



INDEPENDENT AUDITOR'S REPORT

Agency for Clinical Innovation

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Agency for Clinical Innovation (the Agency), which comprise the Statement by the Accountable Authority, the Statement of Comprehensive Income for the year ended 30 June 2023, the Statement of Financial Position as at 30 June 2023, 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.

In my opinion, the financial statements:

- have been prepared in accordance with Australian Accounting Standards and the applicable financial reporting requirements of the *Government Sector Finance Act 2018* (GSF Act), the *Government Sector Finance Regulation 2018* (GSF Regulation) and the Treasurer's Directions
- presents fairly the Agency's financial position, financial performance and cash flows

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 Agency 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).

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

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 adjustment budget information detailed in Note 29. The note states that AASB1055 'Budgetary Reporting' is not applicable to the Agency. It also states that unlike the requirement in AASB 1055 'Budgetary Reporting' to present original budget information, the Agency's financial statements present adjusted budget information.

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, the GSF Act, GSF Regulation and Treasurer's Directions. The Chief Executive's responsibility also includes 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 Agency's ability 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:

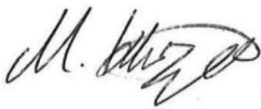
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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/ar6.pdf . The description forms part of my auditor's report.

The scope of my audit does not include, nor provide assurance:

- that the Agency carried out its 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.



Michael Kharzoo
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

25 September 2023
SYDNEY

Agency for Clinical Innovation

Statement by the Accountable Authority

for the year ended 30 June 2023



We state, pursuant to section 7.6(4) of the Government Sector Finance Act 2018 ('GSF Act'):

1. The financial statements of the Agency for Clinical Innovation for the year ended 30 June 2023 have been prepared in accordance with:
 - a. Australian Accounting Standards (AAS) (which include Australian Accounting Interpretations);
 - b. Applicable requirements of the GSF Act, the *Government Sector Finance Regulation 2018*; and
 - c. Treasurer's Directions issued under the GSF Act.
2. The financial statements present fairly the Agency for Clinical Innovation's financial position as at 30 June 2023 and the financial performance and cash flows for the year then ended; and
3. We are not aware of any circumstances which would render any particulars in the financial statements to be misleading or inaccurate.

A handwritten signature in black ink that reads 'Jean-Frederic Levesque'.

Jean-Frederic Levesque

Chief Executive

21 September 2023

Agency for Clinical Innovation

Statement of Comprehensive Income for the year ended 30 June 2023

		Consolidated Actual	Consolidated Budget ¹	Consolidated Actual Restated	Parent Actual	Parent Actual Restated
	Notes	2023 \$000	2023 \$000	2022 \$000	2023 \$000	2022 \$000
Continuing operations						
Expenses excluding losses						
Employee related expenses	2	30,008	29,973	29,074	-	-
Personnel services	3	-	-	-	28,620	28,661
Operating expenses	4	7,961	7,941	7,266	7,961	7,266
Depreciation and amortisation	5	9	4	40	9	40
Grants and subsidies	6	225	263	713	225	713
Finance costs	7	1	-	-	1	-
Total expenses excluding losses		38,204	38,181	37,093	36,816	36,680
Revenue						
Ministry of Health recurrent allocations	10	36,168	36,022	35,022	36,168	35,022
Acceptance by the Crown ² of employee benefits	14	1,388	1,380	413	-	-
Sale of goods and services from contracts with customers	11	12	56	11	12	11
Investment revenue	12	20	-	7	20	7
Grants and other contributions	13	1,035	1,045	878	1,035	878
Other income	15	-	3	12	-	12
Total revenue		38,623	38,506	36,343	37,235	35,930
Operating result		419	325	(750)	419	(750)
Gains / (losses) on disposal	16	-	-	9	-	9
Other gains / (losses)	17	(5)	-	(3)	(5)	(3)
Net result		414	325	(744)	414	(744)
TOTAL COMPREHENSIVE INCOME		414	325	(744)	414	(744)

¹ Unaudited adjusted budget, see Note 29.

² Crown represents 'The Crown in right of the State of New South Wales'

See Note 19 for details regarding restated prior year balances for the ACI.

The accompanying notes form part of these financial statements.

Agency for Clinical Innovation

Statement of Financial Position as at 30 June 2023

		Consolidated	Consolidated	Consolidated	Consolidated	Parent	Parent	Parent
		Actual	Budget ¹	Actual	Actual	Actual	Actual	Actual
	Notes	2023	2023	Restated	Restated	2023	2022	1 July 2021
		\$000	\$000	\$000	\$000	\$000	\$000	\$000
ASSETS								
Current assets								
Cash and cash equivalents	20	582	610	610	965	582	610	965
Receivables	21	508	315	316	871	508	316	871
Total current assets		1,090	925	926	1,836	1,090	926	1,836
Non-current assets								
Property, plant & equipment	22							
- Land and buildings		-	117	-	16	-	-	16
- Plant and equipment		10	(108)	13	24	10	13	24
Total property, plant & equipment		10	9	13	40	10	13	40
Right-of-use assets	23	8	14	-	19	8	-	19
Total non-current assets		18	23	13	59	18	13	59
Total assets		1,108	948	939	1,895	1,108	939	1,895
LIABILITIES								
Current liabilities								
Payables	25	1,774	1,550	1,500	2,130	1,774	1,500	2,130
Contract liabilities	26	313	545	545	654	313	545	654
Borrowings	27	8	-	2	29	8	2	29
Provisions	28	4,420	4,337	4,721	4,164	4,420	4,721	4,164
		6,515	6,432	6,768	6,977	6,515	6,768	6,977
Total current liabilities		6,515	6,432	6,768	6,977	6,515	6,768	6,977
Non-current liabilities								
Borrowings	27	2	14	-	-	2	-	-
Provisions	28	89	89	83	85	89	83	85
Total non-current liabilities		91	103	83	85	91	83	85
Total liabilities		6,606	6,535	6,851	7,062	6,606	6,851	7,062
Net assets		(5,498)	(5,587)	(5,912)	(5,167)	(5,498)	(5,912)	(5,167)
EQUITY								
Accumulated funds		(5,498)	(5,587)	(5,912)	(5,167)	(5,498)	(5,912)	(5,167)
Total Equity		(5,498)	(5,587)	(5,912)	(5,167)	(5,498)	(5,912)	(5,167)

¹ Unaudited adjusted budget, see Note 29.

See Note 19 for details regarding restated prior year balances for the ACI.

The accompanying notes form part of these financial statements.

