



INDEPENDENT AUDITOR'S REPORT

Clinical Excellence Commission

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of Clinical Excellence Commission (the Commission), which comprise the statement of financial position as at 30 June 2015, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and service group statements 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 2015, and of their financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 45E of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

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

Emphasis of Matter

Without modification to the opinion expressed above, I draw attention to the basis of presenting adjusted budget information detailed in Note 2(u). The note states that AASB 1055 'Budgetary Reporting' is not applicable to the Commission. It also states that, unlike the requirement in AASB 1055 'Budgetary Reporting' to present original budget information, the Commission's financial statements present adjusted budget information.

The Board's Responsibility for the Financial Statements

The Board is responsible for preparing 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 financial statements that give a true and fair view and 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 an 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 entity's preparation of the financial statements that give a true and fair view 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 control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, 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 they carried out their activities effectively, efficiently and economically
- about the effectiveness of the internal control
- about the assumptions used in formulating the budget figures disclosed in the financial statements
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about other information that 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 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.



Weini Liao
Director, Financial Audit Services

25 September 2015
SYDNEY

Clinical Excellence Commission
Certification of the Financial Statements
for the year ended 30 June 2015



CLINICAL
EXCELLENCE
COMMISSION

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 2015 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 2015* 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) There are no circumstances which would render any particulars in the financial statements to be misleading or inaccurate.

Dr Karen Luxford
Acting/Chief Executive Officer
25th September 2015

Prof Brian McCaughan
Chair of the Board
25/09/15

Clinical Excellence Commission
Statement of Comprehensive Income for the year ended 30 June 2015

PARENT								CONSOLIDATION		
Actual	Adjusted Budget Unaudited	Actual				Notes	Actual	Adjusted Budget Unaudited	Actual	
2015	2015	2014					2015	2015	2014	
\$000	\$000	\$000					\$000	\$000	\$000	
			Expenses excluding losses							
			Operating Expenses							
----	----	----	Employee Related	3	13,541	12,844	12,478			
12,296	11,639	11,271	Personnel Services	4	----	----	----			
3,069	3,167	3,064	Other Operating Expenses	5	3,069	3,167	3,064			
344	339	351	Depreciation and Amortisation	2(h), 6	344	339	351			
460	331	554	Grants and Subsidies	7	460	331	554			
16,169	15,476	15,240	Total Expenses excluding losses		17,414	16,681	16,447			
			Revenue							
14,532	14,532	14,282	NSW Ministry of Health Recurrent Allocations	2(d)	14,532	14,532	14,282			
85	85	385	NSW Ministry of Health Capital Allocations	2(d)	85	85	385			
----	----	----	Acceptance by the Crown Entity of Employee Benefits	2(a)(ii), 11	1,245	1,205	1,207			
50	----	9	Sale of Goods and Services	8	50	----	9			
211	215	251	Investment Revenue	9	211	215	251			
1,019	946	201	Grants and Contributions	10	1,019	946	201			
125	105	2	Other Revenue	12	125	105	2			
16,022	15,883	15,130	Total Revenue		17,267	17,088	16,337			
(406)	(407)	----	Gain / (Loss) on Disposal	13	(406)	(407)	----			
(553)	0	(110)	Net Result	23	(553)	----	(110)			
			Other Comprehensive Income							
			Items that will not be reclassified to net result							
----	----	----	Total Other Comprehensive Income		----	----	----			
(553)	0	(110)	TOTAL COMPREHENSIVE INCOME		(553)	----	(110)			

The accompanying notes form part of these financial statements.

Clinical Excellence Commission
Statement of Financial Position as at 30 June 2015

PARENT

CONSOLIDATION

Actual	Adjusted Budget Unaudited	Actual		Notes	Actual	Adjusted Budget Unaudited	Actual
2015	2015	2014			2015	2015	2014
\$000	\$000	\$000			\$000	\$000	\$000
ASSETS							
Current Assets							
5,851	6,165	6,679	Cash and Cash Equivalents	15	5,851	6,165	6,679
552	622	581	Receivables	16	552	622	581
<u>6,403</u>	<u>6,787</u>	<u>7,260</u>			<u>6,403</u>	<u>6,787</u>	<u>7,260</u>
6,403	6,787	7,260	Total Current Assets		6,403	6,787	7,260
Non-Current Assets							
	85	---	Property, Plant & Equipment			85	---
---	85	---	- Land and Buildings	17	---	85	---
80	77	97	- Plant and Equipment	17	80	77	97
1,316	1,081	564	- Leasehold Improvements	17	1,316	1,081	564
<u>1,396</u>	<u>1,243</u>	<u>661</u>	Total Property, Plant & Equipment		<u>1,396</u>	<u>1,243</u>	<u>661</u>
1,396	1,243	661	Total Non-Current Assets		1,396	1,243	661
<u>7,799</u>	<u>8,030</u>	<u>7,921</u>	Total Assets		<u>7,799</u>	<u>8,030</u>	<u>7,921</u>
LIABILITIES							
Current Liabilities							
1,056	959	919	Payables	18	1,056	959	919
1,674	1,631	1,548	Provisions	19	1,674	1,631	1,548
35	---	---	Other	20	35	---	---
<u>2,765</u>	<u>2,590</u>	<u>2,467</u>	Total Current Liabilities		<u>2,765</u>	<u>2,590</u>	<u>2,467</u>
Non-Current Liabilities							
338	191	205	Provisions	19	338	191	205
<u>338</u>	<u>191</u>	<u>205</u>	Total Non-Current Liabilities		<u>338</u>	<u>191</u>	<u>205</u>
3,103	2,781	2,672	Total Liabilities		3,103	2,781	2,672
<u>4,696</u>	<u>5,249</u>	<u>5,249</u>	Net Assets		<u>4,696</u>	<u>5,249</u>	<u>5,249</u>
EQUITY							
4,696	5,249	5,249	Accumulated Funds		4,696	5,249	5,249
<u>4,696</u>	<u>5,249</u>	<u>5,249</u>	Total Equity		<u>4,696</u>	<u>5,249</u>	<u>5,249</u>

