Finance

Preamble

The Commission's Net Result before capital was a surplus of $868,000 which was $930,000 favourable to budget. The result was primarily due to higher than budgeted legal cost recovery revenue. This was offset by higher than budgeted expenses due to various projects being undertaken in the Commission, as agreed by the Executive. The excess funds were allocated as per the below:

- CEAL adjustment for 2018-19 of $451,000 used from the recurrent surplus and;
- A carry forward of own source revenue of $479,000 to fund Phase two of the office refurbishment (2019-20).

PAYMENT PERFORMANCE INDICATORS

Account payable invoices processed for each quarter, 2018-2019

	Current (i.e.) within due date	Less than 30 days overdue	Between 30 and 60 days overdue	Between 60 and 90 days overdue	More than 90 days overdue
Quarter	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
All suppliers					
September	449	507	13	15	13
December	489	164	16	1	29
March	275	183	60	16	8
June	772	545	101	4	60
Small business suppliers					
September	1	–	–	–	–
December	5	–	–	–	–
March	1	–	–	–	–
June	–	–	–	–	–

Accounts due or paid within each quarter				
Measure	**September**	**December**	**March**	**June**
All suppliers				
Number of accounts due for payment	381	374	334	488
Number of accounts paid on time	326	309	240	389
Actual percentage of accounts due for payment	85.56%	82.62%	71.86%	79.71%
Dollar amount of accounts due for payment	1,208,930	1,092,706	779,521	2,237,486
Dollar amount of accounts paid on time	1,102,840	971,149	616,306	1,983,408
Actual percentage of accounts paid on time (based on $)	91.22%	88.88%	78.68%	88.64%
Number of payments for interest on overdue accounts	–	–	–	–
Interest paid on overdue accounts	–	–	–	–
Small business suppliers				
Number of accounts due for payment	¬–	3	2	6
Number of accounts paid on time	–	3	2	6
Actual percentage of accounts due for payment	–	100%	100%	100%
Dollar amount of accounts due for payment	–	15,504	7,200	25,108
Dollar amount of accounts paid on time	–	15,504	7,200	25,108
Actual percentage of accounts paid on time (based on $)	–	100%	100%	100%
Number of payments for interest on overdue accounts	–	–	–	–
Interest paid on overdue accounts	–	–	–	–

The Commission did not make any interest payments for late payment of accounts. Where there were delays in the payment of accounts, the reasons can be attributed to inaccuracies/incompleteness of the original invoices and/or minor disputes requiring the adjustment of invoice details prior to eventual payment.

All small business number of accounts were paid on time during the current reporting period.

INDEPENDENT AUDITOR'S REPORT

Health Care Complaints Commission

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Health Care Complaints Commission (the Commission), which comprise the Statement of Comprehensive Income and the Statement of Changes in Equity for the year ended 30 June 2019, the Statement of Financial Position as at 30 June 2019, and the Statement of Cash Flows for the year then ended, notes comprising a Summary of significant accounting policies and other explanatory information of the Commission and the consolidated entity. The consolidated entity comprises the Commission and the entity it controlled at the year's end or from time to time during the financial year.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Commission and the consolidated entity as at 30 June 2019, and of their financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

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

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Commission and the consolidated entity in accordance with the requirements of the:

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

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

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

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

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GPO Box 12, Sydney NSW 2001 | **t** 02 9275 7101 | **f** 02 9275 7179 | mail@audit.nsw.gov.au | audit.nsw.gov.au

Other Information

The Commission's annual report for the year ended 30 June 2019 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Commissioner of the Commission is responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the Statement by Commissioner.

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

The Commissioner's Responsibilities for the Financial Statements

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

In preparing the financial statements, the Commissioner is responsible for assessing the ability of the Commission and the consolidated entity to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting except where operations will be dissolved by an Act of Parliament or otherwise cease.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar3.pdf. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Commission or the consolidated entity carried out their activities effectively, efficiently and economically
- about the assumptions used in formulating the budget figures disclosed in the financial statements
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

Dominika Ryan
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

27 September 2019
SYDNEY

Health Care Complaints Commission

Statement by Commissioner

In accordance with section 41C (1B) of the *Public Finance and Audit Act 1983* ("the Act"), I state that:

a) The accompanying financial statements in respect of the year ended 30 June 2019 have been prepared in accordance with applicable Australian Accounting Standards (which include Australian Accounting Interpretations), the requirements of the Act, Regulation 2015, and the Financial Reporting Directions published in the Financial Reporting Code for NSW General Government Sector Entities or issued by the Treasurer under section 9(2) of the Act
b) The financial statements exhibit a true and fair view of the financial position and financial performance of the Health Care Complaints Commission
c) There are no circumstances that would render any particulars included in the financial statements to be misleading or inaccurate.

Sue Dawson
Commissioner

20 September 2019

Health Care Complaints Commission Consolidated Financial Statements for the year ended 30 June 2019

Health Care Complaints Commission
Statement of Comprehensive Income
for the year ended 30 June 2019

	Notes	Parent		Consolidated		
		Actual 2019 $'000	Actual 2018 $'000	Actual 2019 $'000	Budget 2019 $'000	Actual 2018 $'000
Expenses excluding losses						
Operating expenses						
Employee related	2(a)	-	-	13,066	13,741	11,122
Personnel services	2(a)	12,576	10,897	-	-	-
Other operating expenses	2(b)	5,013	5,030	5,013	3,896	5,030
Depreciation and amortisation	2(c)	240	135	240	276	135
Total expenses excluding losses		**17,829**	**16,062**	**18,319**	**17,913**	**16,287**
Revenue						
Grants and contributions	3(a)	16,980	14,959	16,980	17,062	14,959
Acceptance by the Crown Entity of employee benefits and other liabilities	3(b)	-	-	490	289	225
Other revenue	3(c)	1,719	1,168	1,719	500	1,168
Total revenue		**18,699**	**16,127**	**19,189**	**17,851**	**16,352**
Net result		**870**	**65**	**870**	**(62)**	**65**
Other comprehensive income		-	-	-	-	-
Total other comprehensive income		**-**	**-**	**-**	**-**	**-**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**870**	**65**	**870**	**(62)**	**65**

The accompanying notes form part of these financial statements.

