. Greater than budgeted actual revenue of \$633K represents mainly investment income from short term fixed deposits. Additional project funding from various NSW Health Organisations for short term projects had been brought to account in the Net Cost of Services 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 \$397K due to the favourable Net Cost of Services position.

Assets and Liabilities

Current Assets

Current Assets were greater than budget by \$1.02M. This was primarily due to the cash investments of fixed term deposits. 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 \$162K reflecting the IIMS increase in depreciation to reflect its true value.

Current Liabilities

The current creditors are less than budget due to the settlement of all outstanding suppliers as at 30 June 2010.

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:

	2010	2009
	\$000	\$000
Initial Allocation, 30th July 2009	8,720	7,581
Collaborating Hospital Audit Surgical	250	169
Central Line Associated Bloodstream	0	157
Statewide Clinical Leadership Program	(1,231)	(547)
DETECT Education	106	90
Paediatric Clinical Practice Guidelines	264	0
Falls Prevention Program	269	271
Super Guarantee Charge	1	2
Balance as per Statement of Comprehensive Income	8,379	7,723

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2010

Note 24 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 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 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 Statement of Financial Position	
		2010	2009
		\$000	\$000
Financial Assets			
Class:	Category		
Cash and Cash Equivalents (note 12)		6,827	5,647
Receivables (note 13)1	Loans and receivables (at amortised cost)	211	401
Financial Assets at Fair Value (note 14)	At fair value through profit & loss (designated as such upon initial recognition)	128	669
Total Financial Assets		<u>7,166</u>	<u>6,717</u>
Financial Liabilities			
Payables (Note 17)2	Financial liabilities measured at amortised cost	657	547
Total Financial Liabilities		<u>657</u>	<u>547</u>

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 Statement of Financial Position	
		2010	2009
		\$000	\$000
Financial Assets			
Class:	Category		
Cash and Cash Equivalents (note 12)		6,827	5,647
Receivables (note 13)1	Loans and receivables (at amortised cost)	211	401
Financial Assets at Fair Value (note 14)	At fair value through profit & loss (designated as such upon initial recognition)	128	669
Total Financial Assets		<u>7,166</u>	<u>6,717</u>
Financial Liabilities			
Payables (Note 17)2	Financial liabilities measured at amortised cost	657	547
Total Financial Liabilities		<u>657</u>	<u>547</u>

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)

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Maturity Analysis and interest rate exposure of financial liabilities

	\$'000					Maturity Dates			Weighted Average Effective int rate
	Interest Rate Exposure		Nominal Amount ¹	Variable Interest Rate	Non - Interest Bearing	< 1 Yr	1-5 Yr	> 5Yr	
Fixed Interest Rate	Variable Interest Rate	\$							\$000
2010	%	%	\$	\$000	\$000	\$000	\$000	\$000	%
Payables:									
Accrued salaries			122		122	122			
Creditors			386		386	386			
Intra-Health Creditors			149		149	149			
			657		657	657			
2009									
Payables:									
Accrued salaries			126		126	126			
Creditors			291		291	291			
Intra-Health Creditors			130		130	130			
			547		547	547			

Notes:

¹The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which the Health Service can be required to pay. The tables include both interest and principal cash flows and therefore will not reconcile to the Statement of Financial Position.

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d) 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 Statement of Financial Position 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. The Clinical Excellence Commission does not account for any fixed rate financial instruments at fair value through profit or loss or as available-for-sale. Therefore, for these financial instruments, a change of 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. The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility. The Clinical Excellence Commission exposure to interest rate risk is set out below.

	\$'000				
	Carrying Amount	-1%		+1%	
		Profit	Equity	Profit	Equity
2010					
Financial assets					
Cash and cash equivalents	6,827	-68	-68	68	68
Financial assets at fair value	128	-1	-1	1	1
Other financial assets					
Financial liabilities					
Borrowings					
2009					
Financial assets					
Cash and cash equivalents	5,647	-56	-56	56	56
Financial assets at fair value	669	-7	-7	-7	-7
Other financial assets					
Financial liabilities					

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	2010	2009
			\$'000	\$'000
Cash facility	Cash, money market instruments	Up to 2 years	128	669

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.

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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 basec volatility information. The TCorp Hour Glass Investment facilities are designated at fair value through profit 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	
		2010 \$'000	2009 \$'000
Hour Glass Investment - Cash Facility	+ 1%	1.3	7

e) Fair Value compared to Carrying Amount

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:

	2010 \$'000	2010 \$'000	2009 \$'000	2009 \$'000
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
T-Corp (Hour glass on call)	128	128	669	669
Fixed cash Investment	0	0	0	0
Financial liabilities				
	128	128	669	669

(f) Fair Value recognised in the Statement of Financial Position

The Health Service uses the following hierarchy for disclosing the fair value of financial instruments by valuation technique:

Level 1 - derived from quoted prices in active markets for identical assets/liabilities.

Level 2- derived from inputs other than quoted prices that are observable directly or indirectly

Level 3 - derived from valuation techniques that include inputs for the asset/liability not based on observable market data (unobservable inputs).

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2010 Total \$'000
TCorp Hour-Glass Invt.Facility		128		128

(The table above only includes financial assets as no financial liabilities were measured at fair value in the Statement of Financial Position.)

There were no transfers between level 1 and 2 during the period ended 30 June 2010

Note 25 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