Agency for Clinical Innovation

Statement of Changes in Equity for the year ended 30 June 2023

PARENT AND CONSOLIDATION

	Notes	Accumulated Funds \$000	Asset Revaluation Surplus \$000	Total \$000
Balance at 1 July 2022		(5,897)	-	(5,897)
Correction of error - long service leave calculations	19	(15)	-	(15)
Restated balance at 1 July 2022		(5,912)	-	(5,912)
Net result for the year		414	-	414
Total comprehensive income for the year		414	-	414
Balance at 30 June 2023		(5,498)	-	(5,498)

	Notes	Accumulated Funds \$000	Asset Revaluation Surplus \$000	Total \$000
Balance at 1 July 2021		(5,153)	-	(5,153)
Correction of error - long service leave calculations	19	(15)	-	(15)
Restated balance at 1 July 2021		(5,168)	-	(5,168)
Restated net result for the year		(744)	-	(744)
Other comprehensive income:				
Restated total comprehensive income for the year		(744)	-	(744)
Restated balance at 30 June 2022		(5,912)	-	(5,912)

The accompanying notes form part of these financial statements.

Agency for Clinical Innovation

Statement of Cash Flows for the year ended 30 June 2023

	Notes	Consolidated Actual 2023 \$000	Consolidated Budget ¹ 2023 \$000	Consolidated Actual 2022 \$000	Parent Actual 2023 \$000	Parent Actual 2022 \$000
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
Employee related		(29,426)	(29,605)	(28,574)	-	-
Suppliers for goods and services		(8,229)	(8,366)	(7,948)	(8,229)	(7,948)
Grants and subsidies		(232)	(269)	(715)	(232)	(715)
Finance costs		(1)	-	-	(1)	-
Personnel services		-	-	-	(29,426)	(28,574)
Total payments		(37,888)	(38,240)	(37,237)	(37,888)	(37,237)
Receipts						
Ministry of Health recurrent allocations		36,168	36,022	35,022	36,168	35,022
Reimbursements from the Crown ²		717	717	426	717	426
Sale of goods and services		(213)	56	29	(213)	29
Interest received		20	-	7	20	7
Grants and other contributions		894	1,136	866	894	866
Other		279	309	544	279	544
Total receipts		37,865	38,240	36,894	37,865	36,894
NET CASH FLOWS FROM OPERATING ACTIVITIES	30	(23)	-	(343)	(23)	(343)
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from sale of property, plant and equipment		-	-	16	-	16
NET CASH FLOWS FROM INVESTING ACTIVITIES		-	-	16	-	16
CASH FLOWS FROM FINANCING ACTIVITIES						
Payment of principal portion of lease liabilities		(5)	-	(28)	(5)	(28)
NET CASH FLOWS FROM FINANCING ACTIVITIES		(5)	-	(28)	(5)	(28)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		(28)	-	(355)	(28)	(355)
Opening cash and cash equivalents	20	610	610	965	610	965
CLOSING CASH AND CASH EQUIVALENTS	20	582	610	610	582	610

¹ Unaudited adjusted budget, see Note 29.

² Crown represents 'The Crown in right of the State of New South Wales'

The accompanying notes form part of these financial statements.

Agency for Clinical Innovation

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

1. Statement of Significant Accounting Policies

a) Reporting entity

The Agency for Clinical Innovation (the ACI) was established under the provisions of the Health Services Act 1997 with effect from 11 January 2010. The reporting entity is a not-for-profit entity (as profit is not its principal objective) and it has no cash generating units.

The ACI is a NSW Government entity and is controlled by the Ministry of Health, which is the immediate parent. The Ministry of Health is 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 ACI is also a parent entity in its own right, as it controls the operations of the:

- * The Agency for Clinical Innovation
- * The Agency for Clinical Innovation Special Purpose Service Entity which provides personnel services to the ACI to exercise its functions and was established under the provisions of the Health Services Act 1997 with effect from 11 January 2010.

The consolidated entity includes the ACI as a parent entity and the ACI Special Purpose Service Entity. The consolidated financial statements disclose balances for the parent entity and the consolidated entity.

In preparing the consolidated financial statements, 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 2023 have been authorised for issue by the Chief Executive on 21 September 2023.

b) Basis of preparation

The ACI'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 *Government Sector Finance Act 2018* ('GSF Act'); and
- * Treasurer's Directions issued under the GSF Act.

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

Each year the Secretary of NSW Health and the Chief Executive of the Agency for Clinical Innovation, through the Performance Agreement agree to service and funding levels for the forward financial year. The Performance Agreement sets out the level of financial resources for public health services under the ACI's control and the source of these funds. By agreement, the Statement of Service requires local management to control its financial liquidity and in particular meet benchmarks for the payment of creditors. Where the ACI fails to meet Statement of Service performance standards, the NSW Ministry of Health as the state manager can take action in accordance with annual performance framework requirements, including financial support and increased management interaction. The deferral of the NSW 2023-24 Budget until 19 September 2023 has necessitated a staged approach to the performance agreements and budget allocation for the financial year 2023-24. The ACI has received, from the Ministry of Health, interim funding allocation for the first quarter of 2023-24, initial full year activity targets, key performance indicators and performance deliverables for the year and commitment to receive and execute the final 2023-24 Performance agreement in September 2023.

Agency for Clinical Innovation

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

1. Statement of Significant Accounting Policies

Other circumstances why the going concern assumption is appropriate include:

- * Allocated funds, combined with other revenues earned, are adequate to pay debts as and when they become due and payable.
- * The ACI has the capacity to review the timing of Ministry of Health allocation cash flows to ensure debts can be paid when they become due and payable.
- * The ACI has developed an Efficiency and Improvement Plan (EIP) which identifies revenue improvement and cost saving strategies. Benefits from the EIP are retained by the ACI and assist in meeting its overall budget target. The EIP is monitored and evaluated by the Ministry of Health throughout the financial year.

Property, plant and equipment and certain financial assets are measured using the fair value basis. Other financial statement items are prepared in accordance with the historical cost convention except where specified otherwise.

The ACI has determined that it is not probable a liability arises to pay superannuation on annual leave loading. This position has been formed based on current inquiries, other information currently available to management, and after considering the facts from a decision in the Federal Court of Australia: Finance Sector Union of Australia v Commonwealth Bank of Australia [2022] FedCFamC2G 409. That decision confirmed that, in relation to the industrial agreement considered in that case, annual leave loading did not form part of ordinary time earnings and therefore, did not require superannuation contributions to be made under superannuation guarantee legislation because the obligation to pay annual leave loading was not referable to ordinary hours of work or to ordinary rates of pay. Rather, it was paid by reference to the period of annual leave, and for the purpose of compensating employees for their loss of opportunity to work additional hours at higher rates during this period.

This position will be re-assessed in future periods as new information comes to light on this matter.

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

All amounts are rounded to the nearest one thousand dollars (unless otherwise stated) and are expressed in Australian currency, which is the ACI'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 ACI 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.