The accompanying notes form part of these financial statements.

Clinical Excellence Commission
Statement of Changes in Equity for the year ended 30 June 2015

PARENT AND CONSOLIDATION	Accumulated Funds	Asset Revaluation Surplus	Available For Sale Reserve	Total
Notes	\$000	\$000	\$000	\$000
Balance at 1 July 2014	5,249	----	----	5,249
Total Equity at 1 July 2014	5,249	----	----	5,249
Net Result for the year	(553)			(553)
Other Comprehensive Income:				
Total Other Comprehensive Income	----	----	----	----
Total Comprehensive Income for the year	(553)	----	----	(553)
Transactions With Owners In Their Capacity As Owners				
Balance at 30 June 2015	4,696	----	----	4,696
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 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

The accompanying notes form part of these financial statements.

Clinical Excellence Commission
Statement of Cash Flows for the year ended 30 June 2015

PARENT			CONSOLIDATION			
Actual	Adjusted Budget Unaudited	Actual	Notes	Actual	Adjusted Budget Unaudited	Actual
2015 \$000	2015 \$000	2014 \$000		2015 \$000	2015 \$000	2014 \$000
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
---	---	---				
(535)	(407)	(635)		(12,935)	(12,418)	(11,268)
(16,422)	(16,023)	(14,822)		(535)	(407)	(635)
				(3,487)	(3,605)	(3,554)
(16,957)	(16,430)	(15,457)		(16,957)	(16,430)	(15,457)
Total Payments						
Receipts						
14,532	14,532	14,281		14,532	14,532	14,281
85	85	385		85	85	385
1,036	1,036	298		1,036	1,036	298
208	1	(144)		208	1	(144)
211	215	251		211	215	251
1,031	957	206		1,031	957	206
511	418	414		511	418	414
17,614	17,244	15,691		17,614	17,244	15,691
657	814	234		17,614	17,244	15,691
Total Receipts						
NET CASH FLOWS FROM OPERATING ACTIVITIES						
23						
657	814	234		657	814	234
CASH FLOWS FROM INVESTING ACTIVITIES						
10	---	---		10	---	---
(1,495)	(1,328)	(195)		(1,495)	(1,328)	(195)
(1,485)	(1,328)	(195)		(1,485)	(1,328)	(195)
NET CASH FLOWS FROM INVESTING ACTIVITIES						
(828)	(514)	39		(828)	(514)	39
6,679	6,679	6,640		(828)	(514)	39
NET INCREASE / (DECREASE) IN CASH						
39						
6,679	6,679	6,640		6,679	6,679	6,640
Opening Cash and Cash Equivalents						
5,851	6,165	6,679		6,679	6,679	6,640
CLOSING CASH AND CASH EQUIVALENTS						
15						
5,851	6,165	6,679		5,851	6,165	6,679

The accompanying notes form part of these financial statements.

Clinical Excellence Commission
Service Group Statements
for the year ended 30 June 2015

