



## INDEPENDENT AUDITOR'S REPORT

### Clinical Excellence Commission

To Members of the New South Wales Parliament

#### Opinion

I have audited the accompanying financial statements of Clinical Excellence Commission (the Commission), which comprise the Statement 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 Commission'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 Commission 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 22. The note states that AASB1055 'Budgetary Reporting' is not applicable to the Commission. It also states that unlike the requirement in AASB 1055

'Budgetary Reporting' to present original budget information, the Commission's financial statements present adjusted budget information.

## **Chief Executive's 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 Commission'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](http://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 Commission 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

26 September 2023  
SYDNEY

# Clinical Excellence Commission

## 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 Clinical Excellence Commission 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 Clinical Excellence Commission'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.

Handwritten signature of Michael Nicholl in black ink.

Adjunct Professor Michael Nicholl

**Chief Executive**

21 September 2023

Handwritten signature of Andrew Wilson in black ink.

Professor Andrew Wilson

**Board Chair**

21 September 2023

# Clinical Excellence Commission

## Statement of Comprehensive Income for the year ended 30 June 2023

		Consolidated Actual 2023 \$000	Consolidated Budget <sup>1</sup> 2023 \$000	Consolidated Actual Restated 2022 \$000	Parent Actual 2023 \$000	Parent Actual Restated 2022 \$000
	<b>Notes</b>					
<b>Continuing operations</b>						
<b>Expenses excluding losses</b>						
Employee related expenses	2	19,744	19,268	17,529	-	-
Personnel services	3	-	-	-	18,261	17,289
Operating expenses	4	4,574	5,066	4,259	4,574	4,259
Depreciation and amortisation	5	452	446	325	452	325
Grants and subsidies	6	612	434	590	612	590
<b>Total expenses excluding losses</b>		<b>25,382</b>	<b>25,214</b>	<b>22,703</b>	<b>23,899</b>	<b>22,463</b>
<b>Revenue</b>						
Ministry of Health recurrent allocations	9	23,000	23,302	21,657	23,000	21,657
Ministry of Health capital allocations	9	577	600	254	577	254
Acceptance by the Crown <sup>2</sup> of employee benefits	12	1,483	1,482	240	-	-
Sale of goods and services from contracts with customers	10	12	-	8	12	8
Grants and other contributions	11	262	57	58	262	58
<b>Total revenue</b>		<b>25,334</b>	<b>25,441</b>	<b>22,217</b>	<b>23,851</b>	<b>21,977</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>(48)</b>	<b>227</b>	<b>(486)</b>	<b>(48)</b>	<b>(486)</b>

<sup>1</sup> Unaudited adjusted budget, see Note 22.

<sup>2</sup> Crown represents 'The Crown in right of the State of New South Wales'

See Note 13 for details regarding restated prior year balances for the CEC.

The accompanying notes form part of these financial statements.

**Clinical Excellence Commission**  
**Statement of Financial Position as at 30 June 2023**

		Consolidated Actual 2023 \$000	Consolidated Budget <sup>1</sup> 2023 \$000	Consolidated Actual Restated 2022 \$000	Consolidated Actual Restated 1 July 2021 \$000	Parent Actual 2023 \$000	Parent Actual Restated 2022 \$000	Parent Actual Restated 1 July 2021 \$000
	Notes							
<b>ASSETS</b>								
<b>Current assets</b>								
Cash and cash equivalents	14	-	2	2	50	-	2	50
Receivables	15	147	206	206	275	147	206	275
<b>Total current assets</b>		<b>147</b>	<b>208</b>	<b>208</b>	<b>325</b>	<b>147</b>	<b>208</b>	<b>325</b>
<b>Non-current assets</b>								
Right-of-use assets	16	4	11	10	17	4	10	17
Intangible assets	17	1,549	1,572	1,418	1,174	1,549	1,418	1,174
<b>Total non-current assets</b>		<b>1,553</b>	<b>1,583</b>	<b>1,428</b>	<b>1,191</b>	<b>1,553</b>	<b>1,428</b>	<b>1,191</b>
<b>Total assets</b>		<b>1,700</b>	<b>1,791</b>	<b>1,636</b>	<b>1,516</b>	<b>1,700</b>	<b>1,636</b>	<b>1,516</b>
<b>LIABILITIES</b>								
<b>Current liabilities</b>								
Payables	18	1,295	1,351	1,226	969	1,295	1,226	969
Contract liabilities		-	-	-	49	-	-	49
Borrowings	19	3	7	6	7	3	6	7
Provisions	20	3,439	3,190	3,397	2,984	3,439	3,397	2,984
<b>Total current liabilities</b>		<b>4,737</b>	<b>4,548</b>	<b>4,629</b>	<b>4,009</b>	<b>4,737</b>	<b>4,629</b>	<b>4,009</b>
<b>Non-current liabilities</b>								
Borrowings	19	-	5	4	11	-	4	11
Provisions	20	83	83	74	81	83	74	81
<b>Total non-current liabilities</b>		<b>83</b>	<b>88</b>	<b>78</b>	<b>92</b>	<b>83</b>	<b>78</b>	<b>92</b>
<b>Total liabilities</b>		<b>4,820</b>	<b>4,636</b>	<b>4,707</b>	<b>4,101</b>	<b>4,820</b>	<b>4,707</b>	<b>4,101</b>
<b>Net assets</b>		<b>(3,120)</b>	<b>(2,845)</b>	<b>(3,071)</b>	<b>(2,585)</b>	<b>(3,120)</b>	<b>(3,071)</b>	<b>(2,585)</b>
<b>EQUITY</b>								
Accumulated funds		(3,120)	(2,845)	(3,071)	(2,585)	(3,120)	(3,071)	(2,585)
<b>Total Equity</b>		<b>(3,120)</b>	<b>(2,845)</b>	<b>(3,071)</b>	<b>(2,585)</b>	<b>(3,120)</b>	<b>(3,071)</b>	<b>(2,585)</b>

<sup>1</sup> Unaudited adjusted budget, see Note 22.