Health Care Complaints Commission

Statement of Financial Position

as at 30 June 2019

	Notes	Parent		Consolidated		
		Actual 2019 $'000	Actual 2018 $'000	Actual 2019 $'000	Budget 2019 $'000	Actual 2018 $'000
ASSETS						
Current assets						
Cash and cash equivalents	5	328	132	417	408	305
Receivables	6	678	517	651	331	392
Total current assets		**1,006**	**649**	**1,068**	**739**	**697**
Non-current assets						
Receivables	6	151	85	151	137	85
Property, plant and equipment						
Leasehold improvements		1,153	483	1,153	452	483
Plant and equipment		139	195	139	28	195
Total property, plant and equipment	7	**1,292**	**678**	**1,292**	**480**	**678**
Intangible assets	8	126	142	126	(85)	142
Total non-current assets		**1,569**	**905**	**1,569**	**532**	**905**
Total assets		**2,575**	**1,554**	**2,637**	**1,271**	**1,602**
LIABILITIES						
Current liabilities						
Payables	9	369	387	377	258	390
Provisions	10	1,357	1,198	1,411	820	1,243
Total current liabilities		**1,726**	**1,585**	**1,788**	**1,078**	**1,633**
Non-current liabilities						
Provisions	10	393	383	393	354	383
Total non-current liabilities		**393**	**383**	**393**	**354**	**383**
Total liabilities		**2,119**	**1,968**	**2,181**	**1,432**	**2,016**
Net assets/(liabilities)		**456**	**(414)**	**456**	**(161)**	**(414)**
EQUITY						
Accumulated funds/(deficit)		456	(414)	456	(161)	(414)
Total equity		**456**	**(414)**	**456**	**(161)**	**(414)**

The accompanying notes form part of these financial statements.

Health Care Complaints Commission
Statement of Changes in Equity
for the year ended 30 June 2019

	Parent		Consolidated	
	Accumulated Funds $'000	Total $'000	Accumulated Funds $'000	Total $'000
Balance at 1 July 2018	**(414)**	**(414)**	**(414)**	**(414)**
Net result for the year	870	870	870	870
Other comprehensive income	-	-	-	-
Total other comprehensive income	-	-	-	-
Total comprehensive income for the year	**870**	**870**	**870**	**870**
Balance at 30 June 2019	**456**	**456**	**456**	**456**
Balance at 1 July 2017	**(479)**	**(479)**	**(479)**	**(479)**
Net result for the year	65	65	65	65
Other comprehensive income	-	-	-	-
Total other comprehensive income	-	-	-	-
Total comprehensive income for the year	**65**	**65**	**65**	**65**
Balance at 30 June 2018	**(414)**	**(414)**	**(414)**	**(414)**

The accompanying notes form part of these financial statements.

Health Care Complaints Commission
Statement of Cash Flows
for the year ended 30 June 2019

	Notes	Parent		Consolidated		
		Actual 2019 $'000	Actual 2018 $'000	Actual 2019 $'000	Budget 2019 $'000	Actual 2018 $'000
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
Employee related		-	-	(12,398)	(13,578)	(10,680)
Personnel services		(12,322)	(10,678)	-	-	-
Other expenses		(5,603)	(5,482)	(5,598)	(4,335)	(5,546)
Total payments		**(17,925)**	**(16,160)**	**(17,996)**	**(17,913)**	**(16,226)**
Receipts						
Grants and contributions		16,980	14,959	16,980	17,062	14,959
Other		1,979	1,757	1,966	941	1,730
Total receipts		**18,959**	**16,716**	**18,946**	**18,003**	**16,689**
NET CASH FLOWS FROM OPERATING ACTIVITIES	15	**1,034**	**556**	**950**	**90**	**463**
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of property, plant and equipment		(824)	(624)	(824)	(386)	(624)
Purchases of intangible assets		(14)	(124)	(14)	-	(124)
NET CASH FLOWS FROM INVESTING ACTIVITIES		**(838)**	**(748)**	**(838)**	**(386)**	**(748)**
NET INCREASE/(DECREASE) IN CASH		**196**	**(192)**	**112**	**(296)**	**(285)**
Opening cash and cash equivalents		132	324	305	704	590
CLOSING CASH AND CASH EQUIVALENTS	5	**328**	**132**	**417**	**408**	**305**

The accompanying notes form part of these financial statements.
The HCCC had no cash flows from financing activities during 2017-18 & 2018-19.

Health Care Complaints Commission
Notes to and forming part of the financial statements
for the year ended 30 June 2019

1. Summary of significant accounting policies

(a) Reporting entity

The Health Care Complaints Commission (HCCC) is a NSW Government statutory body, responsible for protecting the health and safety of the public by dealing with complaints about health service providers which affects, or is likely to affect, the clinical management or care of an individual client.

The HCCC is a not-for-profit entity (as profit is not its principal objective) and it has no cash generating units. The reporting entity is consolidated as part of NSW Total State Sector Accounts.

The HCCC, as a reporting entity, comprises all the entities under its control, namely the Health Care Complaints Commission and the Health Care Complaints Commission Staff Agency.

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 and like transactions and other events are accounted for using uniform accounting policies.

The HCCC was established as a body corporate under Section 75 of the *Health Care Complaints Act* and is a separate reporting entity under Schedule 2 of the *Public Finance and Audit Act* 1983, outside the control of the NSW Ministry of Health.

