



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 2014, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information of the Commission and the consolidated entity. The consolidated entity comprises the Commission and the entities it controlled at the year's end or from time to time during the financial year.

Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Commission and the consolidated entity as at 30 June 2014, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 45E of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010

My opinion does not extend to the budget information. I have not audited the budget figures disclosed in the statement of comprehensive income, the statement of financial position and the statement of cash flows.

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

Board's Responsibility for the Financial Statements

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

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. Those Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 control relevant to the Commission's preparation of the financial statements that give a true and fair view in order to design audit procedures appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board, 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 the consolidated entity
- that it has carried out its activities effectively, efficiently and economically
- about the effectiveness of its internal control
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about other information which may have been hyperlinked to/from the financial statements.

Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and other relevant ethical pronouncements. 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 roles by the possibility of losing clients or income.



Steven Martin
Assistant Auditor-General, Financial Audit Services

26 September 2014
SYDNEY

Clinical Excellence Commission

Certification of the Financial Statements for the year ended 30 June 2014

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

1) The financial statements of the Clinical Excellence Commission for the year ended 30 June 2014 have been prepared in accordance with:

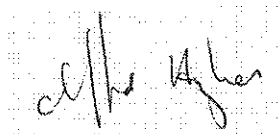
a) Australian Accounting Standards (which include Australian Accounting Interpretations)

b) the requirements of the Public Finance and Audit Act 1983, the Public Finance and Audit Regulations 2010 and the Treasurer's Directions;

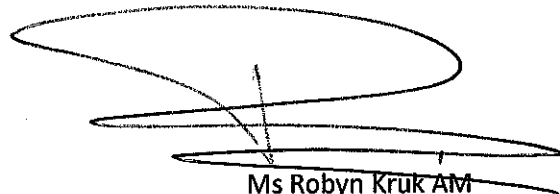
c) the Financial Reporting Code for NSW General Government Sector Entities.

2) The financial statements exhibit a true and fair view of the financial position and the financial performance of the Clinical Excellence Commission; and

3) I am not aware of any circumstances which would render any particulars in the accounts to be misleading or inaccurate.



Professor Clifford Hughes AO
Chief Executive Officer
24th September 2014



Ms Robyn Kruk AM
Acting Chairperson
24th September 2014

Clinical Excellence Commission
Statement of Comprehensive Income for the year ended 30 June 2014

PARENT			CONSOLIDATION					
Actual	Budget Unaudited	Actual		Notes	Actual	Budget Unaudited	Actual	
2014	2014	2013			2014	2014	2013	
\$000	\$000	\$000			\$000	\$000	\$000	
			Expenses excluding losses					
			Operating Expenses					
----	----	----	Employee Related	3	12,478	12,777	10,588	
11,271	11,574	9,958	Personnel Services	4	----	----	----	
3,064	3,196	2,847	Other Operating Expenses	5	3,064	3,196	2,847	
351	330	294	Depreciation and Amortisation	2(h), 6	351	330	294	
554	331	140	Grants and Subsidies	7	554	331	140	
----	----	9	Finance Costs	8	----	----	9	
15,240	15,431	13,248	Total Expenses excluding losses		16,447	16,634	13,878	
			Revenue					
14,282	14,277	12,356	NSW Ministry of Health Recurrent Allocations	2(d)	14,282	14,277	12,356	
385	385	298	NSW Ministry of Health Capital Allocations	2(d)	385	385	298	
----	----	----	Acceptance by the Crown Entity of Employee Benefits	2(a)(ii), 12	1,207	1,203	630	
9	----	2	Sale of Goods and Services	9	9	----	2	
251	338	319	Investment Revenue	10	251	338	319	
201	89	256	Grants and Contributions	11	201	89	256	
2	9	17	Other Revenue	13	2	9	17	
15,130	15,098	13,248	Total Revenue		16,337	16,301	13,878	
----	----	(14)	Gain / (Loss) on Disposal	14	----	----	(14)	
----	----	(239)	Other Gains / (Losses)	15	----	----	(239)	
(110)	(333)	(253)	Net Result	25	(110)	(333)	(253)	
			Other Comprehensive Income					
			Items that may be reclassified to net result					
----	----	----	Total Other Comprehensive Income					----
(110)	(333)	(253)	TOTAL COMPREHENSIVE INCOME		(110)	(333)	(253)	

The accompanying notes form part of these financial statements.

Clinical Excellence Commission
Statement of Financial Position as at 30 June 2014