See Note 13 for details regarding restated prior year balances for the CEC.

The accompanying notes form part of these financial statements.

# Clinical Excellence Commission

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

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### PARENT AND CONSOLIDATION

	Notes	Accumulated Funds \$000	Total \$000
<b>Balance at 1 July 2022</b>		<b>(3,060)</b>	<b>(3,060)</b>
Correction of error - long service leave calculations	13	(12)	(12)
<b>Restated balance at 1 July 2022</b>		<b>(3,072)</b>	<b>(3,072)</b>
<b>Total comprehensive income for the year</b>		<b>(48)</b>	<b>(48)</b>
<b>Balance at 30 June 2023</b>		<b>(3,120)</b>	<b>(3,120)</b>

	Notes	Accumulated Funds \$000	Total \$000
<b>Balance at 1 July 2021</b>		<b>(2,573)</b>	<b>(2,573)</b>
Correction of error - long service leave calculations	13	(12)	(12)
<b>Restated balance at 1 July 2021</b>		<b>(2,585)</b>	<b>(2,585)</b>
<b>Restated total comprehensive income for the year</b>		<b>(486)</b>	<b>(486)</b>
<b>Restated balance at 30 June 2022</b>		<b>(3,071)</b>	<b>(3,071)</b>

The accompanying notes form part of these financial statements.

# Clinical Excellence Commission

Statement of Cash Flows for the year ended 30 June 2023

	Notes	Consolidated Actual 2023 \$000	Consolidated Budget <sup>1</sup> 2023 \$000	Consolidated Actual 2022 \$000	Parent Actual 2023 \$000	Parent Actual 2022 \$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
<b>Payments</b>						
Employee related		(18,502)	(18,261)	(17,247)	-	-
Suppliers for goods and services		(4,889)	(5,383)	(4,401)	(4,889)	(4,401)
Grants and subsidies		(732)	(554)	(711)	(732)	(711)
Personnel services		-	-	-	(18,502)	(17,247)
<b>Total payments</b>		<b>(24,123)</b>	<b>(24,198)</b>	<b>(22,359)</b>	<b>(24,123)</b>	<b>(22,359)</b>
<b>Receipts</b>						
Ministry of Health recurrent allocations		23,000	23,302	21,657	23,000	21,657
Ministry of Health capital allocations		577	600	254	577	254
Reimbursements from the Crown <sup>2</sup>		556	556	631	556	631
Sale of goods and services		50	3	4	50	4
Grants and other contributions		326	120	43	326	43
Other		196	217	291	196	291
<b>Total receipts</b>		<b>24,705</b>	<b>24,798</b>	<b>22,880</b>	<b>24,705</b>	<b>22,880</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	23	<b>582</b>	<b>600</b>	<b>521</b>	<b>582</b>	<b>521</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Purchases of property, plant and equipment and intangibles		(577)	(600)	(562)	(577)	(562)
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(577)</b>	<b>(600)</b>	<b>(562)</b>	<b>(577)</b>	<b>(562)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
Payment of principal portion of lease liabilities		(7)	-	(7)	(7)	(7)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>(7)</b>	<b>-</b>	<b>(7)</b>	<b>(7)</b>	<b>(7)</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>						
		(2)	-	(48)	(2)	(48)
Opening cash and cash equivalents	14	2	2	50	2	50
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	14	<b>-</b>	<b>2</b>	<b>2</b>	<b>-</b>	<b>2</b>

<sup>1</sup> Unaudited adjusted budget, see Note 22.

<sup>2</sup> Crown represents 'The Crown in right of the State of New South Wales'

The accompanying notes form part of these financial statements.

# Clinical Excellence Commission

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

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### 1. Statement of Significant Accounting Policies

#### a) Reporting entity

The Clinical Excellence Commission (the CEC) was established under the provisions of the Health Services Act 1997 with effect from 18 August 2004. The reporting entity is a not-for-profit entity (as profit is not its principal objective) and it has no cash generating units.

The CEC 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 CEC is also a parent entity in its own right, as it controls the operations of the:

- \* The Clinical Excellence Commission.
- \* The Clinical Excellence Commission Special Purpose Service Entity which provides personnel services to the CEC to exercise its functions and was established under the provisions of the Health Services Act 1997 with effect from 18 August 2004.

The consolidated entity includes the CEC as a parent entity and the CEC 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 15 September 2023.

#### b) Basis of preparation

The CEC's financial statements are general purpose financial statements which have been prepared on an accrual basis and in accordance with:

- \* Applicable Australian Accounting Standards (AAS) (which include Australian Accounting Interpretations);
- \* The requirements of the *Government Sector Finance Act 2018* ('GSF Act'); and
- \* Treasurer's Directions issued under the GSF Act.

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

Each year the Secretary of NSW Health, the Chair of the Clinical Excellence Commission Board and the Chief Executive, 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 CEC's control and the source of these funds. By agreement, the Performance Agreement requires local management to control its financial liquidity and in particular meet benchmarks for the payment of creditors. Where the CEC fails to meet Performance Agreement performance standards, the Ministry of Health as the state manager can take action in accordance with annual performance framework requirements, including financial support and increased management interaction. 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 Clinical Excellence Commission 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 a commitment to receive and execute the final 2023-24 Performance in September 2023.

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 CEC 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.



