

Darling Downs Hospital and Health Service

ABN 64 109 516 141

Financial Statements - 30 June 2014

DARLING DOWNS HOSPITAL AND HEALTH SERVICE

Financial Statements 2013-14

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General Information

Darling Downs Hospital and Health Service is a Queensland Government statutory body established under the *Hospital and Health Boards Act 2011* and its registered trading name is Darling Downs Hospital and Health Service.

Darling Downs Hospital and Health Service is controlled by the State of Queensland which is the ultimate parent entity.

The principal address of the Hospital and Health Service is:

Jofre
Baillie Henderson Hospital
Cnr Hogg & Tor Streets
Toowoomba QLD 4350

A description of the nature of the operations of the Darling Downs Hospital and Health Service and its principal activities is included in the notes to the financial statements.

For information in relation to the financial statements of the Darling Downs Hospital and Health Service, email DDHHS@health.qld.gov.au or visit the Darling Downs Hospital and Health Service website at: <http://www.health.qld.gov.au/darlingdowns/default.asp>

Amounts shown in these financial statements may not add to the correct sub-totals or totals due to rounding.

DARLING DOWNS HOSPITAL AND HEALTH SERVICE
Statement of Comprehensive Income
for the year ended 30 June 2014

	<i>Notes</i>	<i>2014</i> \$'000	<i>2013</i> \$'000
Income from Continuing Operations			
User charges and fees	3	569,261	541,169
Grants and other contributions	4	34,003	30,337
Other revenue	5	4,109	4,293
Total Revenue		<u>607,373</u>	<u>575,799</u>
Gains on disposal/remeasurement of assets	6	15	53
Total Income from Continuing Operations		<u>607,388</u>	<u>575,852</u>
 Expenses from Continuing Operations			
Employee expenses	7	(1,938)	(2,068)
Supplies and services	8	(562,006)	(537,636)
Grants and subsidies	9	(1,582)	(1,339)
Depreciation	10	(21,516)	(18,688)
Impairment losses	11	(1,088)	(333)
Other expenses	12	(1,569)	(1,539)
Total Expenses from Continuing Operations		<u>(589,699)</u>	<u>(561,603)</u>
Operating Result from Continuing Operations		<u>17,689</u>	<u>14,249</u>
 Other Comprehensive Income			
<u>Items that will not be reclassified subsequently to Operating Result</u>			
Increase in Asset Revaluation Surplus	21	2,393	17,404
Total items that will not be reclassified subsequently to Operating Result		<u>2,393</u>	<u>17,404</u>
Total Other Comprehensive Income		<u>2,393</u>	<u>17,404</u>
Total Comprehensive Income		<u>20,082</u>	<u>31,653</u>

The accompanying notes form part of these statements

DARLING DOWNS HOSPITAL AND HEALTH SERVICE
Statement of Financial Position
as at 30 June 2014

	<i>Notes</i>	<i>2014</i> <i>\$'000</i>	<i>2013</i> <i>\$'000</i>
Current Assets			
Cash and cash equivalents	13	60,937	38,852
Receivables	14	9,385	12,430
Inventories	15	5,535	4,764
Other current assets	16	234	168
Total Current Assets		<u>76,091</u>	<u>56,214</u>
Non-Current Assets			
Property, plant and equipment	17	305,469	310,467
Total Non-Current Assets		<u>305,469</u>	<u>310,467</u>
Total Assets		<u>381,560</u>	<u>366,681</u>
Current Liabilities			
Payables	18	41,551	38,523
Accrued employee benefits	19	25	73
Unearned revenue	20	30	5
Total Current Liabilities		<u>41,606</u>	<u>38,601</u>
Total Liabilities		<u>41,606</u>	<u>38,601</u>
Net Assets		<u>339,954</u>	<u>328,080</u>
Equity			
Contributed equity		288,219	296,427
Accumulated surplus/(deficit)		31,938	14,249
Asset revaluation surplus	21	19,797	17,404
Total Equity		<u>339,954</u>	<u>328,080</u>

The accompanying notes form part of these statements

DARLING DOWNS HOSPITAL AND HEALTH SERVICE
Statement of Changes in Equity
for the year ended 30 June 2014

	Notes	<i>Accumulated Surplus/ Deficit</i>	<i>Asset Revaluation Surplus (Note 21)</i>	<i>Contributed Equity</i>	<i>TOTAL</i>
		\$'000	\$'000	\$'000	\$'000
Balance as at 1 July 2012					
Operating result from continuing operations		14,249			14,249
<i>Other Comprehensive Income</i>					
Increase in asset revaluation surplus	21		17,404		17,404
Total Comprehensive Income for the year	2(o)	14,249	17,404		31,653
<i>Transactions with Owners as Owners:</i>					
Net assets received (transferred under Administrative Arrangement at 1 July 2012)				303,518	303,518
Net assets received during year	2(g)			4,566	4,566
Non appropriated equity injections (Minor Capital works)	2(y)			6,999	6,999
Non appropriated equity withdrawals (Depreciation funding)	2(y)			(18,656)	(18,656)
Net Transactions with Owners as Owners				296,427	296,427
Balance as at 30 June 2013					
		14,249	17,404	296,427	328,080
Balance as at 1 July 2013					
	Notes	\$'000	\$'000	\$'000	\$'000
		14,249	17,404	296,427	328,080
Operating result from continuing operations		17,689			17,689
<i>Other Comprehensive Income</i>					
Increase in asset revaluation surplus	21		2,393		2,393
Total Comprehensive Income for the Year	2(o)	17,689	2,393		20,082
<i>Transactions with Owners as Owners:</i>					
Net assets received during year	2(g)			7,752	7,752
Non appropriated equity injections (Minor Capital works)	2(y)			5,487	5,487
Non appropriated equity withdrawals (Depreciation funding)	2(y)			(21,447)	(21,447)
Net Transactions with Owners as Owners				(8,208)	(8,208)
Balance as at 30 June 2014					
		31,938	19,797	288,219	339,954

The accompanying notes form part of these statements

DARLING DOWNS HOSPITAL AND HEALTH SERVICE
Statement of Cash Flows
for the year ended 30 June 2014

