

Clinical Excellence Commission (CEC)

Financial Statements

for the year ended 30 June 2016



INDEPENDENT AUDITOR'S REPORT

Clinical Excellence Commission

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Clinical Excellence Commission (the Commission), which comprise the statement of financial position as at 30 June 2016, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows, 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.

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 2016, and of their financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 45E of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015

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

Basis for Opinion

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

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

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

I have also fulfilled my other ethical responsibilities in accordance with the Code.

The PF&A Act further promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

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

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

Emphasis of Matter

Without modification to the opinion expressed above, I draw attention to the basis of presenting adjusted budget information detailed in Note 1(y). 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.

Chief Executive's Responsibility for the Financial Statements

The Chief Executive 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 Chief Executive 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.

In preparing the financial statements, the Chief Executive must assess the ability of the Commission and the consolidated entity to continue as a going concern unless operations will cease as a result of an administrative restructure. The assessment must include, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

A further description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: <http://www.auasb.gov.au/Home.aspx>. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

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



Renee Meimaroglou
Director, Financial Audit Services

23 September 2016
SYDNEY



**Clinical Excellence Commission
Certification of the Financial Statements
for the year ended 30 June 2016**

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 2016 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 Regulation 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) I am not aware of any circumstances which would render any particulars in the financial statements to be misleading or inaccurate.

Ms Carrie Marr
Chief Executive
23rd September 2016

A/Prof Brian McCaughan
Board Chair
23rd September 2016

Clinical Excellence Commission
Statement of Financial Position as at 30 June 2016

PARENT			CONSOLIDATION			
Actual	Adjusted Budget Unaudited	Actual	Notes	Actual	Adjusted Budget Unaudited	Actual
2016 \$000	2016 \$000	2015 \$000		2016 \$000	2016 \$000	2015 \$000
ASSETS						
Current Assets						
886	951	5,851		886	951	5,851
754	585	552	15	754	585	552
<u>1,640</u>	<u>1,536</u>	<u>6,403</u>		<u>1,640</u>	<u>1,536</u>	<u>6,403</u>
1,640	1,536	6,403		1,640	1,536	6,403
Total Current Assets						
Non-Current Assets						
68	68	80		68	68	80
999	997	1,316	16	999	997	1,316
<u>1,067</u>	<u>1,065</u>	<u>1,396</u>	17	<u>1,067</u>	<u>1,065</u>	<u>1,396</u>
1,067	1,065	1,396		1,067	1,065	1,396
Total Non-Current Assets						
2,707	2,601	7,799		2,707	2,601	7,799
Total Assets						
LIABILITIES						
Current Liabilities						
800	836	1,056		800	836	1,056
1,787	1,785	1,674	18	1,787	1,785	1,674
35	35	35	19	35	35	35
<u>2,622</u>	<u>2,656</u>	<u>2,765</u>	20	<u>2,622</u>	<u>2,656</u>	<u>2,765</u>
Total Current Liabilities						
Non-Current Liabilities						
346	310	338		346	310	338
<u>346</u>	<u>310</u>	<u>338</u>	19	<u>346</u>	<u>310</u>	<u>338</u>
Total Non-Current Liabilities						
2,968	2,966	3,103		2,968	2,966	3,103
Total Liabilities						
(261)	(365)	4,696		(261)	(365)	4,696
Net Assets						
EQUITY						
(261)	(365)	4,696		(261)	(365)	4,696
<u>(261)</u>	<u>(365)</u>	<u>4,696</u>		<u>(261)</u>	<u>(365)</u>	<u>4,696</u>
Total Equity						

The accompanying notes form part of these financial statements.