These consolidated financial statements for the year ended 30 June 2019 have been authorised for issue by the Commissioner on 20 September 2019.

(b) Basis of preparation

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

- applicable Australian Accounting Standards (which include Australian Accounting Interpretations)
- the requirements of the *Public Finance and Audit Act 1983* and Regulation 2015, and
- the Financial Reporting Directions published in the Financial Reporting Code for NSW General Government Sector Entities or issued by the Treasurer.

Plant and equipment assets are measured at fair value. Other financial statement items are prepared in accordance with the historical cost convention.

Judgement, key assumptions and estimations that management has made are disclosed in the relevant notes to the financial statements.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

(i) Going concern

The Commission is a 'going concern' public sector entity. The Commission receives annual grant funding from the Ministry of Health to fund its operations. As presented in the NSW Governments 2018-19 Budget Paper 3, NSW Treasury through the NSW Ministry of Health, provides grant funding to the Commission to meet its legislative responsibilities each year including meeting its liabilities inclusive of its financial liquidity and balance sheet provisions. Allocated funds, combined with other revenues earned (legal cost recoveries), are applied to pay debts as and when they become due and payable. The Commission has the capacity to review timing of grant payments from the NSW Ministry of Health to ensure that debts can be paid when they become due and payable.

The closing cash balance is as a result of NSW Treasury's cash management reforms outlined in Circular 15-01 Cash Management - Expanding the Scope of the Treasury Management system which requires all non-restricted cash and cash equivalents in excess of a readily assessable short term level to be held within the Treasury Banking System.

Health Care Complaints Commission
Notes to and forming part of the financial statements
for the year ended 30 June 2019

1. Summary of significant accounting policies (cont'd)

The closing cash balance of $417,000 at 30 June 2019 is higher than the agreed Treasury cash buffer of $250,000 due to the timing of creditor invoices falling due for payment.

(c) Statement of compliance

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

(d) Insurance

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

(e) Accounting for the Goods and Services Tax (GST)

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

- the amount of GST incurred by the HCCC 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 are recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

(f) 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 income are discussed below.

(i) Grants and contributions
Grants and contributions from other bodies (including grants from the NSW Ministry of Health) are recognised as income when the HCCC obtains control over the assets comprising the contributions. Control over contributions is normally obtained upon the receipt of cash.

(ii) Rendering of services
Revenue is recognised when the service is provided.

(iii) Interest revenue
Interest revenue is recognised using the effective interest method as set out in AASB139 Financial Instruments: Recognition and Measurement.

(iv) Legal cost recoveries
Legal costs awarded in favour of the HCCC arising from the prosecution of health practitioners, are recognised as revenue when agreement is reached with the respondent on settlement of the amount of legal cost recovered.

(g) Property, Plant & Equipment

(i) Acquisition cost
Assets acquired are initially recognised at cost. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or, recognised where applicable, the amount attributed to that asset when initially recognised in accordance with the requirements of other Australian Accounting Standards.

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at measurement date.

Health Care Complaints Commission
Notes to and forming part of the financial statements
for the year ended 30 June 2019

1. Summary of significant accounting policies (cont'd)

Where payment for an asset is deferred beyond normal credit terms, its cost is the cash price equivalent, that is the deferred payment amount, is effectively discounted over the period of credit.

(ii) Capitalisation thresholds
Property, plant and equipment and intangible assets costing $5,000 and above individually (or forming part of a network costing more than $5,000) are capitalised.

(iii) Revaluation of property, plant and equipment
Physical non-current assets are valued in accordance with the 'Valuation of Physical Non-Current Assets at Fair Value' Policy and Guidelines Paper (TPP 14-1). This policy adopts fair value in accordance with AASB 13 Fair Value Measurement, AASB 116 Property, Plant and Equipment and AASB 140 Investment Property.

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

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

(iv) Impairment of property, plant and equipment
As a not-for-profit entity with no cash generating units, impairment under AASB 136 Impairment of Assets is unlikely to arise. As property, plant and equipment is carried at fair value, impairment can only arise in the rare circumstances where the costs of disposal are material. Specifically, impairment is unlikely for not-for-profit entities given that AASB 136 modifies the recoverable amount test for non-cash generating assets of not-for-profit entities to the higher of fair value less costs of disposal and depreciated replacement cost, where depreciated replacement cost is also fair value.

(v) 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 HCCC.

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

The useful life of the various categories of non-current assets is as follows:

Asset category	Gross value measurement bases	Depreciation method	Depreciation life in years 2018-19	Depreciation life in years 2017-18
Computer equipment	Purchase price	Straight line	4	4
Plant and equipment	Purchase price	Straight line	5	5

Leasehold improvement assets are depreciated on a straight line basis at the lesser of five years or the lease term.

(vi) 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.

Health Care Complaints Commission
Notes to and forming part of the financial statements
for the year ended 30 June 2019

1. Summary of significant accounting policies (cont'd)

(h) Leases

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and rewards incidental to ownership of the leased assets, and operating leases under which the lessor does not transfer substantially all the risks and rewards.

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

Property, plant and equipment acquired under finance leases are depreciated over the asset's useful life. However if there is no reasonable certainty that the lessee entity will obtain ownership at the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Amounts due from lessees under finance leases are classified at amortised cost and recognised at the amount of the entity's net investment in the lease. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the entity's net investment outstanding in respect of the leases.

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

Lease income from operating leases where the entity is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included by the lessor entity in the Statement of Financial Position based on their nature.

(i) Intangible assets

The HCCC recognises intangible assets only if it is probable that future economic benefits will flow to the HCCC 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. The useful lives of intangible assets are assessed to be finite.

