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 Comprehensive Income for the year ended 30 June 2020, the Statement of Financial Position as at 30 June 2020, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, notes comprising a Statement 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 2020, 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 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 (including Independence Standards)' (APES 110).

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

Parliament 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 – Presentation of Budget Information

Without modification to the opinion expressed above, I draw attention to the basis of presenting adjusted budget information detailed in Note 27. 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 Responsibilities 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 the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Executive is responsible for assessing the ability of the Commission and the consolidated entity to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities 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: www.auasb.gov.au/auditors_responsibilities/ar3.pdf. The description forms part of my auditor's report.

The scope of my audit does not include, nor 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.

SBond.

Sally Bond
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

22 September 2020
SYDNEY

Clinical Excellence Commission

Certification of the Financial Statements

for the year ended 30 June 2020

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 2020 have been prepared in accordance with:
   a. Australian Accounting Standards (AAS) (which include Australian Accounting Interpretations);
   b. the requirements of the *Public Finance and Audit Act 1983* (the Act), the *Public Finance and Audit Regulation 2015*; and
   c. NSW Treasurer's Directions issued 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
10 September 2020

A/Prof Brian McCaughan
Board Chair
10 September 2020

Clinical Excellence Commission

Statement of Comprehensive Income for the year ended 30 June 2020

	Notes	Consolidated Actual 2020 $000	Consolidated Budget[1] 2020 $000	Consolidated Actual 2019 $000	Parent Actual 2020 $000	Parent Actual 2019 $000
Continuing operations						
Expenses excluding losses						
Employee related expenses	2	15,287	14,851	16,044	-	-
Personnel services	3	-	-	-	14,067	13,908
Other expenses	4	2,510	2,504	4,530	2,510	4,530
Depreciation and amortisation	5	1,084	1,088	697	1,084	697
Grants and subsidies	6	827	816	605	827	605
Finance costs	7	5	6	-	5	-
Total expenses excluding losses		**19,713**	**19,265**	**21,876**	**18,493**	**19,740**
Revenue						
NSW Ministry of Health recurrent allocations	9	18,530	18,167	18,112	18,530	18,112
NSW Ministry of Health capital allocations	9	85	85	69	85	69
Acceptance by the Crown Entity of employee benefits	12	1,220	1,220	2,136	-	-
Sale of goods and services	10	-	-	18	-	18
Sale of goods and services from contracts with customers	10	21	39	-	21	-
Grants and other contributions	11	-	-	70	-	70
Other income	13	11	9	2	11	2
Total revenue		**19,867**	**19,520**	**20,407**	**18,647**	**18,271**
Operating result		**154**	**255**	**(1,469)**	**154**	**(1,469)**
Gains / (losses) on disposal	14	(5)	(12)	-	(5)	-
Net result from continuing operations	**25**	**149**	**243**	**(1,469)**	**149**	**(1,469)**
TOTAL COMPREHENSIVE INCOME		**149**	**243**	**(1,469)**	**149**	**(1,469)**

[1] *Unaudited adjusted budget, see Note 27.*

The accompanying notes form part of these financial statements.

Clinical Excellence Commission

Statement of Financial Position as at 30 June 2020

	Notes	Consolidated Actual 2020 $000	Consolidated Budget[1] 2020 $000	Consolidated Actual 2019 $000	Parent Actual 2020 $000	Parent Actual 2019 $000
ASSETS						
Current assets						
Cash and cash equivalents	15	129	242	242	129	242
Receivables	16	268	499	500	268	500
Total current assets		**397**	**741**	**742**	**397**	**742**
Non-current assets						
Property, plant & equipment	17					
- Land and buildings		16	7	112	16	112
- Plant and equipment		4	24	133	4	133
Total property, plant & equipment		20	31	245	20	245
Right-of-use assets	18	123	128	-	123	-
Intangible assets	19	780	983	449	780	449
Total non-current assets		**923**	**1,142**	**694**	**923**	**694**
Total assets		**1,320**	**1,883**	**1,436**	**1,320**	**1,436**
LIABILITIES						
Current liabilities						
Payables	20	793	1,511	1,498	793	1,498
Borrowings	21	107	109	-	107	-
Provisions	22	2,707	2,457	2,121	2,707	2,121
Other current liabilities	23	-	-	14	-	14
Total current liabilities		**3,607**	**4,077**	**3,633**	**3,607**	**3,633**
Non-current liabilities						
Borrowings	21	18	18	-	18	-
Provisions	22	53	53	310	53	310
Total non-current liabilities		**71**	**71**	**310**	**71**	**310**
Total liabilities		**3,678**	**4,148**	**3,943**	**3,678**	**3,943**
Net assets		**(2,358)**	**(2,265)**	**(2,507)**	**(2,358)**	**(2,507)**
EQUITY						
Accumulated funds		(2,358)	(2,265)	(2,507)	(2,358)	(2,507)
Total Equity		**(2,358)**	**(2,265)**	**(2,507)**	**(2,358)**	**(2,507)**

[1] *Unaudited adjusted budget, see Note 27.*

The accompanying notes form part of these financial statements.

Clinical Excellence Commission

Statement of Changes in Equity for the year ended 30 June 2020

PARENT AND CONSOLIDATION

	Notes	Accumulated Funds $000	Asset Revaluation $000	Total $000
Balance at 1 July 2019		(2,507)	-	(2,507)
Total comprehensive income for the year		**149**	**-**	**149**
Balance at 30 June 2020		**(2,358)**	**-**	**(2,358)**

	Notes	Accumulated Funds $000	Asset Revaluation $000	Total $000
Balance at 1 July 2018		**(1,038)**	**-**	**(1,038)**
Total Comprehensive Income for the Year		**(1,469)**	**-**	**(1,469)**
Balance at 30 June 2019		**(2,507)**	**-**	**(2,507)**

The accompanying notes form part of these financial statements.

Clinical Excellence Commission

Statement of Cash Flows for the year ended 30 June 2020

	Notes	Consolidated Actual 2020 $000	Consolidated Budget[1] 2020 $000	Consolidated Actual 2019 $000	Parent Actual 2020 $000	Parent Actual 2019 $000
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
Employee related		(14,341)	(14,135)	(14,240)	-	-
Suppliers for goods and services		(3,332)	(2,837)	(4,221)	(3,332)	(4,221)
Grants and subsidies		(981)	(971)	(693)	(981)	(693)
Finance costs		(6)	(6)	-	(6)	-
Personnel services		-	-	-	(14,341)	(14,240)
Total payments		**(18,660)**	**(17,949)**	**(19,154)**	**(18,660)**	**(19,154)**
Receipts						
NSW Ministry of Health recurrent allocations		18,530	18,167	18,112	18,530	18,112
NSW Ministry of Health capital allocations		85	85	69	85	69
Reimbursements from the Crown Entity		450	450	663	450	663
Sale of goods and services		59	94	41	59	41
Grants and other contributions		-	4	130	-	130
Other		616	570	438	616	438
Total receipts		**19,740**	**19,370**	**19,453**	**19,740**	**19,453**
NET CASH FLOWS FROM OPERATING ACTIVITIES	25	**1,080**	**1,421**	**299**	**1,080**	**299**
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from sale of property, plant and equipment		15	-	-	15	-
Purchases of property, plant and equipment and intangibles		(607)	(822)	(666)	(607)	(666)
NET CASH FLOWS FROM INVESTING ACTIVITIES		**(592)**	**(822)**	**(666)**	**(592)**	**(666)**
CASH FLOWS FROM FINANCING ACTIVITIES						
Payment of principal portion of lease liabilities		(601)	(599)	-	(601)	-
NET CASH FLOWS FROM FINANCING ACTIVITIES		**(601)**	**(599)**	**-**	**(601)**	**-**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		(113)	-	(367)	(113)	(367)
Opening cash and cash equivalents	15	242	242	609	242	609
CLOSING CASH AND CASH EQUIVALENTS	15	**129**	**242**	**242**	**129**	**242**

[1] *Unaudited adjusted budget, see Note 27.*

The accompanying notes form part of these financial statements.