	Service Group 2.1 * Emergency Services		Service Group 2.2 * Inpatient Hospital Services		Service Group 3.1 * Mental Health Services		Service Group 4.1 * Rehabilitation And Extended Care Services		Service Group 6.1 * Teaching And Research		Not Attributable		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Expenses excluding losses														
Operating Expenses														
Employee Related	1,787	-----	8,450	-----	1,679	-----	1,625	-----	-----	12,478	-----	-----	13,541	12,478
Other Operating Expenses	405	-----	1,915	-----	381	-----	368	-----	-----	3,064	-----	-----	3,069	3,064
Depreciation and Amortisation	45	-----	215	-----	43	-----	41	-----	-----	351	-----	-----	344	351
Grants and Subsidies	61	-----	287	-----	57	-----	55	-----	-----	554	-----	-----	460	554
Total Expenses excluding losses	2,298	-----	10,867	-----	2,160	-----	2,089	-----	-----	16,447	-----	-----	17,414	16,447
Revenue														
NSW Ministry of Health Recurrent Allocations **											14,532	14,282	14,532	14,282
NSW Ministry of Health Capital Allocations **											85	385	85	385
Acceptance by the Crown Entity														
of Employee Benefits and Other Liabilities	144	-----	856	-----	99	-----	145	-----	-----	1,207	-----	-----	1,245	1,207
Sale of Goods and Services	6	-----	34	-----	4	-----	6	-----	-----	9	-----	-----	50	9
Investment Revenue	24	-----	145	-----	17	-----	25	-----	-----	251	-----	-----	211	251
Grants and Contributions	118	-----	701	-----	81	-----	119	-----	-----	201	-----	-----	1,019	201
Other Revenue	15	-----	86	-----	10	-----	15	-----	-----	2	-----	-----	125	2
Total Revenue	307	-----	1,822	-----	211	-----	310	-----	-----	1,670	14,617	14,667	17,267	16,337
Gain / (Loss) on Disposal	(54)	-----	(253)	-----	(50)	-----	(49)	-----	-----	-----	-----	-----	(406)	-----
Net Result	(2,045)	-----	(9,298)	-----	(1,999)	-----	(1,828)	-----	-----	(14,777)	14,617	14,667	(553)	(110)
Other Comprehensive Income														
Total Other Comprehensive Income														
Total Comprehensive Income	(2,045)	-----	(9,298)	-----	(1,999)	-----	(1,828)	-----	-----	(14,777)	14,617	14,667	(553)	(110)

* The name and purpose of each service group is summarised in Note 14

** Allocations are made on an entity basis and not to individual Service Groups. Consequently, allocations must be included in "Not Attributable" column.

Clinical Excellence Commission
Service Group Statements (Continued)
for the year ended 30 June 2015

	Service Group 2.1 * Emergency Services		Service Group 2.2 * Inpatient Hospital Services		Service Group 3.1 * Mental Health Services		Service Group 4.1 * Rehabilitation And Extended Care Services		Service Group 6.1 * Teaching And Research		Not Attributable		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
ASSETS														
Current Assets														
Cash and Cash Equivalents	772		3,651		726		702			6,679			5,851	6,679
Receivables	64		380		44		64			581			552	581
Total Current Assets	836		4,031		770		766			7,260			6,403	7,260
Non-Current Assets														
Property, Plant and Equipment														
- Plant and Equipment	11		50		10		10			97			80	97
- Leasehold Improvements	174		821		163		158			564			1,316	564
Total Non-Current Assets	185		871		173		168			661			1,396	661
TOTAL ASSETS	1,021		4,902		943		934			7,921			7,799	7,921
LIABILITIES														
Current Liabilities														
Payables	139		659		131		127			919			1,056	919
Provisions	221		1,045		208		201			1,548			1,674	1,548
Other	5		22		4		4			35				35
Total Current Liabilities	365		1,726		343		332			2,467			2,765	2,467
Non-Current Liabilities														
Provisions	45		211		42		41			205			338	205
Total Non-Current Liabilities	45		211		42		41			205			338	205
TOTAL LIABILITIES	410		1,937		385		373			2,672			3,103	2,672
NET ASSETS	611		2,965		558		561			5,249			4,696	5,249

* The name and purpose of each service group is summarised in Note 14

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the year ended 30 June 2015

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 CEC 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, and like transactions and other events are accounted for using uniform accounting policies.

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 2015 have been authorised for issue by the Acting/Chief Executive Officer on 25th September 2015.

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 2015, and the Treasurers' Directions. 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 financial statements of the CEC have been prepared on a going concern basis.

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:

- * Allocated funds, combined with other revenues earned, are applied to pay debts as and when they become due and payable.
- * The CEC has the capacity to review timing of subsidy 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, 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 except where specified otherwise.

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

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

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 15.3% are applied to the value of leave payable at 30 June 2015 (comparable on-costs for 30 June 2014 were 15.1%). 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 15/09) 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 over the period of credit.

Land and buildings which are owned by the Health Administration Corporation or the State and operated/occupied by the CEC are deemed to be controlled by the CEC and are reflected as such in the financial statements.

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:

	2015	2014
Computer Equipment	20.0%	20.0%
Motor Vehicle Sedans	12.5%	12.5%
Office Equipment	10.0%	10.0%
Plant and Machinery	10.0%	10.0%
Furniture, Fittings and Furnishings	5.0%	5.0%
Leasehold Improvements	20.0%	20.0%

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.

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

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 or an amount that approximates fair value, impairment can only arise in the rare circumstances such as where the costs of disposal are material. Specifically, impairment is unlikely for not-for-profit entities given that AASB 136 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 rewards incidental to ownership of the leased assets, and operating leases under which the lessor effectively retains all such risks and rewards.

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 recognised as an expense on a straight-line basis over the lease term.