	Notes	2014 \$'000	2013 \$'000
Cash flows from operating activities			
Inflows:			
User charges and fees		549,885	521,916
Grants and other contributions		34,025	30,270
Interest receipts		159	154
GST input tax credits from ATO		7,634	5,663
GST collected from customers		557	568
Other		3,947	4,188
		596,207	562,759
Outflows:			
Employee expenses		(1,987)	(2,006)
Supplies and services		(559,830)	(514,989)
Grants and subsidies		(1,587)	(1,339)
GST paid to suppliers		(7,693)	(6,429)
GST remitted to ATO		(616)	(521)
Other		(1,364)	(1,531)
		(573,077)	(526,815)
Net cash provided by operating activities	22	23,130	35,944
Cash flows from investing activities			
Inflows:			
Sales of property, plant and equipment		32	53
Outflows:			
Payments for property, plant and equipment		(14,317)	(11,142)
Net cash used in investing activities		(14,285)	(11,089)
Cash flows from financing activities			
Inflows:			
Proceeds from machinery-of-Government change (1 July 2012)			2,432
Proceeds from equity injections		5,488	6,999
Movements in equity - other		7,752	4,566
Outflows:			
Equity withdrawals			
Net cash provided by financing activities		13,240	13,997
Net increase in cash and cash equivalents		22,085	38,852
Cash and cash equivalents at beginning of financial year		38,852	
Cash and cash equivalents at end of financial year	13	60,937	38,852

The accompanying notes form part of these statements

DARLING DOWNS HOSPITAL AND HEALTH SERVICE

Notes to and Forming Part of the Financial Statements 2013-14

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DARLING DOWNS HOSPITAL AND HEALTH SERVICE

Notes to and Forming Part of the Financial Statements 2013-14

1. Objectives and Strategic Priorities of the Darling Downs Hospital and Health Service

The Darling Downs Hospital and Health Service is an independent statutory body, overseen by a local Hospital and Health Board. The Darling Downs Hospital and Health Service provides public hospital and healthcare services as defined in the service agreement with the Department of Health.

These services reflect Darling Downs Hospital and Health Service's planning priorities as articulated in Darling Downs Hospital and Health Service Strategic Plan and support investment decision-making based on the health continuum. These strategic directions are set by the Darling Downs Hospital and Health Board and the Darling Downs Hospital and Health Service implements and develops initiatives in accordance with these strategic directions.

Geographically, the Darling Downs Hospital and Health Service provides services across an area of approximately 90,000 square kilometres, covering the local government areas of the Toowoomba Regional Council, Western Downs Regional Council, Southern Downs Regional Council, South Burnett Regional Council, Goondiwindi Regional Council, Cherbourg Aboriginal Shire Council and part of the Banana Shire Council (community of Taroom).

The Darling Downs Hospital and Health Service delivers clinical services to approximately 300,000 people from 26 locations. The majority of the Darling Downs Hospital and Health Service residents receive inpatient care either at their local hospital or at the Toowoomba Hospital. Patients are at times required to travel to Brisbane to access some types of specialist services only offered at tertiary facilities.

The Darling Downs Hospital and Health Service has four strategic themes:

- * delivering quality healthcare;
- * ensuring resources are sustainable;
- * ensuring processes are clear; and
- * ensuring dedicated trained staff.

These align with the *Blueprint for better healthcare in Queensland* and support the Government's objectives for the community to deliver better infrastructure and planning and revitalise frontline services for families.

2. Summary of Significant Accounting Policies

(a) Statement of Compliance

The Darling Downs Hospital and Health Service has prepared these financial statements in compliance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and in compliance with section 62(1) of the *Financial Accountability Act 2009* and section 43 of the *Financial and Performance Management Standard 2009*.

These financial statements are general purpose financial statements, and have been prepared on an accrual basis in accordance with Australian Accounting Standards and Interpretations. In addition, the financial statements comply with Queensland Treasury and Trade's Minimum Reporting Requirements for the year ending 30 June 2014, and other authoritative pronouncements.

With respect to compliance with Australian Accounting Standards and Interpretations, as the Darling Downs Hospital and Health Service is a not-for-profit statutory body it has applied those requirements applicable to not-for-profit entities. Except where stated, the historical cost convention is used.

(b) The Reporting Entity

Darling Downs Hospital and Health Service was established as a separate reporting entity on 1 July 2012. The services undertaken by Darling Downs Hospital and Health Service are disclosed at note 1. The financial statements include the value of all revenues, expenses, assets, liabilities and equity of Darling Downs Hospital and Health Service.

DARLING DOWNS HOSPITAL AND HEALTH SERVICE

Notes to and Forming Part of the Financial Statements 2013-14

2. Summary of Significant Accounting Policies continued

(c) Fiduciary Trust Transactions and Balances

Darling Downs Hospital and Health Service acts in a fiduciary trust capacity in relation to patient fiduciary funds (formerly known as patient trust accounts) and Right of Private Practice trust accounts. Consequently, these transactions and balances are not recognised in the financial statements. Although patient funds are not controlled by Darling Downs Hospital and Health Service, trust activities are included in the audit performed annually by the Auditor-General of Queensland. Note 27 provides additional information on the balances held in patient fiduciary funds and Right of Private Practice trust accounts.

(d) User Charges and Fees

User charges and fees primarily comprises Department of Health funding, hospital fees, reimbursement of pharmaceutical benefits and sales of goods and services. There has been a change in the recognition of Department of Health funding from grants and other contributions in 2012-13 to user charges and fees this year, refer note 2(ad) for details.

User charges and fees controlled by Darling Downs Hospital and Health Service are recognised as revenues when the revenue has been earned and can be measured reliably with sufficient degree of certainty. User charges and fees are controlled by the Darling Downs Hospital and Health Service where they can be deployed for the achievement of Darling Downs Hospital and Health Service's objectives.

The funding from Department of Health is provided predominantly for specific public health services purchased by the Department from Darling Downs Hospital and Health Service in accordance with a service agreement between the Department and Darling Downs Hospital and Health Service. The service agreement is reviewed periodically and updated for changes in activities and prices of services delivered by Darling Downs Hospital and Health Service.

The funding from Department of Health is received fortnightly in advance. At the end of the financial year, a financial adjustment may be required where the level of services provided is above or below the agreed level.