1. Statement of Significant Accounting Policies

a) Reporting entity

The Clinical Excellence Commission (the CEC) was established under the provisions of the Health Services Act 1997 with effect from 18 August 2004.

The 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).

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

* The parent entity comprises all the operating activities of the CEC
* The Clinical Excellence Commission Special Purpose Service Entity, which was established as a Division of the CEC on 18 August 2004 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.

These consolidated financial statements for the year ended 30 June 2020 have been authorised for issue by the Chief Executive on 10 September 2020.

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 (AAS) (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 (the Act) and the Public Finance and Audit Regulation 2015, and the NSW Treasurer's Directions issued under the Act. The financial statements comply with the NSW Treasury mandates circular for NSW General Government Sector Entities.

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

In alignment with the approach of other States and Territories, and following a recommendation by the National Cabinet of Commonwealth, the 2020-21 NSW Budget has been deferred until 17 November 2020. On this basis, the Secretary of NSW Health, the Chair of the CEC Board and the Chief Executive, through an interim Service Agreement, have agreed to service and funding levels for the forward financial year. The interim Service Agreement provides for 48 per cent of the CEC's annual funding.

When the NSW Budget is handed down in November 2020-21, the interim Service Agreement and funding arrangements will be replaced with a full-year 2020-21 Service Agreement and budget. 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 NSW Ministry of Health as the state manager will take action in accordance with annual performance framework requirements, including financial support and increased management interaction by the NSW Ministry of Health.

1. Statement of Significant Accounting Policies

Despite the impact of COVID-19, the going concern assumption remains appropriate. Reasons for this include:

* Allocated funds, combined with other revenues earned, are adequate to pay debts as and when they become due and payable.
* The CEC has the capacity to review the timing of NSW Ministry of Health allocation cash flows to ensure that debts can be paid 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 NSW Ministry of Health throughout the financial year.
* The Commonwealth has entered a National Partnership Agreement, in response to the COVID-19 pandemic, with States and Territories, including NSW. The Agreement will deliver funding to public hospitals and provide stability and certainty of funding while ensuring access to new life saving therapies in public hospitals. The CEC is subject to additional NSW Ministry of Health recurrent and capital allocations to provide for costs incurred related to COVID-19 activities and to ensure debts can be paid as and when they become due and payable.

Property, plant and equipment, assets held for sale and certain financial assets and liabilities 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, which is the CEC's presentation and functional currency.

c) Statement of Compliance

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

d) Accounting for the Goods & Services Tax (GST)

Income, expenses and assets are recognised net of the amount of GST, except that the:

* 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.

e) 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.

Certain comparative information has been reclassified to ensure consistency with current year presentation and classification.

1. Statement of Significant Accounting Policies

f) Changes in accounting policy, including new or revised Australian Accounting Standards

(i) Effective for the first time in 2019-20

The accounting policies applied in 2019-20 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 CEC applied AASB 15 Revenue from Contracts with Customers, AASB 1058 Income of Not-for-Profit Entities, and AASB 16 Leases for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2019-20, but do not have an impact on the financial statements of the CEC.

AASB 15 Revenue from Contracts with Customers (AASB 15)

AASB 15 supersedes AASB 111 Construction Contracts, AASB 118 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. AASB 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which the CEC expects to be entitled in exchange for transferring goods or services to a customer.

AASB 15 requires the CEC to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires relevant disclosures.

In accordance with the transition provisions in AASB 15, the CEC has adopted AASB 15 retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application, i.e. 1 July 2019. The CEC has used the transitional practical expedient permitted by the standard to reflect the aggregate effect of all of the modifications that occur before 1 July 2018 when:

* identifying the satisfied and unsatisfied performance obligations;
* determining the transaction price; and
* allocating the transaction price to the satisfied and unsatisfied performance obligations.

The impact of applying the above practical expedients is not expected to significantly affect the financial statements.

The adoption of AASB 15 did not have an impact on Other Comprehensive Income and the Statement of Cash Flows for the financial year.

1. Statement of Significant Accounting Policies

AASB 1058 Income of Not-for-Profit Entities (AASB 1058)

AASB 1058 replaces most of the existing requirements in AASB 1004 Contributions. The scope of AASB 1004 is now limited mainly to contributions by owners (including parliamentary appropriations that satisfy the definition of a contribution by owners), administrative arrangements and liabilities of government departments assumed by other entities.

AASB 1058 applies to income with a donation component, i.e. transactions where the consideration to acquire an asset is significantly less than fair value principally to enable a not-for-profit entity to further its objectives; and volunteer services. AASB 1058 adopts a residual approach, meaning that entities first apply other applicable Australian Accounting Standards (e.g. AASB 1004, AASB 15, AASB 16, AASB 9, AASB 137) to a transaction before recognising income.

Not-for-profit entities need to determine whether a transaction is/contains a donation (accounted for under AASB 1058) or a contract with a customer (accounted for under AASB 15).

AASB 1058 requires recognition of receipt of an asset, after the recognition of any related amounts in accordance with other Australian Accounting Standards, as income:

* when the obligations under the transfer is satisfied, for transfers to enable an entity to acquire or construct a recognisable non-financial asset that will be controlled by the CEC.
* immediately, for all other income within the scope of AASB 1058.

In accordance with the transition provisions in AASB 1058, the CEC has adopted AASB 1058 retrospectively with the cumulative effect of initially applying the standard at the date of initial application, i.e. 1 July 2019. The CEC has adopted the practical expedient in AASB 1058 whereby existing assets acquired for consideration significantly less than fair value principally to enable the CEC to further its objectives, are not restated to their fair value.

The adoption of AASB 1058 did not have an impact on Other Comprehensive Income and the Statement of Cash Flows for the financial year.

1. Statement of Significant Accounting Policies

AASB 16 Leases

AASB 16 supersedes AASB 117 Leases, Interpretation 4 Determining whether an Arrangement contains a Lease, Interpretation 115 Operating Leases – Incentives and Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the Statement of Financial Position.

Lessor accounting

Lessor accounting under AASB 16 is substantially unchanged from AASB 117. Lessors will continue to classify leases as either operating or finance leases using similar principles as in AASB 117. Therefore, AASB 16 does not have a significant impact for leases where the entity is the lessor.

Lessee accounting

AASB 16 requires the CEC to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under AASB 117. As the lessee, the CEC recognises a lease liability and right-of-use asset at the inception of the lease. The lease liability is measured at the present value of the future lease payments, discounted using the interest rate implicit in the lease, or the lessee’s incremental borrowing rate if the interest rate implicit in the lease cannot be readily determined. The corresponding right-of-use asset is measured at the value of the lease liability adjusted for lease payments before inception, lease incentives, initial direct costs and estimates of costs for dismantling and removing the asset or restoring the site on which it is located.

The CEC has adopted the partial retrospective option in AASB 16, where the cumulative effect of initially applying AASB 16 is recognised on 1 July 2019 and the comparatives for the year ended 30 June 2019 are not restated.

In relation to leases that had previously been classified as ‘operating leases’ under AASB 117, a lease liability is recognised at 1 July 2019 at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate at the date of initial application. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 1.42%.

