



Independent Auditor's Report

Agency for Clinical Innovation

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of the Agency for Clinical Innovation (the Agency), which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the period 11 January 2010 to 30 June 2011, notes comprising a summary of significant accounting policies and other explanatory information of the Agency and the consolidated entity. The consolidated entity comprises the Agency and the entities it controlled at the year's end or from time to time during the financial year.

Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Agency and the consolidated entity, as at 30 June 2011, and of the financial performance for the period 11 January 2010 to 30 June 2011 in accordance with Australian Accounting Standards
- are in accordance with section 45E of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010.

My opinion does not extend to the budget information. I have not audited the budget figures disclosed in the statement of comprehensive income, statement of financial position and statement of cashflows.

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

Board's Responsibility for the Financial Statements

The Board is responsible for the preparation and fair presentation of financial statements that give a true and fair view in accordance with Australian Accounting Standards and the PF&A, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. Those standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board, as well as evaluating the overall presentation of the financial statements.

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

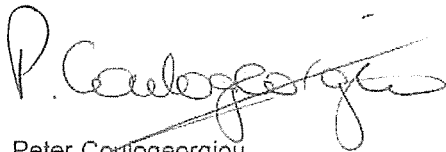
My opinion does *not* provide assurance:

- about the future viability of the Agency or the consolidated entity
- that they have carried out their activities effectively, efficiently and economically
- about the effectiveness of their internal control
- 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.

Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and other relevant ethical pronouncements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their role by the possibility of losing clients or income.



Peter Coulogiorgiou
Director, Financial Audit Services

30 November 2011
SYDNEY

24 November 2011

Our Ref: ACI/D11/7053

Certification of Financial Statements for the period 11 January 2010 to 30 June 2011

Pursuant to Section 45F of the Public Finance and Audit Act 1983, we state that to the best of our knowledge:

1. The financial statements of the Agency for Clinical Innovation for the period ended 30 June 2011 have been prepared in accordance with:
 - The requirements of applicable Australian Accounting Standards (which include Australian Accounting Interpretations)
 - The requirements of the Public Finance and Audit Act 1983 and its regulations
 - Health Services Act 1997 and its regulations
 - Accounts and Audit Determinations
2. The financial statements present fairly the financial position and transactions of the Agency for Clinical Innovation.
3. There are no circumstances which would render any particulars in the accounts to be misleading or inaccurate.



Professor Brian McCaughan
Chair – ACI Board



Dr Hunter Watt
Chief Executive ACI

Agency for Clinical Innovation
Statement of Comprehensive Income for the period 11 January 2010 to 30 June 2011

PARENT				CONSOLIDATION	
Actual	Budget		Notes	Actual	Budget
2011	Unaudited			2011	Unaudited
\$000	2011			\$000	2011
\$000	\$000			\$000	\$000
		Expenses excluding losses			
		Operating Expenses			
		Employee Related	3	7,278	8,633
7,278	8,633	Personnel Services	4	0	0
1,987	1,877	Other Operating Expenses	5	1,987	1,877
5	3	Depreciation and Amortisation	6	5	3
754	803	Grants and Subsidies	7	754	803
10,024	11,316	Total Expenses excluding losses		10,024	11,316
		Revenue			
69	0	Investment Revenue	8	69	0
8	0	Grants and Contributions	9	8	0
65	0	Other Revenue	10	65	0
142	0	Total Revenue		142	0
9,882	11,316	Net Cost of Services		9,882	11,316
		Government Contributions			
		NSW Department of Health			
11,049	12,189	Recurrent Allocations	21	11,049	12,189
		Acceptance by the Crown Entity of			
162	28	Employee Benefits		162	28
11,211	12,217	Total Government Contributions		11,211	12,217
1,329	901	RESULT FOR THE PERIOD		1,329	901
		Other Comprehensive Income			
0	0	for the period		0	0
		TOTAL COMPREHENSIVE INCOME			
1,329	901	FOR THE PERIOD		1,329	901

The accompanying notes form part of these financial statements.