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

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 is 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) Adjusted Budgeted Amounts

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

v) Service Group Statements Allocation Methodology

Using Independent Hospital Pricing Authority criteria the financial values for 2014/15 have been assigned to service groups in the same manner as all other NSW Health controlled entities.

Service group definitions are based and allocated on methodology determined by the Independent Hospital Pricing Authority, refer note 14.

Income and expenses are allocated to service groups using statistical data for the twelve months ending 30 June 2014, then adjusted for any material change in service delivery or funding distribution occurring in the 2014-15 financial year.

In respect of assets and liabilities the Ministry requires the CEC take action to identify those components that can be specifically identified and reported by service groups.

Remaining values are attributed to service groups in accordance with values advised by the NSW Ministry of Health, e.g. depreciation/amortisation charges form the basis of apportioning the values for Intangibles and Property, Plant & Equipment.

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

(i) Effective for the first time in 2014-15

The accounting policies applied in 2014-15 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 2014-15 and have been applied for the first time as follows:

AASB 10 Consolidated Financial Statements, AASB 2011-7, and AASB 2013-8 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.

Following an assessment of the applicable new accounting standards mentioned above in relation to consolidation and joint arrangements, CEC management is of the opinion that there will be no material implications for the financial statements.

AASB 1055 and AASB 2013-1, regarding Budgetary Reporting has application from 1 July 2014. This standard is not applicable to CEC as individual budgets are not presented in parliament. Refer note 2(u) on how CEC derives its adjusted budgetary information.

(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, excluding standards not considered applicable or material to NSW Health, have not been applied and are not yet effective. The possible impact of these Standards in the period of initial application includes:

AASB 9, Financial Instruments, has application from 1 January 2018. The 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 15 and AASB 2014-5, Revenue from Contracts with Customers has application from 1 January 2017. We believe this standard will impact on the timing recognition of certain revenues given the core principle of the new standard requires revenue to be recognised when the goods or services are transferred to the customer at the transaction price (as opposed to stage of completion of the transaction). The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

AASB 2010-7, regarding Financial Instruments has mandatory application from 1 July 2015 and comprises 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 2014-3, Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations. This amending standard clarifies the treatment of expensing all acquisition-related costs, and recognition of share in a joint operation according to the contractual arrangements, this standard is applicable from 1 January 2016.

AASB 2014-4, Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation, has application from 1 January 2016. The change will take into account the expected future reductions in the selling price when accounting for useful life.

AASB 2014-7, Amendments to various Australian Accounting Standards as a result of the changes from AASB 9 (December 2014) and will have application from 1 Jan 2018. The new AASB 9 includes revised guidance on the classification and measurement of financial assets and supersedes AASB 9 (December 2009) and AASB 9 (December 2010).

AASB 2014-8, Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010) [AASB 9 (2009 & 2010)] has application from 1 Jan 2015. This update limits the application of the existing versions of AASB 9 (December 2009) and AASB 9 (December 2010).

AASB 2014-9, Amendments to Australian Accounting Standards – It gives entities the choice of using the Equity Method for their subsidiaries in their separate financial statements [AASB 1, 127 & 128]. It has application from 1 January 2016.

AASB 2014-10, Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [AASB 10 & AASB 128]. This has application from 1 January 2016.

AASB 2015-01, Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle [AASB 1, AASB 2, AASB 3, AASB 5, AASB 7, AASB 11, AASB 110, AASB 119, AASB 121, AASB 133, AASB 134, AASB 137 & AASB 140]. This has application from 1 January 2016.

AASB 2015-02, Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 [AASB 7, AASB 101, AASB 134 & AASB 1049] require entities to disclose significant accounting policies and other explanatory information in a more detailed manner rather than a summary as previously done. This application takes place from 1 January 2016.

AASB 2015-03, Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality from 1 January 2016. It is expected that the withdrawal of AASB 1031 will not change practice regarding the application of materiality in financial reporting. In particular, amendments would not change the level of disclosure presently specified by other accounting standards.

AASB 2015-5, Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception [AASB 10, AASB 12 & AASB 128], has application from 1 January 2016. This standard is unlikely to have any impact on this entity as the exceptions would be hard to satisfy.

AASB 2015-6, Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10, AASB 124 & AASB 1049], has application from 1 July 2016. Based on preliminary evaluation, this standard could potentially increase the level of disclosure required for not for profit entities where delegated power exists for senior officers of the entity.