PARENT			CONSOLIDATION			
Actual	Budget Unaudited	Actual	Notes	Actual	Budget Unaudited	Actual
2014 \$000	2014 \$000	2013 \$000		2014 \$000	2014 \$000	2013 \$000
ASSETS						
Current Assets						
6,679	6,640	6,640	16	6,679	6,640	6,640
581	398	396	17	581	398	396
<u>7,260</u>	<u>7,038</u>	<u>7,036</u>		<u>7,260</u>	<u>7,038</u>	<u>7,036</u>
7,260	7,038	7,036		7,260	7,038	7,036
Total Current Assets						
Non-Current Assets						
----	----	19	18	----	----	19
97	163	92	18	97	163	92
564	396	707	18	564	396	707
<u>661</u>	<u>559</u>	<u>818</u>		<u>661</u>	<u>559</u>	<u>818</u>
----	----	----	19	----	----	----
<u>661</u>	<u>559</u>	<u>818</u>		<u>661</u>	<u>559</u>	<u>818</u>
661	559	818		661	559	818
<u>7,921</u>	<u>7,597</u>	<u>7,854</u>		<u>7,921</u>	<u>7,597</u>	<u>7,854</u>
7,921	7,597	7,854		7,921	7,597	7,854
LIABILITIES						
Current Liabilities						
919	847	1,045	20	919	847	1,045
1,548	1,359	1,273	21	1,548	1,359	1,273
<u>2,467</u>	<u>2,206</u>	<u>2,318</u>		<u>2,467</u>	<u>2,206</u>	<u>2,318</u>
2,467	2,206	2,318		2,467	2,206	2,318
Total Current Liabilities						
Non-Current Liabilities						
205	167	10	21	205	167	10
----	----	167	22	----	----	167
<u>205</u>	<u>167</u>	<u>177</u>		<u>205</u>	<u>167</u>	<u>177</u>
205	167	177		205	167	177
<u>2,672</u>	<u>2,373</u>	<u>2,495</u>		<u>2,672</u>	<u>2,373</u>	<u>2,495</u>
2,672	2,373	2,495		2,672	2,373	2,495
Total Liabilities						
<u>5,249</u>	<u>5,224</u>	<u>5,359</u>		<u>5,249</u>	<u>5,224</u>	<u>5,359</u>
5,249	5,224	5,359		5,249	5,224	5,359
Net Assets						
EQUITY						
5,249	5,224	5,359		5,249	5,224	5,359
<u>5,249</u>	<u>5,224</u>	<u>5,359</u>		<u>5,249</u>	<u>5,224</u>	<u>5,359</u>
5,249	5,224	5,359		5,249	5,224	5,359
Total Equity						

The accompanying notes form part of these financial statements.

Clinical Excellence Commission
Statement of Changes in Equity for the year ended 30 June 2014

PARENT AND CONSOLIDATION	Notes	Accumulated Funds \$000	Asset Revaluation Surplus \$000	Total \$000
Balance at 1 July 2013		5,359	----	5,359
Total Equity at 1 July 2013		5,359	----	5,359
Net Result for the year		(110)		(110)
Other Comprehensive Income:				
Total Comprehensive Income for the year		(110)	----	(110)
Transactions With Owners In Their Capacity As Owners				
Balance at 30 June 2014		5,249	----	5,249
Balance at 1 July 2012		5,385	----	5,385
Total Equity at 1 July 2012		5,385	----	5,385
Net Result for the year		(253)		(253)
Other Comprehensive Income:				
Total Comprehensive Income for the year		(253)	----	(253)
Transactions With Owners In Their Capacity As Owners				
Increase/(Decrease) in Net Assets From Equity Transfers	27	227	----	227
Balance at 30 June 2013		5,359	----	5,359

The accompanying notes form part of these financial statements.

Clinical Excellence Commission
Statement of Cash Flows for the year ended 30 June 2014

PARENT			CONSOLIDATION			
Actual	Budget Unaudited	Actual	Notes	Actual	Budget Unaudited	Actual
2014 \$000	2014 \$000	2013 \$000		2014 \$000	2014 \$000	2013 \$000
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
---	---	---		(11,268)	(12,161)	(10,123)
(635)	(413)	(158)		(635)	(413)	(158)
---	---	---		---	---	(9)
(14,822)	(15,451)	(13,317)		(3,554)	(3,290)	(3,194)
(15,457)	(15,864)	(13,484)		(15,457)	(15,864)	(13,484)
Receipts						
14,281	14,277	12,356		14,281	14,277	12,356
385	385	298		385	385	298
298	298	352		298	298	352
(144)	270	48		(144)	270	48
251	338	319		251	338	319
206	94	279		206	94	279
414	74	244		414	74	244
15,691	15,736	13,896		15,691	15,736	13,896
NET CASH FLOWS FROM OPERATING ACTIVITIES						
234	(128)	412	25	234	(128)	412
CASH FLOWS FROM INVESTING ACTIVITIES						
(195)	(71)	(75)		(195)	(71)	(75)
(195)	(71)	(75)		(195)	(71)	(75)
NET INCREASE / (DECREASE) IN CASH						
39	(199)	337		39	(199)	337
6,640	6,640	5,988		6,640	6,640	5,988
---	---	315	27	---	---	315
6,679	6,441	6,640	16	6,679	6,441	6,640

The accompanying notes form part of these financial statements.

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

1. The Reporting Entity

The Clinical Excellence Commission (the CEC) was established under the provisions of the Health Services Act 1997 with effect from 1 January 2011.

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

- * The Clinical Excellence Commission Special Purpose Service Entity which was established as a Division of the Health Service on 1 January 2011 in accordance with the Health Services Act 1997. This Division provides personnel services to enable the CEC to exercise its functions.