Agency for Clinical Innovation

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

1. Statement of Significant Accounting Policies

e) Foreign currency translation

Transactions in foreign currencies are recorded using the spot rate at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the end of the reporting date.

Differences arising on settlement or translation of monetary items are recognised in net result.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or net results are also recognised in other comprehensive income or net results, respectively).

f) 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.

(i) Effective for the first time in 2022-23

Several amendments and interpretations apply for the first time in 2022-23. The ACI has assessed the new and amended standards and interpretations that are effective for the first time and have determined they are unlikely to have a material impact on the financial statements of the ACI.

(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.

g) Impact of COVID-19 on Financial Reporting for 2022-23

The COVID-19 pandemic has resulted in significant changes in the ACI activity and in the way the services are being delivered. The pandemic has also impacted financial reporting in 2022-23 and increased disclosures are presented in the following notes:

* Note 10 Ministry of Health allocations

* Note 29 Adjusted budget review

Agency for Clinical Innovation

Notes to and forming part of the Financial Statements
for the year ended 30 June 2023

2. Employee related expenses

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Salaries and wages (including annual leave and allocated days off)	25,533	26,154	-	-
Superannuation - defined benefit plans	125	136	-	-
Superannuation - defined contribution plans	2,655	2,309	-	-
Long service leave	1,332	257	-	-
Redundancies	225	131	-	-
Workers' compensation insurance	137	86	-	-
Fringe benefits tax	1	1	-	-
	30,008	29,074	-	-

Refer to Note 28 for further details on recognition and measurement of employee related expenses.

The long service leave in 2022 was impacted by significant changes in actuarial factors decreasing the employee benefit liabilities assumed by the Crown.

3. Personnel services

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Salaries and wages (including annual leave and allocated days off)	-	-	25,533	26,154
Superannuation - defined benefit plans	-	-	-	-
Superannuation - defined contribution plans	-	-	2,655	2,309
Long service leave	-	-	69	(20)
Redundancies	-	-	225	131
Workers' compensation insurance	-	-	137	86
Fringe benefits tax	-	-	1	1
	-	-	28,620	28,661

Personnel services of Agency for Clinical Innovation were provided by its controlled entity, Agency for Clinical Innovation Special Purpose Service Entity.

Agency for Clinical Innovation

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

4. Operating expenses

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Advertising	10	4	10	4
Auditor's remuneration - audit of financial statements	49	47	49	47
Consultancies	54	-	54	-
Contractors	1	-	1	-
Domestic supplies and services	-	13	-	13
Drug supplies	-	1	-	1
Food supplies	26	11	26	11
Fuel, light and power	-	2	-	2
Information management expenses	1,808	941	1,808	941
Insurance	2	4	2	4
Maintenance (see Note 4 (b))	266	107	266	107
Motor vehicle expenses	7	7	7	7
Postal and telephone costs	1	101	1	101
Printing and stationery	139	81	139	81
Specialised services (dental, radiology, pathology and allied health)	(20)	39	(20)	39
Staff related costs	464	351	464	351
Travel related costs	306	209	306	209
Other (see Note 4 (a))	4,848	5,348	4,848	5,348
	7,961	7,266	7,961	7,266

4. Operating expenses (continued)

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
(a) Other				
Corporate support services	412	420	412	420
Courier and freight	-	6	-	6
Legal services	40	-	40	-
Membership/professional fees	9	13	9	13
Expenses relating to short-term leases	1,259	1,150	1,259	1,150
Expenses relating to leases of low-value assets	-	16	-	16
Other miscellaneous	3,128	3,743	3,128	3,743
	4,848	5,348	4,848	5,348
(b) Reconciliation of total maintenance expense				
New / replacement equipment under \$10,000	266	158	266	158
Repairs maintenance / non contract	-	(51)	-	(51)
	266	107	266	107

Agency for Clinical Innovation

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

4. Operating expenses (continued)

Recognition and Measurement

Operating expenses includes non-employee costs incurred in delivering the services provided by the ACI. These expenses are recognised in the reporting period in which they are incurred.

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.

Insurance

The ACI's insurance activities are conducted through the NSW Treasury Managed Fund (TMF) Scheme of self-insurance for government entities. The expense / (premium) is determined by the Fund Manager based on past claims experience. The TMF is managed by Insurance for NSW, a controlled entity of the ultimate parent.

Lease expense

The ACI 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.

Agency for Clinical Innovation

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

5. Depreciation and amortisation

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Depreciation - buildings	-	16	-	16
Depreciation - plant and equipment	3	5	3	5
Depreciation - right-of-use buildings	-	19	-	19
Depreciation - right-of-use plant and equipment	6	-	6	-
	9	40	9	40

Refer to Note 22 Property, plant and equipment and Note 23 Leases for recognition and measurement policies on depreciation.

6. Grants and subsidies

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Grants to entities controlled by the immediate parent	166	693	166	693
Other grants	59	20	59	20
	225	713	225	713

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.

Agency for Clinical Innovation

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

7. Finance costs

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Interest expense from lease liabilities	1	-	1	-
	1	-	1	-

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

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. Comments regarding the accounting policies for the recognition of income are discussed below.

Under the GSF Act 2018, the ACI's own source revenue (which includes but is not limited to receipts from operating activities and proceeds from the sale of minor property, plant and equipment) meets the definition of deemed appropriation money under the GSF Act.

9. Summary of compliance

The Appropriation Act 2022 (Appropriations Act) (and the subsequent variations, if applicable) appropriates the sum of \$18.7 billion to the Minister for Health out of the Consolidated Fund for the services of the Ministry of Health for the year 2022-23. The spending authority of the Minister from the Appropriations Act has been delegated or subdelegated to officers of the Ministry of Health and entities that it is administratively responsible for, including the ACI.

The Treasury and Energy Legislation Amendment Act 2022 made some amendments to sections 4.7 and 4.9 of the Government Sector Finance Act 2018 (the GSF Act). These amendments commenced on 14 November 2022 and are applied retrospectively. As a result, the lead Minister for ACI, being the Minister for Health, is taken to have been given an appropriation out of the Consolidated Fund under the authority section 4.7 of the GSF Act, at the time ACI receives or recovers any deemed appropriation money, for an amount equivalent to the money that is received or recovered by ACI. These deemed appropriations are taken to have been given for the services of the Ministry of Health.

In addition, government money that ACI receives or recovers, from another GSF agency, of a kind prescribed by the GSF regulations that forms part of the Consolidated Fund, is now capable of giving rise to deemed appropriations where the receiving agency has a different lead Minister to the agency making the payment, or one or both of the agencies is a special office (as defined in section 4.7(8)).

Agency for Clinical Innovation

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

9. Summary of compliance (continued)

On 16 June 2023, the GSF Amendment (Deemed Appropriations) Regulation 2023 was approved to bring the GSF regulations in line with the above deemed appropriation amendments to the GSF Act.