The corresponding right-of-use asset is initially recorded on transition at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the Statement of Financial Position as at 30 June 2019.

For leases previously classified as finance leases the CEC recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of AASB 16 are only applied after that date.

The CEC elected to use the practical expedient to expense lease payments for lease contracts that, at their commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is valued at $10,000 or under when new (low-value assets).

In applying AASB 16 for the first time, the CEC has used the following practical expedients permitted by the standard:

* not reassess whether a contract is, or contains, a lease at 1 July 2019, for those contracts previously assessed under AASB 117 and Interpretation 4;
* applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
* relying on its previous assessment on whether leases are onerous immediately before the date of initial application as an alternative to performing an impairment review;
* not recognise a lease liability and right-of-use-asset for short-term leases that end within 12 months of the date of initial application;
* excluding the initial direct costs from the measurement of the right-of- use asset at the date of initial application; and
* using hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

1. Statement of Significant Accounting Policies

The effect of adopting AASB 16 on the Statement of Financial Position as at 1 July 2019 (increase / (decrease)) is, as follows:

PARENT AND CONSOLIDATED

	1 July 2019 $'000
Assets	
Right-of-use assets	700
Total assets	**700**
Liabilities	
Borrowings	700
Total liabilities	**700**
Equity	
Accumulated funds	-
	-

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as of 30 June 2019 as follows:

PARENT AND CONSOLIDATED

	1 July 2019 $'000
Operating lease commitments as at 30 June 2019 (GST included)	1,188
(*Less):* GST included in operating lease commitments	108
Operating lease commitments as at 30 June 2019 (GST excluded)	**1,080**
Weighted average incremental borrowing rate as at 1 July 2019	1.42%
Discounted operating lease commitments as at 1 July 2019	**1,070**
(*Less):* commitments including service charges	370
Add: Lease payments relating to renewal periods not included in operating lease commitments as at 30 June 2019	-
Add / (Less) : adjustments relating to differences in rental amounts, including changes in the index or rate affecting variable payments	-
Add / (Less): Other adjustments	-
Lease liabilities as at 1 July 2019	**700**

1. Statement of Significant Accounting Policies

(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 Accounting Standards in the period of initial application includes:

AASB 1059 Service Concession Arrangements

AASB 1059 Service Concession Arrangements is applicable to public sector entities only and is effective for annual periods beginning on or after 1 January 2020. This standard requires the grantor to recognise a service concession asset in a service concession arrangement where it controls the asset. A corresponding financial liability and/or grant of right liability is also recognised depending on the nature of the consideration exchanged. Service concession assets (including those provided by the operator, an upgrade to or a major component replacement of an existing asset of the grantor; and existing assets of the grantor – also applicable to previously unrecognised intangible assets except goodwill) are initially measured at current replacement cost based on AASB 13 Fair Value Measurement principles. They are subsequently accounted for under AASB 116 Property, Plant & Equipment or AASB 138 Intangible Assets. Service concession liabilities are initially measured at the same amount as the service concession asset and subsequently measured using either the 'financial liability' model applying AASB 9 Financial Instruments or, the 'grant of right' model under AASB 1059 Service Concession Arrangements. AASB 1059 Service Concession Arrangements requires retrospective application.

Overview of Assessment Activities

The CEC has completed its impact assessment of AASB 1059 by reviewing all material arrangements where the private sector is performing any services on behalf of the CEC. Any identified arrangements have been assessed whether it falls within the scope of AASB 1059. If it does meet the scoping guidelines of AASB 1059, financial impacts were calculated.

Upon review, the CEC has not identified any arrangements in scope of AASB 1059.

2. Employee related expenses

	Consolidated 2020 $000	Consolidated 2019 $000	Parent 2020 $000	Parent 2019 $000
Salaries and wages (including annual leave and ADO)	12,736	12,423	-	-
Superannuation - defined benefit plans	113	188	-	-
Superannuation - defined contribution plans	1,072	1,073	-	-
Long service leave	1,171	2,074	-	-
Redundancies	126	215	-	-
Workers' compensation insurance	58	45	-	-
Fringe benefits tax	11	26	-	-
	15,287	**16,044**	**-**	**-**

Employee related costs of $567 thousand (2019: $237 thousand) have been capitalised in property, plant and equipment and intangible assets and are therefore excluded from the above.

3. Personnel services

	Consolidated 2020 $000	Consolidated 2019 $000	Parent 2020 $000	Parent 2019 $000
Salaries and wages (including annual leave and ADO)	-	-	12,736	12,423
Superannuation - defined contribution plans	-	-	1,072	1,073
Long service leave	-	-	64	126
Redundancies	-	-	126	215
Workers' compensation insurance	-	-	58	45
Fringe benefits tax	-	-	11	26
	-	**-**	**14,067**	**13,908**

Personnel services of Clinical Excellence Commission were provided by its controlled entity, Clinical Excellence Commission Special Purpose Service Entity.

Personnel services of $567 thousand (2019: $237 thousand) have been capitalised in property, plant and equipment and intangible assets and are excluded from the above.

4. Other expenses

	Consolidated 2020 $000	Consolidated 2019 $000	Parent 2020 $000	Parent 2019 $000
Auditor's remuneration - audit of financial statements	39	39	39	39
Consultancies	13	73	13	73
Contractors	348	694	348	694
Domestic supplies and services	19	2	19	2
Food supplies	20	52	20	52
Fuel, light and power	38	44	38	44
Information management expenses	675	721	675	721
Insurance	2	2	2	2
Maintenance (see Note 4(b))	82	167	82	167
Motor vehicle expenses	17	9	17	9
Postal and telephone costs	70	134	70	134
Printing and stationery	30	76	30	76
Rates and charges	-	12	-	12
Rental	-	28	-	28
Hosted services purchased from entities controlled by the immediate parent	-	22	-	22
Staff related costs	102	521	102	521
Travel related costs	176	422	176	422
Other (see Note 4(a))	879	1,512	879	1,512
	2,510	**4,530**	**2,510**	**4,530**

(a) Other

	Consolidated 2020 $000	Consolidated 2019 $000	Parent 2020 $000	Parent 2019 $000
Corporate support services	198	189	198	189
Courier and freight	7	8	7	8
Membership/professional fees	46	48	46	48
Security services	1	1	1	1
Motor vehicle operating lease expense - minimum lease payments	-	8	-	8
Other operating lease expense - minimum lease payments	-	783	-	783
Expenses relating to short-term leases	14	-	14	-
Functions	211	307	211	307
Lease expense relating to usage	230	-	230	-
Other miscellaneous	172	168	172	168
	879	**1,512**	**879**	**1,512**

(b) Reconciliation of total maintenance

	Consolidated 2020 $000	Consolidated 2019 $000	Parent 2020 $000	Parent 2019 $000
Maintenance contracts	4	1	4	1
New / replacement equipment under $10,000	64	223	64	223
Repairs maintenance / non contract	14	(57)	14	(57)
	82	**167**	**82**	**167**

4. Other expenses (continued)

Recognition and Measurement

Maintenance expense

Day-to-day servicing costs or maintenance are charged as expenses as incurred except where they relate to the replacement or enhancement of a part or component of an asset, in which case the costs are capitalised and depreciated.

Operating expenses

Operating expenses generally represent the day-to-day running costs incurred in the normal operations of the CEC. These costs are expensed as incurred. The recognition and measurement policy for non-employee related expenses is detailed in Note 20.

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 NSW Self Insurance Corporation (SiCorp), a controlled entity of the ultimate parent.