As a consequence the values in the annual financial statements presented herein consist of the parent entity and the consolidated entity which comprises the parent and special purpose service entity. In the process of preparing the consolidated financial statements consisting of the controlling and controlled entities, all inter-entity transactions and balances have been eliminated.

The reporting entity is a NSW Government entity which is consolidated as part of the NSW Ministry of Health and NSW Total State Sector Accounts. The CEC is a not-for-profit entity (as profit is not its principal objective).

These consolidated financial statements for the year ended 30 June 2014 have been authorised for issue by the Chief Executive Officer & the Board on 24th September 2014.

2. Summary of Significant Accounting Policies

Basis of Preparation

The CEC's financial statements are general purpose financial statements which have been prepared on an accrual basis and in accordance with applicable Australian Accounting Standards (which include Australian Accounting Interpretations), the requirements of the Health Services Act 1997 and its regulations (including observation of the Accounts and Audit Determination for Public Health Organisations), the Public Finance and Audit Act 1983 and Public Finance and Audit Regulation 2010, and the Treasurers' Directions. Apart from the basis for the CEC's budget figures, the financial statements comply with the Financial Reporting Code for NSW General Government Sector Entities. Further information on the budget figures can be found at Note 2(u).

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

Other mitigating circumstances why the going concern is appropriate include:

- * Appropriated funds, combined with other revenues earned, are applied to pay debts as and when they become due and payable.

- * The CEC has the capacity to review timing of subsidy cashflows to ensure that they can pay debts as and when they become due and payable.
- * The CEC has developed an Efficiency and Improvement Plan (EIP) which identifies revenue improvement and cost saving strategies. Benefits from the EIP are retained by the CEC and assist in meeting its overall budget target. The EIP is monitored and evaluated by the Ministry throughout the financial year.

Property, plant and equipment, investment property, assets (or disposal groups) held for sale and financial assets at 'fair value through profit and loss' and available for sale are measured at fair value. Other financial statement items are prepared in accordance with the historical cost convention.

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

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

Comparative Information

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

Statement of Compliance

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

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

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

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

Actuarial advice obtained by Treasury has confirmed that the use of a nominal approach plus the annual leave on annual leave liability can be used to approximate the present value of the annual leave liability. On-costs of 15.1% are applied to the value of leave payable at 30 June 2014, (comparable on-costs for 30 June 2013 was 13.2%). The CEC has assessed the actuarial advice based on the CEC's circumstances and has determined that the effect of discounting is immaterial to annual leave.

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

ii) Long Service Leave and Superannuation

The CEC's liability for Long Service Leave and defined benefit superannuation (State Authorities Superannuation Scheme and State Superannuation Scheme) are assumed by the Crown Entity.

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

Long Service Leave is measured at present value in accordance with AASB 119, Employee Benefits. This is based on the application of certain factors (specified in NSW Treasury Circular 14/04) to employees with five or more years of service, using current rates of pay. These factors were determined based on an actuarial review to approximate present value.

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

iii) Consequential On-Costs

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

iv) Other Provisions

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

b) Insurance

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

c) Finance Costs

Finance costs are recognised as expenses in the period in which they are incurred, in accordance with Treasury's Mandate to not-for-profit general government sector entities.

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

Revenue from the sale of goods is recognised as revenue when the CEC transfers the significant risks and rewards of ownership of the assets.

Rendering of Services

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

Investment Revenue

Interest revenue is recognised using the effective interest method as set out in AASB 139, Financial Instruments: Recognition and Measurement.

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 recognised as revenues when the CEC obtains control over the assets comprising the contributions. Control over contributions is normally obtained upon the receipt of cash.

NSW Ministry of Health Allocations

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

This allocation is included in the Statement of Comprehensive Income before arriving at the "Net Result" on the basis that the allocation is earned in return for the health services provided on behalf of the Ministry. 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 that:

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

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

f) Acquisition of Assets

Assets acquired are initially recognised at cost. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the requirements of other Australian Accounting Standards.

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition (See also assets transferred as a result of an equity transfer Note 2(s)).

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, 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 of Property, Plant and Equipment

Depreciation is provided for on a straight-line basis for all depreciable assets so as to write off the depreciable amount of each asset as it is consumed over its useful life to the CEC. 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:

Computer Equipment	20.0%
Motor Vehicle Sedans	12.5%
Office Equipment	10.0%
Plant and Machinery	10.0%
Furniture, Fittings and Furnishings	5.0%

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

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

Fair value of property, plant and equipment is based on a market participants' perspective, using valuation techniques (market approach, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs. Also refer Note 18 and Note 21 for further information regarding fair value.

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, impairment under AASB 136 Impairment of Assets is unlikely to arise. As property, plant and equipment is carried at fair value, impairment can only arise in the rare circumstances where the costs of disposal are material. Specifically, impairment is unlikely for not-for-profit entities given that AASB 136 modifies the recoverable amount test for non-cash generating assets of not-for-profit entities to the higher of fair value less costs of disposal and depreciated replacement cost, where depreciated replacement cost is also fair value.

k) Restoration Costs

The estimated cost of dismantling and removing an asset and restoring the site is included in the cost of an asset, to the extent it is recognised as a liability.