Agency for Clinical Innovation
Statement of Financial Position as at 30 June 2011

PARENT			CONSOLIDATION		
Actual	Budget		Notes	Actual	Budget
2011	Unaudited			2011	Unaudited
\$000	2011			\$000	2011
	\$000				\$000
ASSETS					
Current Assets					
1,526	901	Cash and Cash Equivalents	11	1,526	901
1,040	0	Receivables	12	1,040	0
<u>2,566</u>	<u>901</u>	Total Current Assets		<u>2,566</u>	<u>901</u>
Non-Current Assets					
Property, Plant and Equipment					
246	0	- Plant and Equipment	13	246	0
<u>246</u>	<u>0</u>	Total Property, Plant and Equipment		<u>246</u>	<u>0</u>
<u>246</u>	<u>0</u>	Total Non-Current Assets		<u>246</u>	<u>0</u>
<u>2,812</u>	<u>901</u>	Total Assets		<u>2,812</u>	<u>901</u>
LIABILITIES					
Current Liabilities					
875	0	Payables	15	875	0
574	0	Provisions	16	574	0
<u>1,449</u>	<u>0</u>	Total Current Liabilities		<u>1,449</u>	<u>0</u>
<u>1,449</u>	<u>0</u>	Total Liabilities		<u>1,449</u>	<u>0</u>
<u>1,363</u>	<u>901</u>	Net Assets		<u>1,363</u>	<u>901</u>
EQUITY					
1,363	901	Accumulated Funds		1,363	901
<u>1,363</u>	<u>901</u>	Total Equity		<u>1,363</u>	<u>901</u>

The accompanying notes form part of these financial statements.

Agency for Clinical Innovation
Statement of Changes in Equity for the period ended 30 June 2011

	Notes	Accumulated Funds	Total
		\$000	\$000
Total Equity at 11 January 2010		0	0
Result For The Period		1,329	1,329
Other Comprehensive Income		0	0
Total Comprehensive Income For The Period		1,329	1,329
Transactions With Owners In Their Capacity As Owners			
Increase/(Decrease) in Net Assets From Equity Transfers	22	34	34
Balance at 30 June 2011		1,363	1,363

The accompanying notes form part of these financial statements.

Agency for Clinical Innovation
Statement of Cash Flows for the period ended 30 June 2011

PARENT			CONSOLIDATION	
Actual	Budget Unaudited		Actual	Budget Unaudited
2011	2011	Notes	2011	2011
\$000	\$000		\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES				
Payments				
(6,236)	(8,633)	Employee Related	(6,236)	(8,633)
(754)	(803)	Grants and Subsidies	(754)	(803)
(2,485)	(1,877)	Other	(2,485)	(1,877)
<u>(9,475)</u>	<u>(11,313)</u>	Total Payments	<u>(9,475)</u>	<u>(11,313)</u>
Receipts				
73	0	Other Income	73	0
69	0	Interest Received	69	0
<u>142</u>	<u>0</u>	Total Receipts	<u>142</u>	<u>0</u>
Cash Flows From Government				
11,049	12,189	NSW Department of Health Recurrent Allocations	11,049	12,189
0	0	Cash Reimbursements from the Crown Entity	0	0
<u>11,049</u>	<u>12,189</u>	Net Cash Flows From Government	<u>11,049</u>	<u>12,189</u>
<u>1,716</u>	<u>876</u>	NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>1,716</u>	<u>876</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
(190)	0	Purchases of Plant and Equipment	(190)	0
<u>(190)</u>	<u>0</u>	NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>(190)</u>	<u>0</u>
<u>0</u>	<u>0</u>	CASH FLOWS FROM FINANCING ACTIVITIES	<u>0</u>	<u>0</u>
<u>0</u>	<u>0</u>	NET CASH FLOWS FROM FINANCING ACTIVITIES	<u>0</u>	<u>0</u>
1,526	876	NET INCREASE / (DECREASE) IN CASH	1,526	876
0	0	Cash Transferred In/(Out) as a Result of Administrative Restructuring	0	0
<u>1,526</u>	<u>876</u>	CLOSING CASH AND CASH EQUIVALENTS	<u>1,526</u>	<u>876</u>

The accompanying notes form part of these financial statements

Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
for the Period 11 January 2010 to 30 June 2011

1. The Health Service Reporting Entity

The Agency for Clinical Innovation (ACI) was established on 11 January 2010 by Health Services Amendment (The Agency for Clinical Innovation) Order 2009 under the Health Services Act 1997.

This first set of statutory accounts covers the period from 11 January 2010 to 30 June 2011.

The ACI is a board-governed statutory health corporation that reports to the NSW Minister for Health and the Director-General of the NSW Department of Health.