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the year ended 30 June 2015

PARENT			CONSOLIDATION	
2015 \$000	2014 \$000		2015 \$000	2014 \$000
		3. Employee Related		
		Employee related expenses comprise the following:		
-----	-----	Salaries and Wages	9,519	8,937
-----	-----	Overtime	-----	1
-----	-----	Penalties	1	-----
-----	-----	Superannuation - Defined Benefit Plans	209	178
-----	-----	Superannuation - Defined Contribution Plans	901	785
-----	-----	Long Service Leave	1,103	1,104
-----	-----	Annual Leave	957	922
-----	-----	Sick Leave and Other Leave	659	482
-----	-----	Redundancies	141	-----
-----	-----	Workers' Compensation Insurance	45	69
-----	-----	Fringe Benefits Tax	6	-----
-----	-----		13,541	12,478
-----	-----			
		4. Personnel Services		
		Personnel Services comprise the purchase of the following:		
9,519	8,937	Salaries and Wages	-----	-----
-----	1	Overtime	-----	-----
1	-----	Penalties	-----	-----
901	785	Superannuation - Defined Contribution Plans	-----	-----
67	75	Long Service Leave	-----	-----
957	922	Annual Leave	-----	-----
659	482	Sick Leave and Other Leave	-----	-----
141	-----	Redundancies	-----	-----
45	69	Workers' Compensation Insurance	-----	-----
6	-----	Fringe Benefits Tax	-----	-----
-----	-----		-----	-----
12,296	11,271		-----	-----
		5. Other Operating Expenses		
7	12	Advertising	7	12
24	35	Auditor's Remuneration - Audit of Financial Statements	24	35
-----	2	Consultancies - Other	-----	2
2	2	Domestic Supplies and Services	2	2
46	41	Food Supplies	46	41
32	33	Fuel, Light and Power	32	33
264	359	Information Management Expenses	264	359
2	2	Insurance	2	2
64	158	Maintenance (See (b) below)	64	158
10	11	Motor Vehicle Expenses	10	11
106	154	Postal and Telephone Costs	106	154
307	207	Printing and Stationery	307	207
11	3	Rental	11	3
9	13	Special Service Departments	9	13
282	247	Staff Related Costs	282	247
498	463	Travel Related Costs	498	463
1,405	1,322	Other (See (a) below)	1,405	1,322
-----	-----		-----	-----
3,069	3,064		3,069	3,064

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the year ended 30 June 2015

PARENT			CONSOLIDATION	
2015 \$000	2014 \$000		2015 \$000	2014 \$000
		(a) Other Includes:		
7	8	Courier and Freight	7	8
60	82	Legal Services	60	82
40	25	Membership/Professional Fees	40	25
4	----	Motor Vehicle Operating Lease Expense - Minimum Lease Payments	4	----
770	842	Other Operating Lease Expense - Minimum Lease Payments	770	842
149	110	Corporate Service Charges (Service Centre Westmead)	149	110
148	116	CEC Events & Functions	148	116
71	46	Official Visitors	71	46
11	----	Relocation Costs (McKeil Building)	11	----
10	4	Rental Property (Western NSW LHD)	10	4
135	89	Goods & Services Administrative	135	89
<u>1,405</u>	<u>1,322</u>		<u>1,405</u>	<u>1,322</u>
		(b) Reconciliation of Total Maintenance		
20	4	Maintenance Contracts	20	4
40	131	New/Replacement Equipment under \$10,000	40	131
4	23	Repairs Maintenance/Non Contract	4	23
<u>64</u>	<u>158</u>	Maintenance Expense - Contracted Labour and Other (Non-Employee Related in Note 5)	<u>64</u>	<u>158</u>
<u>64</u>	<u>158</u>	Total Maintenance Expenses	<u>64</u>	<u>158</u>

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
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PARENT			CONSOLIDATION	
2015 \$000	2014 \$000		2015 \$000	2014 \$000
		6. Depreciation and Amortisation		
13	13	Depreciation - Plant and Equipment	13	13
331	338	Amortisation - Leasehold Improvements	331	338
<u>344</u>	<u>351</u>		<u>344</u>	<u>351</u>
		7. Grants and Subsidies		
50	100	HARC Scholarship (Sax Institute)	50	100
295	288	NSW Therapeutic Advisory Group	295	288
-----	56	In Safe Hands Program (UNSW)	-----	56
25	-----	Worried Project Between The Flags (UNSW)	25	-----
10	18	Ian O'Rourke Scholarship	10	18
80	92	Other Grants	80	92
<u>460</u>	<u>554</u>		<u>460</u>	<u>554</u>

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
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PARENT

CONSOLIDATION

2015
\$000

2014
\$000

2015
\$000

2014
\$000

8. Sale of Goods and Services

(a) Rendering of Services comprise the following:-

5	3	Salary Packaging Fee	5	3
45	6	Other	45	6
<u>50</u>	<u>9</u>		<u>50</u>	<u>9</u>

9. Investment Revenue

211	251	Bankwest interest on short term deposits	211	251
<u>211</u>	<u>251</u>		<u>211</u>	<u>251</u>