Intangible assets are subsequently measured at fair value only if there is an active market. As there is no active market for the HCCC's intangible assets, the assets are carried at cost less any accumulated amortisation. The HCCC's intangible assets, computer software, are amortised using the straight-line method over a period of four years.

Intangible assets are tested for impairment where an indicator of impairment exists. However, as a not-for-profit entity with no cash generating units, the HCCC is effectively exempted from impairment testing (refer to paragraph (g)(iv)).

The useful life of the Commission's Intangible assets is as follows:

Asset category	Gross value measurement bases	Amortisation method	Amortisation life in years 2018-19	Amortisation life in years 2017-18
Software	Purchase price	Straight line	4	4

Health Care Complaints Commission
Notes to and forming part of the financial statements
for the year ended 30 June 2019

1. Summary of significant accounting policies (cont'd)

(j) Liabilities

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

(ii) Employee benefits and other provisions

(a) Salaries and wages, annual leave, sick leave 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 based on the amounts of the benefits.

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

Actuarial advice obtained by Treasury has confirmed that the use of a nominal approach using nominal annual leave plus annual leave on the nominal liability (using 7.9% of the nominal value of annual leave) can be used to approximate the present value of the annual leave liability.

The HCCC has assessed the actuarial advice based on the entity's circumstances and has determined that the effect of discounting is immaterial to annual leave.

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

The outstanding amounts of payroll tax, 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.

(b) Long service leave and superannuation
The HCCC's liabilities for long service leave and defined benefit superannuation are assumed by the Crown Entity. The HCCC 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 and other liabilities'.

Long service leave is measured at present value in accordance with AASB 119 Employee Benefits. This is based on the application of certain factors (specified in NSWTC 15-09) to employees with five or more years of service using current rates of pay. These factors were determined based on an actuarial review to approximate present value.

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

(c) 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 payroll tax, workers' compensation insurance premiums and fringe benefits tax.

Health Care Complaints Commission
Notes to and forming part of the financial statements
for the year ended 30 June 2019

1. Summary of significant accounting policies (cont'd)

(iii) Other provisions
The HCCC has a present legal obligation which amortises costs to the expiration date of the lease term on the 30 June 2019.

As the effect of the time value of money is material, provision was discounted at 2.18% which is a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability.

(k) Fair value hierarchy

As disclosed in Note 1(g)(iii), the HCCC holds non-specialised assets with short useful lives and these are measured at depreciated historical cost as a surrogate for fair value. Consequently there are no further disclosures made in relation to the AASB 13 fair value hierarchy.

(l) Equity and reserves

(i) Accumulated funds
The category 'Accumulated funds' includes all current and prior period retained funds.

(m) Budgeted amounts

The budgeted amounts are drawn from the original budgeted financial statements presented to Parliament in respect of the reporting period, as adjusted for section 24 of the *Public Finance and Audit Act* 1983 where there has been a transfer of functions between departments. Other amendments made to the budget are not reflected in the budgeted amounts.

(n) Comparative information

Except where 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.

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

(i) Effective for the first time in 2018-19
The accounting policies applied in 2018-19 are consistent with those of the previous financial year except for the following list of new/revised Accounting Standards applicable for the first time in year ending 30 June 2019.

- AASB 9 *Financial Instruments*
- AASB 2016-5 *Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions*
- AASB 2016-4 *Amendments to Australian Accounting Standards -Applying AASB 9 with AASB 4 Insurance Contracts*
- AASB 2017-1 *Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments: For profit only*
- AASB 2017-3 *Amendments to Australian Accounting Standards - Clarifications to AASB 4*
- AASB 2017-5 *Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 AND AASB 128 and Editorial Corrections*
- Interpretation 22 *Foreign Currency Transactions and Advance Consideration: For profit only*

The HCCC has adopted AASB 9 *Financial Instruments* (AASB 9), which resulted in changes in accounting policies in respect of recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. AASB 9 also significantly amends other standards dealing with financial instruments such as the revised AASB 7 *Financial Instruments: Disclosures* (AASB 7R).

The HCCC applied AASB 9 retrospectively but has not restated the comparative information which is reported under AASB 139 *Financial Instruments: Recognition and Measurement* (AASB 139). Any differences arising from the adoption of AASB 9 have been recognised directly in accumulated funds and other components of equity.

Health Care Complaints Commission
Notes to and forming part of the financial statements
for the year ended 30 June 2019

1. Summary of significant accounting policies (cont'd)

a) Classification and Measurement

On 1 July 2018 (the date of initial application of AASB 9), the entity's management has assessed which business models apply to the financial asssets held by the entity and has classified its financial instruments into the appropriate AASB 9 categories. The main effects resulting from this classification is zero.

The assessment of the HCCC's business model was made as of the date of initial application, 1 July 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of AASB 9 did not have a significant impact to HCCC. The HCCC continued measuring at fair value, all financial assets previously held at fair value under AASB 139.

The following are the changes in the classification of the HCCC's financial assets:

- Trade receivables and other financial assets are classified as 'Loans and receivables' under AASB 139 as at 30 June 2018 are held to collect contractual cash flows representing solely payments of principal and interest. At 1 July 2018, these are classified and measured as debt instruments at amortised cost.
- The HCCC has not designated any financial liabilities at fair value through profit or loss. There are no changes in the classification and measurement for the HCCC's financial liabilities.

b) Impairment

The adoption of AASB 9 has changed the HCCC's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. AASB 9 requires the HCCC to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss. There is no material impact to the entity on adopting the new impairment model.

(ii) Issued but not yet effective
NSW public sector entities are not permitted to early adopt new Australian Accounting Standards, unless Treasury determines otherwise.

The following new Australian Accounting Standards represent some of the new standards not yet applied and hence not yet effective.