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, at the commencement of the lease term, the asset is recognised at its fair value or, if lower, the present value of the minimum lease payments, at the inception of the lease. 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 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 recognised in the net result 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) 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 net 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 net 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 net result for the year.

Any reversals of impairment losses are reversed through the net 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.

p) 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 CEC transfers the financial asset:

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

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

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

q) Payables

These amounts represent liabilities for goods and services provided to the CEC 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 CEC.

r) Fair Value Hierarchy

A number of the CEC's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When measuring fair value, the valuation technique used maximises the use of relevant observable inputs and minimises the use of unobservable inputs.

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

s) Equity Transfers

The transfer of net assets between entity as a result of an administrative restructure, transfers of programs/functions and parts thereof between NSW public sector entities 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 AASB 1004, Contributions and Australian Interpretation 1038 ,Contributions by Owners Made to Wholly-Owned Public Sector Entities.

Transfers arising from an administrative restructure involving not-for-profit entities and for-profit government entities are recognised at the amount at which the asset was recognised by the transferor immediately prior to the restructure. Subject to below, in most instances this will approximate 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 entity does not recognise that asset.

t) Equity and Reserves

(i) Accumulated Funds

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

u) Budgeted Amounts

The budgeted amounts are drawn from the budgets agreed with the NSW Ministry of Health at the beginning of the financial year and with any adjustments for the effects of additional supplementation provided. The budget amounts are not subject to audit review and, accordingly, the relevant column entries in the financial statements are denoted as "Unaudited".

v) Changes in Accounting Policy, including new or revised Australian Accounting Standards

(i) Effective for the first time in 2013-14

The accounting policies applied in 2013-14 are consistent with those of the previous financial year except as a result of the following new or revised Australian Accounting Standards that have impacted in 2013-14 and have been applied for the first time as follows:

AASB 13, AASB 2011-8 and AASB 2012-1, Fair Value Measurement have mandatory application from 1 January 2013 and address, inter alia, the assumptions that market participants would use when pricing the asset or liability. No impact to prior year values, increased note disclosures, refer note 21.

AASB 119, AASB 2011-10 and AASB 2011-11, regarding employee entitlements, have mandatory application from 1 January 2013 and cover the recognition and measurement of short term and long term employee benefits. Refer Note 3 and 21.

AASB 2012-2, Amendments to Australian Accounting Standard - Offsetting Financial Assets and Financial Liabilities, has application for reporting periods starting on or after 1 January 2013 and seeks to address some of the offsetting criteria of AASB 7. Minor Adjustment has been made to note 28.

(ii) Issued but not yet effective

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

AASB 2010-7, regarding Financial Instruments has mandatory application from 1 July 2015 and comprise changes to improve and simplify the approach for classification and measurement of financial assets. The change is not expected to materially impact the financial statements.

AASB 2011-7, Amendments to Australian Accounting Standards for the consolidation and joint arrangement standards, arise from the issuance of AASB 10, AASB 11, AASB 12, AASB 127, and AASB 128. For not for profit entities, the changes have application from 1 July 2014. Based on the initial high level assessment performed by the Ministry of Health, this standard has been assessed as having no material effect. The CEC in conjunction with the Ministry will be performing a detailed review of the impact of the standard to assess if any small foundations, trust or any other type of entities are controlled, noting if such relationship exists, it is still likely to be immaterial.

AASB 1055 and AASB 2013-1, regarding Budgetary Reporting has application from 1 July 2014. Any changes in future disclosures will be determined by the policies adopted for whole of government reporting.

AASB 9, Financial Instruments, has application from 1 Jan 2017. Standard is to establish principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.

AASB 1031, *Materiality*, is applicable to annual reporting periods beginning on or after 1 January 2014. This Standard provides references to other Standards and the Framework that contain guidance on materiality.

AASB 2012-3, *Amendments to Australian Accounting Standard - Offsetting Financial Assets and Financial Liabilities*, has application from 1 January 2014 and seeks to address inconsistencies identified in applying some of the offsetting criteria of AASB 132.

AASB 2013-3, *Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets*, has application from 1 July 2014.

AASB 2013-6, *Amendments to AASB 136 arising from Reduced Disclosure Requirements*, has application from 1 July 2014.

AASB 2013-8, *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities – Control and Structured Entities*, has application from 1 July 2014.

AASB 2013-9, *Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments* has application from 1 July 2014.

AASB 2014-1, *Amendments to Australian Accounting Standards* is a summary of changes and impacts on wording arising from changes in other standards issued by the Australian Accounting Standards Board which have been already assessed above. This standard has application from 1 July 2014.

AASB 2014-2, *Amendments to AASB 1053 – Transition to and between Tiers, and related Tier 2 Disclosure Requirements* which should have minimal impact due to exemptions not applying to General Government Sector Entities. This standard has application from 1 July 2014.