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
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PARENT			CONSOLIDATION	
2015 \$000	2014 \$000		2015 \$000	2014 \$000
10. Grants and Contributions				
----	30	Commonwealth Government Grants	----	30
691	----	Government Property NSW Grant (McKell Bld)	691	----
119	----	Dept of Finance & Services Grant (McKell Bld)	119	----
78	----	Open Disclosure Grant (NSW Self Insurance Corp)	78	----
131	171	Top 5 (HCF Grant)	131	171
<u>1,019</u>	<u>201</u>		<u>1,019</u>	<u>201</u>
11. Acceptance by the Crown Entity of Employee Benefits				
The following liabilities and expenses have been assumed by the Crown Entity:				
----	----	Superannuation-defined benefit	209	178
----	----	Long Service Leave	1,036	1,029
<u>----</u>	<u>----</u>		<u>1,245</u>	<u>1,207</u>
12. Other Revenue				
Other Revenue comprises the following:-				
18	----	Conference and Training Fees	18	----
35	1	Sponsorship Income	35	1
62	----	Make Good (Elizabeth Street)	62	----
10	1	Other	10	1
<u>125</u>	<u>2</u>		<u>125</u>	<u>2</u>
13. Gain / (Loss) on Disposal				
1,570	21	Property, Plant and Equipment	1,570	21
1,154	21	Less: Accumulated Depreciation	1,154	21
416	----	Written Down Value	416	----
10	----	Less: Proceeds from Disposal	10	----
<u>(406)</u>	<u>----</u>	Gain/(Loss) on Disposal of Property, Plant and Equipment	<u>(406)</u>	<u>----</u>
<u>(406)</u>	<u>----</u>	Total Gain/(Loss) on Disposal	<u>(406)</u>	<u>----</u>

14. Service Groups of the CEC

Service Group 2.1 - Emergency Services

Service Description: This service group covers the provision of emergency road and air ambulance services and treatment of patients in emergency departments of public hospitals.

Objective: This service group contributes to creating better experiences for people using the health system by working towards a range of intermediate results including reduced risk of premature death or disability by providing timely emergency diagnostic treatment and transport services.

Service Group 2.2 - Inpatient Hospital Services

Service Description: This service group covers the provision of health care to patients admitted to hospitals, including elective surgery and maternity services.

Objective: This service group contributes to creating better experiences for people using the health system by working towards a range of intermediate results that include the following:

- timely treatment of booked surgical patients, resulting in improved clinical outcomes, quality of life and patient satisfaction and
- reduced rate of unplanned and unexpected hospital readmissions.

Service Group 3.1 - Mental Health Services

Service Description: This service group covers the provision of an integrated and comprehensive network of services by Local Health Districts and community based organisations for people seriously affected by mental illnesses and mental health problems. It also covers the development of preventative programs that meet the needs of specific client groups.

Objective: This service group contributes to strengthening primary health and continuing care in the community by working towards a range of intermediate results that include the following:

- improving the health, wellbeing and social functioning of people with disabling mental disorders and
- reducing the incidence of suicide, mental health problems and mental disorders in the community.

Service Group 4.1 - Rehabilitation and Extended Care Services

Service Description: This service group covers the provision of appropriate health care services for persons with long-term physical and psycho-physical disabilities and for the frail-aged. It also includes the coordination of the Ministry's services for the aged and disabled, with those provided by other agencies and individuals.

Objective: This service group contributes to strengthening primary health and continuing care in the community and creating better experiences for people using the health system by working towards a range of intermediate results including improving or maintaining the wellbeing and independent functioning of people with disabilities or chronic conditions, the frail and terminally ill.

Service Group 6.1 - Teaching and Research

Service Description: This service group covers the provision of professional training for the needs of the New South Wales health system. It also includes strategic investment in research and development to improve the health and wellbeing of the people of New South Wales.

Objective: This service group contributes to ensuring a fair and sustainable health system by working towards a range of intermediate results that include the following:

- developing the skills and knowledge of the health workforce to support patient care and population health and
- extending knowledge through scientific enquiry and applied research aimed at improving the health and wellbeing of the people of New South Wales.

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the year ended 30 June 2015

PARENT			CONSOLIDATION	
2015 \$000	2014 \$000		2015 \$000	2014 \$000
		15. Cash and Cash Equivalents		
1,138	933	Cash at Bank and On Hand	1,138	933
4,713	5,746	Short Term Deposits- Bankwest	4,713	5,746
<u>5,851</u>	<u>6,679</u>		<u>5,851</u>	<u>6,679</u>
		For the purposes of the statement of cash flows, cash and cash equivalents include cash at bank, cash on hand and short-term deposits.		
		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:		
<u>5,851</u>	<u>6,679</u>	Cash and Cash Equivalents (per Statement of Financial Position)	<u>5,851</u>	<u>6,679</u>
<u>5,851</u>	<u>6,679</u>	Closing Cash and Cash Equivalents (per Statement of Cash Flows)	<u>5,851</u>	<u>6,679</u>

Refer to Note 25 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

Clinical Excellence Commission
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PARENT			CONSOLIDATION	
2015 \$000	2014 \$000		2015 \$000	2014 \$000
		16. Receivables		
		Current		
41	86	Sale of Goods and Services	41	86
300	395	Intra Health Receivables	300	395
60	13	Goods and Services Tax	60	13
26	40	Other Debtors	26	40
427	534	Sub Total	427	534
427	534	Sub Total	427	534
79	-----	Prepayments (Cardiac Surgery Database)	79	-----
35	37	Prepayments (Advisory Board Membership)	35	37
11	-----	Prepayments (Aust Survey Research Software)	11	-----
-----	10	Prepayments (AHHA Conference)	-----	10
552	581		552	581

