

Clinical Excellence Commission (CEC)

Financial Statements

for the year ended 30 June 2017



INDEPENDENT AUDITOR'S REPORT

Clinical Excellence Commission

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of the Clinical Excellence Commission (the Commission), which comprise the statement of financial position as at 30 June 2017, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information of the Commission and the consolidated entity. The consolidated entity comprises the Commission and the entities it controlled at the year's end or from time to time during the financial year.

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 2017, 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 *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 the standards are 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 requirements of the:

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

I have also fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament 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
- precluding the Auditor-General from providing 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(w). 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 Chief Executive's Responsibility for the Financial Statements

The Chief Executive is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as the Chief Executive determines is necessary to enable the preparation and fair presentation of financial statements that 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 except where operations will cease as a result of an administrative restructure. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of 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 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/auditors_responsibilities/ar3.pdf. 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
- about any other information which may have been hyperlinked to/from the financial statements.



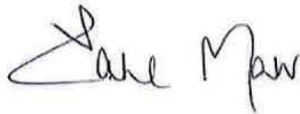
Renee Meimaroglou
Director, Financial Audit Services

19 September 2017
SYDNEY

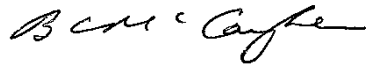
Clinical Excellence Commission
Certification of the Financial Statements
for the year ended 30 June 2017

We 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 2017 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 (the Act); and
 - c) financial Reporting Directions issued by the Treasurer under the Act.
- 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) We are not aware of any circumstances which would render any particulars in the financial statements to be misleading or inaccurate.



Carrie Marr
Chief Executive
15 September 2017



A/Prof Brian McCaughan
Board Chair
15 September 2017

Clinical Excellence Commission
Statement of Comprehensive Income for the year ended 30 June 2017

PARENT								CONSOLIDATION		
Actual	Adjusted Budget Unaudited	Actual			Notes	Actual	Adjusted Budget Unaudited	Actual		
2017	2017	2016				2017	2017	2016		
\$000	\$000	\$000				\$000	\$000	\$000		
			Expenses excluding losses							
			Operating Expenses							
----	----	----			2	12,332	12,581	12,656		
11,612	11,928	11,396			3	----	----	----		
3,824	3,288	3,555			4	3,824	3,288	3,555		
345	346	347			1(i), 5	345	346	347		
513	476	419			6	513	476	419		
7	----	10			1(g), 7	7	----	10		
16,301	16,038	15,727				17,021	16,691	16,987		
			Revenue							
15,464	15,466	10,476			1(h)	15,464	15,466	10,476		
85	85	----			1(h)	85	85	----		
----	----	----			1(e)(ii), 10	720	653	1,260		
5	28	5			1(h), 8	5	28	5		
110	119	174			1(h), 9	110	119	174		
58	9	115			11	58	9	115		
15,722	15,707	10,770				16,442	16,360	12,030		
(579)	(331)	(4,957)			20	(579)	(331)	(4,957)		
(579)	(331)	(4,957)				(579)	(331)	(4,957)		
			TOTAL COMPREHENSIVE INCOME							

The accompanying notes form part of these financial statements.

Clinical Excellence Commission
Statement of Financial Position as at 30 June 2017