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

PARENT			CONSOLIDATION	
2014	2013		2014	2013
\$000	\$000		\$000	\$000
3. Employee Related				
Employee related expenses comprise the following:				
---	---	Salaries and Wages	8,937	8,372
---	---	Overtime	1	---
---	---	Superannuation - Defined Benefit Plans	178	155
---	---	Superannuation - Defined Contribution Plans	785	613
---	---	Long Service Leave	1,104	500
---	---	Annual Leave	922	721
---	---	Sick Leave and Other Leave	482	200
---	---	Redundancies	---	25
---	---	Workers' Compensation Insurance	69	---
---	---	Fringe Benefits Tax	---	2
-----	-----		<u>12,478</u>	<u>10,588</u>
4. Personnel Services				
Personnel Services comprise the purchase of the following:				
8,937	8,372	Salaries and Wages	---	---
1	---	Overtime	---	---
785	613	Superannuation - Defined Contribution Plans	---	---
75	25	Long Service Leave	---	---
922	721	Annual Leave	---	---
482	200	Sick Leave and Other Leave	---	---
---	25	Redundancies	---	---
69	---	Workers' Compensation Insurance	---	---
---	2	Fringe Benefits Tax	---	---
<u>11,271</u>	<u>9,958</u>		-----	-----
5. Other Operating Expenses				
12	(2)	Advertising	12	(2)
35	12	Auditor's Remuneration - Audit of Financial Statements	35	12
2	1	Consultancies	2	1
2	1	Domestic Supplies and Services	2	1
41	73	Food Supplies	41	73
33	32	Fuel, Light and Power	33	32
1,322	1,363	Other (See (a) below)	1,322	1,363
359	278	Information Management Expenses	359	278
2	3	Insurance	2	3
158	94	Maintenance (See (b) below)	158	94
11	6	Motor Vehicle Expenses	11	6
154	173	Postal and Telephone Costs	154	173
207	230	Printing and Stationery	207	230
3	---	Rental	3	---
13	5	Special Service Departments	13	5
247	55	Staff Related Costs	247	55
463	523	Travel Related Costs	463	523
<u>3,064</u>	<u>2,847</u>		<u>3,064</u>	<u>2,847</u>

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

PARENT			CONSOLIDATION	
2014 \$000	2013 \$000		2014 \$000	2013 \$000
		(a) Other Includes:		
8	10	Courier and Freight	8	10
82	164	Legal Services	82	164
25	21	Membership/Professional Fees	25	21
842	721	Other Operating Lease Expense - Minimum Lease Payments	842	721
110	----	Corporate Services Charges	110	----
116	----	CEC Events and Functions	116	----
46	----	Official Visitors	46	----
93	370	Goods and Services	93	370
1,322	1,362		1,322	1,362
		(b) Reconciliation of Total Maintenance		
4	20	Maintenance Contracts	4	20
131	46	New/Replacement Equipment under \$10,000	131	46
23	28	Repairs Maintenance/Non Contract	23	28
158	94	Maintenance Expense - Contracted Labour and Other (Non-Employee Related in Note 5)	158	94
158	94		158	94

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

PARENT			CONSOLIDATION	
2014 \$000	2013 \$000		2014 \$000	2013 \$000
		6. Depreciation and Amortisation		
13	16	Depreciation - Plant and Equipment	13	16
338	278	Amortisation - Leasehold Improvements	338	278
<u>351</u>	<u>294</u>		<u>351</u>	<u>294</u>
		7. Grants and Subsidies		
----	87	Grants to Research Organisations	----	87
100	----	HARC Scholarship (SAX Institute)	100	----
288	----	NSW Therapeutic Advisory Group	288	----
56	----	In Safe Hands Program (UNSW)	56	----
110	53	Other Grants	110	53
<u>554</u>	<u>140</u>		<u>554</u>	<u>140</u>
		8. Finance Costs		
----	9	Make Good Interest Charges	----	9
<u>----</u>	<u>9</u>		<u>----</u>	<u>9</u>

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

PARENT			CONSOLIDATION	
2014 \$000	2013 \$000		2014 \$000	2013 \$000
9. Sale of Goods and Services				
Rendering of Services comprise the following:-				
-----	(1)	Staff-Meals and Accommodation	-----	(1)
3	3	Salary Packaging Fee	3	3
6	-----	Other	6	-----
9	2		9	2
10. Investment Revenue				
251	319	Bankwest Interest on Cash Deposits	251	319
251	319		251	319

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

PARENT			CONSOLIDATION	
2014 \$000	2013 \$000		2014 \$000	2013 \$000
11. Grants and Contributions				
30	----	Commonwealth Government Grants	30	----
----	40	NSW Government Grants	----	40
171	188	Top 5 (HCF Grant)	171	188
----	28	Other Grants	----	28
201	256		201	256
12. Acceptance by the Crown Entity of employee benefits				
The following liabilities and expenses have been assumed by the Crown Entity:				
----	----	Superannuation-defined benefit	178	155
----	----	Long Service Leave	1,029	475
----	----		1,207	630
13. Other Revenue				
Other Revenue comprises the following:-				
1	----	Sponsorship Income	1	----
1	17	Other	1	17
2	17		2	17