# Clinical Excellence Commission

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

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### 1. Statement of Significant Accounting Policies

- \* The CEC has developed an Efficiency and Improvement Plan (EIP) which identifies revenue improvement and cost saving strategies. Benefits from the EIP are retained by the CEC and assist in meeting its overall budget target. The EIP is monitored and evaluated by the Ministry of Health throughout the financial year.

The CEC's Statement of Financial Position presents a negative equity position mainly resulting from the accumulation of non-cash expenses with no revenue or funding source. However, this treatment, which aligns with NSW Treasury arrangement and directions on Cash buffers, does not impact the CEC as a going concern.

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 CEC 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 CEC's presentation and functional currency.

### c) Statement of Compliance

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

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

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

- \* amount of GST incurred by the CEC as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of an asset's cost of acquisition or as part of an item of expense; and
- \* receivables and payables are stated with the amount of GST included.

Cash flows are included in the Statement of Cash Flows on a gross basis. However, the GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

### e) Comparative Information

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

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

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

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

Several amendments and interpretations apply for the first time in 2022-23. The CEC 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 CEC.

# Clinical Excellence Commission

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

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### 1. Statement of Significant Accounting Policies

#### (ii) Issued but not yet effective

NSW public sector entities are not permitted to early adopt new Australian Accounting Standards, unless NSW Treasury determines otherwise.

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

The COVID-19 pandemic has resulted in significant changes in the CEC 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 9 Ministry of Health allocations

## Clinical Excellence Commission

### Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

#### 2. Employee related expenses

	Consolidated 2023 \$000	Consolidated <sup>1</sup> 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Salaries and wages (including annual leave and allocated days off)	16,341	15,593	-	-
Superannuation - defined benefit plans	115	155	-	-
Superannuation - defined contribution plans	1,725	1,543	-	-
Long service leave	1,473	8	-	-
Redundancies	-	154	-	-
Workers' compensation insurance	79	64	-	-
Fringe benefits tax	11	12	-	-
	<b>19,744</b>	<b>17,529</b>	<b>-</b>	<b>-</b>

<sup>1</sup> 'Long service leave' costs has been restated to be lower by \$0.005 million in the prior year for the consolidated entity. Refer to Note 13 for further details regarding restatement as a result of an error.

Refer to Note 20 for further details on recognition and measurement of employee related expenses.

Employee related costs of \$0.51 million (2022: \$0.56 million) have been capitalised in intangible assets and are therefore excluded from the above.

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 <sup>1</sup> 2022 \$000
Salaries and wages (including annual leave and allocated days off)	-	-	16,341	15,593
Superannuation - defined contribution plans	-	-	1,725	1,543
Long service leave	-	-	105	(77)
Redundancies	-	-	-	154
Workers' compensation insurance	-	-	79	64
Fringe benefits tax	-	-	11	12
	<b>-</b>	<b>-</b>	<b>18,261</b>	<b>17,289</b>

<sup>1</sup> 'Long service leave' costs has been restated to be lower by \$0.001 million in the prior year for the parent entity. Refer to Note 13 for further details regarding restatement as a result of an error.

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

Personnel services of \$0.51 million (2022: \$0.56 million) have been capitalised in property, plant and equipment and intangible assets and are excluded from the above.

# Clinical Excellence Commission

## 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	2	67	2	67
Auditor's remuneration - audit of financial statements	47	33	47	33
Contractors	963	923	963	923
Information management expenses	1,338	1,069	1,338	1,069
Insurance	2	2	2	2
Maintenance (see Note 4 (b))	6	375	6	375
Motor vehicle expenses	7	7	7	7
Postal and telephone costs	1	47	1	47
Printing and stationery	12	15	12	15
Staff related costs	160	148	160	148
Travel related costs	116	28	116	28
Other (see Note 4 (a))	1,920	1,545	1,920	1,545
	<b>4,574</b>	<b>4,259</b>	<b>4,574</b>	<b>4,259</b>
<b>(a) Other</b>				
Corporate support services	241	260	241	260
Legal services	-	10	-	10
Membership/professional fees	13	22	13	22
Expenses relating to short-term leases	768	821	768	821
Other miscellaneous	898	432	898	432
	<b>1,920</b>	<b>1,545</b>	<b>1,920</b>	<b>1,545</b>
<b>(b) Reconciliation of total maintenance expense</b>				
New / replacement equipment under \$10,000	6	375	6	375
	<b>6</b>	<b>375</b>	<b>6</b>	<b>375</b>

# Clinical Excellence Commission

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

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### 4. Operating expenses (continued)

#### **Recognition and Measurement**

Operating expenses includes non-employee costs incurred in delivering the services provided by the CEC. 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 CEC's insurance activities are conducted through the NSW Treasury Managed Fund (TMF) Scheme of self-insurance for government entities. The expense / (premium) is determined by the Fund Manager based on past claims experience. The TMF is managed by Insurance for NSW, a controlled entity of the ultimate parent.

#### **Lease expense**

The CEC recognises the lease payments associated with the following types of leases as an expense on a straight-line basis:

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

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

## Clinical Excellence Commission

### 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 - right-of-use plant and equipment	6	7	6	7
Amortisation - intangible assets	446	318	446	318
	<b>452</b>	<b>325</b>	<b>452</b>	<b>325</b>

Refer to Note 16 Leases and Note 17 Intangible assets for recognition and measurement policies on depreciation and amortisation.

#### 6. Grants and subsidies

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Other grants	612	590	612	590
	<b>612</b>	<b>590</b>	<b>612</b>	<b>590</b>

#### 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.

# Clinical Excellence Commission

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

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### 7. 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 CEC'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.