Lease expense

Lease expense (up to 30 June 2019)

Operating leases

Up to 30 June 2019, operating lease payments are recognised as an operating expense in the Statement of Comprehensive Income on a straight-line basis over the lease term. An operating lease is a lease other than a finance lease.

Lease expense (from 1 July 2019)

From 1 July 2019, the CEC recognises the lease payments associated with the following types of leases as an expense on a straight-line basis:

- Leases that meet the definition of short-term. i.e. where the lease term at commencement of the lease is 12 months or less. This excludes leases with a purchase option.
- Leases of assets that are valued at $10,000 or under when new.

Variable lease payments are not included in the measurement of the lease liability (i.e. variable lease payments that do not depend on an index or a rate, initially measured using the index or rate as at the commencement date). These payments are recognised in the period in which the event or condition that triggers those payments occurs.

5. Depreciation and amortisation

	Consolidated 2020 $000	Consolidated 2019 $000	Parent 2020 $000	Parent 2019 $000
Depreciation - buildings	96	319	96	319
Depreciation - plant and equipment	109	33	109	33
Depreciation - right-of-use buildings	600	-	600	-
Depreciation - right-of-use plant and equipment	3	-	3	-
Amortisation - intangible assets	276	345	276	345
	1,084	**697**	**1,084**	**697**

Refer to Note 17 Property, plant and equipment, Note 18 Leases, and Note 19 Intangible assets for recognition and measurement policies on depreciation and amortisation.

6. Grants and subsidies

	Consolidated 2020 $000	Consolidated 2019 $000	Parent 2020 $000	Parent 2019 $000
Grants paid to entities controlled by the immediate parent	10	35	10	35
Therapeutic Advisory Group	345	336	345	336
Other grants	472	234	472	234
	827	**605**	**827**	**605**

Recognition and Measurement

Grants and subsidies expense generally comprise contributions in cash or in kind to various local government authorities and not-for-profit community organisations to support their health-related objectives and activities. The grants and subsidies are expensed on the transfer of the cash or assets. The transferred assets are measured at their fair value.

7. Finance costs

	Consolidated 2020 $000	Consolidated 2019 $000	Parent 2020 $000	Parent 2019 $000
Interest expense from lease liabilities	5	-	5	-
	5	**-**	**5**	**-**

Recognition and Measurement

Finance costs consist of interest and other costs incurred in connection with the borrowing of funds. Borrowing costs are recognised as expenses in the period in which they are incurred, in accordance with NSW Treasury's mandate to not-for-profit NSW General Government Sector entities.

8. Revenue

Recognition and Measurement

Until 30 June 2019, income is recognised in accordance with AASB 111 Construction Contracts, AASB 118 Revenue and AASB 1004 Contributions.

From 1 July 2019, income is recognised in accordance with the requirements of AASB 15 Revenue from Contracts with Customers (AASB 15) or AASB 1058 Income of Not-for-Profit Entities (AASB 1058), dependent on whether there is a contract with a customer defined by AASB 15.

Under the GSF Act 2018, the CEC's own source revenue (which includes but is not limited to receipts from NSW Ministry of Health recurrent and capital allocations, patient fees, non-patient fees, grants and other contributions, other ancillary services, proceeds from the sale of property, plant and equipment and proceeds from borrowings and advances) meets the definition of deemed appropriation money under the GSF Act (Section 4.7).

Deemed appropriation money is money received directly by the CEC which forms part of the consolidated fund and is not appropriated to the CEC by an Act.

9. NSW Ministry of Health allocations

Payments are made by the immediate parent as per the Statement of Service to the CEC and adjusted for approved supplementations, mostly for salary agreements and approved enhancement projects. The Statement of Service between the immediate parent and the CEC does not contain sufficiently specific enforceable performance obligations as defined by AASB 15 and are therefore recognised upon the receipt of cash, in accordance with AASB 1058.

10. Sale of goods and services / Sale of goods and services from contracts with customers

	Consolidated 2020 $000	Consolidated 2019 $000	Parent 2020 $000	Parent 2019 $000
(a) Rendering of services comprise the following:				
Staff				
Salary packaging fee	4	5	4	5
General community				
Fees for conferences and training	-	13	-	13
Other				
Other	17	-	17	-
	21	**18**	21	**18**

Recognition and Measurement

Rendering of services (until 30 June 2019)

Revenue is recognised when the service is provided or by reference to the type and stage of services provided to date.

Rendering of services from contracts with customers (from 1 July 2019)

Revenue from rendering of services is recognised when the CEC satisfies the performance obligation by transferring the promised services.

11. Grants and other contributions

	Consolidated 2020 $000	Consolidated 2019 $000	Parent 2020 $000	Parent 2019 $000
Grants & contributions received from entities controlled by the immediate parent	-	35	-	35
Other grants	-	35	-	35
	-	**70**	**-**	**70**

Recognition and Measurement

Grants and other contributions (until 30 June 2019)

Income from grants (other than contributions by owners) is recognised when the entity obtains control over the contribution. The CEC is deemed to have assumed control when the grant is received or receivable.

Contributions are recognised at their fair value. Contributions of services are recognised when and only when a fair value of those services can be reliably determined and the services would be purchased if not donated.

Grants and other contributions (from 1 July 2019)

Income from grants to acquire / construct a recognisable non-financial asset to be controlled by the CEC is recognised when the CEC satisfies its obligations under the transfer. The CEC satisfies the performance obligation under the transfer over time as the non-financial assets are being constructed. The percentage of cost incurred is used to recognise income, because this most closely reflects the progress to completion.

Revenue from grants with sufficiently specific performance obligations is recognised when the CEC satisfies a performance obligation by transferring the promised goods or services. The CEC typically receives grants in respect of research, clinical drug trials and other community, health and wellbeing related projects. The CEC uses various methods to recognise revenue over time, depending on the nature and terms and conditions of the grant contract. The payments are typically based on agreed timetable or on achievement of different milestones set up in the contract.

Revenue from these grants is recognised based on the grant amount specified in the funding agreement/funding approval, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. No element of financing is deemed present as funding payments are usually received in advance or shortly after the relevant obligation is satisfied.

Income from grants without sufficiently specific performance obligations is recognised when the CEC obtains control over the granted assets (e.g. cash).

12. Acceptance by the Crown Entity of employee benefits

The following liabilities and expenses have been assumed by the Crown Entity:

	Consolidated 2020 $000	Consolidated 2019 $000	Parent 2020 $000	Parent 2019 $000
Superannuation - defined benefit plans	113	188	-	-
Long service leave provision	1,107	1,948	-	-
	1,220	**2,136**	**-**	**-**

13. Other income

	Consolidated 2020 $000	Consolidated 2019 $000	Parent 2020 $000	Parent 2019 $000
Sponsorship	5	-	5	-
Other	6	2	6	2
	11	**2**	**11**	**2**

Recognition and Measurement

Other Income

Other income includes rental income arising from operating leases which is accounted for on a straight-line basis over the lease term under AASB 16 Leases. The rental income is incidental to the purpose for holding the property.

Forgiveness of liabilities

The gross amount of a liability forgiven by a credit provider is recognised by the borrower as other income.

14. Gains / (losses) on disposal

	Consolidated 2020 $000	Consolidated 2019 $000	Parent 2020 $000	Parent 2019 $000
Property, plant and equipment	78	-	78	-
Less: accumulated depreciation	58	-	58	-
Written down value	**20**	**-**	**20**	**-**
Less: proceeds from disposal	15	-	15	-
Total gains / (losses) on disposal	**(5)**	**-**	**(5)**	**-**

15. Cash and cash equivalents

	Consolidated 2020 $000	Consolidated 2019 $000	Parent 2020 $000	Parent 2019 $000
Cash at bank and on hand	129	242	129	242
	129	**242**	**129**	**242**

For the purposes of the Statement of Cash Flows, cash and cash equivalents includes cash at bank, cash on hand, short-term deposits with original maturities of three months or less, which are subject to an insignificant risk of changes in value.