PARENT			CONSOLIDATION			
Actual	Adjusted Budget Unaudited	Actual	Notes	Actual	Adjusted Budget Unaudited	Actual
2017 \$000	2017 \$000	2016 \$000		2017 \$000	2017 \$000	2016 \$000
ASSETS						
Current Assets						
511	886	886		511	886	886
899	754	754	12	899	754	754
<u>1,410</u>	<u>1,640</u>	<u>1,640</u>	13	<u>1,410</u>	<u>1,640</u>	<u>1,640</u>
1,410	1,640	1,640		1,410	1,640	1,640
Total Current Assets						
Non-Current Assets						
----	(16)	----		----	(16)	----
143	141	68	14	143	141	68
666	681	999	14	666	681	999
<u>809</u>	<u>806</u>	<u>1,067</u>		<u>809</u>	<u>806</u>	<u>1,067</u>
809	806	1,067		809	806	1,067
<u>2,219</u>	<u>2,446</u>	<u>2,707</u>		<u>2,219</u>	<u>2,446</u>	<u>2,707</u>
LIABILITIES						
Current Liabilities						
699	829	800		699	829	800
1,971	1,828	1,787	15	1,971	1,828	1,787
35	35	35	16	35	35	35
<u>2,705</u>	<u>2,692</u>	<u>2,622</u>	17	<u>2,705</u>	<u>2,692</u>	<u>2,622</u>
Total Current Liabilities						
Non-Current Liabilities						
354	347	346		354	347	346
<u>354</u>	<u>347</u>	<u>346</u>	16	<u>354</u>	<u>347</u>	<u>346</u>
Total Non-Current Liabilities						
Total Liabilities						
<u>3,059</u>	<u>3,039</u>	<u>2,968</u>		<u>3,059</u>	<u>3,039</u>	<u>2,968</u>
Net Assets						
<u>(840)</u>	<u>(593)</u>	<u>(261)</u>		<u>(840)</u>	<u>(593)</u>	<u>(261)</u>
EQUITY						
(840)	(593)	(261)		(840)	(593)	(261)
<u>(840)</u>	<u>(593)</u>	<u>(261)</u>		<u>(840)</u>	<u>(593)</u>	<u>(261)</u>
Total Equity						

The accompanying notes form part of these financial statements.

Clinical Excellence Commission
Statement of Changes in Equity for the year ended 30 June 2017

PARENT AND CONSOLIDATION	Notes	Accumulated Funds	Total
		\$000	\$000
Balance at 1 July 2016		(261)	(261)
Total Equity at 1 July 2016		(261)	(261)
Net Result for the year		(579)	(579)
Other Comprehensive Income:			
Total Other Comprehensive Income		----	----
Total Comprehensive Income for the year		(579)	(579)
Balance at 30 June 2017		(840)	(840)
Balance at 1 July 2015		4,696	4,696
Total Equity at 1 July 2015		4,696	4,696
Net Result for the year		(4,957)	(4,957)
Other Comprehensive Income:			
Total Other Comprehensive Income		----	----
Total Comprehensive Income for the year		(4,957)	(4,957)
Balance at 30 June 2016		(261)	(261)

The accompanying notes form part of these financial statements.

Clinical Excellence Commission
Statement of Cash Flows for the year ended 30 June 2017

PARENT			CONSOLIDATION			
Actual	Adjusted Budget Unaudited	Actual	Notes	Actual	Adjusted Budget Unaudited	Actual
2017 \$000	2017 \$000	2016 \$000		2017 \$000	2017 \$000	2016 \$000
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
----	----	----		(11,188)	(11,680)	(11,090)
(578)	(540)	(493)	Employee Related	(578)	(540)	(493)
(15,633)	(15,428)	(15,425)	Grants and Subsidies	(4,445)	(3,748)	(4,335)
			Other			
(16,211)	(15,968)	(15,918)	Total Payments	(16,211)	(15,968)	(15,918)
Receipts						
15,464	15,466	10,476	NSW Ministry of Health Recurrent Allocations	15,464	15,466	10,476
85	85	----	NSW Ministry of Health Capital Allocations	85	85	----
47	29	103	Sale of Goods and Services	47	29	103
117	126	174	Grants and Contributions	117	126	174
215	347	229	Other	215	347	229
15,928	16,053	10,982	Total Receipts	15,928	16,053	10,982
(283)	85	(4,936)	NET CASH FLOWS FROM OPERATING ACTIVITIES	(283)	85	(4,936)
CASH FLOWS FROM INVESTING ACTIVITIES						
(85)	(85)	(19)	Purchases of Property, Plant & Equipment	(85)	(85)	(19)
(85)	(85)	(19)	NET CASH FLOWS FROM INVESTING ACTIVITIES	(85)	(85)	(19)
CASH FLOWS FROM FINANCING ACTIVITIES						
(7)	----	(10)	Repayment of Borrowings and Advances	(7)	----	(10)
(7)	----	(10)	NET CASH FLOWS FROM FINANCING ACTIVITIES	(7)	----	(10)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS						
(375)	----	(4,965)	Opening Cash and Cash Equivalents	(375)	----	(4,965)
886	886	5,851		886	886	5,851
511	886	886	CLOSING CASH AND CASH EQUIVALENTS	511	886	886

The accompanying notes form part of these financial statements.