A summary of compliance is disclosed in the financial statements of the Annual Report of the Ministry of Health. It has been prepared by aggregating the spending authorities of the Minister for Health for the services of the Ministry of Health. It reflects the status at the point in time this disclosure statement is being made. ACI's spending authority and expenditure is included in the summary of compliance.

The delegation / sub-delegations for 2023 and 2022, authorising officers of the ACI to spend Consolidated Fund money, impose limits on the amounts of individual transactions, but not the overall expenditure of the ACI. However, as they relate to expenditure in reliance on a sum appropriated by legislation, the delegation/sub-delegations are subject to the overall authority of the lead department to spend monies under relevant legislation. The individual transaction limits have been properly observed. The information in relation to the aggregate expenditure limit from the Appropriations Act and other sources is disclosed in the summary of compliance table included in the financial statements of the Annual Report of the Ministry of Health.

The State Budget and related Appropriation Bill for year commencing 1 July 2023 has been delayed and is anticipated to be tabled in September 2023. Pursuant to section 4.10 of the GSF Act, the Treasurer has authorised the payment of specified sums out of the Consolidated Fund to meet the requirements of this period. The authorisation is current from 1 July 2023 until the earlier of 30 September 2023 or enactment of the 2022-23 annual Appropriation Act.

10. Ministry of Health allocations

Payments are made by the immediate parent as per the Statement of Service to the ACI and adjusted for approved supplementations, mostly for salary agreements and approved enhancement projects. The Statement of Service between the immediate parent and the ACI 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.

The ACI recognised additional Ministry of Health recurrent allocations of \$0.04 million (2022: \$1.55 million) for activities related to the COVID-19 pandemic.

11. Sale of goods and services from contracts with customers

(a) Sale of goods comprise the following:

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Staff				
Private use of motor vehicles	4	5	4	5
Salary packaging fee	2	6	2	6
Other				
Other	6	-	6	-
	12	11	12	11

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for the year ended 30 June 2023

11. Sale of goods and services from contracts with customers (continued)

Recognition and Measurement

Rendering of services

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

Type of service	Nature of timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Non-Patient services provided to staff, General community, Non-NSW Health entities and Entities controlled by the immediate parent	Various non-patient related services are provided to the members of staff, general community, non-NSW health entities and entities controlled by the immediate parent. The performance obligations for these services are typically satisfied by transferring the promised services to its respective customers. The payments are typically due within 30 days after the invoice date.	Revenue is recognised when promised services are delivered. No element of financing is deemed present as the services are made with a short credit term.

Refer to Note 26 for the disclosure of the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) at the end of the reporting period, and when the ACI expects to recognise the unsatisfied portion as revenue.

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Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

12. Investment revenue

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Interest income from financial assets at amortised cost	20	7	20	7
	20	7	20	7

Recognition and Measurement

Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit impaired. For financial assets that become credit impaired, the effective interest rate is applied to the amortised cost of the financial asset (i.e. after deducting the loss allowance for expected credit losses).

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Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

13. Grants and other contributions

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Other grants with sufficiently specific performance obligations				
Grants from entities controlled by the ultimate parent	536	139	536	139
Other grants	459	739	459	739
Grants without specific performance obligations				
Other grants	40	-	40	-
	1,035	878	1,035	878

Recognition and Measurement

Grants and other contributions

Revenue from grants with sufficiently specific performance obligations are recognised when the ACI satisfies a performance obligation by transferring the promised goods or services. The ACI typically receives grants in respect of research, clinical drug trials and other community, health and wellbeing related projects. The ACI 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 an agreed timetable or on achievement of different milestones 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.

Refer to Note 26 for the transaction price allocated to the performance obligations that have not been satisfied at the end of the year and when it is expected to be recognised as revenue.

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

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Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

14. Acceptance by The Crown in right of the State of New South Wales (Crown) of employee benefits

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

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Superannuation - defined benefit plans	125	136	-	-
Long service leave provision	1,263	277	-	-
	1,388	413	-	-

15. Other income

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Other	-	12	-	12
	-	12	-	12

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Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

16. Gains / (losses) on disposal

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Gains / (losses) on disposals of:				
Property, plant and equipment				
Written down value of assets disposed	-	7	-	7
Less: proceeds from disposal	-	16	-	16
Net gains / (losses) on disposal	-	9	-	9
Total gains / (losses) on disposal	-	9	-	9

17. Other gains / (losses)

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Foreign exchange gains / (losses)	(5)	(3)	(5)	(3)
	(5)	(3)	(5)	(3)

18. Conditions and restrictions on income of not-for-profit entities

The ACI receives various types of grants and donations from different grantors / donors, some of which may not have enforceable performance obligations. The ACI determines the grantor / donor expectations in determining the externally imposed restrictions and discloses them in accordance with different types of restrictions. The types of restrictions and income earned with restrictions are detailed in Note 24 Restricted assets.

Agency for Clinical Innovation

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

19. Prior period error

During the year it was identified that the long service leave entitlement for certain employees had not been correctly calculated and recognised. The issue only impacted employees who had a period of part time service under certain awards during their employment. It was identified that the accrual for enhanced entitlement did not start on the completion of first 10 years of service by the employee, rather it started upon the completion of full-time equivalency of 10 years of service. This has resulted in an under accrual and / or underpayment of long service leave entitlements for such employees in current and prior years.

The ACI's liability for long service leave are assumed by The Crown in right of the State of New South Wales. The ACI 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 of employee benefits'. Specific on-costs relating to long service leave assumed by The Crown in right of the State of New South Wales are borne by the ACI.

The incorrect calculation of long service leave entitlements has resulted in lower 'Employee related expenses' and lower 'Acceptance by the Crown of employee benefits' revenue in the Statement of Comprehensive Income in prior years. Any consequential on-costs has resulted in lower 'Provisions' liability in the Statement of Financial Position and lower 'Employee related expenses' in the Statement of Comprehensive Income. The error has been corrected during the year, with retrospective adjustments made in the prior periods.

The impact to the Statement of Comprehensive Income and Statement of Financial Position from restating the balances in the prior year due to above matter are shown below.

Statement of Comprehensive Income for the year ended 30 June 2022 (extract)

		Consolidated	Consolidated	Consolidated	Parent	Parent	Parent
		Actual	Adjustment	Restated	Actual	Adjustment	Restated
		2022	2022	2022	2022	2022	2022
	Notes	\$000	\$000	\$000	\$000	\$000	\$000
Continuing operations							
Expenses excluding losses							
Employee related expenses	2	29,074	-	29,074	-	-	-
Personnel services	3	-	-	-	28,661	-	28,661
Total expenses excluding		37,093	-	37,093	36,680	-	36,680
Revenue							
Acceptance by the Crown of employee benefits	14	413	-	413	-	-	-
Total revenue		36,343	-	36,343	35,930	-	35,930
Operating result		(750)	-	(750)	(750)	-	(750)
Net result from continuing operations		-	-	-	-	-	-
Net result		(744)	-	(744)	(744)	-	(744)
TOTAL COMPREHENSIVE INCOME		(744)	-	(744)	(744)	-	(744)

Note: The above table is an extract only, showing only those financial statement line items affected by the correction of error.