Cash and 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:

Cash and cash equivalents (per Statement of Financial Position)	129	242	129	242
Closing cash and cash equivalents (per Statement of Cash Flows)	**129**	**242**	**129**	**242**

Refer to Note 28 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

HealthShare NSW, a controlled entity of the immediate parent makes all payments to employees and most payments to suppliers of goods and services and grants and subsidies on behalf of the CEC. These payments are reported as expenses and operating cash outflows in the financial statements of the CEC.

HealthShare NSW receives payments directly from the NSW Ministry of Health on behalf of the CEC to fund these payments. These payments are reported as revenue (NSW Ministry of Health recurrent allocations) and operating cash inflows in the financial statements of the CEC when HealthShare NSW makes these payments on behalf of the CEC.

16. Receivables

	Consolidated 2020 $000	Consolidated 2019 $000	Parent 2020 $000	Parent 2019 $000
Current				
Trade receivables from contracts with customers	21	-	21	-
Sale of goods and services	-	4	-	4
Intra health receivables	91	74	91	74
Goods and Services Tax	66	116	66	116
Other receivables	46	89	46	89
Sub total	**224**	**283**	**224**	**283**
Prepayments	44	217	44	217
	268	**500**	**268**	**500**

	Consolidated 2020 $000	Parent 2020 $000
Contract receivables (included in Note 16)	112	112
	112	**112**

Recognition and Measurement

All 'regular way' purchases or sales of receivables are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of receivables that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Receivables are initially recognised at fair value plus any directly attributable transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price.

Subsequent measurement

Financial assets at amortised cost

The CEC holds receivables with the objective to collect the contractual cash flows and therefore measures them at amortised cost using the effective interest method, less any impairment. Changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

Impairment

The CEC recognises an allowance for expected credit losses (ECLs) for all debt financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows and the cash flows that the CEC expects to receive, discounted at the original effective interest rate.

For trade receivables, the CEC applies a simplified approach in calculating ECLs. The CEC recognises a loss allowance based on lifetime ECLs at each reporting date. The CEC has established a provision matrix based on its historical credit loss experience for trade receivables, adjusted for forward looking factors specific to the receivable.

17. Property, plant and equipment

(a) Total property, plant and equipment

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	Land and Buildings $000	Plant and Equipment[1] $000	Infrastructure Systems $000	Total $000
As at 30 June 2020				
Gross carrying amount	1,631	127	-	1,758
Less: accumulated depreciation and impairment	1,615	123	-	1,738
Net carrying amount	**16**	**4**	**-**	**20**

	Land and Buildings $000	Plant and Equipment[1] $000	Infrastructure Systems $000	Total $000
As at 30 June 2019				
Gross carrying amount	1,631	204	-	1,835
Less: accumulated depreciation and impairment	1,519	71	-	1,590
Net carrying amount	**112**	**133**	**-**	**245**

[1] 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.

The net carrying amount of privately financed project (PFP) assets included in land and buildings and infrastructure is $Nil as at 30 June 2020 (30 June 2019: $Nil).

(a) Total property, plant and equipment - reconciliation

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

	Land and Buildings $000	Plant and Equipment $000	Infrastructure Systems $000	Total $000
Year ended 30 June 2020				
Net carrying amount at beginning of year	112	133	-	245
Disposals	-	(20)	-	(20)
Depreciation expense	(96)	(109)	-	(205)
Net carrying amount at end of year	**16**	**4**	**-**	**20**

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	Land and Buildings $000	Plant and Equipment $000	Infrastructure Systems $000	Total $000
Year ended 30 June 2019				
Net carrying amount at beginning of year	431	71	-	502
Additions	-	95	-	95
Depreciation expense	(319)	(33)	-	(352)
Net carrying amount at end of year	**112**	**133**	**-**	**245**

17. Property, plant and equipment (continued)

(b) Property, plant and equipment held and used by the CEC

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The CEC has no property, plant and equipment where it is the lessor under operating leases. All property, plant and equipment balances are for items held and used by the CEC.

Recognition and Measurement

Acquisition of property, plant and equipment

Property, plant and equipment acquired are initially recognised at cost and subsequently revalued at fair value less accumulated depreciation and impairment. 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 price that would be received to sell an asset in an orderly transaction between market participants at measurement date.

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.

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition.

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

Capitalisation thresholds

Property, plant and equipment and intangible assets costing $10,000 and above individually (or forming part of a network costing more than $10,000) are capitalised.

Restoration costs

The present value of the expected cost for the restoration or cost of dismantling of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

17. Property, plant and equipment (continued)

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 identifiable components of assets are depreciated over their useful lives.

Details of depreciation rates initially applied for major asset categories are as follows:

	Useful lives
Buildings - leasehold improvements	3-10 years
Plant and equipment	4-20 years

'Plant and equipment' comprises, among others, computer and office equipment, motor vehicles & furniture and fittings.

The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period and adjusted if appropriate.

Right-of-use assets acquired by lessees (under AASB 16 from 1 July 2019)

From 1 July 2019, AASB 16 Leases (AASB 16) requires a lessee to recognise a right-of-use asset for most leases. The CEC has elected to present right-of-use assets separately in the Statement of Financial Position.

Therefore, at that date property, plant and equipment recognised under leases previously treated as finance leases under AASB 117 are derecognised. The right-of-use assets arising from these leases are recognised and included in the separate line item together with those arising from leases previously treated as operating leases under AASB 117.

Further information on leases is contained in Note 18.

Subsequent to the adoption of AASB 16, the CEC, as a lessee, recognises a right-of-use asset at cost and a corresponding lease liability at the lease commencement date. Right-of-use assets that do not meet the definition of investment properties are included in Property, Plant and Equipment under the corresponding asset categories. Further information on right-of-use assets is contained in Note 18.

17. Property, plant and equipment (continued)

Revaluation of property, plant and equipment

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.

Property, plant and equipment is measured at the highest and best use by market participant's that is physically possible, legally permissible and financially feasible. The highest and best use must be available at a period that is not remote and takes into account the characteristics of the asset being measured, including any socio-political restrictions imposed by government. In most cases, after taking into account these considerations, the highest and best use is the existing use. In limited circumstances, the highest and best use may be a feasible alternative use, where there are no restrictions on use or where there is a feasible higher restricted alternative use.

Fair value of property, plant and equipment is based on a market participants' perspective, using valuation techniques (market approach, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs.

Due to the COVID-19 pandemic in early 2020, the CEC management performed an additional assessment to determine if the fair value of its property plant and equipment as at 30 June 2020 materially differed from the carrying value. Management concluded that there is no definitive or conclusive market evidence to support any material adjustments. No adjustments were applied as a result.

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

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.

The CEC assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the CEC estimates the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Derecognition of property, plant and equipment

Property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset and are included in the consolidated Statement of Comprehensive Income.

18. Leases

(a) Entity as a lessee

The CEC leases various property, equipment and motor vehicles. Lease contracts are typically made for fixed periods of 1 to 5 years, but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants but leased assets may not be used as security for borrowing purposes. The CEC does not provide residual value guarantees in relation to leases.

Extension and termination options are included in a number of property and equipment leases. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the CEC and not by the respective lessor. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Potential future cash outflows of $Nil have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

During the current financial year, the financial effect of revising lease terms to reflect the effect of exercising extensions and termination options was an increase in recognised lease liabilities and right-of-use assets of $NIL.