Clinical Excellence Commission
Statement of Cash Flows for the year ended 30 June 2016

PARENT			CONSOLIDATION			
Actual	Adjusted Budget Unaudited	Actual	Notes	Actual	Adjusted Budget Unaudited	Actual
2016	2016	2015		2016	2016	2015
\$000	\$000	\$000		\$000	\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
----	----	----	Employee Related	(11,090)	(11,570)	(12,935)
(493)	(412)	(535)	Grants and Subsidies	(493)	(412)	(535)
(15,425)	(15,312)	(16,422)	Other	(4,335)	(3,742)	(3,487)
<u>(15,918)</u>	<u>(15,724)</u>	<u>(16,957)</u>	Total Payments	<u>(15,918)</u>	<u>(15,724)</u>	<u>(16,957)</u>
Receipts						
10,476	10,561	14,532	NSW Ministry of Health Recurrent Allocations	10,476	10,561	14,532
----	----	85	NSW Ministry of Health Capital Allocations	----	----	85
---	---	1,036	Reimbursements from the Crown Entity	---	---	1,036
103	(320)	208	Sale of Goods and Services	103	(320)	208
---	---	211	Interest Received	---	---	211
174	---	1,031	Grants and Contributions	174	---	1,031
229	583	511	Other	229	583	511
<u>10,982</u>	<u>10,824</u>	<u>17,614</u>	Total Receipts	<u>10,982</u>	<u>10,824</u>	<u>17,614</u>
<u>(4,936)</u>	<u>(4,900)</u>	<u>657</u>	NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>(4,936)</u>	<u>(4,900)</u>	<u>657</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
---	----	10	Proceeds from Sale of Property, Plant & Equipment	---	----	10
(19)	(1)	(1,495)	Purchases of Property, Plant & Equipment	(19)	(1)	(1,495)
<u>(19)</u>	<u>(1)</u>	<u>(1,485)</u>	NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>(19)</u>	<u>(1)</u>	<u>(1,485)</u>
CASH FLOWS FROM FINANCING ACTIVITIES						
(10)	----	----	Repayment of Borrowings and Advances	(10)	----	----
<u>(10)</u>	<u>----</u>	<u>----</u>	NET CASH FLOWS FROM FINANCING ACTIVITIES	<u>(10)</u>	<u>----</u>	<u>----</u>
(4,965)	(4,901)	(828)	NET INCREASE / (DECREASE) IN CASH	(4,965)	(4,901)	(828)
5,851	5,851	6,679	Opening Cash and Cash Equivalents	5,851	5,851	6,679
<u>886</u>	<u>950</u>	<u>5,851</u>	CLOSING CASH AND CASH EQUIVALENTS	<u>886</u>	<u>950</u>	<u>5,851</u>

The accompanying notes form part of these financial statements.

Clinical Excellence Commission
Statement of Changes in Equity for the year ended 30 June 2016

PARENT AND CONSOLIDATION	Notes	Accumulated Funds	Total
		\$000	\$000
Balance at 1 July 2015		4,696	4,696
Total Equity at 1 July 2015		<u>4,696</u>	<u>4,696</u>
Net Result for the year		(4,957)	(4,957)
Other Comprehensive Income:			
Total Other Comprehensive Income		-----	-----
Total Comprehensive Income for the year		<u>(4,957)</u>	<u>(4,957)</u>
Transactions With Owners In Their Capacity As Owners			
Balance at 30 June 2016		<u>(261)</u>	<u>(261)</u>
Balance at 1 July 2014		5,248	5,248
Total Equity at 1 July 2014		<u>5,248</u>	<u>5,248</u>
Net Result for the year		(552)	(552)
Other Comprehensive Income:			
Total Other Comprehensive Income		-----	-----
Total Comprehensive Income for the year		<u>(552)</u>	<u>(552)</u>
Transactions With Owners In Their Capacity As Owners			
Balance at 30 June 2015		<u>4,696</u>	<u>4,696</u>

The accompanying notes form part of these financial statements.

Clinical Excellence Commission
Service Group Statements
for the year ended 30 June 2016