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Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

19. Prior period error (continued)

Statement of Financial Position as at 1 July 2021 (extract)

	Notes	Consolidated Actual 1 July 2021 \$000	Consolidated Adjustment 1 July 2021 \$000	Consolidated Restated 1 July 2021 \$000	Parent Actual 1 July 2021 \$000	Parent Adjustment 1 July 2021 \$000	Parent Restated 1 July 2021 \$000
LIABILITIES							
Current liabilities							
Provisions	28	4,150	14	4,164	4,150	14	4,164
Total current liabilities		6,963	14	6,977	6,963	14	6,977
Non-current liabilities							
Provisions	28	84	1	85	84	1	85
Total non-current liabilities		84	1	85	84	1	85
Total liabilities		7,047	15	7,062	7,047	15	7,062
Net assets		(5,152)	(15)	(5,167)	(5,152)	(15)	(5,167)
EQUITY							
Accumulated funds		(5,152)	(15)	(5,167)	(5,152)	(15)	(5,167)
Total Equity		(5,152)	(15)	(5,167)	(5,152)	(15)	(5,167)

Note: The above table is an extract only, showing only those financial statement line items affected by the correction of error.

Statement of Financial Position as at 30 June 2022 (extract)

	Notes	Consolidated Actual 2022 \$000	Consolidated Adjustment 2022 \$000	Consolidated Restated 2022 \$000	Parent Actual 2022 \$000	Parent Adjustment 2022 \$000	Parent Restated 2022 \$000
LIABILITIES							
Current liabilities							
Provisions	28	4,707	14	4,721	4,707	14	4,721
Total current liabilities		6,754	14	6,768	6,754	14	6,768
Non-current liabilities							
Provisions	28	82	1	83	82	1	83
Total non-current liabilities		82	1	83	82	1	83
Total liabilities		6,836	15	6,851	6,836	15	6,851
Net assets		(5,897)	(15)	(5,912)	(5,897)	(15)	(5,912)
EQUITY							
Accumulated funds		(5,897)	(15)	(5,912)	(5,897)	(15)	(5,912)
Total Equity		(5,897)	(15)	(5,912)	(5,897)	(15)	(5,912)

Note: The above table is an extract only, showing only those financial statement line items affected by the correction of error.

There is no impact on the total operating, investing or financing cash flows for the year ended 30 June 2022.

Agency for Clinical Innovation

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

20. Cash and cash equivalents

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Cash at bank and on hand	582	610	582	610
	582	610	582	610

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)	582	610	582	610
	582	610	582	610

Refer to Note 32 for details regarding credit risk and market risk arising from financial instruments.

Most cash and cash equivalents held by the ACI are restricted assets and are not held for operating and capital expenditure.

HealthShare NSW, a controlled entity of the immediate parent manages accounts payable and employee related payments on behalf of the ACI for payments to suppliers and employees. HealthShare NSW makes payments after the ACI has reviewed and approved the invoices and employee rosters. The ACI's approval of invoices and employee rosters provides authority to HealthShare NSW to make payments. These payments are reported as expenditures and cash outflows in the financial statements of the ACI.

HealthShare NSW receives payments directly from the Ministry of Health on behalf of the ACI to fund these payments. Upon payment, they are reported as revenue (Ministry of Health recurrent and capital allocations) and cash inflows in the financial statements of the ACI.

Agency for Clinical Innovation

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

21. Receivables

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Current				
Intra health receivables	271	48	271	48
Goods and Services Tax	144	119	144	119
Other receivables	68	46	68	46
Sub total	483	213	483	213
Prepayments	25	103	25	103
	508	316	508	316

(a) * Movement in the allowance for expected credit losses

Other receivables				
Balance at the beginning of the year	-	-	-	-
Amounts written off during the year	1	-	1	-
Balance at the end of the year	-	-	-	-

(b) The current and non-current trade receivables from contracts with customers balances above include the following patient fee receivables:

	Consolidated 2023 \$000	Consolidated ¹ 2022 \$000	Parent 2023 \$000	Parent ¹ 2022 \$000
Contract receivables (included in Note 21)	271	48	271	48
Total contract receivables	271	48	271	48

Recognition and Measurement

All 'regular way' purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets 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

The ACI 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.

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for the year ended 30 June 2023

22. Property, plant and equipment

(a) Total property, plant and equipment

PARENT AND CONSOLIDATION

	Land and Buildings \$000	Plant and Equipment ¹ \$000	Infrastructure Systems \$000	Total \$000
At 1 July 2021 - fair value				
Gross carrying amount	120	47	-	167
Less: accumulated depreciation and impairment	104	23	-	127
Net carrying amount	16	24	-	40

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
Year ended 30 June 2022				
Net carrying amount at beginning of year	16	24	-	40
Disposals	-	(7)	-	(7)
Depreciation expense	(16)	(4)	-	(20)
Net carrying amount at end of year	-	13	-	13

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 21-09.

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Notes to and forming part of the Financial Statements
for the year ended 30 June 2023

22. Property, plant and equipment (continued)

(a) Total property, plant and equipment (continued)

PARENT AND CONSOLIDATION

	Land and Buildings \$000	Plant and Equipment ¹ \$000	Infrastructure Systems \$000	Total \$000
At 1 July 2022 - fair value				
Gross carrying amount	121	26	-	147
Less: accumulated depreciation and impairment	121	13	-	134
Net carrying amount	-	13	-	13

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
Year ended 30 June 2023				
Net carrying amount at beginning of year	-	13	-	13
Depreciation expense	-	(3)	-	(3)
Net carrying amount at end of year	-	10	-	10

	Land and Buildings \$000	Plant and Equipment ¹ \$000	Infrastructure Systems \$000	Total \$000
At 30 June 2023 - fair value				
Gross carrying amount	121	26	-	147
Less: accumulated depreciation and impairment	121	16	-	137
Net carrying amount	-	10	-	10

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 21-09.

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

PARENT AND CONSOLIDATION

The ACI 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 ACI.

Agency for Clinical Innovation

Notes to and forming part of the Financial Statements
for the year ended 30 June 2023

22. Property, plant and equipment (continued)

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.

Capitalisation thresholds

Property, plant and equipment 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.

Depreciation of property, plant and equipment

Except for certain non-depreciable assets, depreciation is provided for on a straight-line basis so as to write off the depreciable amount of each asset as it is consumed over its useful life to the ACI.