From 1 July 2019, AASB 16 Leases (AASB 16) requires a lessee to recognise a right-of-use asset and a corresponding lease liability for most leases.

The CEC has elected to recognise payments for short-term leases and low value leases as expenses on a straight line basis, instead of recognising a right-of-use asset and lease liability. Short-term leases are leases with a lease term of 12 months or less. Low value assets are assets with a fair value of $10,000 or less when new and comprise mainly of small office items.

Right-of-use assets under leases

The following table presents right-of-use assets. There are no right-of-use assets that meet the definition of investment property.

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	Land and Buildings $'000	Plant and Equipment $'000	Total $'000
2020			
Balance at 1 July 2019	700	-	700
Additions	-	26	26
Depreciation expense	(600)	(3)	(603)
Balance at 30 June 2020	**100**	**23**	**123**

18. Leases (continued)

(a) Entity as a lessee (continued)

Lease liabilities

The following table presents liabilities under leases.

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	Total $'000
2020	
Balance at 1 July 2019	700
Additions	26
Interest expenses	5
Payments	(606)
Balance at 30 June 2020	**125**

The following amounts were recognised in the Statement of Comprehensive Income for the year ended 30 June 2020 in respect of leases where the CEC is the lessee:

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	Total $'000
2020	
Depreciation expense of right-of-use assets	603
Interest expense on lease liabilities	5
Expenses relating to short-term leases	14
Total amount recognised in the statement of comprehensive income	**622**

The CEC had total cash outflows for leases of $606 thousand for the year ended 30 June 2020.

Future minimum lease payments under non-cancellable leases as at 30 June 2019 are, as follows:

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	Operating leases 2019 $'000	Finance leases 2019 $'000
Within one year	1,020	-
Later than one year and not later than five years	168	-
Total (including GST)	**1,188**	**-**
Less: GST recoverable from the Australian Taxation Office	108	-
Total (excluding GST)	**1,080**	**-**

Recognition and Measurement (under AASB 16 from 1 July 2019)

The CEC assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The CEC recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets, except for short-term leases and leases of low-value assets.

18. Leases (continued)

(a) Entity as a lessee (continued)

i. Right-of-use assets

The CEC recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are initially measured at the amount of initial measurement of the lease liability (refer (ii) below), adjusted by any lease payments made at or before the commencement date, lease incentives, any initial direct costs incurred, and estimated costs of dismantling and removing the asset or restoring the site.

The right-of-use assets are subsequently measured at cost. They are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

	Useful lives
Buildings	1 to 5 years
Motor vehicles and other equipment	1 to 5 years

If ownership of the leased asset transfers to the CEC at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. The CEC assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the CEC estimates the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. After an impairment loss has been recognised, it is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the net result.

ii. Lease liabilities

At the commencement date of the lease, the CEC recognises lease liabilities measured at the present value of lease payments to be made over the lease term. Lease payments include:

- fixed payments (including in substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- exercise price of a purchase option reasonably certain to be exercised by the CEC; and
- payments of penalties for terminating the lease, if the lease term reflects the CEC exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for real estate leases, the incremental borrowing rate is used. The CEC does not borrow funds in the market. Instead they receive an allocation of the appropriations from the Crown Entity and where the Crown Entity needs additional funding, Treasury Corporation (TCorp) goes to the market to obtain these funds. As a result, the CEC is using TCorp rates as their incremental borrowing rates. These rates are published by NSW Treasury on a regular basis.

18. Leases (continued)

(a) Entity as a lessee (continued)

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The CEC's lease liabilities are included in borrowings in Note 21.

iii. Short-term leases and leases of low-value assets

The CEC applies the short-term lease recognition exemption to its short-term leases of buildings, machinery, motor vehicles and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as an expense on a straight-line basis over the lease term.

iv. Leases that have significantly below-market terms and conditions principally to enable the entity to further its objectives

The initial and subsequent measurement of right-of-use assets under leases at significantly below-market terms and conditions that are entered into principally to enable the CEC to further its objectives is the same as normal right-of-use assets. They are measured at cost, subject to impairment.

Recognition and measurement (under AASB 117 until 30 June 2019)

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset (or assets), even if that asset (or those assets) is not explicitly specified in an arrangement.

Until 30 June 2019, a lease was classified at the inception date as a finance lease or an operating lease. A lease that transferred substantially all the risks and rewards incidental to ownership to the CEC was classified as a finance lease.

Where a non-current asset was acquired by means of a finance lease, at the commencement of the lease, the asset was recognised at its fair value or, if lower, at the present value of the minimum lease payments. The corresponding liability was established at the same amount. Lease payments were apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges were recognised in finance costs in the Statement of Comprehensive Income.

Property, plant and equipment acquired under finance leases was depreciated over the useful life of the asset. However, if there is no reasonable certainty that the CEC will obtain ownership by the end of the lease term, the asset was depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments were recognised as an operating expense in the Statement of Comprehensive Income on a straight-line basis over the lease term.

19. Intangible assets

	Consolidated 2020 $000	Consolidated 2019 $000	Parent 2020 $000	Parent 2019 $000
Cost (gross carrying amount)	1,402	794	1,402	794
Less: accumulated amortisation and impairment	622	345	622	345
Net carrying amount	**780**	**449**	**780**	**449**

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A reconciliation of the carrying amount of intangibles at the beginning and end of the current reporting year is set out below:

	2020 $000	2019 $000
Year ended 30 June 2020		
Net carrying amount at beginning of year	449	223
Additions - acquired separately	607	571
Amortisation (recognised in depreciation and amortisation)	(276)	(345)
Net carrying amount at end of year	**780**	**449**

Recognition and Measurement

The CEC recognises intangible assets only if it is probable that future economic benefits will flow to the CEC and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. Where an asset is acquired at no or nominal cost, the cost is its fair value as at the date of acquisition. Following initial recognition, intangible assets are subsequently measured at fair value only if there is an active market. As there is no active market for the CEC's intangible assets, the assets are carried at cost less any accumulated amortisation and impairment losses.

All research costs are expensed. Development costs are only capitalised when certain criteria are met.

The useful lives of intangible assets are assessed to be finite.

The CEC's intangible assets are amortised using the straight-line method over a period of four years.

Computer software developed or acquired by the CEC are recognised as intangible assets. Most computer software is acquired from the Health Administration Corporation, a controlled entity of the immediate parent. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

Intangible assets are tested for impairment where an indicator of impairment exists. If the recoverable amount is less than its carrying amount, the carrying amount is reduced to recoverable amount and the reduction is recognised as an impairment loss.

20. Payables

	Consolidated 2020 $000	Consolidated 2019 $000	Parent 2020 $000	Parent 2019 $000
Current				
Accrued salaries, wages and on-costs	288	233	-	-
Taxation and payroll deductions	38	191	-	-
Accrued liability - purchase of personnel services	-	-	326	424
Creditors	23	301	23	301
Other creditors				
- Payables to entities controlled by the immediate parent	367	533	367	533
- Other	77	240	77	240
	793	**1,498**	**793**	**1,498**

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

Recognition and Measurement

These amounts represent liabilities for goods and services provided to the CEC and other amounts. Payables are recognised initially at fair value, net of directly attributable transaction costs.

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. Gains and losses are recognised in the net result when the liabilities are derecognised as well as through the amortisation process.