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

Clinical Excellence Commission
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PARENT			CONSOLIDATION	
2015 \$000	2014 \$000		2015 \$000	2014 \$000
		17. Property, Plant and Equipment		
		Plant and Equipment - Fair Value*		
108	139	Gross Carrying Amount	108	139
28	42	Less: Accumulated Depreciation and Impairment	28	42
<u>80</u>	<u>97</u>	Net Carrying Amount	<u>80</u>	<u>97</u>
		Leasehold Improvements - Fair Value*		
1,480	1,525	Gross Carrying Amount	1,480	1,525
164	961	Less: Accumulated Depreciation and Impairment	164	961
<u>1,316</u>	<u>564</u>	Net Carrying Amount	<u>1,316</u>	<u>564</u>
<u>1,396</u>	<u>661</u>	Total Property, Plant and Equipment At Net Carrying Amount	<u>1,396</u>	<u>661</u>

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

PARENT & CONSOLIDATION

17. 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
2015				
Net Carrying Amount at Start of Year	-----	97	564	661
Additions	-----	37	1,458	1,495
Disposals	-----	(19)	(397)	(416)
Depreciation Expense	-----	(13)	(331)	(344)
Reclassifications	-----	(22)	22	-----
Net Carrying Amount at End of Year	0	80	1,316	1,396

	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

Further details regarding the fair value measurement of property, plant and equipment are

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the year ended 30 June 2015

PARENT			CONSOLIDATION	
2015 \$000	2014 \$000		2015 \$000	2014 \$000
		18. Payables		
		Current		
----	----	Accrued Salaries, Wages and On-Costs	437	372
----	----	Taxation and Payroll Deductions	18	19
455	391	Accrued Liability - Purchase of Personnel Services	----	----
107	41	Creditors	107	41
		Other Creditors		
		- Intra Health Liability	166	230
166	230	- Other	328	257
328	257		-----	-----
<u>1,056</u>	<u>919</u>		<u>1,056</u>	<u>919</u>

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 25.

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
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PARENT			CONSOLIDATION	
2015 \$000	2014 \$000		2015 \$000	2014 \$000
19. Provisions				
Current				
----	----	Annual Leave - Short Term Benefit	969	802
----	----	Annual Leave - Long Term Benefit	388	483
----	----	Long Service Leave Consequential On-Costs	317	263
1,674	1,548	Provision for Personnel Services Liability	----	----
<u>1,674</u>	<u>1,548</u>	Total Current Provisions	<u>1,674</u>	<u>1,548</u>
Non-Current				
----	----	Long Service Leave Consequential On-Costs	28	14
310	191	Other-Make Good provision	310	191
28	14	Provision for Personnel Services Liability	----	----
<u>338</u>	<u>205</u>	Total Non-Current Provisions	<u>338</u>	<u>205</u>
Aggregate Employee Benefits and Related On-Costs				
----	----	Provisions - Current	1,674	1,548
----	----	Provisions - Non-Current	28	14
----	----	Accrued Salaries, Wages and On-Costs (Note 18)	455	391
2,157	1,953	Liability - Purchase of Personnel Services	----	----
<u>2,157</u>	<u>1,953</u>		<u>2,157</u>	<u>1,953</u>
20. Other Liabilities				
Current				
35	----	Income in Advance - Sponsorship Patient Safety Course	35	----
<u>35</u>	----		<u>35</u>	----

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PARENT			CONSOLIDATION	
2015 \$000	2014 \$000		2015 \$000	2014 \$000
		21. Commitments for Expenditure		
		(a) Operating Lease Commitments		
		Future non-cancellable operating lease rentals not provided for and payable:		
		Not later than one year	780	457
780	457	Later than one year and not later than five years	2,474	-----
2,474	-----			
		Total Operating Lease Commitments (Including GST)	<u>3,254</u>	<u>457</u>
<u>3,254</u>	<u>457</u>			

The operating lease commitments above are for the leased premises at the McKell Building.

(b) Contingent Asset Related to Commitments for Expenditure

The total of 'Commitments for Expenditure' above, i.e. \$3.254 million as at 30 June 2015 includes input tax credits of \$296K that are expected to be recoverable from the Australian Taxation Office (2014 \$42K).

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PARENT AND CONSOLIDATED

22. 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 2009/10 fund year and an interim adjustment for the 2011/12 fund year were not calculated until 2014/15.

As a result, the 2010/11 final and 2012/13 adjustments pertaining to the hospitals and community services now forming part of the CEC will be paid in 2015/16. It is not possible for the CEC to reliably quantify the benefit to be received or amount payable.