Established by the NSW Government in direct response to the Garling Inquiry into Acute Care Services in NSW Public Hospitals, the ACI is building on the work of the Greater Metropolitan Clinical Taskforce (GMCT), and engaging doctors, nurses, allied health professionals, managers and the wider community in the process of designing high quality, safe and cost-effective ways to care for patients within the NSW public health system. As one of the "pillars of reform" identified by former Commissioner Peter Garling SC, the ACI works closely with the Bureau for Health Information, Clinical Excellence Commission, the Clinical Education and Training Institute and the Cancer Institute NSW.

The Agency for Clinical Innovation controls the Agency for Clinical Innovation Special Purpose Service Entity which was established as a Division of the Government Service on 11 January 2010 in accordance with the *Health Services Act 1997*. This Division provides personnel services to enable the corporation to exercise its functions.

As a consequence the values in the annual financial statements presented herein consist of the Agency for Clinical Innovation (the parent entity) and the consolidated financial statements of the economic entity which comprise the financial statements of the special purpose entity division and parent entity.

In the process of preparing the consolidated financial statements for the economic entity consisting of the controlling and controlled entities, all inter-entity transactions and balances have been eliminated.

The reporting entity is consolidated as part of the NSW Department of Health and NSW Total State Sector Accounts.

These consolidated financial statements for the period ended 30 June 2011 have been authorised for issue by the Chief Executive on **24 November 2011**.

2. Summary of Significant Accounting Policies

Basis of Preparation

The Agency's financial statements are general purpose financial statements which have been prepared in accordance with applicable Australian Accounting Standards (which include Australian Accounting Interpretations), the Public Finance and Audit Act 1983, Public Finance and Audit Regulations 2010 and the Treasurer's directions.

Property, plant and equipment, investment property, assets (or disposal groups) held for sale and financial assets at "fair value through profit and loss" and available for sale are measured at fair value. Other financial statement items are prepared in accordance with the historical cost convention.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency. Judgments, key assumptions and estimations made by management are disclosed in the relevant notes to the financial statements.

As this is the first period of the Agency's operations, there is no comparative information for the previous period.

Statement of compliance

The consolidated and parent entity financial statements and notes comply with Australian Accounting Standards, which include Australian Accounting Interpretations.

Accounting Standard/Interpretation

No new or revised accounting standards or interpretations are adopted earlier than their prescribed date of application. Set out below are changes to be effected, their date of application and the possible impact on the financial statements of the Agency for Clinical Innovation.

AASB 2010-07, Financial Instruments, arising from the issuance of AASB 9, Financial Instruments, in AASB 2009-5 in December 2010, has mandatory application from 1 July 2013 and will not be early adopted by the Agency for Clinical Innovation.

AASB 124 and AASB2009-12, Related Party Transactions, have application from 1 July 2011 but are assessed as having no material impact on the Agency for Clinical Innovation.

AASB 2009-14, Amendments to Australian Interpretation -Prepayment of a Minimum Funding Requirement, has application from 1 July 2011 and principally addresses contributions relating to future service. It has no impact on the Agency for Clinical Innovation.

Agency for Clinical Innovation
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AASB 1053 and AASB 2010-2, Application of Tiers of Australian Accounting Standards, have application from 1 July 2013 and may result in a lessening of reporting requirements, dependent on the mandate of Treasury

AASB 2010-04, Annual Improvements, has application from 1 July 2011 and is assessed as having no material impact on the Agency for Clinical Innovation

AASB 2010-5, Editorial Corrections, applies from 1 July 2011 and principally addresses editorial amendments to a range of Australian Accounting Standards and Interpretations. It is assessed as having no impact on the Agency for Clinical Innovation

AASB 2010-6, Disclosures on Transfers of Financial Assets, has mandatory application from 1 July 2011 and is assessed as having no impact on the Agency for Clinical Innovation

Other significant accounting policies used in the preparation of these financial statements are as follows:

a) Employee Benefits and Other Provisions

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

At the consolidated level of reporting, liabilities for salaries and wages (including non-monetary benefits), annual leave and paid sick leave that are due to be settled within 12 months after the end of the period in which the employees render the service are recognised and measured in respect of employees' services up to the reporting date at undiscounted amounts based on the amounts expected to be paid when the liabilities are settled.

All Annual Leave employee benefits are reported as "Current" as there is an unconditional right to payment. Current liabilities are then further classified as "Short Term" or "Long Term" based on past trends and known resignations and retirements. Anticipated payments to be made in the next twelve months are reported as "Short Term".