	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		Not Attributable		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Expenses Excluding Losses												
Operating Expenses												
Employee Related	1,659	1,786	7,935	8,452	1,536	1,679	1,525	1,623	—	—	12,856	13,540
Other Operating Expenses	466	405	2,229	1,915	432	380	428	368	—	—	3,555	3,069
Depreciation and Amortisation	45	45	218	215	42	43	42	41	—	—	347	344
Grants and Subsidies	55	61	263	287	51	57	50	55	—	—	419	460
Finance Costs	1	—	6	—	1	—	1	—	—	—	10	—
Total Expenses Excluding Losses	2,226	2,297	10,551	10,869	2,062	2,159	2,046	2,087	—	—	16,987	17,413
Revenue												
NSW Ministry of Health Recurrent Allocations **									10,476	14,532	10,476	14,532
NSW Ministry of Health Capital Allocations **									—	85	—	85
Acceptance by the Crown Entity of Employee Benefits	165	144	790	857	153	99	152	144	—	—	1,260	1,245
Sale of Goods and Services	1	6	3	34	1	4	1	6	—	—	5	50
Investment Revenue	—	24	—	145	—	17	—	25	—	—	—	211
Grants and Contributions	23	118	109	701	21	81	21	118	—	—	174	1,019
Other Revenue	15	15	72	86	14	10	14	15	—	—	115	125
Total Revenue	204	307	974	1,823	189	211	188	308	10,476	14,617	12,030	17,267
Gain / (Loss) on Disposal	—	(54)	—	(253)	—	(50)	—	(49)	—	—	—	(406)
Net Result	(2,022)	(2,044)	(9,677)	(9,299)	(1,873)	(1,998)	(1,858)	(1,828)	10,476	14,617	(4,957)	(552)
Other Comprehensive Income												
Total Other Comprehensive Income	—	—	—	—	—	—	—	—	—	—	—	—
Total Comprehensive Income	(2,022)	(2,044)	(9,677)	(9,299)	(1,873)	(1,998)	(1,858)	(1,828)	10,476	14,617	(4,957)	(552)

* 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 2016

	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		Not Attributable		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
ASSETS												
Current Assets												
Cash and Cash Equivalents	116	772	556	3,652	108	725	107	701	---	---	886	5,851
Receivables	99	64	473	380	92	44	91	64	---	---	754	552
Total Current Assets	215	836	1,029	4,032	200	769	198	765	----	----	1,640	6,403
Non-Current Assets												
- Plant and Equipment	9	11	43	50	8	10	8	10	---	---	68	80
- Leasehold Improvements	131	174	626	822	121	163	120	158	---	---	999	1,316
Total Non-Current Assets	140	185	669	872	129	173	128	168	----	----	1,067	1,396
TOTAL ASSETS	355	1,021	1,698	4,904	329	942	326	933	----	----	2,707	7,799
LIABILITIES												
Current Liabilities												
Payables	105	139	502	659	97	131	96	127	---	---	800	1,056
Provisions	234	221	1,120	1,045	217	208	215	201	---	---	1,787	1,674
Other	5	5	22	22	4	4	4	4	---	---	35	35
Total Current Liabilities	344	365	1,644	1,726	318	343	315	332	----	----	2,622	2,765
Non-Current Liabilities												
Provisions	45	45	217	211	42	42	42	41	---	---	346	338
Total Non-Current Liabilities	45	45	217	211	42	42	42	41	----	----	346	338
TOTAL LIABILITIES	389	410	1,861	1,937	360	385	357	373	----	----	2,968	3,103
NET ASSETS	(34)	611	(163)	2,967	(31)	557	(31)	560	----	----	(261)	4,696

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

1. Summary of Significant Accounting Policies

a) The Reporting Entity

The Clinical Excellence Commission (the CEC) was established under the provisions of the Health Services Act 1997 with effect from 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 2016 have been authorised for issue by the Chief Executive on 23rd September 2016.

b) Basis of Preparation

The CEC's financial statements are general purpose financial statements which have been prepared on an accrual basis and in accordance with applicable Australian Accounting Standards (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 adjusted budget figures can be found at Note 1(y).

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

The Secretary of Health, the Chair of the Clinical Excellence Commission Board and the Chief Executive, have agreed to service and funding levels for the forward financial year. The service agreement sets out the level of financial resources for public health services under the CEC's control and the source of these funds. The Board, expect to have a signed agreement in late October 2016. The agreement will contain details of service and funding levels for the forward financial year. 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.~~

c) Comparative Information

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

d) Statement of Compliance

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

1. Summary of Significant Accounting Policies

e) 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 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 2016 (comparable on-costs for 30 June 2015 were 15.3%). 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.

f) 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.

g) 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.

h) Income Recognition

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

Sale of Goods

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

1. Summary of Significant Accounting Policies

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.

i) 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.

j) 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 1(w)).