Revenue recognition for other user charges and fees is based on either invoicing for related goods, services and/or the recognition of accrued revenue.

(e) Grants and Other Contributions

Grants, contributions, donations and gifts that are non-reciprocal in nature are recognised as revenue in the year in which the Darling Downs Hospital and Health Service obtains control over them. Where grants are received that are reciprocal in nature, revenue is progressively recognised as it is earned, according to the terms of the funding arrangements.

Contributed assets are recognised at their fair value. Contributions of services are recognised only if the services would have been purchased if they had not been donated and their fair value can be measured reliably. Where this is the case, an equal amount is recognised as revenue and an expense.

(f) Other Revenue

Other revenue primarily reflects recoveries of payments for contracted staff from third parties such as universities and other government agencies.

(g) Administrative Arrangements

Darling Downs Hospital and Health Service has the full right of use, managerial control of land and building assets and is responsible for maintenance. The Department of Health generates no economic benefits from these assets. In accordance with the definition of control under Australian Accounting Standards, each Hospital and Health Service must recognise the value of these assets on their Statement of Financial Position.

DARLING DOWNS HOSPITAL AND HEALTH SERVICE Notes to and Forming Part of the Financial Statements 2013-14

2. Summary of Significant Accounting Policies continued

(g) Administrative Arrangements continued

Transfer of assets on practical completion

Construction of major health infrastructure continues to be managed and funded by the Department of Health. Upon practical completion of a project, assets are transferred from the Department to Darling Downs Hospital and Health Service by the Minister for Health as a contribution by the State through equity. In 2013-14 the value of assets transferred was \$7.752 million (\$4.566 million in 2012-13) by the Department of Health to Darling Downs Hospital and Health Service.

(h) Special Payments

Special payments include ex gratia expenditure and other expenditure that the Darling Downs Hospital and Health Service is not contractually or legally obligated to make to other parties. In compliance with the *Financial and Performance Management Standard 2009*, the Darling Downs Hospital and Health Service maintains a register setting out details of all special payments approved by Darling Downs Hospital and Health Service delegates in accordance with approved financial delegations. The total of all special payments (including those of \$5,000 or less) is disclosed separately within Other expenses (note 12). However, descriptions of the nature of special payments are only provided for special payments greater than \$5,000.

(i) Cash and Cash Equivalents

For the purposes of the Statement of Financial Position and the Statement of Cash Flows, cash assets include all cash and cheques receipted but not banked at 30 June as well as deposits at call with financial institutions.

Overdraft Facility

Darling Downs Hospital and Health Service operational bank accounts form part of the whole-of-Government banking arrangement with the Commonwealth Bank of Australia.

Under this arrangement, Hospital and Health Services have access to the whole-of-Government debit facility with limits assigned to Department of Health and individual Hospital and Health Services which are approved by Queensland Treasury and Trade.

Darling Downs Hospital and Health Service has an approved debt facility of \$6 million under whole-of-Government banking arrangements to manage any short term cash shortfalls.

(j) Receivables

Trade debtors are recognised at the amounts due at the time of sale or service delivery i.e. the agreed purchase/contract price. Settlement of these amounts is generally required within 30 days from invoice date. The collectability of receivables is assessed periodically with provision being made for impairment. All known bad debts were written-off as at 30 June.

Impairment of receivables

Throughout the year, Darling Downs Hospital and Health Service assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes financial difficulties of the debtor, changes in debtor credit ratings and current outstanding accounts over 120 days. The allowance for impairment reflects Darling Downs Hospital and Health Service's assessment of the credit risk associated with receivables balances and is determined based on historical rates of bad debts (by category) and management judgement. Increases in the allowance for impairment are based on loss events as disclosed in Note 28 (c).

DARLING DOWNS HOSPITAL AND HEALTH SERVICE

Notes to and Forming Part of the Financial Statements 2013-14

2. Summary of Significant Accounting Policies continued

(k) Inventories

Unless material, inventories do not include supplies held ready for use in the wards throughout the hospital facilities. These are expensed on issue from the Darling Downs Hospital and Health Service's central store. Items held on consignment are not treated as inventory, but are expensed when utilised in the normal course of business.

Stock on hand is stated at the lower of cost and net realisable value. Cost comprises purchase and delivery costs, net of rebates and discounts received or receivable. Inventories are measured at weighted average cost, adjusted for obsolescence.

Inventories consist mainly of medical supplies and drugs held for distribution to hospitals or residential aged care facilities within Darling Downs Hospital and Health Service and other Hospital and Health Services. These inventories are provided to the facilities at cost. Darling Downs Hospital and Health Service provides a central store enabling the distribution of supplies to other Hospital and Health Services.

(l) Other Non-Financial Assets

Other non-financial assets primarily represent prepayments by Darling Downs Hospital and Health Service. These include payments for rental and maintenance agreements, deposits and other payments of a general nature made in advance.

(m) Acquisitions of Assets

Actual cost is used for the initial recording of all non-current physical and intangible asset acquisitions. Cost is determined as the value given as consideration plus costs incidental to the acquisition, including all other costs incurred in getting the assets ready for use, including architects' fees and engineering design fees. However, any training costs are expensed as incurred.

Where assets are received free of charge from another Queensland Government entity (whether as a result of a machinery-of-Government change or other involuntary transfer), the acquisition cost is recognised as the gross carrying amount in the books of the transferor immediately prior to the transfer together with any accumulated depreciation. Assets acquired at no cost or for nominal consideration, other than from an involuntary transfer from another Queensland Government entity, are recognised at their fair value at the date of acquisition in accordance with AASB 116 *Property, Plant and Equipment*.

(n) Property, Plant and Equipment

Darling Downs Hospital and Health Service holds property, plant and equipment in order to meet its core objective of providing quality healthcare.

Items of property, plant and equipment with a cost or other value equal to or in excess of the following thresholds and with a useful life of more than one year are recognised at acquisition. Items below these values are expensed on acquisition.

<u>Class</u>	<u>Threshold</u>
Buildings and Land Improvements	\$10,000
Land	\$1
Plant and Equipment	\$5,000

Land improvements undertaken by Darling Downs Hospital and Health Service are included with buildings.