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

### 8. 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 CEC.

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 the CEC, 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 the CEC receives or recovers any deemed appropriation money, for an amount equivalent to the money that is received or recovered by the CEC. These deemed appropriations are taken to have been given for the services of the Ministry of Health.

In addition, government money that the CEC 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)).

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. The CEC's spending authority and expenditure is included in the summary of compliance.

The delegation / sub-delegations for 2023 and 2022, authorising officers of the CEC to spend Consolidated Fund money, impose limits on the amounts of individual transactions, but not the overall expenditure of the CEC. 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 Ministry of Health 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.

# Clinical Excellence Commission

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

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### 9. Ministry of Health allocations

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

The CEC recognised additional Ministry of Health recurrent allocations of \$0.60 million (2022: \$2.11 million) and Ministry of Health capital allocations of \$Nil (2022: \$Nil) to cover costs incurred for the testing, diagnosis, treatment and vaccination of COVID-19 patients.

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

#### (a) Rendering of services comprise the following:

<b>Staff</b>				
Salary packaging fee	1	8	1	8
<b>General community</b>				
Fees for conferences and training	11	-	11	-
	<b>12</b>	<b>8</b>	<b>12</b>	<b>8</b>
	<b>12</b>	<b>8</b>	<b>12</b>	<b>8</b>



# Clinical Excellence Commission

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

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### 10. 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 CEC satisfies the performance obligation by transferring the promised services.

<b>Type of service</b>	<b>Nature of timing of satisfaction of performance obligations, including significant payment terms</b>	<b>Revenue recognition policies</b>
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.

# Clinical Excellence Commission

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

### 11. Grants and other contributions

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
<b>Other grants with sufficiently specific performance obligations</b>				
Commonwealth government grants other	262	-	262	-
Other grants	-	49	-	49
<b>Grants without specific performance obligations</b>				
Other grants from entities controlled by the immediate parent	-	9	-	9
	<b>262</b>	<b>58</b>	<b>262</b>	<b>58</b>

### Recognition and Measurement

#### *Grants and other contributions*

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

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

## Clinical Excellence Commission

### Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

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#### 12. 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:

	<b>Consolidated</b>	<b>Consolidated<sup>1</sup></b>	<b>Parent</b>	<b>Parent<sup>1</sup></b>
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Superannuation - defined benefit plans	115	155	-	-
Long service leave provision	1,368	85	-	-
	<b>1,483</b>	<b>240</b>	<b>-</b>	<b>-</b>

<sup>1</sup> 'Long service leave provision' revenue has been restated to be lower by \$0.005 million in the prior year for the consolidated and parent entity. Refer to Note 13 for further details regarding restatement as a result of an error.

# Clinical Excellence Commission

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

### 13. 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 CEC's liability for long service leave are assumed by The Crown in right of the State of New South Wales. The CEC accounts for the liability as having been extinguished, resulting in the amount assumed being shown as part of the non-monetary revenue item described as 'Acceptance by the Crown 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 CEC.

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 Actual 2022 \$000	Consolidated Adjustment 2022 \$000	Consolidated Restated 2022 \$000	Parent Actual 2022 \$000	Parent Adjustment 2022 \$000	Parent Restated 2022 \$000
	<b>Notes</b>						
<b>Continuing operations</b>							
<b>Expenses excluding losses</b>							
Employee related expenses	2	17,534	(5)	17,529	-	-	-
Personnel services	3	-	-	-	17,289	-	17,289
<b>Total expenses excluding</b>		<b>22,708</b>	<b>(5)</b>	<b>22,703</b>	<b>22,463</b>	<b>-</b>	<b>22,463</b>
<b>Revenue</b>							
Acceptance by the Crown of employee benefits	12	245	(5)	240	-	-	-
<b>Total revenue</b>		<b>22,222</b>	<b>(5)</b>	<b>22,217</b>	<b>21,977</b>	<b>-</b>	<b>21,977</b>
<b>Operating result</b>		<b>(486)</b>	<b>-</b>	<b>(486)</b>	<b>(486)</b>	<b>-</b>	<b>(486)</b>
<b>Net result from continuing operations</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net result</b>		<b>(486)</b>	<b>-</b>	<b>(486)</b>	<b>(486)</b>	<b>-</b>	<b>(486)</b>
<b>Total other comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>(486)</b>	<b>-</b>	<b>(486)</b>	<b>(486)</b>	<b>-</b>	<b>(486)</b>

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

# Clinical Excellence Commission

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

### 13. 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
<b>LIABILITIES</b>							
<b>Current liabilities</b>							
Provisions	20	2,973	11	2,984	2,973	11	2,984
<b>Total current liabilities</b>		<b>3,998</b>	<b>11</b>	<b>4,009</b>	<b>3,998</b>	<b>11</b>	<b>4,009</b>
<b>Non-current liabilities</b>							
Provisions	20	80	1	81	80	1	81
<b>Total non-current liabilities</b>		<b>91</b>	<b>1</b>	<b>92</b>	<b>91</b>	<b>1</b>	<b>92</b>
<b>Total liabilities</b>		<b>4,089</b>	<b>12</b>	<b>4,101</b>	<b>4,089</b>	<b>12</b>	<b>4,101</b>
<b>Net assets</b>		<b>(2,573)</b>	<b>(12)</b>	<b>(2,585)</b>	<b>(2,573)</b>	<b>(12)</b>	<b>(2,585)</b>
<b>EQUITY</b>							
Accumulated funds		(2,573)	(12)	(2,585)	(2,573)	(12)	(2,585)
<b>Total Equity</b>		<b>(2,573)</b>	<b>(12)</b>	<b>(2,585)</b>	<b>(2,573)</b>	<b>(12)</b>	<b>(2,585)</b>