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.

k) Capitalisation Thresholds

Individual items of Property, Plant & Equipment are capitalised where their cost is \$10,000 or above.

l) Depreciation of Property, Plant and Equipment

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

	2016	2015
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%

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

m) Revaluation of Non-Current Assets

1. Summary of Significant Accounting Policies

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.

n) Impairment of Property, Plant and Equipment

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

o) 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.

p) 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.

q) 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.

r) 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.

s) 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.

t) 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.

u) Payables

1. Summary of Significant Accounting Policies

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.

v) 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.

w) 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 Accounting 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.

x) Equity and Reserves

(i) Accumulated Funds

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

y) 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 the CEC and the NSW Ministry of Health at the beginning of the financial year, as well as any adjustments for the effects of additional supplementation provided in accordance with delegations to derive a final budget at year end (i.e. adjusted budget). The budget amounts are not subject to audit and, accordingly, the relevant column entries in the financial statements are denoted as "Unaudited".

z) Service Group Statements Allocation Methodology

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 2015, then adjusted for any material change in service delivery or funding distribution occurring in the 2015-16 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.

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

(i) Effective for the first time in 2015-16

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

The early adoption of AASB 2015-7, Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities allows for exemption from making certain Level 3 'Fair Value Measurement' disclosures held primarily for current service potential rather than the generation of future net cash inflows.

(ii) Issued but not yet effective

1. Summary of Significant Accounting Policies

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 16, Leases will have application from 1 January 2019. The standard introduces a new approach to lease accounting that requires a lessee to recognise assets and liabilities for the rights and obligations created by leases. We believe that the application of this standard will likely have a significant transitional impact as a result of all leases, except short term (<12 months) and low value, brought on balance sheet.

AASB 15, AASB 2014-5, AASB 2015-8 and AASB 2016-3, Revenue from Contracts with Customers, has application from 1 January 2018. 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 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 is likely to increase disclosures to the financial statements relating to related party transactions, outstanding balances and Key Management Personnel remuneration.

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 January 2018 and comprises changes to improve and simplify the approach for classification and measurement of financial assets. 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). The change is not expected to materially impact the financial statements.

AASB 2016-2, Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107, will apply from 1 January 2017. The standard amends AASB 107 to require additional disclosures regarding financing activities in the Statement of Cash Flows. The change is not expected to materially impact the financial statements.

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

PARENT			CONSOLIDATION	
2016	2015		2016	2015
\$000	\$000		\$000	\$000
		2. Employee Related		
----	----	Salaries and Wages (including annual leave)	10,322	11,135
----	----	Superannuation - Defined Benefit Plans	216	209
----	----	Superannuation - Defined Contribution Plans	945	901
----	----	Long Service Leave	1,127	1,103
----	----	Redundancies	----	141
----	----	Workers' Compensation Insurance	46	45
----	----	Fringe Benefits Tax	----	6
-----	-----		<u>12,656</u>	<u>13,540</u>
		3. Personnel Services		
10,322	11,135	Salaries and Wages	----	----
945	901	Superannuation - Defined Contribution Plans	----	----
83	67	Long Service Leave	----	----
----	141	Redundancies	----	----
46	45	Workers' Compensation Insurance	----	----
----	6	Fringe Benefits Tax	----	----
<u>11,396</u>	<u>12,295</u>		-----	-----
		4. Other Operating Expenses		
65	----	Advertising	65	----
49	24	Auditor's Remuneration - Audit of Financial Statements	49	24
4	----	Consultancies	4	----
397	----	Contractors	397	----
2	2	Domestic Supplies and Services	2	2
79	46	Food Supplies	79	46
42	32	Fuel, Light and Power	42	32
457	264	Information Management Expenses	457	264
----	2	Insurance	----	2
68	64	Maintenance (See 4(b) below)	68	64
10	10	Motor Vehicle Expenses	10	10
110	106	Postal and Telephone Costs	110	106
142	307	Printing and Stationery	142	307
10	----	Rates and Charges	10	----
10	11	Rental	10	11
20	----	Hosted Services Purchased from Other NSW Health Entities	20	----
----	9	Special Service Departments	----	9
417	282	Staff Related Costs	417	282
437	498	Travel Related Costs	437	498
1,236	1,412	Other (See 4(a) below)	1,236	1,412
<u>3,555</u>	<u>3,069</u>		<u>3,555</u>	<u>3,069</u>