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 outstanding amounts of workers' compensation insurance premiums and fringe benefits tax, which are consequential to employment, are recognised as liabilities and expenses where the employee benefits to which they relate have been recognised.

ii) Long Service Leave and Superannuation

Responsibility for Long Service Leave liability transferred to the Crown Entity with effect from 31 December 2010. As is with the case with other Budget Sector agencies both the Defined Benefit Superannuation (State Authorities Superannuation Scheme and State Superannuation Scheme) and Long Service Leave liabilities are now assumed by the Crown Entity.

Long Service Leave is measured at present value in accordance with AASB119, Employee Benefits. This is based on the application of certain factors (specified in NSW Treasury Circular 11/06) to employees with five or more years of service, using current rates of pay. These approximate present value.

The Agency's liability for the closed superannuation pool schemes (State Authorities Superannuation Scheme and State Superannuation Scheme) is assumed by the Crown Entity. The Health Service accounts for the liability as having been extinguished resulting in the amount assumed being shown as part of the non-monetary revenue item described as "Acceptance by the Crown Entity of Employee Benefits".

The superannuation expense for the financial year is determined by using the formulae specified by the NSW Department of Health. The expense for certain superannuation schemes (ie Basic Benefit and First State Super) is calculated as a percentage of the employees' salary. For other superannuation schemes (ie State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employees' superannuation contributions.

iii) Other Provisions

Other provisions exist when the Agency 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.

b) Insurance

The Agency's insurance activities are conducted through the NSW Treasury Managed Fund Scheme of self insurance for Government Agencies. The expense (premium) is determined by the Fund Manager based on past claim experience.

Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
for the Period 11 January 2010 to 30 June 2011

c) Finance Costs

Finance costs are recognised as expenses in the period in which they are incurred, in accordance with Treasury's Mandate to not-for-profit general government sector agencies

d) Income Recognition

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

Sale of Goods

Revenue from the sale of goods is recognised as revenue when the agency transfers the significant risks and rewards of ownership of the assets

Rendering of Services

Revenue is recognised when the service is provided or by reference to the stage of completion (based on labour hours incurred to date)

Investment Revenue

Interest revenue is recognised using the effective interest method as set out in *AASB 139, Financial Instruments: Recognition and Measurement*. Rental revenue is recognised in accordance with *AASB 117 Leases* on a straight line basis over the lease term. Dividend revenue is recognised in accordance with *AASB 118 Revenue* when the Agency's right to receive payment is established

Grants and Contributions

Grants and Contributions are generally recognised as revenues when the Agency obtains control over the assets comprising the contributions. Control over contributions is normally obtained upon the receipt of cash

NSW Department of Health Allocations

Payments are made by the NSW Department of Health on the basis of the allocation for the Agency for Clinical Innovation as adjusted for approved supplementations mostly for salary agreements and approved enhancement projects. This allocation is included in the Statement of Comprehensive Income before arriving at the "Result for the Year" on the basis that the allocation is earned in return for the services provided on behalf of the Department. Allocations are normally recognised upon the receipt of Cash.

e) 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 corporation as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset 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 is recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

f) Acquisition of Assets

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by the Agency. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Australian Accounting Standards

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and revenues at their fair value at the date of acquisition (See also assets transferred as a result of an equity transfer Note 2(f))

Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction

Where payment for an asset is deferred beyond normal credit terms, its cost is the cash price equivalent, ie the deferred payment amount is effectively discounted at an asset-specific rate

Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
for the Period 11 January 2010 to 30 June 2011

Land and Buildings which are owned by the Health Administration Corporation or the State and administered by the Agency are deemed to be controlled by the Agency and are reflected as such in the financial statements

g) **Capitalisation Thresholds**

Individual items of property, plant & equipment are capitalised where their cost is \$10,000 or above

h) **Depreciation of Property, Plant and Equipment**

Depreciation is provided for on a straight-line basis for all depreciable assets so as to write off the depreciable amount of each asset as it is consumed over its useful life to the Agency. Land is not a depreciable asset. All material separately identifiable components of assets are depreciated over their shorter useful lives

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

Computer Equipment	20.0%
Motor Vehicle Sedans	12.5%
Office Equipment	10.0%
Furniture, Fittings and Furnishings	5.0%

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

i) **Revaluation of Non-Current Assets**

Physical non-current assets are valued in accordance with the NSW Department of Health's "Valuation of Physical Non-Current Assets at Fair Value" policy. This policy adopts fair value in accordance with AASB116, *Property, Plant and Equipment* and AASB140, *Investment Property*. Investment property is separately discussed at Note 2(o).