All material identifiable components of assets are depreciated separately over their useful life.

Land is not a depreciable asset. Certain heritage assets including original artworks and collections and heritage buildings may not have a limited useful life because appropriate curatorial and preservation policies are adopted. Such assets are not subject to depreciation. The decision not to recognise depreciation for these assets is reviewed annually.

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

	Useful lives 2023	Useful lives 2022
Buildings - leasehold improvements	3-10 years	3-10 years
Plant and equipment	4-20 years	4-20 years

'Plant and equipment' comprises, among others, medical, computer and office equipment, motor vehicles and 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

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

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Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

23. Leases

(a) Entity as a lessee

The ACI 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 ACI 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 ACI 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).

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

The ACI 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 and medical equipment 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
Balance at 1 July 2022	-	-	-
Additions	-	14	14
Depreciation expense	-	(6)	(6)
Balance at 30 June 2023	-	8	8

PARENT AND CONSOLIDATION

	Land and Buildings \$'000	Plant and Equipment \$'000	Total \$'000
Balance at 1 July 2021	19	-	19
Depreciation expense	(19)	-	(19)
Balance at 30 June 2022	-	-	-

Agency for Clinical Innovation

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

23. Leases (continued)

(a) Entity as a lessee (continued)

Lease liabilities

The following table presents liabilities under leases.

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	2023 \$000	2022 \$000
Balance at 1 July	1	29
Additions	14	-
Interest expenses	1	-
Payments	(6)	(28)
Balance at 30 June	10	1

The following amounts were recognised in the Statement of Comprehensive Income during the period in respect of leases where the ACI is the lessee:

PARENT AND CONSOLIDATION

	2023 \$000	2022 \$000
Depreciation expense of right-of-use assets	6	19
Interest expense on lease liabilities	1	-
Expenses relating to short-term leases	1,259	1,150
Expenses relating to leases of low-value assets	-	16
Total amount recognised in the statement of comprehensive income	1,266	1,185

The ACI had total cash outflows for leases of \$1.26 million for the year ended 30 June 2023 (2022: \$1.19 million).

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for the year ended 30 June 2023

23. Leases (continued)

(a) Entity as a lessee (continued)

i. Right-of-use assets

The ACI 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
Motor vehicles and other equipment	1 to 5 years

If ownership of the leased asset transfers to the ACI 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 ACI 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 ACI 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 ACI 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 ACI; and
- payments of penalties for terminating the lease, if the lease term reflects the ACI 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.

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Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

23. Leases (continued)

(a) Entity as a lessee (continued)

ii. Lease liabilities (continued)

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 ACI does not borrow funds in the market. Instead they receive an allocation of the appropriations from the Crown and where the Crown needs additional funding, Treasury Corporation (TCorp) goes to the market to obtain these funds. As a result, the ACI is using TCorp rates as their incremental borrowing rates. These rates are published by NSW Treasury on a regular basis.

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 ACI's lease liabilities are included in borrowings in Note 27.

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

The ACI 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 ACI to further its objectives is the same as normal right-of-use assets. They are measured at cost, subject to impairment.

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for the year ended 30 June 2023

24. Restricted assets

PARENT AND CONSOLIDATION

The ACI's financial statements include the following assets which are restricted for stipulated purposes and / or by externally imposed conditions, eg. donor requirements. The assets are only available for application in accordance with the terms of the donor restrictions. They consist of cash assets and rights and obligations to receive and make payments as at 30 June 2023.

Category	1 July 2022	Revenue	Expense	30 June 2023
	Opening			Closing
	\$000	\$000	\$000	\$000
Research	-	967	967	-
Training and education including conferences	130	20	-	150
	130	987	967	150

Restricted assets are held for the following purpose and cannot be used for any other purpose.

Category	Purpose
Research	Research to gain knowledge, understanding and insight.
Training and education including conferences	Professional training, education and conferences.

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Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

25. Payables

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Current				
Accrued salaries, wages and on-costs	898	726	-	-
Salaries and wages deductions	-	7	-	-
Accrued liability - purchase of personnel services	-	-	898	733
Creditors ¹	612	668	612	668
- Payables to entities controlled by the immediate parent	264	99	264	99
	1,774	1,500	1,774	1,500

¹ Manual creditors has been reclassified from 'Other creditors - other' to 'Creditors' in the current year. The prior period 'Other creditors - other' has been restated lower by \$0.436 million and 'Creditors' has been restated higher by \$0.436 million to reflect this change.

Details regarding liquidity risk, including a maturity analysis of the above payables are disclosed in Note 32.

Recognition and Measurement

Payables represent liabilities for goods and services provided to the ACI and other amounts. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

Payables are financial liabilities at amortised cost, 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.

Agency for Clinical Innovation

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

26. Contract liabilities

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Current				
Contract liabilities	313	545	313	545
	313	545	313	545

Recognition and Measurement

Contract liabilities relate to consideration received in advance from customers. The balance of the contract liabilities at 30 June 2023 was impacted by the timing of payments received for grants and other contributions. The satisfaction of the specific performance obligations within the contract had not been met at the 30 June 2023. Revenue from the contract liabilities will be recognised when the specific performance obligations have been met.

The contract liability balance has [increased / decreased] during the year because of the timing of payments received.

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Revenue recognised that was included in the contract liability balance at the beginning of the year	545	654	545	654
Revenue recognised from performance obligations satisfied in previous periods	-	878	-	878
Transaction price allocated to the remaining performance obligations from contracts with customers	714	1,243	714	1,243

The transaction price allocated to the remaining performance obligations relates to the following revenue classes and is expected to be recognised as follows:

Specific revenue class	2024 \$'000	2025 \$'000	2026 \$'000	≥ 2027 \$'000
Grants and other contributions	714	-	-	-
	714	-	-	-

Agency for Clinical Innovation

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

27. Borrowings

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Current				
Lease liabilities (see Note 23)	8	2	8	2
	8	2	8	2
Non-current				
Lease liabilities (see Note 23)	2	-	2	-
	2	-	2	-

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

Details regarding liquidity risk, including a maturity analysis of the above borrowings are disclosed in Note 32.

Recognition and Measurement

Borrowings represents interest bearing liabilities mainly raised through NSW Treasury Corporation, lease liabilities, service concession arrangement liabilities and other interest bearing liabilities.

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.

Borrowings are classified as current liabilities unless the ACI has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Refer to Note 32 (b) for derecognition policy.

Changes in liabilities arising from financing activities

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	Derivatives \$000	Service concession arrangements \$000	Other loans and deposits \$000	Leases \$000	Total liabilities from financing activities \$000
1 July 2021	-	-	-	30	30
Cash flows	-	-	-	(28)	(28)
30 June 2022	-	-	-	2	2
1 July 2022	-	-	-	2	2
Cash flows	-	-	-	(5)	(5)
New leases	-	-	-	13	13
30 June 2023	-	-	-	10	10

Cash flows from derivatives in the above table will not reconcile to the Statement of Cash Flows as the Statement of Cash Flows presents a net cash movement of financial assets and liabilities.