- AASB 15, AASB 2014-5, AASB 2015-8, 2016-3 and AASB 2016-8 *regarding Revenue from Contracts with Customers*
- AASB 16 *Leases*
- AASB 17 *Insurance Contracts*
- AASB 1058 *Income of Not-for-profit Entities*
- AASB 1059 *Service Consession Arrangements: Grantors*
- AASB 2014-10 *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
- AASB 2017-1 *Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments*
  Effective – For profit (FP): 2018-19; Not-for-profit (NFP): 2019-20
- AASB 2017-4 *Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatments*
- AASB 2017-6 *Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation*
- AASB 2017-7 *Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures*
- AASB 2018-1 *Amendments to Australian Accounting Standards – Annual Improvements 2015–2017 Cycle*
- AASB 2018-2 *Amendments to Australian Accounting Standards – Plan Amendment, Curtailment or Settlement*
- AASB 2018-3 *Amendments to Australian Accounting Standards – Reduced Disclosure Requirements*
- AASB 2018-4 *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Public Sector Licensors*
- AASB 2018-5 *Amendments to Australian Accounting Standards - Deferral of AASB 1059*
- AASB 2018-6 *Amendments to Australian Accounting Standards – Definition of a Business*
- AASB 2018-7 *Amendments to Australian Accounting Standards – Definition of Material*
- AASB 2018-8 *Amendments to Australian Accounting Standards – Right-of-Use Assets of Not-for-Profit Entities*
- Interpretation 22 *Foreign Currency Transactions and Advance Consideration Not-for-profits only*
- Interpretation 23 *Interpretation 23 Uncertainty over Income Tax Treatments*

Health Care Complaints Commission
Notes to and forming part of the financial statements
for the year ended 30 June 2019

1. Summary of significant accounting policies (cont'd)

The HCCC anticipates that adoption of these standards in the period of initial application will have no material impact on the financial statements, except for AASB 16 Leases which will affect different accounts and related disclosures.

Based on the impact assessments HCCC has undertaken on currently available information, HCCC estimates additional lease liabilities of $3.7 million and right-of-use assets of $3.7 million will be recognised as at 1 July 2019 for leases in which HCCC is a lessee. Most operating lease expenses will be replaced by depreciation of the right of use asset and interest on the lease liability. The impact on the statement of comprehensive income is expected to be $nil.

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

AASB 1058 Income of Not-for-Profit Entities applies to not-for-profit entities and is effective for annual periods beginning on or after 1 January 2019. This standard requires entities to recognise income where the consideration to acquire an asset, including cash, is significantly less than fair value principally to enable the entity to further its objectives. Under this standard, the timing of income recognition may be impacted depending on whether there is a liability or other performance obligation associated with the acquired asset, including cash. AASB 1058 Income of Not-for-Profit Entities also requires government agencies to recognise income for volunteer services received if the fair value of those services can be measured reliably and the services would have been purchased if they had not been donated. This is consistent with the current practice under AASB 1004 Contributions and is not expected to materially impact these financial statements.

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

Health Care Complaints Commission
Notes to and forming part of the financial statements
for the year ended 30 June 2019

2. EXPENSES EXCLUDING LOSSES

	Parent		Consolidated	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
(a) Employee related expenses				
Salaries and wages (including annual leave)	-	-	10,988	9,574
Redundancy	-	-	-	-
Superannuation - defined benefits plans	-	-	41	47
Superannuation - defined contributions plans	-	-	886	747
Long service leave	-	-	473	179
Workers' compensation insurance	-	-	43	34
Payroll tax and fringe benefits tax	-	-	635	541
Personnel services	12,576	10,897	-	-
	12,576	**10,897**	**13,066**	**11,122**
(b) Other operating expenses include the following:				
Auditors remuneration				
- audit of the financial statements	33	31	33	31
Contractors	1,015	825	1,015	825
Equipment and plant	13	17	13	17
Insurance	6	4	6	4
Postage and telephone	152	125	152	125
Printing	63	53	63	53
Operating lease rental expense				
- minimum lease payments	1,138	1,093	1,138	1,093
Training	185	100	185	100
Travelling	44	65	44	65
Fees - legal witness	93	71	93	71
Fees - translators	5	6	5	6
Legal fees and adverse costs	787	1,105	787	1,105
Fees for services rendered	787	451	787	451
Fees - peer review reports	116	224	116	224
Other operating expenses	215	316	215	316
Stores	361	544	361	544
	5,013	**5,030**	**5,013**	**5,030**
(c) Depreciation and amortisation expense				
Depreciation				
Leasehold improvements	154	22	154	22
Plant equipment	12	24	12	24
Computer equipment	44	55	44	55
Total depreciation	**210**	**101**	**210**	**101**

Health Care Complaints Commission
Notes to and forming part of the financial statements
for the year ended 30 June 2019

2. EXPENSES EXCLUDING LOSSES (cont'd)

	Parent		Consolidated	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Amortisation				
Software	30	34	30	34
Total depreciation and amortisation	**240**	**135**	**240**	**135**

3. REVENUE

	Parent		Consolidated	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
(a) Grants and contributions				
Recurrent - (NSW Ministry of Health)	16,144	14,634	16,144	14,634
Capital - (NSW Ministry of Health)	836	325	836	325
Redundancy	-	-	-	-
	16,980	**14,959**	**16,980**	**14,959**
(b) Acceptance by the Crown Entity of employee benefits and other liabilities				
The following liabilities and/or expenses have been assumed by the Crown Entity:				
Long service leave	-	-	447	176
Superannuation - defined benefit plans	-	-	41	47
Payroll tax	-	-	2	2
	-	**-**	**490**	**225**
(c) Other revenue				
Legal cost recoveries	1,719	1,168	1,719	1,168
Other	-	-	-	-
	1,719	**1,168**	**1,719**	**1,168**

4. PROGRAM GROUP OF THE HEALTH CARE COMPLAINTS COMMISSION

Complaints handling

The HCCC has one program group - complaints handling. This program group covers processing, assessing and resolving of health care complaints through assisted resolution, facilitated conciliation or referral for investigation. The HCCC also investigates and prosecutes any serious cases of inappropriate health care and makes recommendations to health organisations to address any systemic health care issues.