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

PARENT			CONSOLIDATION	
2014 \$000	2013 \$000		2014 \$000	2013 \$000
		14. Gain / (Loss) on Disposal		
21	54	Property, Plant and Equipment	21	54
21	40	Less: Accumulated Depreciation	21	40
<u>-----</u>	<u>14</u>	Written Down Value	<u>-----</u>	<u>14</u>
<u>-----</u>	<u>(14)</u>	Gain/(Loss) on Disposal of Property, Plant and Equipment	<u>-----</u>	<u>(14)</u>
<u>-----</u>	<u>(14)</u>	Total Gain/(Loss) on Disposal	<u>-----</u>	<u>(14)</u>
		15. Other Gains / (Losses)		
-----	(239)	Impairment of Receivables	-----	(239)
<u>-----</u>	<u>(239)</u>		<u>-----</u>	<u>(239)</u>

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

PARENT			CONSOLIDATION	
2014	2013		2014	2013
\$000	\$000		\$000	\$000
16. Cash and Cash Equivalents				
933	1,676	Cash at Bank and On Hand	933	1,676
5,746	4,964	Bankwest Short Term Cash Deposits	5,746	4,964
<u>6,679</u>	<u>6,640</u>		<u>6,679</u>	<u>6,640</u>
<u>6,679</u>	<u>6,640</u>	Cash and Cash Equivalents (per Statement of Financial Position)	<u>6,679</u>	<u>6,640</u>
<u>6,679</u>	<u>6,640</u>	Closing Cash and Cash Equivalents (per Statement of Cash Flows)	<u>6,679</u>	<u>6,640</u>

Refer to Note 28 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 2014

PARENT			CONSOLIDATION	
2014 \$000	2013 \$000		2014 \$000	2013 \$000
		17. Receivables		
		Current		
86	----	Sale of Goods and Services	86	----
395	272	Intra Health Receivables	395	272
13	70	Goods and Services Tax	13	70
40	25	Other Debtors	40	25
<hr/>	<hr/>		<hr/>	<hr/>
534	367	Sub Total	534	367
<hr/>	<hr/>		<hr/>	<hr/>
534	367	Sub Total	534	367
47	29	Prepayments	47	29
<hr/>	<hr/>		<hr/>	<hr/>
581	396		581	396

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in Note 28.

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

PARENT			CONSOLIDATION	
2014 \$000	2013 \$000		2014 \$000	2013 \$000
18. Property, Plant and Equipment				
Land and Buildings - Fair Value				
-----	19	Gross Carrying Amount	-----	19
-----	19	Net Carrying Amount	-----	19
Plant and Equipment - Fair Value				
139	141	Gross Carrying Amount	139	141
42	49	Less: Accumulated Depreciation and Impairment	42	49
97	92	Net Carrying Amount	97	92
Leasehold Improvements - Fair Value				
1,525	1,330	Gross Carrying Amount	1,525	1,330
961	623	Less: Accumulated Depreciation and Impairment	961	623
564	707	Net Carrying Amount	564	707
661	818	Total Property, Plant and Equipment At Net Carrying Amount	661	818

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

PARENT & CONSOLIDATION

18. Property, Plant and Equipment - Reconciliation

A reconciliation of the carrying amount of each class of property, plant and equipment at the beginning and end of the current reporting period is set out below:

	Buildings	Plant and Equipment	Leasehold Improvements	Total
	\$000	\$000	\$000	\$000
2014				
Net Carrying Amount at Start of Year	19	92	707	818
Additions	----	18	176	194
Depreciation Expense	----	(13)	(338)	(351)
Reclassifications	(19)	----	19	----
Net Carrying Amount at End of Year	0	97	564	661

	Buildings	Plant and Equipment	Leasehold Improvements	Total
	\$000	\$000	\$000	\$000
2013				
Net Carrying Amount at Start of Year	----	80	971	1,051
Additions	19	42	14	75
Disposals	----	(14)	----	(14)
Depreciation Expense	----	(16)	(278)	(294)
Net Carrying Amount at End of Year	19	92	707	818

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 21.

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

PARENT			CONSOLIDATION	
2014 \$000	2013 \$000		2014 \$000	2013 \$000
		19. Intangible Assets		
		Intangibles		
----	2,390	Cost (Gross Carrying Amount)	----	2,390
----	2,390	Less Accumulated Amortisation and Impairment	----	2,390
-----	-----	Net Carrying Amount	-----	-----
-----	-----	Total Intangible Assets at Net Carrying Amount	-----	-----

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

PARENT			CONSOLIDATION	
2014 \$000	2013 \$000		2014 \$000	2013 \$000
		20. Payables		
		Current		
----	----	Accrued Salaries, Wages and On-Costs	372	283
----	----	Taxation and Payroll Deductions	19	168
391	451	Accrued Liability - Purchase of Personnel Services	----	----
41	222	Creditors	41	222
		Other Creditors		
		- Intra Health Liability	230	130
230	130	- Other	257	242
257	242			
<u>919</u>	<u>1,045</u>		<u>919</u>	<u>1,045</u>

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 28.