Property, plant and equipment is measured on an existing use basis, where there are no feasible alternative uses in the existing natural, legal, financial and socio-political environment. However, in the limited circumstances where there are feasible alternative uses, assets are valued at their highest and best use.

Non-specialised assets with short useful lives are measured at depreciated historical cost, as a surrogate for fair value.

j) **Impairment of Property, Plant and Equipment**

As a not-for-profit entity with no cash generating units, the Agency for Clinical Innovation is effectively exempt from AASB 136 *Impairment of Assets* and impairment testing. This is because AASB136 modifies the recoverable amount test to the higher of fair value less costs to sell and depreciated replacement cost. This means that, for an asset already measured at fair value, impairment can only arise if selling costs are regarded as material. Selling costs are regarded as immaterial.

k) **Intangible Assets**

The Agency for Clinical Innovation recognises intangible assets only if it is probable that future economic benefits will flow to the Agency 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. All research costs are expensed. Development costs are only capitalised when certain criteria are met.

l) **Maintenance**

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

m) **Leased Assets**

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased assets, and operating leases under which the lessor effectively retains all such risks and benefits.

Where a non-current asset is acquired by means of a finance lease, the asset is recognised at its fair value at the commencement of the lease term. The corresponding liability is established at the same amount. Lease payments are allocated between the principal component and the interest expense.

Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
for the Period 11 January 2010 to 30 June 2011

Operating lease payments are charged to the Statement of Comprehensive Income in the periods in which they are incurred

n) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any impairment of receivables. Any changes are recognised in the Result for the Year when impaired, derecognised or through the amortisation process.

Short-term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

o) Investments

Investments are initially recognised at fair value plus, in the case of investments not at fair value through profit or loss, transaction costs. The Agency for Clinical Innovation determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this at each financial year end.

Purchases or sales of investments under contract that require delivery of the asset within the timeframe established by convention or regulation are recognised on the trade date; i.e. the date the Agency commits to purchase or sell the asset.

p) Impairment of financial assets

All financial assets, except those measured at fair value through profit and loss, are subject to an annual review for impairment. An allowance for impairment is established when there is objective evidence that the entity will not be able to collect all amounts due.

For financial assets carried at amortised cost, the amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the impairment loss is recognised in the Result for the Year.

When an available for sale financial asset is impaired, the amount of the cumulative loss is removed from equity and recognised in the Result for the Year, based on the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss previously recognised in the Result for the Year.

Any reversals of impairment losses are reversed through the Result for the Year, where there is objective evidence, except reversals of impairment losses on an investment in an equity instrument classified as "available for sale" must be made through the reserve. Reversals of impairment losses of financial assets carried at amortised cost cannot result in a carrying amount that exceeds what the carrying amount would have been had there not been an impairment loss.

q) Payables

These amounts represent liabilities for goods and services provided to the Agency for Clinical Innovation. Payables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

Payables are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Agency.

r) Borrowings

Loans are not held for trading or designated at fair value through profit or loss and are recognised at amortised cost using the effective interest rate method. Gains or losses are recognised in the Result for the Year on derecognition.

The finance lease liability is determined in accordance with AASB 117, *Leases*.

Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
for the Period 11 January 2010 to 30 June 2011

s) **De-recognition of financial assets and financial liabilities**

A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire; or if the agency transfers the financial assets:

- where substantially all the risks and rewards have been transferred; or
- where the agency has not transferred substantially all the risks and rewards, if the entity has not retained control

Where the agency has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of the agency's continuing involvement in the asset. A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires.

t) **Equity Transfers**

The transfer of net assets between agencies as a result of an administrative restructure, transfers of programs/functions and parts thereof between NSW public sector agencies is designated or required by Accounting Standards to be treated as contributions by owners and is recognised as an adjustment to "Accumulated Funds". This treatment is consistent with AASB1004, *Contributions* and Australian Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities*.

Transfers arising from an administrative restructure involving not-for-profit entities and for-profit government departments are recognised at the amount at which the asset was recognised by the transferor immediately prior to the restructure. In most instances this will approximate fair value.

All other equity transfers are recognised at fair value, except for intangibles. Where an intangible has been recognised at (amortised) cost by the transferor because there is no active market, the agency recognises the asset at the transferor's carrying amount. Where the transferor is prohibited from recognising internally generated intangibles, the agency does not recognise that asset.

u) **Equity and Reserves**

(i) **Asset Revaluation Reserve**

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets. This accords with the Agency's policy on the revaluation of property, plant and equipment as discussed in Note 2(i).