Health Care Complaints Commission
Notes to and forming part of the financial statements
for the year ended 30 June 2019

5. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	Parent		Consolidated	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Cash at bank and on hand	**328**	**132**	**417**	**305**

For the purpose of the statement of cash flows, cash and cash equivalents include cash at bank and cash on hand.

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)	328	132	417	305
Closing cash and cash equivalents (per statement of cash flows)	**328**	**132**	**417**	**305**

6. CURRENT/NON-CURRENT ASSETS - RECEIVABLES

	Parent		Consolidated	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Current assets				
Legal cost recoveries	462	133	511	169
GST receivables	69	151	69	151
Other	18	18	18	18
Intercompany receivable	76	161	-	-
Prepayment	53	54	53	54
	678	517	651	392
Non-current assets				
Legal cost recoveries	151	85	151	85
Total current/non-current assets - receivables	**829**	**602**	**802**	**477**

7. NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

	Consolidated and Parent				
	Leasehold improvements $'000	**Computer equipment $'000**	**Plant and equipment $'000**	**Work in progress $'000**	**Total $'000**
At 1 July 2018 - fair value					
Gross carrying amount	1,114	640	277	543	2,574
Accumulated depreciation and impairment	(1,110)	(548)	(238)	-	(1,896)
Net carrying amount	**4**	**92**	**39**	**543**	**678**

Health Care Complaints Commission
Notes to and forming part of the financial statements
for the year ended 30 June 2019

7. NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Consolidated and Parent				
	Leasehold improvements $'000	**Computer equipment $'000**	**Plant and equipment $'000**	**Work in progress $'000**	**Total $'000**
At 30 June 2019 - fair value					
Gross carrying amount	2,021	635	176	396	3,228
Accumulated depreciation and impairment	(1,264)	(523)	(149)	-	(1,936)
Net carrying amount	**757**	**112**	**27**	**396**	**1,292**

Reconciliation

A reconciliation of the carrying amount of plant and equipment at the beginning and end of the current reporting period is set out below:

	Leasehold improvements $'000	Computer equipment $'000	Plant and equipment $'000	Work in progress $'000	Total $'000
Year ended 30 June 2019					
Net carrying amount at start of year	4	92	39	543	678
Purchases	428	-	-	396	824
Disposals	-	-	-	-	-
Transfers to/(from) other asset classes	479	64	-	(543)	-
Depreciation expense	(154)	(44)	(12)	-	(210)
Net carrying amount at end of year	**757**	**112**	**27**	**396**	**1,292**

	Leasehold improvements $'000	Computer equipment $'000	Plant and equipment $'000	Work in progress $'000	Total $'000
At 1 July 2017 - fair value					
Gross carrying amount	1,114	576	260	-	1,950
Accumulated depreciation and impairment	(1,088)	(493)	(214)	-	(1,795)
Net carrying amount	**26**	**83**	**46**	**-**	**155**
At 30 June 2018 - fair value					
Gross carrying amount	1,114	640	277	543	2,574
Accumulated depreciation and impairment	(1,110)	(548)	(238)	-	(1,896)
Net carrying amount	**4**	**92**	**39**	**543**	**678**

Reconciliation

A reconciliation of the carrying amount of plant and equipment at the beginning and end of the prior reporting period is set out below:

Health Care Complaints Commission
Notes to and forming part of the financial statements
for the year ended 30 June 2019

7. NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Consolidated and Parent				
	Leasehold improvements $'000	Computer equipment $'000	Plant and equipment $'000	Work in progress $'000	Total $'000
Year ended 30 June 2018					
Net carrying amount at start of year	26	83	46	-	155
Additions	-	64	17	543	624
Disposals	-	-	-	-	-
Transfers to/(from) other asset classes	-	-	-	-	-
Depreciation expense	(22)	(55)	(24)	-	(101)
Net carrying amount at end of year	**4**	**92**	**39**	**543**	**678**

8. INTANGIBLE ASSETS - COMPUTER SOFTWARE

	Consolidated and Parent
	Software $'000
At 1 July 2018	
Cost (gross carrying amount)	1,222
Accumulated amortisation and impairment	(1,080)
Net carrying amount	**142**
At 30 June 2019	
Cost (gross carrying amount)	1,236
Accumulated amortisation and impairment	(1,110)
Net carrying amount	**126**
Year ended 30 June 2019	
Net carrying amount at start of year	142
Additions	14
Amortisation (recognised in 'depreciation and amortisation')	(30)
Net carrying amount at end of year	**126**
At 1 July 2017	
Cost (gross carrying amount)	1,098
Accumulated amortisation and impairment	(1,046)
Net carrying amount	**52**
At 30 June 2018	
Cost (gross carrying amount)	1,222
Accumulated amortisation and impairment	(1,080)
Net carrying amount	**142**

Health Care Complaints Commission
Notes to and forming part of the financial statements
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8. INTANGIBLE ASSETS - COMPUTER SOFTWARE (cont'd)

	Consolidated and Parent
	Software
	$'000
Year ended 30 June 2018	
Net carrying amount at start of year	52
Additions	124
Amortisation (recognised in 'depreciation and amortisation')	(34)
Net carrying amount at end of year	**142**

9. CURRENT LIABILITIES - PAYABLES

	Parent		Consolidated	
	2019 $'000	**2018 $'000**	**2019 $'000**	**2018 $'000**
Payables				
Accrued salaries, wages and on costs	-	-	35	28
Payable for personnel services	37	30	-	-
Creditors	132	32	142	37
Accrued expenses	200	325	200	325
	369	**387**	**377**	**390**