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

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 parent entity, comprises all the operating activities of the Clinical Excellence Commission
- * 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 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.

CEC is a NSW Government entity and is controlled by the NSW Ministry of Health, which is the immediate parent. The reporting entity is also controlled by the State of New South Wales (and is consolidated as part of the NSW Total State Sector Accounts), which is the ultimate parent. The reporting entity is a not-for-profit entity (as profit is not its principal objective).

These consolidated financial statements for the year ended 30 June 2017 have been authorised for issue by the Chief Executive on 15 September 2017.

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 (the Act), and the financial Reporting Directions issued by the Treasurer under the Act. The financial statements comply with the NSW Treasury mandates Circular for NSW General Government Sector Entities. Further Information on the adjusted budget figures can be found at Note 1(x).

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. 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 assumption 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.

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.

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

1. Summary of Significant Accounting Policies

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.

e) Employee Benefits and Other Provisions

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

Salaries and wages (including non-monetary benefits) 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 NSW Treasury, a controlled entity of the ultimate parent, has confirmed that using the nominal annual leave balance plus the annual leave entitlements accrued while taking annual leave can be used to approximate the present value of the annual leave liability. On-costs of 15.8% are applied to the value of leave payable at 30 June 2017 (comparable on-costs for 30 June 2016 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, which is a controlled entity of the ultimate parent.

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 employee's salary. For other superannuation schemes (i.e. State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employee's 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.

1. Summary of Significant Accounting Policies

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 (TMF) Scheme of self insurance for government entities. The expense (premium) is determined by the Fund Manager based on past claims experience. The TMF is managed by Insurance and Care NSW (iCare), a controlled entity of the ultimate parent.

g) Finance Costs

Finance costs are recognised as expenses in the period in which they are incurred in accordance with NSW 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).

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, the immediate parent, 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.

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

1. Summary of Significant Accounting Policies

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.

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:

	2017	2016
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

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.

1. Summary of Significant Accounting Policies

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.

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.

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

1. Summary of Significant Accounting Policies

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

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 and Reserves

(i) Accumulated Funds

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

x) 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".

1. **Summary of Significant Accounting Policies**

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

(i) **Effective for the first time in 2016-17**

The accounting policies applied in 2016-17 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:

AASB 2015-6 Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities extends the scope of *AASB 124 Related Party Disclosures* to include application by not-for-profit public sector entities. The application of this standard has resulted in increased disclosures in the financial statements relating to related party transactions and Key Management Personnel compensation.

AASB 2015-7 Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities is applicable to reporting periods beginning on or after 1 July 2016. The Entity early adopted this standard in the financial year ended 30 June 2016, which 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**

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

AASB 2016-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107 applies to annual periods beginning on or after 1 January 2017. The standard amends *AASB 107 Statement of Cash Flows* to require additional disclosures regarding financing activities in the Statement of Cash Flows. The change is not expected to materially impact the financial statements.

AASB 9 Financial Instruments and *AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9* are applicable for reporting period on or after 1 January 2018. *AASB 9* will replace *AASB 139 Financial Instruments: Recognition and Measurement* and establishes new principles for the financial reporting of financial assets, financial liabilities and hedge accounting. *AASB 9* also introduces a forward-looking 'expected credit losses' impairment model, which may significantly impact the timing and amount of impairment recognition.

AASB 16 Leases applies to annual periods beginning on or after 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. The application of this standard will likely have a significant transitional impact as all leases, except short term (<12 months) and low value leases, brought on balance sheet.