(ii) **Accumulated Funds**

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

v) **Budgeted Amounts**

The budgeted amounts are drawn from the budgets agreed with the NSW Health Department at the beginning of the financial reporting period and with any adjustments for the effects of additional supplementation provided. These columns are not audited.

Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
for the Period 11 January 2010 to 30 June 2011

PARENT		CONSOLIDATION
2011		2011
\$000		\$000
	3. Employee Related	
	Employee related expenses comprise the following:	
0	Salaries and Wages	5,907
0	Superannuation - Defined Benefit Plans	115
0	Superannuation - Defined Contribution Plans	381
0	Long Service Leave	148
0	Annual Leave	497
0	Sick Leave and Other Leave	230
<u>0</u>		<u>7,278</u>
	4. Personnel Services	
	Personnel Services comprise the purchase of the following:	
5,907	Salaries and Wages	0
115	Superannuation - Defined Benefit Plans	0
381	Superannuation - Defined Contribution Plans	0
148	Long Service Leave	0
497	Annual Leave	0
230	Sick Leave and Other Leave	0
<u>7,278</u>		<u>0</u>
	5. Other Operating Expenses	
48	Advertising	48
28	Auditors Remuneration	28
11	Domestic Supplies and Services	11
36	Food Supplies	36
4	Fuel, Light and Power	4
517	General Expenses	517
76	Information Management Expenses	76
	Maintenance	
2	Maintenance Contracts	2
66	New/Replacement Equipment under \$10,000	66
44	Repairs Maintenance/Non Contract	44
55	Other	55
35	Motor Vehicle Expenses	35
69	Postal and Telephone Costs	69
158	Printing and Stationery	158
157	Rental	157
223	Staff Related Costs	223
206	Sundry Operating Expenses	206
252	Travel Related Costs	252
<u>1,987</u>		<u>1,987</u>

Agency for Clinical Innovation
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PARENT		CONSOLIDATION
2011 \$000		2011 \$000
	6. Depreciation and Amortisation	
5	Depreciation - Plant and Equipment	5
<u>5</u>		<u>5</u>
	7. Grants and Subsidies	
467	Grants to Research Organisations	467
287	Budget Sector Other Grants	287
<u>754</u>		<u>754</u>

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PARENT

CONSOLIDATION

2011
\$000

2011
\$000

8. Investment Revenue

69

Interest
- Bank

69

69

69

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PARENT		CONSOLIDATION
		2011
		\$000
	9. Grants and Contributions	
	Lifetime Care & Support Authority	8
<u>8</u>		<u>8</u>
<u>8</u>		<u>8</u>
	10. Other Revenue	
	Other Revenue comprises the following:-	
	Conference and Training Fees	27
27	Other	38
<u>38</u>		<u>38</u>
<u>65</u>		<u>65</u>

Agency for Clinical Innovation
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PARENT		CONSOLIDATION
2011		2011
\$000		\$000
	11. Cash and Cash Equivalents	
1,526	Cash at Bank and On Hand*	1,526
<u>1,526</u>		<u>1,526</u>
	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:	
1,526	Cash and Cash Equivalents (per Statement of Financial Position)	1,526
<u>1,526</u>	Closing Cash and Cash Equivalents (per Statement of Cash Flows)	<u>1,526</u>

* Of this amount \$1.2 million is held for the Emergency Care Institute to be expensed in the 2011-12 financial year.

Refer to Note 23 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
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PARENT		CONSOLIDATION
2011 \$000		2011 \$000
	12. Receivables	
	Current	
151	(a) Sale of Goods and Services	151
493	Intra Health Receivables	493
230	Goods and Services Tax	230
166	Other Debtors	166
1,040		1,040
1,040		1,040

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in Note 23.

Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
for the Period 11 January 2010 to 30 June 2011

PARENT		CONSOLIDATION
2011		2011
\$000		\$000
	13. Property, Plant and Equipment	
	Plant and Equipment - Fair Value	
277	Gross Carrying Amount	277
(31)	Less Accumulated Depreciation	(31)
<u>246</u>	Net Carrying Amount	<u>246</u>
	Total Property, Plant and Equipment	
<u>246</u>	At Net Carrying Amount	<u>246</u>

Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
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PARENT & CONSOLIDATED

13 Property, Plant and Equipment - Reconciliation

	Plant and Equipment	Total
	\$000	\$000
2011		
Net Carrying Amount at Start of Period	0	0
Additions	190	190
Depreciation Expense	(5)	(5)
Administrative Restructures - Transfers	87	87
Accumulated Depreciation brought forward	(26)	(26)
Net Carrying Amount at End of Period	246	246