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

PARENT			CONSOLIDATION	
2014	2013		2014	2013
\$000	\$000		\$000	\$000
21. Provisions				
Current				
----	----	Annual Leave - Short Term Benefit	802	252
----	----	Annual Leave - Long Term Benefit	483	830
----	----	Long Service Leave Consequential On-Costs	263	191
1,548	1,273	Provision for Personnel Services Liability	----	----
1,548	1,273	Total Current Provisions	1,548	1,273
Non-Current				
----	----	Long Service Leave Consequential On-Costs	14	10
----	----	Other	191	----
205	10	Provision for Personnel Services Liability	----	----
205	10	Total Non-Current Provisions	205	10
Aggregate Employee Benefits and Related On-Costs				
----	----	Provisions - Current	1,548	1,273
----	----	Provisions - Non-Current	14	10
----	----	Accrued Salaries, Wages and On-Costs (Note 20)	391	451
1,953	1,734	Liability - Purchase of Personnel Services	----	----
1,953	1,734		1,953	1,734
22. Other Liabilities				
Non-Current				
----	167	Other	----	167
----	167		----	167

Other Non-Current Provisions: The make good provision increased to \$191K for the leased premises at 227 Elizabeth Street.

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

PARENT			CONSOLIDATION	
2014 \$000	2013 \$000	23. Commitments for Expenditure	2014 \$000	2013 \$000
		(a) Operating Lease Commitments		
		Future non-cancellable operating lease rentals not provided for and payable:		
		Not later than one year	457	980
457	980	Total Operating Lease Commitments (Including GST)	457	980

The operating lease commitments above are for the CEC's leased premises at 227 Elizabeth Street which expires at the end of 2014.

(b) **Contingent Asset Related to Commitments for Expenditure**

The total of 'Commitments for Expenditure' above, i.e. \$457K as at 30 June 2014 includes input tax credits of \$42K that are expected to be recoverable from the Australian Taxation Office (2013 \$89K).

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

PARENT AND CONSOLIDATED

24. Contingent Liabilities and Assets

a) Workers Compensation Hindsight Adjustment

Treasury Managed Fund normally calculates hindsight premiums each year. However, in regard to workers compensation the final hindsight adjustment for the 2007/08 fund year and an interim adjustment for the 2009/10 fund year were not calculated until 2013/14.

As a result, the 2008/09 final and 2010/11 pertaining to the hospitals and community services now forming part of the CEC will be paid in 2014/15. It is not possible for the CEC to reliably quantify the benefit to be received or amount payable.

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

PARENT			CONSOLIDATION	
2014 \$000	2013 \$000		2014 \$000	2013 \$000
25. Reconciliation of Cash Flows from Operating Activities to Net Result				
234	412	Net Cash Flows from Operating Activities	234	412
(351)	(294)	Depreciation	(351)	(294)
-----	(238)	Allowance for Impairment	-----	(238)
(470)	(176)	(Increase)/ Decrease in Provisions	(470)	(176)
222	45	Increase / (Decrease) in Prepayments and Other Assets	222	45
255	12	(Increase)/ Decrease in Creditors	255	12
-----	(14)	Net Gain/ (Loss) on Sale of Property, Plant and Equipment	-----	(14)
(110)	(253)	Net Result	(110)	(253)

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

PARENT AND CONSOLIDATION

26. Budget Review - Parent and Consolidated

Total expenditure to budget was favourable by \$187K due to increased cost recoveries for specific projects in the final June 14 quarter. Increases in the crown acceptance budget for long service leave & superannuation also assisted with the favourable result.

Total revenue to budget was only slightly unfavourable by some \$36K.

Net Result

The actual Net Result was lower than budget by \$223 thousand, primarily due to:

the Clinical Excellence Commission operating sufficiently on a monthly basis to control expenditure & revenue and keeping within the projected full year budget.

Assets and Liabilities

Total assets are greater than budget due to an increase in leasehold improvements & receivables.

Total liabilities are greater than budget due to an increase in leave provisions.

Cash Flows

Net Cash flows from operating activities resulted in a variance of \$361K mainly due to employee related.

Net Cash flows from investing activities resulted in a variance of \$124K mainly due to leasehold improvements .

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

Movements in the level of the NSW Ministry of Health Recurrent Allocation that have occurred since the time of the initial allocation on 31 July 2013 are as follows:

	\$000
Initial Allocation, 31 July 2013	14,137
Falls	28
Clinical Leadership Program	(769)
NSW TAG	281
Clinical Leadership Program	(395)
Open Disclosure Programme	200
Hospital Acquired Infection	200
Complaints Policy & Guidelines	200
Clinical Handover Project	200
Supervision	200
Balance as per Statement of Comprehensive Income	<u>14,282</u>

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

27. Increase/(Decrease) in Net Assets from Equity Transfers

Equity transfers effected in the 2012/13 year were:

- a) The Policy & Technical Support Unit (PTSU) dissolved on the 1 July 2012 as a result of the Governance Review of NSW. The CEC and ACI had both contributed to the PTSU budget with both agencies now agreeing on the remaining funds to be split. The CEC received \$210K in 2012/13.
b) Crown entity transfer of LSL on-costs \$17K

Equity transfers effected in the 2013/14 year were nil.