10. CURRENT/NON-CURRENT LIABILITIES - PROVISIONS

	Parent		Consolidated	
	2019 $'000	**2018 $'000**	**2019 $'000**	**2018 $'000**
Employee benefits and related on-costs - current				
Annual leave	-	-	1,034	918
Payroll tax	-	-	199	171
Fringe benefits tax	-	-	3	3
Long service leave	-	-	175	151
Provision for personnel services	1,357	1,198	-	-
Total current employee provisions	**1,357**	**1,198**	**1,411**	**1,243**
Other provisions - non-current				
Lease make good provision	370	363	370	363
Long service leave	-	-	23	20
Provision for personnel services	23	20	-	-
Total other non-current provisions	**393**	**383**	**393**	**383**

Health Care Complaints Commission
Notes to and forming part of the financial statements
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10. CURRENT/NON-CURRENT LIABILITIES - PROVISIONS (cont'd)

	Parent		Consolidated	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Aggregate employee benefits and related on costs				
Provisions - current	-	-	1,411	1,243
Provisions - non-current	-	-	23	20
Provision for personnel services - current	1,357	1,198	-	-
Provision for personnel services - non-current	23	20	-	-
Accrued salaries, wages and on-costs (Note 9)	-	-	35	28
Payable for personnel services	37	30	-	-
	1,417	**1,248**	**1,469**	**1,291**

11. COMMITMENTS FOR EXPENDITURE

	Parent		Consolidated	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
(a) **Operating Lease Commitments**				
Future non-cancellable operating lease rentals not provided for and payable:				
Not later than one year	1,166	1,122	1,166	1,122
Later than one year and not later than five years	3,846	2,172	3,846	2,172
Later than five years	-	-	-	-
Total (including GST)	**5,012**	**3,294**	**5,012**	**3,294**

Total commitments above included input tax credits of $455,628 (2017-18: $299,464) that are expected to be refunded from the Australian Taxation Office. Total commitments include the HCCC's lease on its premises at Levels 12 and 13, 323 Castlereagh Street, Sydney.

(b) Capital Expenditure Commitments

The HCCC has commenced a refurbishment of its premises at Level 12 and 13, Castlereagh Street, Sydney. At 30 June 2019, the HCCC has a commitment to capital expenditure of $880,908.

12. CONTINGENT ASSETS

There are legal costs awarded in favour of the HCCC arising from prosecution of serious cases of complaints of health care where the respondents have been found to be guilty of unsatisfactory professional conduct and/or professional misconduct. The amounts are subject to negotiation and determination and total $2,186,951 (2018-19: $1,651,775).

Health Care Complaints Commission
Notes to and forming part of the financial statements
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13. CONTINGENT LIABILITIES

The HCCC has contingent liabilities estimated at $136,350 representing potential legal expenses for which the Crown Solicitor is acting on behalf of the HCCC as at 30 June 2019 (2018: $145,500).

14. BUDGET REVIEW

Net result

The actual net result of $870,000 surplus was higher than the allowable budget deficit of $62,000 by $932,000. To be noted the excess funds were allocated as per the below:

- CEAL adjustment for 2018-19 of $451,000 used from the recurrent surplus and;
- A carry forward of own source revenue of $481,000 to fund Phase two of the office refurbishment (2019-20).

Therefore bringing the net result in line with the budget deficit of $62,000.

Expenses

The HCCC's total expenditure was higher than budget by $406,000, comprising of employee expenses under-expenditure of $675,000 mainly due to lower FTE in the first half of the year and contractors appearing in other expenses. This was below the Labour Expense Cap (LEC). Operating expenses were $1,117,000 higher than budget, mainly due to over expenditure in various line items. Including: contractors, fees for other services (due to various projects being undertaken in the Commission as agreed by the Executive unit) and staff training. This was all allowable due to excess funds and savings in employee related expenses. Depreciation was $36,000 below budget.

Revenue

The HCCC's total revenue was higher than budget by $1,338,000 mainly due to higher own source revenue of Legal Cost Recoveries during 2018-19.

Assets and liabilities

Total assets were higher than budget by $1,366,000 due to higher current debtor receivables in 2018-19.

Plant and equipment non-current assets were higher than budget due to the purchase of additional equipment relating to the office refurbishment and IT upgrades across the HCCC.

Total liabilities were higher than budget due to increase in employee provisions.

Cash Flows

The HCCC's closing cash balance of $417,000 was higher than budget due to the timing of invoices being due, and unexpected prompt cash payments from debtors. The closing cash balance was higher than the limit set by Treasury.

Health Care Complaints Commission
Notes to and forming part of the financial statements
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15. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES TO NET RESULT

	Parent		Consolidated	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Net cash used on operating activities	1,034	556	950	463
Depreciation and amortisation	(240)	(135)	(240)	(135)
Decrease/(increase) in provisions	(169)	(240)	(178)	(217)
Increase/(decrease) in receivables and other assets	227	(3)	325	3
Decrease/(increase) in creditors	18	(113)	13	(49)
Net result	**870**	**65**	**870**	**65**

The HCCC had no investing and financing transactions which did not result in cash flows.

16. FINANCIAL INSTRUMENTS

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

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

The Commissioner 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 HCCC, to set risk limits and controls and to monitor risks.

From time to time, compliance with policies is reviewed by the Audit and Risk Committee.