On 1 July 2012, the Minister for Health approved the transfer of land and buildings via a three year concurrent lease (representing its right to use the assets) to Darling Downs Hospital and Health Service from the Department of Health. Under the terms of the lease, no consideration in the form of a lease or residual payment by the Darling Downs Hospital and Health Service is required.

DARLING DOWNS HOSPITAL AND HEALTH SERVICE

Notes to and Forming Part of the Financial Statements 2013-14

2. Summary of Significant Accounting Policies continued

(n) Property, Plant and Equipment continued

While the Department of Health retains legal ownership, effective control of these assets was transferred to the Darling Downs Hospital and Health Service. Under the terms of the lease the Hospital and Health Service has full exposure to the risks and rewards of asset ownership however proceeds from the sale of major infrastructure assets cannot be retained by Darling Downs Hospital and Health Service, with funds to be returned to Consolidated Fund (the State).

Darling Downs Hospital and Health Service has the full right of use, managerial control of land and building assets and is responsible for their maintenance. The Department of Health generates no economic benefits from these assets. In accordance with the definition of control under Australian Accounting Standards, each Hospital and Health Service must recognise the value of these assets on their Statement of Financial Position.

AASB 117 *Leased Assets* is not applicable to land and buildings, as no consideration in the form of lease payments are required under the agreement and accordingly fails to meet the criteria in section 4 of this standard for recognition.

Legislation to enable the transfer of ownership of land and buildings was passed by State Parliament on 20 June 2012. A sub committee with representatives from the Hospital and Health Services and the Department of Health has been established to develop protocols to enable this transfer to occur. It is anticipated that the transfer for Darling Downs Hospital and Health Service will be completed by December 2014.

(o) Revaluations of Non-Current Physical Assets

Land and buildings are measured at fair value in accordance with AASB 116 *Property, Plant and Equipment*, AASB 13 *Fair Value Measurement* and Queensland Treasury and Trade's *Non-Current Asset Policies for the Queensland Public Sector*. These assets are reported at their revalued amounts, being the fair value at the date of valuation, less any subsequent accumulated depreciation and impairment losses where applicable.

In respect of the abovementioned asset classes, the cost of items acquired during the financial year has been judged by management to materially represent their fair value at the end of the reporting period.

Plant and equipment, is measured at cost in accordance with the *Non-Current Asset Policies*. The carrying amounts for plant and equipment at cost should not materially differ from their fair value.

Land and building classes measured at fair value, are revalued on an annual basis either by comprehensive valuations or by the use of appropriate and relevant indices undertaken by independent experts. Comprehensive revaluations are undertaken at least once every five years. However if a particular asset class experiences significant and volatile changes in fair value (i.e. where indicators suggest that the value of the class has changed by 20% or more since the previous reporting period), that class is subject to specific appraisal in the reporting period, where practical, regardless of the timing of the last specific appraisal. Assets under construction are not revalued until they are ready for use.

For financial reporting purposes, the revaluation process is managed by a team in Darling Downs Hospital and Health Service, who determine the specific revaluation practices and procedures. The Darling Downs Hospital and Health Service Board Audit & Risk Committee oversees the revaluation processes managed by the Finance team.

The fair values reported by Darling Downs Hospital and Health Service are based on appropriate valuation techniques that maximises the use of available and relevant observable inputs and minimise the use of unobservable inputs (refer to note 2 (p)).

Where assets have not been specifically appraised in the reporting period, their previous valuations are materially kept up-to-date via the application of relevant indices. The Darling Downs Hospital and Health Service ensures that the application of such indices results in a valid estimation of the assets' fair values at reporting date.

Reflecting the specialised nature of health service buildings and on hospital-site residential facilities, fair value is determined using depreciated replacement cost methodology. Depreciated replacement cost is determined as the replacement cost less the cost to bring an asset to current standards.

DARLING DOWNS HOSPITAL AND HEALTH SERVICE

Notes to and Forming Part of the Financial Statements 2013-14

2. Summary of Significant Accounting Policies continued

(o) Revaluations of Non-Current Physical Assets continued

Buildings are measured at fair value by applying either, a revised estimate of individual asset's depreciated replacement cost, or interim indices which approximate movement in market prices for labour and other key resource inputs, as well as changes in design standards as at the reporting date. These estimates are developed by independent quantity surveyors.

Land is measured at fair value each year using indexation by the State Valuation Service (SVS) within the Department of Natural Resources and Mines.

Land indices are based on actual market movements for each local government area issued by the Valuer-General. An individual factor change per property has been developed from review of market transactions, having regard to the review of land values undertaken for each local government area.

The independent experts provide assurance of their robustness, validity and appropriateness for application to the relevant assets. Indices used are also tested for reasonableness by applying the indices to a sample of assets, comparing the results to similar assets that have been valued by an independent professional valuer or quantity surveyor, and analysing the trend of changes in values over time. Through this process, which is undertaken annually, management assesses and confirms the relevance and suitability of indices provided based on Darling Downs Hospital and Health Service's own particular circumstances.

Early in the reporting period, the Darling Downs Hospital and Health Service reviewed all fair value methodologies in light of the new principles in AASB 13. Some minor adjustments were made to methodologies to take into account the more exit-oriented approach to fair value under AASB 13, as well as the availability of more observable data for certain assets (e.g. Land and general purpose buildings). Such adjustments - in themselves - did not result in a material impact on the values for the affected property, plant and equipment classes.

Any revaluation increment arising on the revaluation of an asset is credited to the asset revaluation surplus of the appropriate class. A decrease in the carrying amount on revaluation is charged as an expense, to the extent it exceeds the balance, if any, in the revaluation surplus relating to that asset class.

On revaluation, accumulated depreciation is restated proportionately with the change in the carrying amount of the asset and any change in the estimate of remaining useful life.

Materiality concepts under AASB 1031 *Materiality* are considered in determining whether the difference between the carrying amount and the fair value of an asset is material.

(p) Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly derived from observable inputs or estimated using another valuation technique.

Observable inputs are publicly available data that are relevant to the characteristics of the assets/liabilities being valued, and include, but are not limited to, published sales data for land, general office buildings and residential dwellings.