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
<b>LIABILITIES</b>							
<b>Current liabilities</b>							
Provisions	20	3,386	11	3,397	3,386	11	3,397
<b>Total current liabilities</b>		<b>4,618</b>	<b>11</b>	<b>4,629</b>	<b>4,618</b>	<b>11</b>	<b>4,629</b>
<b>Non-current liabilities</b>							
Provisions	20	73	1	74	73	1	74
<b>Total non-current liabilities</b>		<b>77</b>	<b>1</b>	<b>78</b>	<b>77</b>	<b>1</b>	<b>78</b>
<b>Total liabilities</b>		<b>4,695</b>	<b>12</b>	<b>4,707</b>	<b>4,695</b>	<b>12</b>	<b>4,707</b>
<b>Net assets</b>		<b>(3,059)</b>	<b>(12)</b>	<b>(3,071)</b>	<b>(3,059)</b>	<b>(12)</b>	<b>(3,071)</b>
<b>EQUITY</b>							
Accumulated funds		(3,059)	(12)	(3,071)	(3,059)	(12)	(3,071)
<b>Total Equity</b>		<b>(3,059)</b>	<b>(12)</b>	<b>(3,071)</b>	<b>(3,059)</b>	<b>(12)</b>	<b>(3,071)</b>

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.

# Clinical Excellence Commission

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

### 14. Cash and cash equivalents

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Cash at bank and on hand	-	2	-	2
	-	2	-	2

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)	-	2	-	2
	-	2	-	2

Refer to Note 24 for details regarding credit risk and market risk arising from financial instruments.

HealthShare NSW, a controlled entity of the immediate parent manages accounts payable and employee related payments on behalf of the CEC for payments to suppliers and employees. HealthShare NSW makes payments after the CEC has reviewed and approved the invoices and employee rosters. The CEC'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 CEC.

HealthShare NSW receives payments directly from the Ministry of Health on behalf of the CEC 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 CEC.

# Clinical Excellence Commission

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

### 15. Receivables

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
<b>Current</b>				
Trade receivables from contracts with customers	7	-	7	-
Intra health receivables	20	65	20	65
Goods and Services Tax	40	86	40	86
Other receivables	22	-	22	-
Prepayments	58	55	58	55
	<b>147</b>	<b>206</b>	<b>147</b>	<b>206</b>
	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Contract receivables (included in Note 15)	30	63	30	63
<b>Total contract receivables</b>	<b>30</b>	<b>63</b>	<b>30</b>	<b>63</b>

#### Recognition and Measurement

The CEC recognises a financial asset or a financial liability when, and only when, it becomes a party to the contractual provisions of the instrument. To determine when the agency becomes a party to the contractual provisions of the instrument, the CEC considers:

- Whether the CEC has a legal right to receive cash (financial asset) or a legal obligation to pay cash (financial liability); or
- Whether at least one of the parties has performed under the agreement.

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

#### Impairment

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

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

# Clinical Excellence Commission

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

### 16. Leases

#### (a) Entity as a lessee

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

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

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

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

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

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

#### PARENT AND CONSOLIDATION

	Plant and Equipment \$'000	Total \$'000
Balance at 1 July 2022	10	10
Depreciation expense	(6)	(6)
<b>Balance at 30 June 2023</b>	<b>4</b>	<b>4</b>

#### PARENT AND CONSOLIDATION

	Plant and Equipment \$'000	Total \$'000
Balance at 1 July 2021	17	17
Depreciation expense	(7)	(7)
<b>Balance at 30 June 2022</b>	<b>10</b>	<b>10</b>



# Clinical Excellence Commission

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

### 16. Leases (continued)

#### (a) Entity as a lessee (continued)

##### Lease liabilities

The following table presents liabilities under leases.

##### PARENT AND CONSOLIDATION

	2023	2022
	\$000	\$000
Balance at 1 July	10	17
Payments	(7)	(7)
<b>Balance at 30 June</b>	<b>3</b>	<b>10</b>

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

##### PARENT AND CONSOLIDATION

	2023	2022
	\$000	\$000
Depreciation expense of right-of-use assets	6	7
Expenses relating to short-term leases	768	821
<b>Total amount recognised in the statement of comprehensive income</b>	<b>774</b>	<b>828</b>

The CEC had total cash outflows for leases of \$0.77 million for the year ended 30 June 2023 (2022: \$0.83 million).

### Recognition and Measurement

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

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

#### i. Right-of-use assets

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

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

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

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

# Clinical Excellence Commission

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

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### 16. Leases (continued)

#### (a) Entity as a lessee (continued)

##### *i. Right-of-use assets (continued)*

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

##### *ii. Lease liabilities*

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

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

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

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

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

The CEC's lease liabilities are included in borrowings in Note 19.

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

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

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

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

# Clinical Excellence Commission

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

### 17. Intangible assets

#### PARENT AND CONSOLIDATION

	Total \$000
<b>At 1 July 2021</b>	
Cost (gross carrying amount)	1,451
Less: accumulated amortisation and impairment	277
<b>Net carrying amount</b>	<b>1,174</b>
<b>Year ended 30 June 2022</b>	
Net carrying amount at beginning of year	1,174
Additions - Internal Development	562
Amortisation (recognised in depreciation and amortisation)	(318)
<b>Net carrying amount at end of year</b>	<b>1,418</b>
<b>At 1 July 2022</b>	
Cost (gross carrying amount)	2,012
Less: accumulated amortisation and impairment	594
<b>Net carrying amount</b>	<b>1,418</b>
<b>Year ended 30 June 2023</b>	
Net carrying amount at beginning of year	1,418
Additions - Internal Development	577
Amortisation (recognised in depreciation and amortisation)	(446)
<b>Net carrying amount at end of year</b>	<b>1,549</b>
<b>At 30 June 2023</b>	
Cost (gross carrying amount)	2,590
Less: accumulated amortisation and impairment	1,041
<b>Net carrying amount</b>	<b>1,549</b>