(a) Financial instrument categories

i. As at 30 June 2019 under AASB 9

			Parent	Consolidated
			2019 $'000	2019 $'000
	Note	**Category**	**Carrying Amount**	**Carrying Amount**
Financial assets				
Class:				
Cash and cash equivalents	5	N/A	328	417
Receivables[1]	6	Amortised cost	613	662
Financial liabilities				
Class:				
Payables[2]	9	Financial liabilities measured at amortised cost	369	377

Health Care Complaints Commission
Notes to and forming part of the financial statements
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16. FINANCIAL INSTRUMENTS (cont'd)

Notes

1. Excludes statutory receivables and prepayments (not within scope of AASB 7).
2. Excludes statutory payables and unearned revenue (not within scope of AASB 7).

ii. As at 30 June 2018 under AASB 139 (comparative period)

			Parent	Consolidated
			2018	2018
			$'000	$'000
	Note	**Category**	**Carrying Amount**	**Carrying Amount**
Financial assets				
Class:				
Cash and cash equivalents	5	N/A	132	305
Receivables[1]	6	Loans and receivables (at amortised cost)	218	254
Financial liabilities				
Class:				
Payables[2]	9	Financial liabilities measured at amortised cost	387	390

Notes:

1. Excludes statutory receivables and prepayments (not within scope of AASB 7).
2. Excludes statutory payables and unearned revenue (not within scope of AASB 7).

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

When the HCCC has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. Where the HCCC 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 HCCC's continuing involvement in the asset. In that case, the HCCC 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 entity has retained.

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16. FINANCIAL INSTRUMENTS (cont'd)

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 entity could be required to repay.

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

(c) Offsetting financial instruments

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

(d) Financial risks

i. Credit risk

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

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

Cash and cash equivalent

Cash comprises cash on hand and bank balances within the NSW Treasury Banking System.

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 Treasurer's Directions are followed to recover outstanding amounts, including letters of demand. Debts which are known to be uncollectible are written off. An allowance for impairment is raised when there is objective evidence that the entity 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. Sales are made on 30 day terms.

The HCCC is not exposed to concentrations of credit risk to trade debtors as they are mainly other government departments.

Receivable - other debtors

Debtors (legal cost recoveries) which are currently past due (2019: $459,739; 2018: $209,191) represent 89% of the total debtors overdue. These debtors comprise debts arising from tribunal ordered costs against health care practitioners. The majority of the debts reported in the financial statements are being settled by agreed regular instalments and are not considered to be impaired in a material way.

Health Care Complaints Commission
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for the year ended 30 June 2019

16. FINANCIAL INSTRUMENTS (cont'd)

	Parent		Consolidated	
	Past due but not impaired	Considered impaired	Past due but not impaired	Considered impaired
	$'000	$'000	$'000	$'000
2019				
< 3 months overdue	60	-	60	-
3 months - 6 months overdue	199	-	205	-
> 6 months overdue	151	-	195	-
2018				
< 3 months overdue	30	-	49	-
3 months - 6 months overdue	15	-	17	-
> 6 months overdue	130	-	143	-

Notes

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

2. The ageing analysis excludes statutory receivables, as these are not within the scope of AASB7 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.

ii. Liquidity risk

Liquidity risk is the risk that the HCCC will be unable to meet its payment obligations when they fall due. The HCCC continuously manages risk through monitoring future cash flows to ensure adequate holding of liquid assets. During the current and prior years, there were no defaults on any loans payable. No assets have been pledged as collateral. The HCCC's exposure to liquidity risk is deemed insignificant based on prior periods' data and other current assessment of risk.

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 out in TC11/12. For small business suppliers, where terms are not specified, payment is made not later than 5 days from date of receipt of a correctly rendered invoice. For other suppliers, if trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. 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 payments to other suppliers, the Director Corporate Operations and CFO may authorise the automatic payment of simple interest to the supplier.

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16. FINANCIAL INSTRUMENTS (cont'd)

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

	Interest Rate Exposure $'000		Maturity dates $'000		
Financial Liabilities	Nominal Amount	Non-interest bearing	< 1year	1-5 years	>5 years
2019					
Payables					
Accrued salaries, wages and on costs	35	-	35	-	-
Creditors	342	-	342	-	-
	377	**-**	**377**	**-**	**-**
2018					
Payables					
Accrued salaries, wages and on costs	28	-	28	-	-
Creditors	362	-	362	-	-
	390	**-**	**390**	**-**	**-**

Notes:
1. The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which the HCCC can be required to pay.

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 HCCC has no exposure to market risk as it does not have borrowings or investments. The HCCC has no exposure to foreign currency risk and does not enter into commodity contracts.

Interest rate risk

Exposure to interest rate risk arises primarily through the HCCC's interest bearing liabilities. The HCCC does not have any interest bearing liabilities.

(e) Fair value measurement

Financial instruments are generally recognised at cost. The amortised cost of financial instruments recognised in the statement of financial position approximates the fair value, because of the short term nature of many of the financial instruments.

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17. Related Party Disclosures

The entity's key management personnel compensation was paid by the Health Care Commission Staff Agency and details for the year ending 30 June 2019 are as follows:

Short term employee benefits:	**2019**	**2018**
	$'000	**$'000**
Salaries	1,290	1,259
Other monetary allowances	2	5
Non-monetary benefits	28	21
Other long-term employee benefits	109	24
Post-employment benefits	-	-
Termination benefits	-	-
Total remuneration	**1,429**	**1,309**

During the year, the Health Care Complaints Commission did not enter into any other transactions with key management personnel, their close family members and controlled or jointly controlled entities thereof.

In addition, the Health Care Complaints Commission entered into transactions on arm's length terms and conditions with other entities controlled by NSW Government. These transactions include:

- Payments into the icare TMF Scheme
- Long Service Leave and Defined Benefit Superannuation assumed by the Crown
- Payment for Payroll Tax
- Allocations from NSW Ministry of Health
- Payment for the audit of our financial statements
- Grants and contributions related to funding specific programs and projects
- Government Property NSW lease payments

18. EVENTS AFTER THE REPORTING PERIOD

There were no after reporting period events.

End of audited financial statements.