	2014	2013
	\$000	\$000
Equity transfers effected comprised:		
Policy & Technical Support	----	210
Crown Entity - Transfer of Long Service Leave On-costs	----	17
	----	227
Assets and Liabilities transferred are as follows:		
	2014	2013
	\$000	\$000
Assets		
Cash	----	315
Liabilities		
Intra-Health	----	-105
LSL On-Costs	----	17
Increase/(Decrease) in Net Assets From Equity Transfers	----	227

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

28. Financial Instruments

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

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

The Chief Executive Officer & the Board 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 CEC, to set risk limits and controls and monitor risks. Compliance with policies is reviewed by the Audit & Risk Management Committee and the internal auditors on a continuous basis.

(a) Financial Instrument Categories

PARENT AND CONSOLIDATION		Carrying Amount 2014 \$000	Carrying Amount 2013 \$000
Class:	Category		
Financial Assets			
Cash and Cash Equivalents (note 16)	N/A	6,679	6,640
Receivables (note 17)*	Loans and receivables (at amortised cost)	521	297
	(at amortised cost)		
Total Financial Assets		<u>7,200</u>	<u>6,937</u>
Financial Liabilities			
Payables (note 20)**	measured at amortised cost	900	877
Other (note 22)		----	167
Total Financial Liabilities		<u>900</u>	<u>1,044</u>

Notes

*Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7)

**Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7)

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

(b) Credit Risk

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

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

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

Cash

Cash comprises cash on hand and bank balances deposited within the NSW Treasury banking system. Interest is earned on daily bank balances at rates of approximately 3.37% in 2013/14 compared to 3.27% in the previous year.

Receivables - trade debtors

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

The CEC is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. Based on past experience, debtors that are not past due (2014:\$510K; 2013: \$297K) and not more than 3 months past due (2014: \$63K; 2013:\$0K) are not considered impaired. Together these represent 100% of the total trade debtors.

2014	Total ^{1,2}	Past due but not impaired ^{1,2}	Considered impaired ^{1,2}
	\$000	\$000	\$000
<3 months overdue	62	62	----
3 months - 6 months overdue	----	----	----
> 6 months overdue	----	----	----

Notes

1 Each column in the table reports "gross receivables".

2 The ageing analysis excludes statutory receivables, as these are not within the scope of AASB 7 and excludes receivables that are not past due and not impaired. Therefore, the "total" will not reconcile to the receivables total recognised in the statement of financial position.

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

(c) Liquidity Risk

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

The CEC has negotiated no loan outside of arrangements with the NSW Ministry of Health or Treasury.

During the current and prior years, there were no defaults of loans payable. No assets have been pledged as collateral. The CEC has exposure to liquidity risk.

However, the risk is minimised by the service agreement with the NSW Ministry of Health, as the annual service agreement requires local management to control its financial liquidity and in particular meet benchmarks for the payment of creditors. Where the CEC fails to meet service agreement performance standards, the Ministry as the state manager can take action in accordance with annual performance framework requirements, including providing financial support and increased management interaction (refer Note 2).

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 Ministry of Health in accordance with NSW Treasury Circular 11/12. For small business suppliers, where terms are not specified, payment is made not later than 30 days from date of receipt of a correctly rendered invoice. For other suppliers, if trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received.

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

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

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

Maturity Analysis and interest rate exposure of financial liabilities

	Weighted Average Effective Int. Rate	Interest Rate Exposure				Maturity Dates		
		Nominal Amount ¹	Fixed Interest Rate	Variable Interest Rate	Non - Interest Bearing	< 1 Yr	1-5 Yr	> 5Yr
2014	%	\$000	\$000	\$000	\$000	\$000	\$000	
Payables:								
- Accrued Salaries Wages, On-Costs and Payroll Deductions		372	---	---	372	372	---	
- Creditors		528	---	---	528	528	---	
		900	---	---	900	900	---	
2013								
Payables:								
- Accrued Salaries Wages, On-Costs and Payroll Deductions		283	---	---	283	283	---	
- Creditors		594	---	---	594	594	---	
		877	---	---	877	877	---	

Notes:

¹ The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which the CEC 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.

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

(d) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The CEC's exposures to market risk are primarily through interest rate risk on the CEC's borrowings and other price risks associated with the movement in the unit price of the Hour-Glass Investment facilities. The CEC 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 CEC 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 2013. The analysis assumes that all other variables remain constant.

Interest rate risk

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

However, the CEC is not permitted to borrow external to the NSW Ministry of Health (except energy loans which are negotiated through Treasury).

Both Treasury and NSW Ministry of Health loans are set at fixed rates and therefore are generally not affected by fluctuations in market rates. The CEC 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 (based on official RBA interest rate volatility over the last five years). The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility.

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

The CEC's exposure to interest rate risk is set out below.

	Carrying Amount \$'000	-1% Profit	+1% Equity	-1% Profit	+1% Equity
2014					
Financial Assets					
Cash and Cash Equivalents	6,679	(67)	(67)	67	67
Receivables	521	----	----	----	----
Financial Liabilities					
Payables	900	----	----	----	----
2013					
Financial Assets					
Cash and Cash Equivalents	6,640	(66)	(66)	66	66
Receivables	297	----	----	----	----
Financial Liabilities					
Payables	877	----	----	----	----

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

29. Events after the Reporting Period

There are no events after the reporting period 30 June 2014 that require amendments to the financial statements (2013: nil).