Unobservable inputs are data, assumptions and judgements that are not available publicly, but are relevant to the characteristics of the assets/liabilities being valued. Significant unobservable inputs used by Darling Downs Hospital and Health Service include, but are not limited to, subjective adjustments made to observable data to take account of the specialised nature of health service buildings and on hospital-site residential facilities, including historical and current construction contracts (and/or estimates of such costs), and assessments of physical condition and remaining useful life. Unobservable inputs are used to the extent that sufficient relevant and reliable observable inputs are not available for similar assets/liabilities.

DARLING DOWNS HOSPITAL AND HEALTH SERVICE

Notes to and Forming Part of the Financial Statements 2013-14

2. Summary of Significant Accounting Policies continued

(p) Fair Value Measurement continued

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefit by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

All assets and liabilities of the Darling Downs Hospital and Health Service for which fair value is measured or disclosed in the financial statements are categorised within the following fair value hierarchy, based on the data and assumptions used in the most recent specific appraisals:

- * level 1 - represents fair value measurements that reflect unadjusted quoted market prices in active markets for identical assets and liabilities;
- * level 2 - represents fair value measurements that are substantially derived from inputs (other than quoted prices included in level 1) that are observable, either directly or indirectly; and
- * level 3 - represents fair value measurements that are substantially derived from unobservable inputs.

None of Darling Downs Hospital and Health Service's valuations of assets or liabilities are eligible for categorisation into level 1 of the fair value hierarchy. As 2013-14 is the first year of application of AASB 13 by Darling Downs Hospital and Health Service, there were no transfers of assets between fair value hierarchy levels during the period.

More specific fair value information about property, plant and equipment is outlined in note 17.

(q) Depreciation

Property, plant and equipment are depreciated on a straight-line basis. Annual depreciation is based on fair values and Darling Downs Hospital and Health Service's assessments of the useful remaining life of individual assets. All asset useful lives were reviewed to ensure that the remaining service potential of the assets was reflected in the accounts. Land is not depreciated as it has an unlimited useful life.

Assets under construction (work-in-progress) are not depreciated until they reach service delivery capacity. Service delivery capacity relates to when construction is complete and the asset is first put to use or is installed ready for use in accordance with its intended application. These assets are then reclassified to the relevant classes within property, plant and equipment.

Any expenditure that increases the capacity or service potential of an asset is capitalised and depreciated over the remaining useful life of the asset. Major components purchased specifically for particular assets are capitalised and depreciated on the same basis as the asset to which they relate. A review of major components was undertaken and whilst components are not separately accounted for, there is no material effect on depreciation expense reported. The depreciable amount of improvements to or on leasehold land is allocated progressively over the shorter of the estimated useful lives of the improvements or the unexpired period of the lease.

For each class of depreciable assets, the following depreciation rates are used:

<u>Class</u>	<u>Depreciation rates</u>
Buildings and Improvements	0.76% - 3.85%
Plant and equipment	2.0% - 20.0%

DARLING DOWNS HOSPITAL AND HEALTH SERVICE

Notes to and Forming Part of the Financial Statements 2013-14

2. Summary of Significant Accounting Policies continued

(r) Leased property, plant and equipment

Operating lease payments, being representative of benefits derived from the leased assets, are recognised as an expense of the period in which they are incurred. Darling Downs Hospital and Health Service has no finance lease assets as at the reporting date.

Darling Downs Hospital and Health Service has a Deed of Lease arrangement with the Department of Health for assets transferred to the Hospital and Health Service in the Transfer Notice effective 1 July 2012. For recognition under AASB 117 *Leases*, there must be consideration paid under the lease for assets to be recognised as leased assets, and this is not the case in the current arrangements. Therefore assets transferred are recognised as property, plant and equipment rather than leased assets.

(s) Impairment of Non-Current Assets

All non-current and intangible assets are assessed for indicators of impairment on an annual basis in accordance with AASB 136 *Impairment of Assets*.

If an indicator of possible impairment exists, Darling Downs Hospital and Health Service determines the asset's recoverable amount (higher of value in use and fair value less costs to sell).

Any amount by which the asset's carrying amount exceeds the recoverable amount is considered an impairment loss. An impairment loss is recognised immediately in the Statement of Comprehensive Income, unless the asset is carried at a revalued amount, in which case the impairment loss is offset against the asset revaluation surplus of the relevant class to the extent available.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase. Refer also note 2 (o).

(t) Payables

Trade creditors are recognised upon receipt of the goods or services ordered and are measured at the nominal amount i.e. agreed purchase/contract price, net of applicable trade and other discounts. Amounts owing are unsecured and generally settled in accordance with the vendors' terms and conditions but within 60 days.

(u) Financial Instruments

Recognition

Financial assets and financial liabilities are recognised in the Statement of Financial Position when Darling Downs Hospital and Health Service becomes party to the contractual provisions of the financial instrument.

Classification

Financial instruments are classified and measured as follows:

- Cash and cash equivalents - held at fair value through profit or loss
- Receivables - held at amortised cost
- Payables - held at amortised cost

Darling Downs Hospital and Health Service does not enter into transactions for speculative purposes, nor for hedging. Apart from cash and cash equivalents, the Darling Downs Hospital and Health Service holds no financial assets classified at fair value through profit and loss. All other disclosures relating to the measurement and financial risk management of financial instruments held by Darling Downs Hospital and Health Service are included in note 28.

DARLING DOWNS HOSPITAL AND HEALTH SERVICE

Notes to and Forming Part of the Financial Statements 2013-14

2. Summary of Significant Accounting Policies continued

(u) Financial Instruments continued

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in Statement of Comprehensive Income.

(v) Employee Benefits and Health Service Employee Costs

Under section 20 of the *Hospital and Health Boards Act 2011* - a Hospital and Health Service can employ health executives, and (where regulation has been passed for the Hospital and Health Service to become a prescribed service) a person employed previously in the Department, as a health service employee. Where a Hospital and Health Service has not received the status of a "prescribed service", non-executive staff working in a Hospital and Health Service remain legally employees of the Department of Health (Health Service Employees).

(i) Health Service Employees

In 2013-14 the Darling Downs Hospital and Health Service was not a prescribed service and accordingly all non-executive staff were employed by the Department of Health. Provisions in the *Hospital and Health Boards Act 2011* enable Darling Downs Hospital and Health Service to perform functions and exercise powers to ensure the delivery of its operational plan.