# Clinical Excellence Commission

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

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### 17. Intangible assets (continued)

#### Recognition and Measurement

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

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

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

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

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

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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

# Clinical Excellence Commission

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

### 18. Payables

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
<b>Current</b>				
Accrued salaries, wages and on-costs	601	480	-	-
Payroll and fringe benefits tax	-	11	-	-
Accrued liability - purchase of personnel services	-	-	601	491
Creditors <sup>1</sup>	450	519	450	519
Other creditors				
- Payables to entities controlled by the immediate parent	244	216	244	216
- Other <sup>1</sup>	-	-	-	-
	<b>1,295</b>	<b>1,226</b>	<b>1,295</b>	<b>1,226</b>

<sup>1</sup> 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 \$0.156 million and 'Creditors' has been restated higher by \$0.156 million to reflect this change.

Details regarding liquidity risk, including a maturity analysis of the above payables are disclosed in Note 24.

#### Recognition and Measurement

Payables represent liabilities for goods and services provided to the CEC 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.

# Clinical Excellence Commission

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

### 19. Borrowings

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
<b>Current</b>				
Lease liabilities (see Note 16)	3	6	3	6
	<b>3</b>	<b>6</b>	<b>3</b>	<b>6</b>
<b>Non-current</b>				
Lease liabilities (see Note 16)	-	4	-	4
	<b>-</b>	<b>4</b>	<b>-</b>	<b>4</b>

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 24.

#### 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 CEC has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Refer to Note 24 (b) for derecognition policy.

#### Changes in liabilities arising from financing activities

##### PARENT AND CONSOLIDATION

	Leases \$000	Total liabilities from financing activities \$000
<b>1 July 2021</b>	17	17
Cash flows	(7)	(7)
<b>30 June 2022</b>	10	10
<b>1 July 2022</b>	10	10
Cash flows	(7)	(7)
<b>30 June 2023</b>	3	3

# Clinical Excellence Commission

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

### 20. Provisions

	Consolidated 2023 \$000	Consolidated <sup>1</sup> 2022 \$000	Parent 2023 \$000	Parent <sup>1</sup> 2022 \$000
<b>Current</b>				
<b>Employee benefits and related on-costs</b>				
Annual leave - obligations expected to be settled within 12 months	1,798	1,484	-	-
Annual leave - obligations expected to be settled after 12 months	657	698	-	-
Long service leave consequential on-costs - obligations expected to be settled within 12 months	74	61	-	-
Long service leave consequential on-costs - obligations expected to be settled after 12 months	772	688	-	-
Provision for other employee benefits*	138	466	-	-
Provision for personnel services liability	-	-	3,439	3,397
<b>Total current provisions</b>	<b>3,439</b>	<b>3,397</b>	<b>3,439</b>	<b>3,397</b>
<b>Non-current</b>				
<b>Employee benefits and related on-costs</b>				
Long service leave consequential on-costs	83	74	-	-
Provision for personnel services liability	-	-	83	74
<b>Total non-current provisions</b>	<b>83</b>	<b>74</b>	<b>83</b>	<b>74</b>
<b>Aggregate employee benefits and related on-costs</b>				
Provisions - current	3,439	3,397	-	-
Provisions - non-current	83	74	-	-
Accrued salaries, wages and on-costs and salaries and wages deductions (Note 18)	601	480	-	-
Liability - purchase of personnel services	-	-	4,123	3,951
	<b>4,123</b>	<b>3,951</b>	<b>4,123</b>	<b>3,951</b>

<sup>1</sup> Long service leave consequential on-costs has been restated to be higher by \$0.01 million in the prior year for the consolidated entity. Provision for personnel services liability has been restated to be higher by \$0.01 million in the prior year for the parent entity. Refer to Note 13 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 \$0.34 million for the recognition of service during the COVID-19 pandemic.

# Clinical Excellence Commission

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

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### 20. Provisions (continued)

#### Recognition and Measurement

##### *Employee benefits and other provisions*

##### *Salaries and wages, annual leave, sick leave, allocated days off (ADO) and on-costs*

Salaries and wages (including non-monetary benefits) and paid sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the service are recognised and measured at the undiscounted amounts of the benefits.

Annual leave and ADO are not expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service. As such, they are required to be measured at present value in accordance with AASB 119 Employee Benefits (although short-cut methods are permitted).

Actuarial advice obtained by NSW Treasury, a controlled entity of the ultimate parent, has confirmed that using the nominal annual leave balance plus the annual leave entitlements accrued while taking annual leave can be used to approximate the present value of the annual leave liability. On-costs of 18.7% are applied to the value of leave payable at 30 June 2023 (comparable on-costs for 30 June 2022 were 18.3%). The CEC has assessed the actuarial advice based on the CEC's circumstances to both the annual leave and ADO and has determined that the effect of discounting is immaterial. All annual leave and ADO are classified as a current liability even where the CEC does not expect to settle the liability within 12 months as the CEC does not have an unconditional right to defer settlement.

Unused non-vesting sick leave does not give rise to a liability as it is not considered probable that sick leave taken in the future will be greater than the benefits accrued in the future.

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 CEC'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 CEC accounts for the liability as having been extinguished, resulting in the amount assumed being shown as part of the non-monetary revenue item described as 'Acceptance by the Crown 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 CEC.

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

The superannuation expense for the financial year is determined by using the formulae specified in the Treasurer's Directions. The expense for certain superannuation schemes (i.e. Basic Benefit and 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.