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

PARENT			CONSOLIDATION	
2016	2015		2016	2015
\$000	\$000		\$000	\$000
4. Other Operating Expenses				
a) Other Includes:				
133	----	Corporate Support Services	133	----
7	7	Courier and Freight	7	7
1	60	Legal Services	1	60
50	40	Membership/Professional Fees	50	40
11	4	Motor Vehicle Operating Lease Expense - Minimum Lease Payments	11	4
715	770	Other Operating Lease Expense - Minimum Lease Payments	715	770
4	7	Audio Visual & Filming	4	7
11	47	Internal Audit Fees & Other Services	11	47
8	7	Books Magazines & Journals	8	7
33	75	Member Sitting Fees	33	75
176	157	External Function Venue Hire	176	157
64	71	Official Visitors Overseas	64	71
18	----	Translation of Brochures	18	----
----	136	Corporate Support Services Health Share	----	136
5	31	Goods & Services	5	31
<u>1,236</u>	<u>1,412</u>		<u>1,236</u>	<u>1,412</u>
b) Reconciliation of Total Maintenance				
----	20	Maintenance Contracts	----	20
64	40	New/Replacement Equipment under \$10,000	64	40
4	4	Repairs Maintenance/Non Contract	4	4
<u>68</u>	<u>64</u>	Maintenance Expense - Contracted Labour and Other (Non-Employee Related in Note 4)	<u>68</u>	<u>64</u>
<u>68</u>	<u>64</u>		<u>68</u>	<u>64</u>

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

PARENT			CONSOLIDATION	
2016	2015		2016	2015
\$000	\$000		\$000	\$000
5. Depreciation and Amortisation				
12	13	Depreciation - Plant and Equipment	12	13
335	331	Amortisation - Leasehold Improvements	335	331
<u>347</u>	<u>344</u>		<u>347</u>	<u>344</u>
6. Grants and Subsidies				
50	50	HARC Scholarship (Sax Institute)	50	50
303	295	NSW Therapeutic Advisory Group	303	295
16	10	Ian O'Rourke Scholarship	16	10
---	25	Between the Flags (Worried Project)	---	25
---	35	APAC Grant	---	35
---	20	Health Literacy Program Grant	---	20
23	---	Macquarie University SEPSIS	23	---
8	---	Grants to Other NSW Health Entities (Ministry Symposium)	8	---
19	25	Other Grants	19	25
<u>419</u>	<u>460</u>		<u>419</u>	<u>460</u>
7. Finance Costs				
10	---	Other Interest Charges (McKell Unwinding of MGP)	10	---
<u>10</u>	<u>---</u>		<u>10</u>	<u>---</u>

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

PARENT			CONSOLIDATION	
2016	2015		2016	2015
\$000	\$000		\$000	\$000
8. Sale of Goods and Services				
a) Rendering of Services comprise the following:-				
5	5	Salary Packaging Fee	5	5
-----	45	Other	-----	45
-----	-----		-----	-----
5	50		5	50
=====	=====		=====	=====
9. Investment Revenue				
-----	211	Interest	-----	211
-----	-----		-----	-----
-----	211		-----	211
=====	=====		=====	=====

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

PARENT			CONSOLIDATION	
2016	2015		2016	2015
\$000	\$000		\$000	\$000
10. Grants and Contributions				
11	----	Grants from Other NSW Health Entities	11	----
----	691	Government Property NSW Grant (McKell Building)	----	691
----	119	Dept of Finance & Services Grant (McKell Building)	----	119
77	78	Open Disclosure Grant (NSW Self Insurance Corp)	77	78
86	131	Top 5 (HCF Grant)	86	131
<u>174</u>	<u>1,019</u>		<u>174</u>	<u>1,019</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	216	209
----	----	Long Service Leave	1,044	1,036
<u>----</u>	<u>----</u>		<u>1,260</u>	<u>1,245</u>
12. Other Revenue				
Other Revenue comprises the following:-				
1	18	Conference and Training Fees	1	18
110	35	Sponsorship - Patient Experience Symposium	110	35
----	62	Make Good Surplus (Elizabeth Street)	----	62
4	10	Other	4	10
<u>115</u>	<u>125</u>		<u>115</u>	<u>125</u>

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

PARENT			CONSOLIDATION	
2016	2015		2016	2015
\$000	\$000		\$000	\$000
13. Gain / (Loss) on Disposal				
----	1,570	Property, Plant and Equipment	----	1,570
----	(1,154)	Accumulated Depreciation	----	(1,154)
-----	416	Written Down Value	-----	416
-----	10	Proceeds from Disposal	-----	10
-----	(406)	Gain/(Loss) on Disposal of Property, Plant and Equipment	-----	(406)
-----	(406)	Total Gain/(Loss) on Disposal	-----	(406)

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

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.