AASB 15 Revenue from Contracts with Customers (and associated amending standards *AASB 2014-5*, *AASB 2015-8*, *AASB 2016-3*, *AASB 2016-7* and *AASB 2016-8*) applies to annual periods beginning on or after 1 January 2019 for not-for-profit entities. *AASB 15* establishes a contract-based five-step analysis of transactions to determine the nature, amount and timing of revenue arising from contracts with customers. This new standard requires revenue to be recognised when control of the goods or services are transferred to the customer at the transaction price. This may impact the timing of recognising certain revenue currently recognised by reference to the stage of completion of the transaction.

AASB 1058 Income of Not-for-Profit Entities applies to not-for-profit entities and is effective for annual periods beginning on or after 1 January 2019. This standard requires entities to recognise income where the consideration to acquire an asset, including cash, is significantly less than the fair value principally to enable the entity to further its objectives. Under this standard, the timing of income recognition may be impacted depending on whether there is a liability or other performance obligation associated with the acquired asset, including cash.

AASB 1058 also requires government agencies to recognise income for volunteer services received if the fair value of those services can be measured reliably and the services would have been purchased if they had not been donated. This is consistent with current practice under *AASB 1004 Contributions* and 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 2017

PARENT			CONSOLIDATION	
2017 \$000	2016 \$000		2017 \$000	2016 \$000
2. Employee Related				
----	----	Salaries and Wages (including annual leave)	10,413	10,322
----	----	Superannuation - Defined Benefit Plans	215	216
----	----	Superannuation - Defined Contribution Plans	978	945
----	----	Long Service Leave	515	1,127
----	----	Redundancies	160	----
----	----	Workers' Compensation Insurance	37	46
----	----	Fringe Benefits Tax	14	----
----	----		<u>12,332</u>	<u>12,656</u>
3. Personnel Services				
10,413	10,322	Salaries and Wages	----	----
978	945	Superannuation - Defined Contribution Plans	----	----
10	83	Long Service Leave	----	----
160	----	Redundancies	----	----
37	46	Workers' Compensation Insurance	----	----
14	----	Fringe Benefits Tax	----	----
<u>11,612</u>	<u>11,396</u>		<u>----</u>	<u>----</u>
<p>Personnel services of Clinical Excellence Commission was provided by its controlled entity, Clinical Excellence Commission Special Purpose Service Entity.</p>				
4. Other Operating Expenses				
----	65	Advertising	----	65
28	49	Auditor's Remuneration - Audit of Financial Statements	28	49
51	4	Consultancies	51	4
524	397	Contractors	524	397
2	2	Domestic Supplies and Services	2	2
27	79	Food Supplies	27	79
32	42	Fuel, Light and Power	32	42
524	457	Information Management Expenses	524	457
1	----	Insurance	1	----
58	68	Maintenance (See 4(b) below)	58	68
9	10	Motor Vehicle Expenses	9	10
116	110	Postal and Telephone Costs	116	110
130	142	Printing and Stationery	130	142
20	10	Rates and Charges	20	10
11	10	Rental	11	10
20	20	Hosted Services Purchased from entities controlled by the immediate parent	20	20
273	417	Staff Related Costs	273	417
364	437	Travel Related Costs	364	437
1,634	1,236	Other (See 4(a) below)	1,634	1,236
<u>3,824</u>	<u>3,555</u>		<u>3,824</u>	<u>3,555</u>