Agency for Clinical Innovation
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PARENT		CONSOLIDATION
2011 \$000		2011 \$000
	14. Restricted Assets	
	ACI holds the following amounts in a Special Purpose Trust Account which is not included in the Agency's Financial Statements. The assets are only available for application in accordance with the terms of the donor restrictions.	
	Category	
25	Specific Purposes - Burns Network	25
30	Deposit for Network to Network Conference by Queensland Health	30
<u>55</u>		<u>55</u>

Agency for Clinical Innovation
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PARENT		CONSOLIDATION
2011		2011
\$000		\$000
	15. Payables	
	Current	
0	Accrued Salaries, Wages and On-Costs	271
0	Taxation and Payroll Deductions	61
332	Accrued Liability - Purchase of Personnel Services	0
24	Creditors	24
	Other Creditors	
253	- Intra Health Liability	253
266	- Other	266
875		875

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 23.

Agency for Clinical Innovation
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PARENT		CONSOLIDATION
2011 \$000		2011 \$000
	16. Provisions	
	Current Employee Benefits and Related On-Costs	
	Annual Leave - Short Term Benefit	391
	Annual Leave - Long Term Benefit	131
	Long Service Leave - Short Term Benefit	
	Long Service Leave - Long Term Benefit	
	Long Service Leave consequential factors	52
574	Provision for Personnel Services Liability	
<u>574</u>	Total Current Provisions	<u>574</u>
	Aggregate Employee Benefits and Related On-Costs	
574	Provisions - Current (refer above)	574
	Accrued Salaries, Wages and On-Costs	332
332	Accrued Liability - Purchase of Personnel Services	
<u>906</u>		<u>906</u>

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PARENT		CONSOLIDATION
2011 \$000	17. Commitments for Expenditure	2011 \$000
	(a) Capital Commitments	
	There are no capital commitments at 30 June 2011.	
<u>0</u>	Total Capital Expenditure Commitments (Including GST)	<u>0</u>
	(b) Other Expenditure Commitments	
	Aggregate other expenditure contracted for the acquisition of goods and services at balance date and not provided for:	
67	Not later than one year	67
0	Later than one year and not later than five years	0
0	Later than five years	0
<u>67</u>	Total Other Expenditure Commitments (Including GST)	<u>67</u>
	(c) Operating Lease Commitments	
	ACI is currently leasing its office premises at Chatswood from Health Support Services. No formal lease agreement is in place.	

18. Contingent Liabilities and Assets

There are no contingent liabilities or assets at 30 June 2011.

Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
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PARENT		CONSOLIDATION
2011		2011
\$000		\$000
19. Reconciliation of Net Cash Flows from Operating Activities to Net Cost of Services		
1,716	Net Cash Flows from Operating Activities	1,716
(5)	Depreciation	(5)
(34)	Gain on LSL transferred to Crown	(34)
61	LSL Actuarial Adjustment	61
(162)	Acceptance by the Crown Entity of Employee Superannuation Benefits	(162)
(574)	Decrease in Provisions	(574)
1,040	Increase / (Decrease) in Prepayments and Other Assets	1,040
(875)	(Increase)/ Decrease in Creditors	(875)
(11,049)	NSW Health Department Recurrent Allocations	(11,049)
<u>(9,882)</u>	Net Cost of Services	<u>(9,882)</u>

Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
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PARENT AND CONSOLIDATED

20. Unclaimed Moneys

Unclaimed salaries and wages are paid to the credit of the NSW Treasury in accordance with the provisions of the *Industrial Relations Act, 1996*.

21. Budget Review - Parent and Consolidated

Net Cost of Services

The actual Net Cost of Services was lower than budget by \$1,434K primarily due to :

- (a) Commonwealth Funds totalling some \$1.2 million received to establish an Emergency Care Institute which will be spent in the next financial year, as a Director and staff were only appointed towards the end of this financial year.
- (b) Funding received for a number of projects in Diabetes, Musculoskeletal, Cardiac and Nutrition networks which have project officers employed, and which will continue to the next financial year when these projects are expected to be completed.

Result for the Period

The result for the period is favorable by \$428K as a result of the favourable Net Cost of Services position.

Assets and Liabilities

Total Assets are greater than the budgeted amount by about \$462K as a result of Emergency Care Institute funds of \$1.2 million unspent at year-end. Additional liabilities of \$875K for wages and intra health creditors were incurred.