Under this arrangement:

- The Department provides employees to perform work for the Hospital and Health Service, and acknowledges and accepts its obligations as the employer of these employees;
- The Darling Downs Hospital and Health Service is responsible for the day to day management of these employees; and
- The Darling Downs Hospital and Health Service reimburses the Department for the salaries and on-costs of these employees.

(ii) Darling Downs Hospital and Health Service's Executives

In addition to the Health Service employees from the Department of Health, the Hospital and Health Service has engaged employees directly. The information detailed below relates specifically to the directly engaged employees.

Darling Downs Hospital and Health Service classifies salaries and wages, rostered days-off, sick leave, annual leave and long service leave levies and employer superannuation contributions as employee benefits in accordance with AASB 119 *Employee Benefits* (note 7). Wages and salaries due but unpaid at reporting date are recognised in the Statement of Financial Position at current salary rates. As Darling Downs Hospital and Health Service expects such liabilities to be wholly settled within 12 months of reporting date, the liabilities are recognised at undiscounted amounts.

Prior history indicates that on average, sick leave taken each reporting period is less than the entitlement accrued. This is expected to continue in future periods. Accordingly, it is unlikely that existing accumulated entitlements will be used by employees and no liability for unused sick leave entitlements is recognised. As sick leave is non-vesting, an expense is recognised for this leave as it is taken.

Payroll tax and workers' compensation insurance are a consequence of employing employees, but are not counted in an employee's total remuneration package. They are not employee benefits and are recognised separately as employee related expenses.

DARLING DOWNS HOSPITAL AND HEALTH SERVICE

Notes to and Forming Part of the Financial Statements 2013-14

(v) Employee Benefits and Health Service Employee Costs continued

Annual Leave

The Queensland Government's Annual Leave Central Scheme (ALCS) became operational on 30 June 2008 for departments, commercial business units, shared service providers and selected not for profit statutory bodies. Darling Downs Hospital and Health Service was admitted into this arrangement effective 1 July 2012. Under this scheme, a levy is made on Darling Downs Hospital and Health Service to cover the cost of employee's annual leave (including leave loading and on-costs).

The levies are expensed in the period in which they are paid or payable. Amounts paid to employees for annual leave are claimed from the scheme quarterly in arrears. The Department of Health centrally manages the levy and reimbursement process on behalf of Darling Downs Hospital and Health Service. No provision for annual leave is recognised in Darling Downs Hospital and Health Service's financial statements as the liability is held on a whole-of-government basis and reported in those financial statements pursuant to AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

Long Service Leave

Under the Queensland Government's Long Service Leave Scheme, a levy is made on Darling Downs Hospital and Health Service to cover the cost of employees' long service leave. The levies are expensed in the period in which they are payable. Amounts paid to employees for long service leave are claimed from the scheme quarterly in arrears. The Department of Health centrally manages the levy and reimbursement process on behalf of the Darling Downs Hospital and Health Service. No provision for long service leave is recognised in the Darling Downs Hospital and Health Service's financial statements as the liability is held on a whole-of-government basis and reported in those financial statements pursuant to AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

Superannuation

Employer superannuation contributions are paid to QSuper, the superannuation scheme for Queensland Government employees, at rates determined by the Treasurer on the advice of the State Actuary. Contributions are expensed in the period in which they are paid or payable and Darling Downs Hospital and Health Service's obligation is limited to its contribution to QSuper. The QSuper scheme has defined benefit and defined contribution categories. The liability for defined benefits is held on a whole-of-government basis and reported in those financial statements pursuant to AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

Board members and Visiting Medical Officers are offered a choice of superannuation funds and Darling Downs Hospital and Health Service pays superannuation contributions into a complying superannuation fund.

Darling Downs Hospital and Health Service complies with *The Superannuation Guarantee (Administration) Act 1992* (Superannuation Guarantee) which requires the Hospital and Health Service to provide a minimum superannuation cover for all eligible employees. The minimum level of superannuation cover under the Superannuation Guarantee was 9.25 per cent of each eligible employee's earnings base as at 30 June 2014.

Key Management Personnel and Remuneration

Key management personnel and remuneration disclosures are made in accordance with section 5 of the Financial Reporting Requirements for Queensland Government Agencies issued by Queensland Treasury and Trade (see note 29). These may include both Health Service Executives and Health Service Employees.

(w) Unearned Revenue

Monies received in advance primarily for preadmission deposits and fees for services yet to be provided are represented as unearned revenue.

DARLING DOWNS HOSPITAL AND HEALTH SERVICE

Notes to and Forming Part of the Financial Statements 2013-14

2. Summary of Significant Accounting Policies continued

(x) Insurance

Darling Downs Hospital and Health Service is covered by Department of Health insurance policies with Queensland Government Insurance Fund (QGIF) and WorkCover Queensland, and pays a fee to the Department of Health as a fee for service arrangement. This is included in supplies and services (refer note 8).

QGIF covers property and general losses above a \$10,000 threshold and health litigation payments above a \$20,000 threshold and associated legal fees. QGIF collects from insured agencies an annual premium intended to cover the cost of claims occurring in the premium year, calculated on a risk assessment basis.

(y) Contributed Equity

Non-reciprocal transfers of assets and liabilities between wholly-owned Queensland Government entities as a result of machinery-of-Government changes are adjusted to Contributed Equity in accordance with Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities*. Appropriations for equity adjustments are similarly designated.

Transactions with owners as owners include equity injections for non-current asset acquisitions and non-cash equity withdrawals to offset non-cash depreciation funding received under the Service Agreement with the Department of Health.

(z) Taxation

Darling Downs Hospital and Health Service is a State body as defined under the *Income Tax Assessment Act 1936* and is exempt from Commonwealth taxation with the exception of Fringe Benefits Tax (FBT) and Goods and Services Tax (GST). The Australian Taxation Office has recognised the Department of Health and the seventeen Hospital and Health Services as a single taxation entity for reporting purposes.