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

PARENT			CONSOLIDATION	
2017 \$000	2016 \$000		2017 \$000	2016 \$000
4. Other Operating Expenses				
a) Other Includes:				
184	133	Corporate Support Services	184	133
10	7	Courier and Freight	10	7
----	1	Legal Services	----	1
54	50	Membership/Professional Fees	54	50
9	11	Motor Vehicle Operating Lease Expense - Minimum Lease Payments	9	11
797	715	Other Operating Lease Expense - Minimum Lease Payments	797	715
52	4	Audiovisual	52	4
21	11	Audit Fees Other Services	21	11
21	8	Books Magazines & Journals	21	8
21	33	Member Sitting Fees	21	33
354	176	Functions	354	176
79	64	Official Visitors	79	64
5	18	Translation Services	5	18
17	----	Intrahealth Other	17	----
12	5	Goods & Services	12	5
<u>1,634</u>	<u>1,236</u>		<u>1,634</u>	<u>1,236</u>
b) Reconciliation of Total Maintenance				
56	64	New/Replacement Equipment under \$10,000	56	64
<u>2</u>	<u>4</u>	Repairs Maintenance/Non Contract	<u>2</u>	<u>4</u>
58	68	Maintenance Expense - Contracted Labour and Other (Non-Employee Related in Note 4)	58	68
<u>58</u>	<u>68</u>		<u>58</u>	<u>68</u>

Auditor's Remuneration' was paid to The Audit Office of New South Wales, an entity controlled by the ultimate parent.

Some of the Information Management Expenses were paid to eHealth an entity controlled by the immediate parent.

The majority of Corporate Support Services were paid to HealthShare NSW an entity controlled by the immediate parent.

All Other Operating Lease expenses relate to the CEC's official business premises and were paid to GPNSW, an entity controlled by the ultimate parent.

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

PARENT			CONSOLIDATION	
2017 \$000	2016 \$000		2017 \$000	2016 \$000
5. Depreciation and Amortisation				
12	12	Depreciation - Plant and Equipment	12	12
333	335	Amortisation - Leasehold Improvements	333	335
<u>345</u>	<u>347</u>		<u>345</u>	<u>347</u>
6. Grants and Subsidies				
11	8	Grants paid to entities controlled by the immediate parent	11	8
320	303	Therapeutic Advisory Group	320	303
19	16	Ian O'Rourke Scholarship	19	16
-----	50	Health Alliance for Research Collaboration Scholarship	-----	50
70	-----	Asia Pacific Forum Sponsorship	70	-----
66	-----	Neuroscience Research Australia	66	-----
27	42	Other Grants	27	42
<u>513</u>	<u>419</u>		<u>513</u>	<u>419</u>
7. Finance Costs				
7	10	Other Interest Charges (Unwinding of make good provision)	7	10
<u>7</u>	<u>10</u>		<u>7</u>	<u>10</u>

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

PARENT			CONSOLIDATION	
2017 \$000	2016 \$000		2017 \$000	2016 \$000
		8. Sale of Goods and Services		
		a) Rendering of Services comprise the following:-		
<u>5</u>	<u>5</u>	Salary Packaging Fee	<u>5</u>	<u>5</u>
<u><u>5</u></u>	<u><u>5</u></u>		<u><u>5</u></u>	<u><u>5</u></u>

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

PARENT			CONSOLIDATION	
2017 \$000	2016 \$000		2017 \$000	2016 \$000
9. Grants and Contributions				
10	----	Cancer Institute Grants	10	----
75	11	Grants received from entities controlled by the immediate parent	75	11
----	163	Research Grants	----	163
25	----	Other Grants	25	----
110	174		110	174
<p>The Cancer Institute is an entity controlled by the immediate parent.</p> <p>The majority of grants that were received from entities controlled by the immediate parent were received from the Agency for Clinical Innovation. This line item also includes the Ministry of Health \$20k which is controlled by the ultimate parent.</p>				
10. Acceptance by the Crown Entity of Employee Benefits				
The following liabilities and expenses have been assumed by the Crown Entity:				
----	----	Superannuation-defined benefit	215	216
----	----	Long Service Leave	505	1,044
-----	-----		720	1,260
11. Other Revenue				
Other Revenue comprises the following:-				
36	1	Conference and Training Fees	36	1
8	50	Sponsorship	8	50
14	64	Other	14	64
58	115		58	115

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

PARENT			CONSOLIDATION	
2017 \$000	2016 \$000		2017 \$000	2016 \$000
12. Cash and Cash Equivalents				
511	886	Cash at Bank and On Hand	511	886
<u>511</u>	<u>886</u>		<u>511</u>	<u>886</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>				
511	886	Cash and Cash Equivalents (per Statement of Financial Position)	511	886
<u>511</u>	<u>886</u>	Closing Cash and Cash Equivalents (per Statement of Cash Flows)	<u>511</u>	<u>886</u>