# Clinical Excellence Commission

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

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### 20. Provisions (continued)

#### Recognition and Measurement (continued)

##### *Other provisions*

Other provisions are recognised when: the CEC has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. When the CEC expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented net of any reimbursement in the Statement of Comprehensive Income.

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

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

# Clinical Excellence Commission

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

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### 21. Contingent liabilities and contingent assets

#### PARENT AND CONSOLIDATION

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

# Clinical Excellence Commission

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

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### 22. Adjusted budget review

NSW Health's budget is shown at a consolidated level when presented in parliament each year (i.e. in the NSW Government Budget Papers). The CEC's budget is not presented in parliament, therefore AASB 1055 Budgetary Reporting is not applicable. Unlike the requirement in AASB 1055 Budgetary Reporting to present original budget information, the CEC's financial statements present adjusted budget information. The adjusted budgeted amounts are drawn from the initial Service Agreements between the CEC and the 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.

#### PARENT AND CONSOLIDATION

##### Net result

The actual Net Result was lower than adjusted budget by \$275 thousand, primarily due to:

The net effect of Expenses being higher than the budgeted amount by approximately \$170 thousand and Revenue being lower than the budgeted amount by approximately \$105 thousand.

Actual expense was higher than adjusted budget due to a funding gap of around \$600 thousand for the CEC's COVID-related costs this financial year. To offset this gap, expenditure reductions were made in other areas, including:

- Under expenditure of \$230K for the Zero Suicide in Care project due to late arrival of full-year funding in December 2022.
- No expenditure of \$250K for the Workforce Wellbeing Initiative, as funding confirmation was received late in June 2023.

Actual revenue was lower than adjusted budget due to the net effect of recurrent allocation drawdown being lower than budget by approximately \$300 thousand and the grant income being higher than budget by approximately \$200 thousand.

Under the current cash arrangements, recurrent allocation is recognised once the cash outflow is made by HealthShare NSW on behalf of the CEC. The recurrent allocation drawdown by the CEC was lower than the budgeted amount due to the timing of creditor and payroll payment at year end.

The grant income was higher than the budgeted amount due to the CEC being successful in securing funding for the National Preterm Birth Prevention Program, a Commonwealth funded initiative.

##### Assets and liabilities

The net asset position is \$275 thousand lower than to the budgeted position due to:

- The total assets being lower than the budgeted position by \$91 thousand and
- The total liabilities being higher than the budgeted position by \$184 thousand

The lower balance of total assets was primarily due to a decrease in receivables for GST and amounts owed to the CEC by other health entities. Conversely, the total liabilities increased due to a rise in provisions for employee leave entitlements.

##### Cash flows

The net cash position remains consistent with the budgeted amount of zero and this is due to the introduction of zero cash buffer

from 1 July 2022 onwards.

## Clinical Excellence Commission

### Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

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#### 22. Adjusted budget review (continued)

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

	<b>\$000</b>
Initial allocation	19,660
<b>Supplementary Budget Adjustments</b>	
1 Reserve Road Rental & Workplace Services	1,104
Establishment and maintenance of formulary governance arrangements	1,143
Maternity Safety Action Dashboard	671
COVID-19 Response	606
Zero Suicides in Care - ZSiC	500
COVID-19 Workforce Bonus	345
Medication Safety and Quality Program	467
Workforce Wellbeing Initiative Funding	250
PARVAN SIR Sub-committee	100
Hyperemesis Gravidarum (HG) Initiative Community Pharmacy	60
eHealth ICT budget IaaS Uplift	52
TMF Agency Performance Adjustment (APA)	(28)
eHealth ICT budget re-baselining	(428)
Rollover of MatIQ budget to FY23/24	(1,200)
<b>Balance as per Statement of Comprehensive Income</b>	<b>23,302</b>

# Clinical Excellence Commission

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

### 23. 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 2023 \$000	Consolidated <sup>1</sup> 2022 \$000	Parent 2023 \$000	Parent <sup>1</sup> 2022 \$000
Net cash used on operating activities	582	521	582	521
Depreciation and amortisation expense	(452)	(325)	(452)	(325)
Decrease / (increase) in provisions	(51)	(404)	(51)	(404)
Increase / (decrease) in prepayments and other assets	(57)	(88)	(57)	(88)
Decrease / (increase) in payables	(70)	(239)	(70)	(239)
Decrease / (increase) in contract liabilities	-	49	-	49
<b>Net result</b>	<b>(48)</b>	<b>(486)</b>	<b>(48)</b>	<b>(486)</b>

<sup>1</sup> 'Decrease / (increase) in provisions' has been restated to be lower by \$0.001 million in the prior year for the consolidated and parent entity. Refer to Note 13 for further details regarding restatement as a result of an error.

# Clinical Excellence Commission

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

### 24. Financial instruments

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

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

The Chief Executive has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks. Risk management policies are established to identify and analyse the risks faced by the CEC, to set risk limits and controls and to monitor risks. Compliance with policies is reviewed on a continuous basis.

#### (a) Financial instrument categories

##### PARENT AND CONSOLIDATION

Class	Category	Carrying Amount 2023 \$000	Carrying Amount 2022 \$000
<b>Financial assets</b>			
Cash and cash equivalents (Note 14)	Amortised cost	-	2
Receivables (Note 15) <sup>1</sup>	Amortised cost	49	65
<b>Total financial assets</b>		<b>49</b>	<b>67</b>
<b>Financial liabilities</b>			
Borrowings (Note 19)	Financial liabilities measured at amortised cost	3	10
Payables (Note 18) <sup>2</sup>	Financial liabilities measured at amortised cost	1,295	1,215
<b>Total financial liabilities</b>		<b>1,298</b>	<b>1,225</b>

##### Notes

<sup>1</sup> Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7 Financial Instruments: Disclosures).