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Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

28. Provisions

	Consolidated 2023 \$000	Consolidated ¹ 2022 \$000	Parent 2023 \$000	Parent ¹ 2022 \$000
Current				
Employee benefits and related on-costs				
Annual leave - obligations expected to be settled within 12 months	2,718	2,240	-	-
Annual leave - obligations expected to be settled after 12 months	583	934	-	-
Long service leave consequential on-costs - obligations expected to be settled within 12 months	63	56	-	-
Long service leave consequential on-costs - obligations expected to be settled after 12 months	840	785	-	-
Provision for other employee benefits*	216	706	-	-
Provision for personnel services liability	-	-	4,420	4,721
Total current provisions	4,420	4,721	4,420	4,721
Non-current				
Employee benefits and related on-costs				
Long service leave consequential on-costs	89	83	-	-
Provision for personnel services liability	-	-	89	83
Total non-current provisions	89	83	89	83
Aggregate employee benefits and related on-costs				
Provisions - current	4,420	4,721	-	-
Provisions - non-current	89	83	-	-
Accrued salaries, wages and on-costs and salaries and wages deductions (Note 25)	898	733	-	-
Liability - purchase of personnel services	-	-	5,407	5,537
	5,407	5,537	5,407	5,537

¹ Long service leave consequential on-costs has been restated to be higher by \$0.015 million in the prior year for the consolidated entity. Provision for personnel services liability has been restated to be higher by \$0.015 million in the prior year for the parent entity. Refer to Note 19 for further details regarding restatement as a result of an error.

* Provision for other employee benefits in 2022 included a one-off payment to employees of \$0.51 million for the recognition of service during the COVID-19 pandemic.

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Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

28. Provisions (continued)

Movements in provisions (other than employee benefits)

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

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Restoration costs				
Carrying amount at beginning of period	-	51	-	51
- Amounts used	-	(51)	-	(51)
Carrying amount at end of period	-	-	-	-

The majority of 'restoration costs' represent the expected cost to restore a leased asset at the end of the lease term. Lease end dates vary across the ACI's lease portfolio and therefore the timing of the payments to restore the leased asset at the end of the term will vary. The majority of the 'restoration cost' provision is as per the lease contracts.

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 18.80% are applied to the value of leave payable at 30 June 2023 (comparable on-costs for 30 June 2022 were 18.20%). The ACI has assessed the actuarial advice based on the ACI'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 ACI does not expect to settle the liability within 12 months as the ACI does not have an unconditional right to defer settlement.

Agency for Clinical Innovation

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

28. Provisions (continued)

Recognition and Measurement (continued)

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.

The majority of employee benefits and related on-cost balances have increased since the beginning of the COVID-19 pandemic. Management of the COVID-19 pandemic, along with state and international border closures at different times have adversely impacted the provision balance.

Long service leave and superannuation

The ACI's liability for long service leave and defined benefit superannuation (State Authorities Superannuation Scheme and State Superannuation Scheme) are assumed by The Crown in right of the State of New South Wales. The ACI 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 of employee benefits'.

Specific on-costs relating to long service leave assumed by The Crown in right of the State of New South Wales are borne by the ACI.

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 Aware 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.

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 ACI 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 ACI 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 ACI has a detailed formal plan, and the ACI 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.

Agency for Clinical Innovation

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

29. 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 ACI'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 ACI's financial statements present adjusted budget information. The adjusted budgeted amounts are drawn from the initial Service Agreements between the ACI and the 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.

Movements in the level of the Ministry of Health Recurrent Allocation that have occurred since the time of the initial allocation in July 2022 are as follows:

	\$000
Initial allocation	30,430
1 Reserve Road Rental & Workplace Services	1,701
Palliative Virtual Care Project	411
Safety & Toxicity procedures for immune effector cells	300
Funding Extension for Palliative Care Project Officer	83
Menopause services	513
Emergency Protocols Initiating Care (EPIC)	1,050
Pain Management Network for End-of-Life Care project	84
Zero Suicides in Care - ZSiC	166
Covid-19 incremental costs	40
Intra Health Technology Expense 2022-23 MS Uplift	11
Intra Health Technology Expense 2022-23 Q1 Wash Up	(418)
Orthopaedic redesign program	343
Staff Experience Lead	73
Voluntary Redundancy Reimbursement	172
Safeguards State-wide Redesign and Implementation Program – Letter of Variation	33
Aboriginal practitioner podcast	110
Urgent Care Services – Evaluation and Consumer Engagement	30
Voluntary Redundancy Reimbursement	72
Workforce Wellbeing Initiative Funding	250
Infrastructure OPEX Uplift \$37m 22/23	59
COVID-19 Workforce Bonus	509
Balance as per Statement of Comprehensive Income	36,022

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Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

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

Reconciliation of cash flows from operating activities to the net result as reported in the Statement of Comprehensive Income as follows:

	Consolidated	Consolidated ¹	Parent	Parent ¹
	2023	2022	2023	2022
	\$000	\$000	\$000	\$000
Net cash used on operating activities	(23)	(343)	(23)	(343)
Depreciation and amortisation expense	(9)	(40)	(9)	(40)
Decrease / (increase) in provisions	294	(555)	294	(555)
Increase / (decrease) in prepayments and other assets	191	(563)	191	(563)
Decrease / (increase) in payables	(273)	639	(273)	639
Decrease / (increase) in contract liabilities	234	109	234	109
Net gain / (loss) on sale of property, plant and equipment	-	9	-	9
Net result	414	(744)	414	(744)

¹ 'Decrease / (increase) in provisions' has been restated to be lower by \$0.015 million in the prior year for the consolidated and parent entity. Refer to Note 19 for further details regarding restatement as a result of an error.

31. Non-cash financing and investing activities

	Consolidated	Consolidated	Parent	Parent
	2023	2022	2023	2022
	\$000	\$000	\$000	\$000
Property, plant and equipment acquired by a lease	14	-	14	-
	14	-	14	-

Agency for Clinical Innovation

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

32. Financial instruments

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

The ACI's main risks arising from financial instruments are outlined below, together with the ACI'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 ACI, 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	Carrying Amount
		2023 \$000	2022 \$000
Financial assets			
Cash and cash equivalents (Note 20)	Amortised cost	582	610
Receivables (Note 21) ¹	Amortised cost	339	94
Total financial assets		921	704
Financial liabilities			
Borrowings (Note 27)	Financial liabilities measured at amortised cost	10	2
Payables (Note 25) ²	Financial liabilities measured at amortised cost	1,774	1,500
Total financial liabilities		1,784	1,502

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).