Both the Darling Downs Hospital and Health Service and the Department of Health satisfy section 149-25(e) of the *A New Tax System (Goods and Services) Act 1999* (Commonwealth) (the GST Act) and were able, with other Hospital and Health Services, to form a "group" for GST purposes under Division 149 of the GST Act. This means that any transactions between the members of the "group" do not attract GST. However, all entities are responsible for the payment or receipt of any GST for their own transactions. As such, GST credits receivable from and payable to the Australian Taxation Office (ATO) are recognised and accrued. Refer note 14 (Receivables).

All FBT and GST reporting to the Commonwealth is managed centrally by the Department, with payments/receipts made on behalf of the Darling Downs Hospital and Health Service reimbursed to/from the Department on a monthly basis. GST credits receivable from, and GST payable to the ATO, are recognised on this basis.

(aa) Issuance of Financial Statements

The financial statements are authorised for issue by the Chair of the Board and the Chief Finance Officer at the date of signing the Management Certificate.

(ab) Critical Accounting Judgements and Key Sources of Estimation Uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are:

DARLING DOWNS HOSPITAL AND HEALTH SERVICE

Notes to and Forming Part of the Financial Statements 2013-14

2. Summary of Significant Accounting Policies continued

(ab) Critical Accounting Judgements and Key Sources of Estimation Uncertainty continued

Provision for impairment of receivables

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent revenue transaction experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtor's financial position.

Fair value and hierarchy of financial instruments

The Darling Downs Hospital and Health Service is required to classify financial instruments, measured at fair value, using a three level hierarchy, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3: Inputs for the asset or liability that is not based on observable market data (unobservable inputs).

An instrument is required to be classified in its entirety on the basis of the lowest level of valuation inputs that is significant to fair value.

Considerable judgement is required when determining fair value and the relevant reportable category.

Estimation of useful lives of assets

The Darling Downs Hospital and Health Service determines the estimated useful lives and related depreciation on charges for its property, plant and equipment. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

(ac) Rounding and Comparatives

Amounts included in the financial statements are in Australian dollars and have been rounded to the nearest \$1,000 or, where that amount is \$500 or less, to zero, unless disclosure of the full amount is specifically required.

Comparative information has been restated where necessary to be consistent with disclosures in the current reporting period.

(ad) Voluntary change in accounting policy

Darling Downs Hospital and Health Service has made a voluntary change in accounting policy for the recognition of funding provided by the Department of Health under a service agreement between the Department and Darling Downs Hospital and Health Service. The service agreement specifies those public health services purchased by the Department from Darling Downs Hospital and Health Service.

In 2012-13 the Department of Health provided this funding as grant payments but for 2013-14 has determined that the payment is not of a grants nature but rather is procurement of public health services. Specific public health services are received by the Department under a service agreement and the Department has determined that it receives approximately equal value for the payment provided, and directly receives an intended benefit.

To align with this basis of funding provided by the Department of Health under a service agreement, Darling Downs Hospital and Health Service now recognises the 2013-14 funding of \$529.4 million as user charges and fees revenue for 2013-14 rather than as grants revenue which occurred in 2012-13. The main effect is that the revenue is now recognised under the criteria detailed in AASB 118 *Revenue* for 2013-14, rather than under AASB 1004 *Contributions* in 2012-13. The revenue recognition criteria is described in note 2(d) user charges and fees and note 2(e) grants and other contributions.

This change in accounting policy has been applied retrospectively with the effect that grants and other contributions revenue for 2012-13 has reduced by \$512.6 million and user charges and fees revenue has increased by the same amount.

DARLING DOWNS HOSPITAL AND HEALTH SERVICE

Notes to and Forming Part of the Financial Statements 2013-14

2. Summary of Significant Accounting Policies continued

(ae) New and Revised Accounting Standards

Other than the voluntary change in accounting policy for revenue received from the Department of Health detailed in note 2(ad), Darling Downs Hospital and Health Service did not voluntarily change any of its accounting policies during 2013-14. The only Australian Accounting Standard changes applicable for the first time as from 2013-14 that have had a significant impact on the Darling Downs Hospital and Health Service's financial statements are those arising from AASB 13 *Fair Value Measurement*.

AASB 13 *Fair Value Measurement* became effective from reporting periods beginning on or after 1 January 2013. AASB 13 sets out a new definition of 'fair value' as well as new principles to be applied when determining the fair value of assets and liabilities. The new requirements apply to all of the Hospital and Health Service's assets and liabilities (excluding leases) that are measured and/or disclosed at fair value or another measurement based on fair value. The impact of AASB 13 relates to the fair value measurement methodologies used and financial statement disclosures made in respect of such assets and liabilities.

Darling Downs Hospital and Health Service reviewed its fair value methodologies (including instructions to valuers, data used and assumptions made) for land and buildings measured at fair value to assess whether those methodologies comply with AASB13. To the extent that the methodologies didn't comply, changes were made and applied to the valuations. None of the changes to valuation methodologies resulted in material differences from the previous methodologies.

AASB13 has required an increased amount of information to be disclosed in relation to fair value measurements for both assets and liabilities. For those fair value measurements of assets or liabilities that substantially are based on data that is not 'observable' (i.e. accessible outside the Hospital and Health Service), the amount of information disclosed has significantly increased. Note 2 (p) explains some of the principles underpinning the additional fair value information disclosed. Most of this additional information is set out in note 17 - property plant and equipment.

A revised version of AASB 119 *Employee Benefits* became effective for reporting periods beginning on or after 1 January 2013 with the majority of changes to be applied retrospectively. Given Darling Downs Hospital and Health Service's circumstances, the only implication for the Darling Downs Hospital and Health Service was the revised concept of 'termination benefits' and the revised recognition criteria for termination benefit liabilities. If termination benefits meet the timeframe criterion for 'short-term employee benefits' they will be measured according to the AASB119 requirements for 'short-term employee benefits'. Otherwise, termination benefits need to be measured according to the AASB 119 requirements for 'other long-term employee benefits'. Under the revised standard, the recognition and measurement of employer obligations for 'other long-term employee benefits' will need to be accounted for according to most of the requirements for defined benefit plans.