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

PARENT			CONSOLIDATION	
2016	2015		2016	2015
\$000	\$000		\$000	\$000
15. Cash and Cash Equivalents				
886	1,138	Cash at Bank and On Hand	886	1,138
----	4,713	Short Term Deposits	----	4,713
----	----	Other	----	----
<u>886</u>	<u>5,851</u>		<u>886</u>	<u>5,851</u>
<p>For the purposes of the Statement of Cash Flows, cash and cash equivalents include cash at bank, cash on hand and short-term deposits.</p> <p>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:</p>				
886	5,851	Cash and Cash Equivalents (per Statement of Financial Position)	886	5,851
----	----	Bank Overdraft	----	----
----	----	Other	----	----
<u>886</u>	<u>5,851</u>	Closing Cash and Cash Equivalents (per Statement of Cash Flows)	<u>886</u>	<u>5,851</u>

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

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

PARENT			CONSOLIDATION	
2016	2015		2016	2015
\$000	\$000		\$000	\$000
		16. Receivables		
		Current		
42	41	Sale of Goods and Services	42	41
187	300	Intra Health Receivables	187	300
74	60	Goods and Services Tax	74	60
207	26	Other Debtors	207	26
<u>510</u>	<u>427</u>	Sub Total	<u>510</u>	<u>427</u>
		Sub Total		
510	427	Prepayments - Cardiac Surgery Database	510	427
81	79	Prepayments - Advisory Board Membership	81	79
37	35	Prepayments - Aust Survey Research	37	35
12	11	Prepayments - APAC Forum	12	11
70	----	Prepayments - Helloworld Travel	70	----
28	----	Prepayments - Hardy Group Membership	28	----
10	----	Prepayments - Qlik Training	10	----
6	----		6	----
<u>754</u>	<u>552</u>		<u>754</u>	<u>552</u>

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

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

PARENT			CONSOLIDATION	
2016	2015		2016	2015
\$000	\$000		\$000	\$000
17. Property, Plant and Equipment				
Plant and Equipment - Fair Value*				
108	108	Gross Carrying Amount	108	108
40	28	Less: Accumulated Depreciation and Impairment	40	28
<u>68</u>	<u>80</u>	Net Carrying Amount	<u>68</u>	<u>80</u>
Leasehold Improvements - Fair Value*				
1,498	1,480	Gross Carrying Amount	1,498	1,480
499	164	Less: Accumulated Depreciation and Impairment	499	164
<u>999</u>	<u>1,316</u>	Net Carrying Amount	<u>999</u>	<u>1,316</u>
<u>1,067</u>	<u>1,396</u>	Total Property, Plant and Equipment At Net Carrying Amount	<u>1,067</u>	<u>1,396</u>

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

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

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:

	Plant and Equipment \$000	Leasehold Improvements \$000	Total \$000
2016			
Net carrying amount at start of year	80	1,316	1,396
Additions	-----	18	18
Depreciation Expense	(12)	(335)	(347)
Net carrying amount at end of year	68	999	1,067

	Plant and Equipment \$000	Leasehold Improvements \$000	Total \$000
2015			
Net carrying amount at start of year	97	564	661
Additions	36	1,457	1,493
Disposals	(18)	(397)	(415)
Depreciation Expense	(13)	(330)	(343)
Reclassifications	(22)	22	-----
Net carrying amount at end of year	80	1,316	1,396

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

PARENT			CONSOLIDATION	
2016	2015		2016	2015
\$000	\$000		\$000	\$000
		18. Payables		
		Current		
----	----	Accrued Salaries, Wages and On-Costs	113	437
----	----	Taxation and Payroll Deductions	135	18
248	455	Accrued Liability - Purchase of Personnel Services	----	----
116	107	Creditors	116	107
		Other Creditors		
259	166	- Intra Health Liability	259	166
177	328	- Other	177	328
<u>800</u>	<u>1,056</u>		<u>800</u>	<u>1,056</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
for the year ended 30 June 2016