21. Borrowings

	Consolidated 2020 $000	Consolidated 2019 $000	Parent 2020 $000	Parent 2019 $000
Current				
Lease liability (see Note 18)	107	-	107	-
	107	**-**	**107**	**-**
Non-current				
Lease liability (see Note 18)	18	-	18	-
	18	**-**	**18**	**-**

No assets have been pledged as security / collateral for liabilities and there are no restrictions on any title to property.

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

Recognition and Measurement

Financial liabilities at amortised cost

Borrowings classified as financial liabilities at amortised cost are initially measured at fair value, net of directly attributable transaction costs. These are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the net result when the liabilities are derecognised as well as through the amortisation process.

Finance lease liabilities are determined in accordance with AASB 117 Leases until 30 June 2019. From 1 July 2019, lease liabilities are determined in accordance with AASB 16.

Borrowings are classified as current liabilities unless the CEC has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Refer to Note 28 (b) for derecognition policy.

Changes in liabilities arising from financing activities

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	Other loans and deposits $000	Leases $000	Total liabilities from financing activities $000
30 June 2019	**-**	**-**	**-**
Recognised on adoption of AASB 16	**-**	**700**	**700**
1 July 2019	-	700	700
Cash flows	-	(601)	(601)
New leases	-	26	26
30 June 2020	**-**	**125**	**125**

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

22. Provisions

	Consolidated 2020 $000	Consolidated 2019 $000	Parent 2020 $000	Parent 2019 $000
Current				
Employee benefits and related on-costs				
Annual leave - short term benefit	1,325	1,271	-	-
Annual leave - long term benefit	400	231	-	-
Long service leave consequential on-costs	608	549	-	-
Provision for other employee benefits	101	70	-	-
Provision for personnel services liability	-	-	2,434	2,121
	2,434	**2,121**	**2,434**	**2,121**
Other Provisions				
Make good provision	273	-	273	-
	273	**-**	**273**	**-**
Total current provisions	**2,707**	**2,121**	**2,707**	**2,121**
Non-current				
Employee benefits and related on-costs				
Long service leave consequential on-costs	53	48	-	-
Provision for personnel services liability	-	-	53	48
	53	**48**	**53**	**48**
Other Provisions				
Make good provision	-	262	-	262
	-	**262**	**-**	**262**
Total non-current provisions	**53**	**310**	**53**	**310**
Aggregate employee benefits and related on-costs				
Provisions - current	2,434	2,121	-	-
Provisions - non-current	53	48	-	-
Accrued salaries, wages and on-costs, taxation and payroll deductions (Note 20)	326	424	-	-
Liability - purchase of personnel services	-	-	2,813	2,593
	2,813	**2,593**	**2,813**	**2,593**

Movements in provisions (other than employee benefits)

Movements in other provisions during the financial year, other than employee benefits, are set out below:

Make good provisions

	Consolidated 2020 $000	Consolidated 2019 $000	Parent 2020 $000	Parent 2019 $000
Carrying amount at beginning of period	262	320	262	320
- Additional provisions recognised	11	(58)	11	(58)
Carrying amount at end of period	**273**	**262**	**273**	**262**

22. Provisions (continued)

Recognition and Measurement

Employee benefits and other provisions

Salaries and wages, annual leave, sick leave, allocated days off (ADO) 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 and ADO are not expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service. As such, they are 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 16.2% are applied to the value of leave payable at 30 June 2020 (comparable on-costs for 30 June 2019 were 16.1%). The CEC has assessed the actuarial advice based on the CEC's circumstances to both the annual leave and ADO and has determined that the effect of discounting is immaterial. All annual leave and ADO are classified as a current liability even where the CEC does not expect to settle the liability within 12 months as the CEC does not have an unconditional right to defer settlement.

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.

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'.

Specific on-costs relating to long service leave assumed by the Crown Entity are borne by the CEC.

Long service leave is measured at the present value of expected future payments to be made in respect of services provided up to the reporting date. Consideration is given to certain factors based on actuarial review, including expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using the long-term Commonwealth Government bond rate at the reporting date.

The superannuation expense for the financial year 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.

22. Provisions (continued)

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.

Other provisions

Other provisions are recognised 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. When the CEC expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented net of any reimbursement in the Statement of Comprehensive Income.

Any provisions for restructuring are recognised only when the CEC has a detailed formal plan, and the CEC has raised a valid expectation in those affected by the restructuring that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected.

If the effect of the time value of money is material, provisions are discounted at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time (i.e. unwinding of discount rate) is recognised as a finance cost.

23. Other liabilities

	Consolidated 2020 $000	Consolidated 2019 $000	Parent 2020 $000	Parent 2019 $000
Current				
Unearned revenue	-	14	-	14
	-	**14**	**-**	**14**

24. Contingent liabilities and assets

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The CEC is not aware of any contingent liabilities or assets which would have a material effect on the disclosures in these financial statements.

(a) Contingent liabilities

There are no contingent liabilities as at 30 June 2020

(b) Contingent assets

There are no contingent assets as at 30 June 2020

25. Reconciliation of cash flows from operating activities to net result

	Consolidated 2020 $000	Consolidated 2019 $000	Parent 2020 $000	Parent 2019 $000
Net cash used on operating activities	1,080	299	1,080	299
Depreciation and amortisation expense	(1,084)	(697)	(1,084)	(697)
(Increase) / decrease in unearned revenue	14	184	14	184
Decrease / (increase) in provisions	(324)	(118)	(324)	(118)
Increase / (decrease) in prepayments and other assets	(231)	(313)	(231)	(313)
Decrease / (increase) in payables	699	(824)	699	(824)
Net gain / (loss) on sale of property, plant and equipment	(5)	-	(5)	-
Net result	**149**	**(1,469)**	**149**	**(1,469)**

26. Non-cash financing and investing activities

	Consolidated 2020 $000	Consolidated 2019 $000	Parent 2020 $000	Parent 2019 $000
Property, plant and equipment acquired by a lease	26	-	26	-
	26	**-**	**26**	**-**

27. Adjusted budget review

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 budget entries in the financial statements are unaudited.

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Net result

The actual Net Result was lower than adjusted budget by $94 thousand, primarily due to:

CEC received $363k more is subsidy than budgeted as a result of increased cash requirement to make creditor payments. This receipt has resulted in a favourable variance in CEC's total revenue of $347k.
CEC's total expense, however, has an unfavourable variance of approx $448k due to:
a) Additional COVID-19 cost of approx $195k not budgeted;
b) And, CEC staff not being able to work on approved capital projects as a result of COVID-19, thereby increasing ERE costs and likewise reducing Capital costs (CEC Capital allocation for FY20 is underspent by $195k).
The net effect of these variances is an unfavourable position of $94k compared to the adjusted budget.

Assets and liabilities

CEC's Net Assets is $93k unfavourable compared to its budgeted position. Key variances in Asset & Liability balance are as follows:
Current Assets balance is $344k lower than the budgeted balance due to reduction in CEC's Cash & Receivables, most of which was used to settle creditor payments. Therefore, the balance of CEC's payables has reduced compared to its budgeted position.
Non-Current Asset balance is also lower than budgeted by $219k as a result of CEC not being able to spend its entire Capital allocation for the year.

Cash flows

The net cash position has decreased by $113k compared to the budgeted position.
CEC used $341k more cash in operating activities than budgeted, predominantly in settling vendor payments.
CEC used $230k less cash in investing activities than budgeted, as CEC was not able to entirely spend its capital allocation due to work priorities shifting to COVID-19 response.