Total Liabilities are greater than the budgeted amount by about \$1,449K as a result of accruing for employee entitlements at year end and the transfer of liability for employee leave from Northern Sydney Central Coast Area Health Service to ACI in respect of 35 employees who left to commence employment with the ACI.

NSW Department of Health Recurrent Allocation split for the period are as follows:

	\$000
Allocation for period 11 January 2010 to 30 June 2010	3,403
Allocation for 2010-11 financial year	5,529
Musculoskeletal Model of Care	250
Intellectual Disability Network	42
5 Models of Care	500
Emergency Care Institute	<u>1,325</u>
Balance as per Statement of Comprehensive Income	<u><u>11,049</u></u>

Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
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22. a) Increase/(Decrease) in Net Assets from Equity Transfers

Assets and liabilities transferred are as follows:

	\$000
Assets	
Receivables	91
Plant & Equipment	60
Annual Leave Receivable	331
Long Service Leave Receivable	924
	1406
	1406
Liabilities	
Annual Leave	-391
Long Service Leave	-924
Payables	-91
	-1406
	-1406

22. b) Increase in Net Assets from Transfer of Long Service Leave Liability

As at 31 December 2011, Long Service Leave Liability was transferred from the Agency for Clinical Innovation to the Crown Entity	958
Forgiveness of LSL Loan from former Northern Sydney Central Coast Area Health Service relating to LSL portion	-924
	34
	34
Increase/Decrease in Net Assets from Equity Transfers	34

Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
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23 Financial Instruments

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

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

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

(a) Financial Instrument Categories

PARENT and CONSOLIDATION

Financial Assets Class:	Category	Carrying Amount
		2011 \$000
Cash and Cash Equivalents (note 11)	N/A	1526
Receivables (note 12) ¹	Loans and receivables (at amortised cost)	1040
Total Financial Assets		<u>2566</u>
Financial Liabilities		
Payables (note 15) ²	Financial liabilities measured at amortised cost	875
Total Financial Liabilities		<u>875</u>

Notes

1 Excludes statutory receivables and prepayments (ie not within scope of AASB 7)

2 Excludes statutory payables and unearned revenue (ie not within scope of AASB 7)

(b) Credit Risk

Credit risk arises when there is the possibility of the Agency's debtors defaulting on their contractual obligations, resulting in a financial loss to the Health Service. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for impairment).

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

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

Cash

Cash comprises cash on hand and bank balances deposited in accordance with Public Authorities (Financial Arrangements) Act approvals. Interest is earned on daily bank balances at rates of approximately 4.5% in 2010/11.

Receivables - trade debtors

All trade debtors are recognised as amounts receivable at balance date. Collectability of trade debtors is reviewed on an ongoing basis. Procedures as established in the NSW Department of Health Accounting Manual and Fee Procedures Manual are followed to recover outstanding amounts, including letters of demand. Debts which are known to be uncollectable are written off. An allowance for impairment is raised when there is objective evidence that the Health Service will not be able to collect all amounts due. This evidence includes past experience and current and expected changes in economic conditions and debtor credit ratings. No interest is earned on trade debtors.

\$000			
2011	Total ^{1,2}	Past due but not impaired ^{1,2}	Considered impaired ^{1,2}
<3 months overdue	584	584	0
3 months - 6 months overdue	14	14	0
> 6 months overdue			

Notes

1 Each column in the table reports "gross receivables".

2 The ageing analysis excludes statutory receivables, as these are not within the scope of AASB 7 and excludes receivables that are not past due and not impaired. Therefore, the "total" will not reconcile to the receivables total recognised in the statement of financial position.

(c) Liquidity Risk

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

During the current year, there were no defaults or breaches on any loans payable. No assets have been pledged as collateral. The Agency for Clinical Innovation's exposure to liquidity risk is minimal as the NSW Department of Health has indicated its ongoing financial support for the Agency for Clinical Innovation.

Agency for Clinical Innovation
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The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set by the NSW Department of Health. If trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received.

Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
for the Period 11 January 2010 to 30 June 2011

24 Post Balance Date Events

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

However, the function of ACI will be expanded in 2011/12 with the Agency being restructured and resourced to enable it to satisfy its new responsibilities for designing and implementing new models of care, including programs to manage chronic illness and prevent hospitalisation.

The Policy and Technical Support Unit, a division included in the Health Administration Corporation financial statements for 2010/11, will transfer to ACI in 2011/12.

END OF AUDITED FINANCIAL STATEMENTS