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PARENT			CONSOLIDATION	
2015 \$000	2014 \$000		2015 \$000	2014 \$000
23. Reconciliation of Cash Flows from Operating Activities to Net Result				
657	234	Net Cash Flows from Operating Activities	657	234
(344)	(351)	Depreciation	(344)	(351)
(35)	----	(Increase)/ Decrease Income in Advance	(35)	----
(260)	(470)	(Increase)/ Decrease in Provisions	(260)	(470)
(34)	222	Increase / (Decrease) in Prepayments and Other Assets	(34)	222
(131)	255	(Increase)/ Decrease in Payables from Operating Activities	(131)	255
(406)	----	Net Gain/ (Loss) on Sale of Property, Plant and Equipment	(406)	----
<u>(553)</u>	<u>(110)</u>	Net Result	<u>(553)</u>	<u>(110)</u>

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PARENT AND CONSOLIDATION

24. Adjusted Budget Review - Parent and Consolidated

Total expenditure to budget was unfavourable by \$733K due to increased activity and demands on CEC's programs. Total revenue was surplus to budget by \$179K which can be mostly attributed to sale of goods and services and grants. The actual loss on disposal of (\$406K) funded from bank was offset by the same budget giving an overall net result of (\$553K)

Net Result

The actual Net Result was unfavourable to adjusted budget by \$553 thousand, primarily due to: the Clinical Excellence Commission exceeding its expense budget by \$733K due to additional specific works approved by the Board. This was offset to some degree by the surplus in revenue.

Assets and Liabilities

Total current assets are less than budget due to a decrease in cash and receivables.
Total non-current assets are greater than budget due to an increase in leasehold improvements.
Total current liabilities are greater than budget due to an increase in payables.
Total non-current liabilities are greater than budget due to the make good provision.

Cash Flows

Net cash flows from operating activities resulted in an unfavourable variance of \$157K mainly due to employee related.
Net cash flows from investing activities resulted in an unfavourable variance of \$157K due to leasehold improvements.

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 2014 are as follows:

	\$000
Initial Allocation, 31/07/2014	15,336
NSW Therapeutic Advisory Group	289
Clinical Leadership Program	(795)
Blood Watch	100
Clinical Leadership Program	(404)
Superannuation MOH	6
Balance as per Statement of Comprehensive Income	<u>14,532</u>

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25. 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 Acting/Chief Executive Officer 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

(a) Financial Instrument Categories

PARENT AND CONSOLIDATION		Carrying Amount 2015 \$000	Carrying Amount 2014 \$000
Class:	Category		
Financial Assets			
Cash and Cash Equivalents (note 15)	N/A	5,851	6,679
Receivables (note 16)*	Loans and receivables (at amortised cost)	367	521
Total Financial Assets		6,218	7,200
Financial Liabilities			
Payables (note 18)**	Financial Liabilities measured at amortised cost	1,038	900
Total Financial Liabilities		1,038	900

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)

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(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 3.20% in 2014/15 compared to 3.37% 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 (2015:\$338K; 2014: \$510K) and not more than 3 months past due (2015: \$2K; 2014:\$63K) are not considered impaired. Together these represent 100% of the total trade

2015	Total ^{1,2}	Past due but not impaired ^{1,2}	Considered impaired ^{1,2}
	\$000	\$000	\$000
<3 months overdue	2	2	-----
3 months - 6 months overdue	-----	-----	-----
> 6 months overdue	-----	-----	-----
2014			
<3 months overdue	63	63	-----
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
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(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.

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.

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Maturity Analysis and interest rate exposure of financial liabilities

	Interest Rate Exposure		Maturity Dates		
	Nominal Amount ¹	Non - Interest Bearing	< 1 Yr	1-5 Yr	> 5Yr
	\$000	\$000	\$000	\$000	\$000
2015					
Payables:					
- Accrued Salaries Wages, On-Costs and Payroll Deductions	437	437	437	----	----
- Creditors	601	601	601	----	----
	1,038	1,038	1,038	----	----
2014					
Payables:					
- Accrued Salaries Wages, On-Costs and Payroll Deductions	372	372	372	----	----
- Creditors	528	528	528	----	----
	900	900	900	----	----

Notes:

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.

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(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 2014. 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 NSW Treasury).

Both NSW Treasury and NSW Ministry of Health loans are set at fixed rates and therefore are generally not affected by fluctuations in market rates. The 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.

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

	Carrying Amount \$000	-1% Net Result	Equity	Profit	+1% Equity
2015					
Financial Assets					
Cash and Cash Equivalents	5,851	(59)	(59)	59	59
Receivables	367	-----	-----	-----	-----
Financial Liabilities					
Payables	1,038	-----	-----	-----	-----
2014					
Financial Assets					
Cash and Cash Equivalents	6,679	(67)	(67)	67	67
Receivables	521	-----	-----	-----	-----
Financial Liabilities					
Payables	900	-----	-----	-----	-----

Clinical Excellence Commission
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26. Events after the Reporting Period

There are no events after the reporting period 30 June 2015 that require amendment to the financial statements (2014: nil)

END OF AUDITED FINANCIAL STATEMENTS