PARENT			CONSOLIDATION	
2016	2015		2016	2015
\$000	\$000		\$000	\$000
19. Provisions				
Current				
---	---	Annual Leave - Short Term Benefit	1,141	969
---	---	Annual Leave - Long Term Benefit	253	388
---	---	Long Service Leave Consequential On-Costs	393	317
1,787	1,674	Provision for Personnel Services Liability	----	----
<u>1,787</u>	<u>1,674</u>		<u>1,787</u>	<u>1,674</u>
Non-Current				
---	---	Long Service Leave Consequential On-Costs	34	28
312	310	Other	312	310
34	28	Provision for Personnel Services Liability	----	----
<u>346</u>	<u>338</u>		<u>346</u>	<u>338</u>
Aggregate Employee Benefits and Related On-Costs				
---	---	Provisions - Current	1,787	1,674
---	---	Provisions - Non-Current	34	28
---	---	Accrued Salaries, Wages and On-Costs (Note 18)	248	455
2,069	2,157	Liability - Purchase of Personnel Services	----	----
<u>2,069</u>	<u>2,157</u>		<u>2,069</u>	<u>2,157</u>
20. Other Liabilities				
Current				
35	35	Income in Advance (Telluride Project)	35	35
<u>35</u>	<u>35</u>		<u>35</u>	<u>35</u>

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

PARENT			CONSOLIDATION	
2016	2015		2016	2015
\$000	\$000		\$000	\$000
21. Commitments for Expenditure				
a) Operating Lease Commitments				
Future non-cancellable operating lease rentals not provided for and payable:				
787	780	Not later than one year	787	780
1,574	2,474	Later than one year and not later than five years	1,574	2,474
<u>2,361</u>	<u>3,254</u>	Total Operating Lease Commitments (Including GST)	<u>2,361</u>	<u>3,254</u>

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

The total of 'Commitments for Expenditure' above, i.e. 2.36 million as at 30 June 2016 includes input tax credits of \$215k that are expected to be recoverable from the Australian Taxation Office (2015 \$296k).

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

PARENT AND CONSOLIDATED

22. Contingent Liabilities and Assets

CEC has no contingent asset and liabilities.

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

PARENT			CONSOLIDATION	
2016	2015		2016	2015
\$000	\$000		\$000	\$000
23. Reconciliation of Cash Flows from Operating Activities to Net Result				
(4,936)	657	Net Cash Flows from Operating Activities	(4,936)	657
(347)	(344)	Depreciation and Amortisation	(347)	(344)
----	(35)	(Increase)/ Decrease Income in Advance	----	(35)
(121)	(259)	(Increase)/ Decrease in Provisions	(121)	(259)
188	(34)	Increase / (Decrease) in Prepayments and Other Assets	188	(34)
259	(130)	(Increase)/ Decrease in Payables from Operating Activities	259	(130)
----	(407)	Revaluation of Property, Plant and Equipment recognised	----	(407)
----	(407)	Net Gain/ (Loss) on Sale of Property, Plant and Equipment	----	(407)
(4,957)	(552)	Net Result	(4,957)	(552)

NSW Treasury Circular 15-01 Cash Management - Expanding the Scope of the Treasury Management System requires that non-restricted cash and cash equivalents in excess of a readily assessable short term level, be held within the Treasury Banking System. In the 2016 financial year CEC was required to reduce its excess opening cash balance of \$5.8 million with a concurrent reduction in health recurrent allocations revenue. CEC has internal processes to estimate its forward cash inflows (including subsidy) and outflows requirements so that it can service its liabilities as and when they fall due.

PARENT AND CONSOLIDATION

24. Adjusted Budget Review - Parent and Consolidated

The total YTD favourable expense variation of some \$59k to adjusted budget can be attributable to CEC working within its projected full year budget while controlling expenditure & revenue on a monthly basis.

Net Result

The actual Net Result was favourable to adjusted budget by \$103k, primarily due to the CEC keeping just within its total expense budget, and also having a slight surplus to the revenue budget.