<sup>2</sup> Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7 Financial Instruments: Disclosures).

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

# Clinical Excellence Commission

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

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### 24. Financial instruments (continued)

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

When the CEC 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 CEC 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 CEC's continuing involvement in the asset. In that case, the CEC 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 CEC 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 CEC 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) Financial risk

##### i. Credit risk

Credit risk arises when there is the possibility that the counterparty will default on their contractual obligations, resulting in a financial loss to the CEC. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for credit losses).

Credit risk arises from financial assets of the CEC, including cash, receivables and authority deposits. No collateral is held by the CEC. The CEC has not granted any financial guarantees.

Credit risk associated with the CEC's financial assets, other than receivables, is managed through the selection of counterparties and establishment of minimum credit rating standards. Authority deposits held with NSW TCorp are guaranteed by the State.

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

##### Cash and cash equivalents

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

##### Accounting policy for impairment of trade receivables and other financial assets

##### Receivables - trade receivables, other receivables and contract assets

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

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

# Clinical Excellence Commission

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

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### 24. Financial instruments (continued)

#### (c) Financial risk (continued)

##### i. Credit risk (continued)

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

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

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

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

There are no loss allowance for trade receivables and other receivables as at 30 June 2023 and 30 June 2022.

The CEC is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors as at 30 June 2023 and 30 June 2022.

##### ii. Liquidity risk

Liquidity risk is the risk that the CEC will be unable to meet its payment obligations when they fall due. The CEC continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets. The objective is to maintain a balance between continuity of funding and flexibility through the use of loans and other advances.

The CEC 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 CEC's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

The CEC 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 CEC fails to meet service agreement performance standards, the Ministry of Health as the state manager can take action in accordance with annual performance framework requirements, including 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.



# Clinical Excellence Commission

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

### 24. Financial instruments (continued)

#### (c) Financial risk (continued)

#### ii. Liquidity risk (continued)

#### PARENT AND CONSOLIDATION

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

*Maturity Analysis and interest rate exposure of financial liabilities*

	EIR <sup>3</sup> %	Nominal Amount <sup>1</sup> \$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
<b>2023</b>								
Payables:								
- Creditors <sup>2</sup>		1,295	-	-	1,295	1,295	-	-
Borrowings:								
- Lease liabilities	2.8%	3	3	-	-	3	-	-
		<b>1,298</b>	<b>3</b>	<b>-</b>	<b>1,295</b>	<b>1,298</b>	<b>-</b>	<b>-</b>
<b>2022</b>								
Payables:								
- Creditors <sup>2</sup>		1,215	-	-	1,215	1,215	-	-
Borrowings:								
- Lease liabilities	2.8%	12	12	-	-	7	5	-
		<b>1,227</b>	<b>12</b>	<b>-</b>	<b>1,215</b>	<b>1,222</b>	<b>5</b>	<b>-</b>

#### Notes:

<sup>1</sup> The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which the CEC can be required to pay. The tables include both interest and principal cash flows and therefore will not reconcile to the Statement of Financial Position.

<sup>2</sup> Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7 Financial Instruments: Disclosures).

<sup>3</sup> Weighted Average Effective Interest Rate (EIR).

# Clinical Excellence Commission

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

### 24. Financial instruments (continued)

#### iii. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The CEC's exposures to market risk are primarily through interest rate risk on the CEC's borrowings and other price risks associated with the movement in the Hour Glass Investment Facilities. The CEC has no exposure to foreign currency risk and does not enter into commodity contracts.

The effect on net result and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the CEC operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the Statement of Financial Position date. The analysis is performed on the same basis as for 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 CEC's interest bearing liabilities. This risk is minimised by undertaking mainly fixed rate borrowings, primarily through NSW TCorp. The CEC does not account for any fixed rate financial instruments at fair value through profit or loss or at fair value through other comprehensive income. Therefore, for these financial instruments, a change in interest rates would not affect 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 CEC 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:

#### **PARENT AND CONSOLIDATION**

	2023		2022	
	\$000		\$000	
	-1%	1%	-1%	1%
Net result	0	(0)	0	(0)
Equity	0	(0)	0	(0)

# Clinical Excellence Commission

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

### 25. Related party disclosures

#### PARENT AND CONSOLIDATION

##### (a) Key management personnel compensation

Key management personnel compensation is as follows:

	2023	2022
	\$000	\$000
Short-term employee benefits	124	282
Post-employment benefits	13	28
	<b>137</b>	<b>310</b>

During the financial year, Clinical Excellence Commission obtained key management personnel services from the immediate parent and incurred \$412 thousand (2022: \$187 thousand) for these services. This amount does not form part of the key management personnel compensation disclosed above.

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

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

CEC provided a research grant to Neuroscience Research Australia (Falls Network), where a KMP and a close family member are lead researchers. The grant application was awarded through the standard application process. Total grant awarded during the period was \$0.209 million (2022: \$0.209 million)

##### (c) Transactions with the ultimate parent

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

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

During the financial year and comparative year, the CEC entered into the various transactions with other entities consolidated as part of the 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 information management services and corporate support services.
- Rental for 1 Reserve Road, St Leonards, NSW 2065
- Staff related costs in relation to seconded staff and some executive salaries

# Clinical Excellence Commission

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

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### 25. Related party disclosures (continued)

#### (d) Transactions the CEC 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
- Insurance costs

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

- Revenue from recurrent and capital allocations

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

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

*Assets and liabilities as follows:*

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

### 26. 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**