Refer to Note 22 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 2017

PARENT			CONSOLIDATION	
2017 \$000	2016 \$000		2017 \$000	2016 \$000
		13. Receivables		
		Current		
59	42	Sale of Goods and Services	59	42
508	187	Intra Health Receivables	508	187
51	74	Goods and Services Tax	51	74
50	207	Other Debtors	50	207
668	510	Sub Total	668	510
668	510	Sub Total	668	510
231	244	Prepayments	231	244
899	754		899	754

Intra Health Receivables include amounts receivable from entities controlled by the immediate parent. The majority of the balance at reporting date was receivable from eHealth NSW.

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in Note 22.

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

PARENT			CONSOLIDATION	
2017 \$000	2016 \$000		2017 \$000	2016 \$000
14. Property, Plant and Equipment				
Land and Buildings - Fair Value				
----	----	Gross Carrying Amount	----	----
----	----	Less: Accumulated Depreciation and Impairment	----	----
<u>-----</u>	<u>-----</u>	Net Carrying Amount	<u>-----</u>	<u>-----</u>
Plant and Equipment - Fair Value*				
195	108	Gross Carrying Amount	195	108
52	40	Less: Accumulated Depreciation and Impairment	52	40
<u>143</u>	<u>68</u>	Net Carrying Amount	<u>143</u>	<u>68</u>
Leasehold Improvements - Fair Value*				
1,498	1,498	Gross Carrying Amount	1,498	1,498
832	499	Less: Accumulated Depreciation and Impairment	832	499
<u>666</u>	<u>999</u>	Net Carrying Amount	<u>666</u>	<u>999</u>
<u>809</u>	<u>1,067</u>	Total Property, Plant and Equipment At Net Carrying Amount	<u>809</u>	<u>1,067</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 2017

PARENT & CONSOLIDATION

14. Property, Plant and Equipment - Reconciliation

A reconciliation of the carrying amount for each class of property, plant and equipment is set out below:

	Plant and Equipment \$000	Leasehold Improvements \$000	Total \$000
2017			
Net carrying amount at start of year	68	999	1,067
Additions	87	----	87
Depreciation Expense	(12)	(333)	(345)
Net carrying amount at end of year	143	666	809

	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

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

PARENT			CONSOLIDATION	
2017 \$000	2016 \$000		2017 \$000	2016 \$000
		15. Payables		
		Current		
----	----	Accrued Salaries, Wages and On-Costs	150	113
----	----	Taxation and Payroll Deductions	160	135
310	248	Accrued Liability - Purchase of Personnel Services	----	----
125	116	Creditors	125	116
		Other Creditors		
149	259	- Payables to entities controlled by the immediate parent	149	259
115	177	- Other	115	177
<u>699</u>	<u>800</u>		<u>699</u>	<u>800</u>

Some of 'Payables to entities controlled by the immediate parent' relate to balances payable to HealthShare NSW and Sydney Local Health District, entities controlled by the immediate parent.
Some relate to the immediate parent itself (MoH), an entity controlled by the ultimate parent.

Some of the 'other creditors- other' relate to balances payable to Napean Blue Mountains LHD and Government Property NSW, entities controlled by the immediate and ultimate parent respectively.

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 22.

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

PARENT			CONSOLIDATION	
2017 \$000	2016 \$000		2017 \$000	2016 \$000
16. Provisions				
Current				
----	----	Annual Leave - Short Term Benefit	1,117	1,141
----	----	Annual Leave - Long Term Benefit	427	253
----	----	Long Service Leave Consequential On-Costs	402	393
1,946	1,787	Provision for Personnel Services Liability	----	----
25	----	Other	25	----
<u>1,971</u>	<u>1,787</u>		<u>1,971</u>	<u>1,787</u>
Non-Current				
----	----	Long Service Leave Consequential On-Costs	35	34
35	34	Provision for Personnel Services Liability	----	----
319	312	Other	319	312
<u>354</u>	<u>346</u>		<u>354</u>	<u>346</u>
Aggregate Employee Benefits and Related On-Costs				
----	----	Provisions - Current	1,971	1,787
----	----	Provisions - Non-Current	35	34
----	----	Accrued Salaries, Wages and On-Costs (Note 15)	310	248
2,316	2,069	Liability - Purchase of Personnel Services	----	----
<u>2,316</u>	<u>2,069</u>		<u>2,316</u>	<u>2,069</u>
17. Other Liabilities				
Current				
35	35	Income in Advance	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 2017

PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
18. Commitments for Expenditure				
a) Capital Commitments				
57	----	Not later than one year	57	----
----	----	Later than one year and not later than five years	----	----
<u>57</u>	<u>----</u>	Total Capital Expenditure Commitments (Including GST)	<u>57</u>	<u>----</u>
b) Operating Lease Commitments				
Future non-cancellable operating lease rentals not provided for and payable:				
847	787	Not later than one year	847	787
881	1,574	Later than one year and not later than five years	881	1,574
<u>1,728</u>	<u>2,361</u>	Total Operating Lease Commitments (Including GST)	<u>1,728</u>	<u>2,361</u>

'Operating Lease Commitments' contracted but not provided for related to office leases with Government Property NSW, an entity controlled by the ultimate parent.

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

The total 'Operating Lease Commitments' of \$1.728 million as at 30 June 2017, includes input tax credits of \$157k that are expected to be recoverable from the Australian Taxation Office (2016 \$215k).

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

PARENT AND CONSOLIDATED

19. Contingent Liabilities and Assets

There are no contingent assets or liabilities as at 30 June 2017.

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
20. Reconciliation of Cash Flows from Operating Activities to Net Result				
(283)	(4,936)	Net Cash Flows from Operating Activities	(283)	(4,936)
(345)	(347)	Depreciation and Amortisation	(345)	(347)
(192)	(121)	(Increase)/ Decrease in Provisions	(192)	(121)
188	188	Increase / (Decrease) in Prepayments and Other Assets	188	188
53	259	(Increase)/ Decrease in Payables from Operating Activities	53	259
<u>(579)</u>	<u>(4,957)</u>	Net Result	<u>(579)</u>	<u>(4,957)</u>

In line with NSW Treasury Circular 15-01 Cash Management, during the 2016 financial year CEC was required to reduce its excess opening cash balance of \$5.8million with a concurrent reduction in allocated health revenue.

PARENT AND CONSOLIDATION

21. Adjusted Budget Review - Parent and Consolidated

Total year to date expense result was \$330k unfavourable to budget. This result was driven by increased expenditure in Other Operating costs associated with increased operational activity across the year.

Net Result

The actual Net Result was unfavourable compared to adjusted budget by \$248k due to an unfavourable expense result \$330k which was partially offset by revenue favourability of \$82k.

Assets and Liabilities

Total Current Assets are lower than budget predominantly due to a reduction in Cash and Cash Equivalents (\$375k).

Total Non Current Assets are in line with budget.

Total Current Liabilities are in line with budget.

Total Non Current Liabilities are in line with budget.

Cash Flows

Net Cash Flows from Operating Activities is lower than budget due to a negative performance in Sale of Goods and Services (\$273k). This is driven by the timing of recovery of intrahealth debtors from eHealth relating to the Incident Management System program.

Net Cash Flows from Investing Activities are on budget.

Net Cash Flows from Financing Activities are in line with budget.

Movements in the level of the NSW Ministry of Health Recurrent Allocation that have occurred since the time of the initial allocation on 1 July 2016 are as follows:

	\$000
Initial Allocation	15,975
CEC Foundation Clinical Leadership Program (N-SB17-059 & N-SB17-278)	(1,150)
Therapeutic Advisory Group Funding (N-SB17-118)	320
Paediatric Analyst Position (N-SB17-323)	127
Collaborating Hospitals Audit of Surgical Mortality (SB17-276)	194
	<hr/>
Balance as per Statement of Comprehensive Income	15,466
	<hr/> <hr/>

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

22. 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 risks faced by the CEC, to set risk limits and controls and to monitor risks. Compliance with policies is reviewed on a continuous basis.