Assets and Liabilities

Total current assets are greater than budget due to mainly an increase in debtors & accrued income.

Total non-current assets are on budget only slight variation of some \$2k

Total current liabilities are slightly less than budget due to a reduction in accounts payables.

Total non-current liabilities are slightly greater than budget due to an increase in provisions.

Cash Flows

Net cash flow from operating activities only a slight variance of some \$36k

Cash flow from investing activities slight deficit to budget.

Cash flow from financing activities slight deficit to budget.

Movements in the level of the NSW Ministry of Health Recurrent Allocation that have occurred since the time of the initial allocation on 20th July 2015, are as follows:

	\$000
Initial Allocation, July 2015	11,258
Clinical Leadership Program	(811)
Clinical Leadership Program	(400)
Falls Program	114
Patient Safety Program	400
Initial Allocation retained by Ministry as per cash management policy	(85)
	<hr/>
Balance as per Statement of Comprehensive Income	10,476 <hr/>

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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 Chief Executive has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks. Risk management policies are established to identify and analyse the risk faced by the 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 regular basis.

(a) Financial Instrument Categories

PARENT

Financial Assets Class:	Category	Carrying Amount 2016 \$000	Carrying Amount 2015 \$000
Cash and Cash Equivalents (note 15)	N/A	886	5,851
Receivables (note 16)*	Loans and receivables (at amortised cost)	436	367
		1,322	6,218
Financial Liabilities			
Payables (note 18)**	Financial liabilities measured at amortised cost	665	1,038
		665	1,038

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)

PARENT AND CONSOLIDATION

Financial Assets Class:	Category	Carrying Amount 2016 \$000	Carrying Amount 2015 \$000
Cash and Cash Equivalents (note 15)	N/A	886	5,851
Receivables (note 16)*	Loans and receivables (at amortised cost)	436	367
		1,322	6,218

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25. Financial Instruments

Financial Liabilities

Payables (note 18)**	Financial liabilities measured at amortised cost	665	1,038
		665	1,038

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)

(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 2.85% in 2015/16 compared to 3.20% 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 (2016: \$229k; 2015: \$338k) and not more than 3 months past due (2016: 0; 2015: \$2k) are not considered impaired. Together these represent 100% of the total trade debtors.

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25. Financial Instruments

	Total ^{1,2}	Past due but not impaired ^{1,2}	Considered impaired ^{1,2}
2016	\$000	\$000	\$000
<3 months overdue	----	----	----
3 months - 6 months overdue	----	----	----
> 6 months overdue	----	----	----
2015			
<3 months overdue	2	2	----
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.

(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 1).

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.

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

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25. Financial Instruments

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

Maturity Analysis and interest rate exposure of financial liabilities

	Weighted Average Effective Interest Rate	Interest Rate Exposure				Maturity Dates		
		Nominal Amount ¹	Fixed Interest Rate	Variable Interest Rate	Non - Interest Bearing	< 1 Yr	1-5 Yr	> 5Yr
2016		\$000	\$000	\$000	\$000	\$000	\$000	\$000
Payables:								
- Accrued Salaries Wages, On-Costs and Payroll Deductions		113	----	----	113	113	----	----
- Creditors		552	----	----	552	552	----	----
		665	----	----	665	665	----	----
2015								
Payables:								
- Accrued Salaries Wages, On-Costs and Payroll Deductions		437	----	----	437	437	----	----
- Creditors		601	----	----	601	601	----	----
		1,038	----	----	1,038	1,038	----	----

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.

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25. Financial Instruments

(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 2015. 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.

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

	Carrying Amount \$000	-1% Net Result	Equity	+1% Net Result	Equity
2016					
Financial Assets					
Cash and Cash Equivalents	886	(9)	(9)	9	9
Receivables	436	---	---	---	---
Financial Liabilities					
Payables	665	---	---	---	---
2015					
Financial Assets					
Cash and Cash Equivalents	5,851	(59)	(59)	59	59
Receivables	367	---	---	---	---
Financial Liabilities					
Payables	1,038	---	---	---	---

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26. Events after the Reporting Period

There are no events after the reporting period 30 June 2016 that require amendments to the financial statements (2015: nil)

END OF AUDITED FINANCIAL STATEMENTS