³ While contract assets are also not financial assets, they are explicitly included (i.e. in the scope of AASB 7 Financial Instruments: Disclosures) for the purpose of the credit risk disclosures.

The ACI determines the classification of its financial assets and liabilities after initial recognition and, when allowed and appropriate, re-evaluates this at each financial year end.

(b) Derecognition of financial assets and financial liabilities

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the contractual rights to the cash flows from the financial assets expire; or if the entity transfers its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass through arrangement and either:

- The ACI has transferred substantially all the risks and rewards of the asset; or
- The ACI has neither transferred nor retained substantially all the risks and rewards for the asset, but has transferred control.

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Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

32. Financial instruments (continued)

(b) Derecognition of financial assets and financial liabilities (continued)

When the ACI has transferred its rights to receive cash flows from an asset or has entered into a pass through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. Where the ACI has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset continues to be recognised to the extent of the ACI's continuing involvement in the asset. In that case, the ACI also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the ACI has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the ACI could be required to repay.

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the net result.

(c) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(d) 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 ACI. 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 ACI, including cash, receivables and authority deposits. No collateral is held by the ACI. The ACI has not granted any financial guarantees.

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

Cash and cash equivalents

Cash comprises cash on hand and bank balances deposited within the NSW Treasury banking system. Interest is earned daily on restricted financial asset cash on hand and bank balances only. The TCorpIM Cash Fund is discussed in market risk below.

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Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

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 ACI 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.

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

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

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.

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 ACI has identified relevant factors, and accordingly has adjusted the historical loss rates based on expected changes in these factors.

The loss allowance for trade receivables, other receivables and contract assets as at 30 June 2023 and 30 June 2022 was determined as follows:

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	Current	<30 days	30-60 days	61-90 days	>91 days	Total
30 June 2023	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expected credit loss rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Estimated total gross carrying amount ¹	60	-	-	-	8	68
Expected credit loss	-	-	-	-	-	-
30 June 2022	Current	<30 days	30-60 days	61-90 days	>91 days	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expected credit loss rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Estimated total gross carrying amount ¹	24	-	-	1	21	46
Expected credit loss	-	-	-	-	-	-

Notes

¹ The analysis excludes statutory receivables and prepayments as these are not within the scope of AASB 7 Financial Instruments: Disclosures. Therefore the 'total' will not reconcile to the receivables total in Note 21 and the contract assets total in Note .

ii. Liquidity risk

Liquidity risk is the risk that the ACI will be unable to meet its payment obligations when they fall due. The ACI 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 loans and other advances.

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

During the current and prior year, there were no defaults of loans payable. No assets have been pledged as collateral. The ACI's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

Agency for Clinical Innovation

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

32. Financial instruments (continued)

(d) Financial risk (continued)

ii. Liquidity risk (continued)

The ACI has exposure to liquidity risk. However, the risk is minimised by the service agreement with the 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 ACI fails to meet service agreement performance standards, the Ministry of Health as the state manager can take action in accordance with annual performance framework requirements, including 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. For all suppliers, that have a correctly rendered invoice, 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.

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

Agency for Clinical Innovation

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

32. Financial instruments (continued)

(d) Financial risk (continued)

ii. Liquidity risk (continued)

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

Maturity Analysis and interest rate exposure of financial liabilities

	EIR ³ %	Nominal Amount ¹ \$000	Interest Rate Exposure			Maturity Dates		
			Fixed Interest Rate \$000	Variable Interest Rate \$000	Non - Interest Bearing \$000	< 1 Yr \$000	1-5 Yr \$000	> 5Yr \$000
2023								
Payables:								
- Creditors ²		1,774	-	-	1,774	1,774	-	-
Borrowings:								
- Lease liabilities	7.28	10	10	-	-	8	2	-
		1,784	10	-	1,774	1,782	2	-
2022								
Payables:								
- Creditors ²		1,500	-	-	1,500	1,500	-	-
Borrowings:								
- Lease liabilities		-	-	-	-	-	-	-
		1,500	-	-	1,500	1,500	-	-

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 ACI 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 AASB 7 Financial Instruments: Disclosures).

³ Weighted Average Effective Interest Rate (EIR).

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Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

32. 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 ACI's exposures to market risk are primarily through interest rate risk on the ACI's borrowings and other price risks associated with the movement in the Hour Glass Investment Facilities. The ACI 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 ACI 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 2022. 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 ACI's interest bearing liabilities. This risk is minimised by undertaking mainly fixed rate borrowings, primarily through NSW TCorp. The ACI 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 the carrying value or interest paid/earned. 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 ACI is not permitted to borrow external to the Ministry of Health (except energy loans which are negotiated through NSW Treasury). Both NSW Treasury and the 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:

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	2023		2022	
	\$000		\$000	
	-1%	1%	-1%	1%
Net result	(6)	6	(6)	6
Equity	(6)	6	(6)	6

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Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

33. Related party disclosures

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(a) Key management personnel compensation

Key management personnel compensation is as follows:

	2023 \$000	2022 \$000
Short-term employee benefits	55	71
Post-employment benefits	5	7
	60	78

During the financial year, Agency for Clinical Innovation obtained key management personnel services from the immediate parent and incurred \$0.349 million (2022: \$0.445 million) for these services. This amount does not form part of the key management personnel compensation disclosed above.

The ACI's key management personnel comprise its board members (to April 2023) 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 Ministry of Health and its controlled entities. Accordingly no such amounts are included in the key management personnel compensation disclosures above.

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

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

There were no transactions with key management personnel and their close family members (2022: \$0.025 million).

(c) Transactions with the ultimate parent

There were no transactions with the ultimate parent during the financial period (2022: \$Nil).

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

During the financial year and comparative year, the ACI entered into the various transactions with other entities consolidated as part of the 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 (includes Ambulance Service of NSW, eHealth NSW, Health Infrastructure, Health System Support Group, HealthShare NSW and NSW Health Pathology) provides shared services for the majority of patient transport services, information management services, domestic supplies and services, food supplies and corporate support services.
- Rental for ACI Staff working from a facility or another health entity
- Staff related costs for secondments, executive salaries and TESL Allowance
- Various grants and subsidies towards research and other projects

Agency for Clinical Innovation

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

33. Related party disclosures (continued)

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

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

- Payroll and fringe benefits taxes
- Audit of the statutory financial statements
- Legal and consultancy services
- Utilities, including electricity, gas and water expenses
- Motor vehicle toll expenses
- Insurance costs
- Occupancy agreement expenses for Property NSW properties
- Various grants and subsidies towards research and other projects

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

- Revenue from recurrent and capital allocations
- Various grants and contributions towards research and other projects

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

- Various grants and other contributions towards research and other projects
- 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

34. 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