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 2019 are as follows:

	$000
Initial allocation, 31 July 2019	18,409
Supplementary Budget Adjustments:	
Critical Response Unit	356
Stillbirth Safer Baby Initiative NHMRC Research Partnership	273
Voluntary Redundancies	126
Economic stimulus package to reduce creditor payment terms	121
FONT Project Officer	51
Foundational Clinical Leadership Program	(1,200)
Other	31
Balance as per Statement of Comprehensive Income	**18,167**

28. Financial instruments

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

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

The Chief Executive 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

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Class	Category	Carrying Amount 2020 $000	Carrying Amount 2019 $000
Financial Assets			
Cash and cash equivalents (Note 15)	N/A	129	242
Receivables (Note 16)[1]	Amortised cost	158	167
Total Financial Assets		**287**	**409**
Financial Liabilities			
Borrowings (Note 21)	Financial liabilities measured at amortised cost	125	-
Payables (Note 20)[2]	Financial liabilities measured at amortised cost	755	1,307
Total Financial Liabilities		**880**	**1,307**

Notes

[1] *Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7 Financial Instruments: Disclosures).*

[2] *Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7 Financial Instruments: Disclosures).*

28. Financial instruments (continued)

(b) Financial risk

i. 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 credit losses).

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.

The CEC considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the CEC may also consider a financial asset to be in default when internal or external information indicates that the CEC is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the CEC.

Cash and cash equivalents

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 0.00% in 2019-20 compared to 0.00% in the previous year.

Accounting policy for impairment of trade receivables and other financial assets

Receivables - trade receivables, other receivables and contract assets

Collectability of trade receivables, other receivables and contract assets is reviewed on an ongoing basis. Procedures as established in the Treasurer’s Directions are followed to recover outstanding amounts, including letters of demand.

The CEC applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables, other receivables and contract assets.

To measure the expected credit losses, trade receivables, other receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due.

28. Financial instruments (continued)

(b) Financial risk (continued)

i. Credit risk (continued)

Accounting policy for impairment of trade receivables and other financial assets (continued)

Receivables - trade receivables, other receivables and contract assets (continued)

The expected loss rates are based on historical observed loss rates. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The CEC has identified relevant factors, and accordingly has adjusted the historical loss rates based on expected changes in these factors.

Trade receivables, other receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others a failure to make contractual payments for a period of greater than 90 days past due.

The loss allowance for trade receivables, other receivables and contract assets as at 30 June 2020 and 30 June 2019 was determined as follows:

30 June 2020	Current $'000	<30 days $'000	30-60 days $'000	61-90 days $'000	>91 days $'000	Total $'000
Expected credit loss rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Estimated total gross carrying amount [1]	67	-	-	-	-	67
Expected credit loss	-	-	-	-	-	-
30 June 2019 [2]	**Current $'000**	**<30 days $'000**	**30-60 days $'000**	**61-90 days $'000**	**>91 days $'000**	**Total $'000**
Expected credit loss rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Estimated total gross carrying amount [1]	93	-	-	-	-	93
Expected credit loss	-	-	-	-	-	-

Notes

[1] The analysis excludes statutory receivables and prepayments as these are not within the scope of AASB7 Financial Instruments: Disclosures. Therefore the 'total' will not reconcile to the receivables total in Note 16 and the contract assets total in Note N/A.

[2] Prior year balances have been restated to include other receivables and contract assets

The CEC is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors as at 30 June 2020.

28. Financial instruments (continued)

(b) Financial risk (continued)

ii. 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 the use of overdrafts, loans and other advances.

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

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).

Liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Until the 30 June 2019, 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 5 days from the date of receipt of a correctly rendered invoice. For other suppliers, if trade terms are not specified, payment is made no later than 30 days from the date of receipt of a correctly rendered invoice or a statement is received. From 1 July 2019, 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. For all suppliers, that has a correctly rendered invoice, that has a matched purchase order and where goods have been received, an immediate payment is made irrespective of current contract payment terms.

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.

28. Financial instruments (continued)

(b) Financial risk (continued)

ii. Liquidity risk (continued)

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		
	EIR[3] %	Nominal Amount[1] $000	Fixed Interest Rate $000	Variable Interest Rate $000	Non - Interest Bearing $000	< 1 Yr $000	1-5 Yr $000	> 5Yr $000
2020								
Payables:								
- Creditors [2]		755	-	-	755	755	-	-
Borrowings:								
- Lease liabilities	1.7%	125	125	-	-	107	18	-
		880	**125**	**-**	**755**	**862**	**18**	**-**
2019								
Payables:								
- Creditors [2]		1,307	-	-	1,307	1,307	-	-
Borrowings:								
- Finance leases		-	-	-	-	-	-	-
		1,307	**-**	**-**	**1,307**	**1,307**	**-**	**-**

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.*

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

[3] *Weighted Average Effective Interest Rate (EIR).*

28. Financial instruments (continued)

iii. 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 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 as for 2019. The analysis assumes that all other variables remain constant.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Exposure to interest rate risk arises primarily through the CEC's interest bearing liabilities. This risk is minimised by undertaking mainly fixed rate borrowings, primarily through NSW TCorp. The CEC does not account for any fixed rate financial instruments at fair value through profit or loss or at fair value through other comprehensive income. Therefore, for these financial instruments, a change in 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 Reserve Bank of Australia 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.

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 following table demonstrates the sensitivity to a reasonably possible change in interest rates:

	2020 $000		2019 $000	
	-1%	1%	-1%	1%
Net result	(0)	0	(2)	2
Equity	(0)	0	(2)	2

29. Related party transactions

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(a) Key management personnel compensation

Key management personnel compensation is as follows:

	2020 $000	2019 $000
Short-term employee benefits	76	79
Post-employment benefits	6	7
	82	**86**

During the financial year, Clinical Excellence Commission obtained key management personnel services from the immediate parent and incurred $377 thousand (2019: $332 thousand) for these services. This amount does not form part of the key management personnel compensation disclosed above.

The CEC's key management personnel comprise its board members and chief executive (or acting chief executive) from time to time during the year.

Compensation for the Minister for Health is paid by the Legislature and is not reimbursed by the NSW 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 NSW 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.

(b) Transactions with key management personnel and their close family members

CEC provided a research grant to Neuroscience Research Australia (Falls Network), where a KMP and a close family member are lead researchers. The grant application was awarded through the standard application process. Total grant awarded during the period was $0.189 million (2019: $Nil)

(c) Transactions with the ultimate parent

There were no transactions with the ultimate parent during the financial period (2019: $Nil).

(d) Transactions the CEC had with government related entities during the financial year

During the financial year and comparative year, the CEC entered into the various transactions with other entities consolidated as part of the NSW Ministry of Health (the immediate parent) and the NSW Total State Sector (the ultimate parent) within the normal course of business.

The following operating expenses were incurred with entities controlled by the immediate parent:

- Health Administration Corporation provides shared services for the majority of information management services and corporate support services.
- Staff related costs in relation to seconded staff and some executive salaries.
- Various grants and subsidies towards research and other projects

The following operating expenses were incurred with entities controlled by the ultimate parent:

- Payroll and fringe benefits taxes
- Audit of the statutory financial statements
- Utilities, including electricity, gas and water expenses
- Motor vehicle toll expenses
- Insurance costs
- Rental costs for Property NSW leased properties

The following revenues were earned from entities controlled by the immediate parent:

- Revenue from recurrent and capital allocations

The following revenues were earned from entities controlled by the ultimate parent:

- Revenue from acceptance of long service leave liabilities and defined benefit

Assets and liabilities as follows:

- Receivables and payables in respect of the above noted related party revenue and expense transactions

30. Events after the reporting period

No other matters have arisen subsequent to balance date that would require these financial statements to be amended.

END OF AUDITED FINANCIAL STATEMENTS