(a) Financial Instrument Categories

PARENT AND CONSOLIDATION

Financial Assets Class:	Category	Carrying Amount	
		2017 \$000	2016 \$000
Cash and Cash Equivalents (note 12)	N/A	511	886
Receivables (note 13)*	Loans and receivables (at amortised cost)	617	436
		1,128	1,322
Financial Liabilities			
Payables (note 15)**	Financial liabilities measured at amortised cost	539	665
		539	665

Notes

* Excludes statutory receivables and prepayments (i.e. not within scope of AASB7 Financial Instruments Disclosures)

** Excludes statutory payables and unearned revenue (i.e. not within scope of AASB7 Financial Instruments Disclosures).

22. Financial Instruments

(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 2.35% in 2016/17 compared to 2.85% 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 (2017: \$450K ; 2016: \$229K) and not more than 3 months past due (2017: \$0M ; 2016: \$0M) are not considered impaired.

	Total ^{1,2}	Past due but not impaired ^{1,2}	Considered impaired ^{1,2}
2017	\$000	\$000	\$000
<3 months overdue	----	----	----
3 months - 6 months overdue	----	----	----
> 6 months overdue	----	----	----
2016			
<3 months overdue	----	----	----
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 AASB7 Financial Instruments Disclosures 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.

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

22. Financial Instruments

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.

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
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22. 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

	Interest Rate Exposure				Maturity Dates		
	Nominal Amount ¹	Fixed Interest Rate	Variable Interest Rate	Non - Interest Bearing	< 1 Yr	1-5 Yr	> 5Yr
2017	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Payables:							
- Accrued Salaries Wages, On-Costs and Payroll Deductions	150	----	----	150	150	----	----
- Creditors	389	----	----	389	389	----	----
	<u>539</u>	<u>----</u>	<u>----</u>	<u>539</u>	<u>539</u>	<u>----</u>	<u>----</u>
2016							
Payables:							
- Accrued Salaries Wages, On-Costs and Payroll Deductions	113	----	----	113	113	----	----
- Creditors	552	----	----	552	552	----	----
	<u>665</u>	<u>----</u>	<u>----</u>	<u>665</u>	<u>665</u>	<u>----</u>	<u>----</u>

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.

22. 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 net result 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 2016. 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 net result 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	-1% Net Result	Equity	+1% Net Result	Equity
	\$000	\$000	\$000	\$000	\$000
2017					
Financial Assets					
Cash and Cash Equivalents	511	(5)	(5)	5	5
Receivables	617	----	----	----	----
Financial Liabilities					
Payables	539	----	----	----	----
2016					
Financial Assets					
Cash and Cash Equivalents	886	(9)	(9)	9	9
Receivables	436	----	----	----	----
Financial Liabilities					
Payables	665	----	----	----	----

Clinical Excellence Commission
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

23. Related Party Transactions

PARENT AND CONSOLIDATION

Key management personnel compensation is as follows:

	2017
	\$000
Short-term employee benefits	81
Post-employment benefits	7
Other long-term benefits	0
Termination benefits	0
	<u>88</u>

During the financial year, Clinical Excellence Commission obtained key management personnel services from the immediate parent and incurred \$340k for these services.

Compensation for the Minister for Health is paid by the Legislature and is not reimbursed by the Ministry of Health and its controlled entities. Accordingly no such amounts are included in the key management personnel compensation disclosures above.

Remuneration for the Secretary and Deputy Secretaries are paid by the Ministry of Health and is not reimbursed by the health entities. Accordingly no such amounts are included in the key management personnel compensation disclosures above.

There were no transactions with key management personnel and their close family members during the financial year.

There were no transactions with the ultimate parent during the financial year.

24. Events After the Reporting Period

There were no events after the reporting period.

END OF AUDITED FINANCIAL STATEMENTS