The revised AASB 119 includes changed criteria for accounting for employee benefits as 'short-term employee benefits'. However, as the Darling Downs Hospital and Health Service is a member of the Queensland Government central schemes for annual leave and long service leave this change in criteria has no impact on the Darling Downs Hospital and Health Services financial statements as the employer liability is held by the central scheme. The revised standard also includes changed requirements for the measurement of employer liabilities/assets arising from defined benefit plans, and the measurement and presentation of changes in such liabilities and assets. Darling Downs Hospital and Health Service makes employer superannuation contributions only to the QSuper defined benefit plan, and the corresponding QSuper employer benefit obligation is held by the State. Therefore, those changes to AASB119 will have no impact on the Darling Downs Hospital and Health Service.

AASB 1053 *Application of Tiers of Australian Accounting Standards* became effective for reporting periods beginning on or after 1 July 2013. AASB 1053 establishes a differential reporting framework for those entities that prepare general purpose financial statements, consisting of two Tiers of reporting requirements - Australian Accounting Standards (commonly referred to as 'Tier 1'), and Australian Accounting Standards - Reduced Disclosure Requirements (commonly referred to as 'Tier 2'). Tier 1 requirements comprise the full range of AASB recognition, measurement, presentation and disclosure requirements that are currently applicable to reporting entities in Australia. The only difference between the Tier 1 and Tier 2 requirements is that Tier 2 requires fewer disclosures than Tier 1.

DARLING DOWNS HOSPITAL AND HEALTH SERVICE

Notes to and Forming Part of the Financial Statements 2013-14

2. Summary of Significant Accounting Policies continued

(ae) New and Revised Accounting Standards continued

Pursuant to AASB 1053, public sector entities like Darling Downs Hospital and Health Service may adopt Tier 2 requirements for their general purpose financial statements. However, AASB 1053 acknowledges the power of a regulator to require application of the Tier 1 requirements. In the case of Darling Downs Hospital and Health Service, Queensland Treasury and Trade is the regulator. Queensland Treasury and Trade has advised that it is its policy decision to require adoption of Tier 1 reporting by all Queensland government departments and statutory bodies (including Darling Downs Hospital and Health Service) that are consolidated into the whole-of-Government financial statements. Therefore, the release of AASB 1053 and associated amending standards has had no impact on Darling Downs Hospital and Health Service.

Darling Downs Hospital and Health Service is not permitted to early adopt a new or amended accounting standard ahead of the specified commencement date unless approval is obtained from Queensland Treasury and Trade. Consequently, the Darling Downs Hospital and Health Service has not applied any Australian Accounting Standards and Interpretations that have been issued but are not yet effective. Darling Downs Hospital and Health Service applies standards and interpretations in accordance with their respective commencement dates.

At the date of authorisation of the financial report, the following new or amended Australian Accounting Standards are expected to impact on the Darling Downs Hospital and Health Service in future periods. The potential effect of the revised Standards and Interpretations on the Hospital and Health Service's financial statements is not expected to be significant but a full review has not yet been completed.

Standards effective for annual periods beginning on or after 1 July 2014:

- AASB 1055 *Budgetary Reporting* applies to reporting periods beginning on or after 1 July 2014. Darling Downs Hospital and Health Service will need to include in its 2014-15 financial statements the original budgeted figures from the Income Statement, Balance Sheet, Statement of Changes in Equity, and Cash Flow Statement as published in the 2014-15 Queensland Government's Service Delivery Statements. The budgeted figures will need to be presented consistently with the corresponding (actual) financial statements, and will be accompanied by explanations of major variances between the actual amounts and the corresponding original budgeted figures.

The following new and revised standards apply as from reporting periods beginning on or after 1 January 2014:

- AASB 10 *Consolidated Financial Statements*;
- AASB 11 *Joint Arrangements*;
- AASB 12 *Disclosure of Interests in Other Entities*;
- AASB 127 (revised) *Separate Financial Statements*;
- AASB 128 (revised) *Investments in Associates and Joint Ventures*;
- AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 1023 & 1038 and Interpretations 5, 9, 16 & 17]*; and
- AASB 2013-8 *Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities - Control and Structured Entities*.

AASB 10 redefines and clarifies the concept of control of another entity, and is the basis for determining which entities should be consolidated into an entity's financial statements. AASB 2013-8 applies the various principles in AASB 10 for determining whether a not-for-profit entity controls another entity. On the basis of those accounting standards, Darling Downs Hospital and Health Service has reviewed the nature of its relationships with entities that the Darling Downs Hospital and Health Service is connected with to determine the impact of AASB 2013-8. Currently Darling Downs Hospital and Health Service does not have control over any other entities.

DARLING DOWNS HOSPITAL AND HEALTH SERVICE

Notes to and Forming Part of the Financial Statements 2013-14

2. Summary of Significant Accounting Policies continued

(ae) New and Revised Accounting Standards continued

AASB 11 deals with the concept of joint control and sets out new principles for determining the type of joint arrangements that exist, which in turn dictates the accounting treatment. The new categories of joint arrangements under AASB 11 are more aligned to the actual rights and obligations of the parties to the arrangement. Darling Downs Hospital and Health Service has assessed its arrangements with other entities to determine whether a joint arrangement exists in terms of AASB 11. Based on present arrangements, no joint arrangements exist. However, if a joint arrangement does arise in the future, Darling Downs Hospital and Health Service will need to follow the relevant accounting treatment specified in either AASB 11 or the revised AASB 128, depending on the nature of the joint arrangement.

AASB 9 *Financial Instruments* and AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* [AASB 1, 3, 4, 5, 7, 101, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and *Interpretations 2, 5, 10, 12, 19 & 127*] will become effective for reporting periods beginning on or after 1 January 2017.

The main impacts of these standards on Darling Downs Hospital and Health Service are that they will change the requirements for the classification, measurement and disclosures associated with Darling Downs Hospital and Health Service's financial assets. Under the new requirements, financial assets will be more simply classified according to whether they are measured at amortised cost or fair value. Pursuant to AASB 9, financial assets can only be measured at amortised cost if two conditions are met. One of these conditions is that the asset must be held within a business model whose objective is to hold assets in order to collect contractual cash flows. The other condition is that the contractual terms of the asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. The only financial asset currently disclosed at amortised cost is receivables and as they are short term in nature, the carrying amount is expected to be a reasonable approximate of fair value so the impact of this standard is minimal. For financial liabilities which are designated as at fair value through profit or loss, the amount of change in fair value that is attributable to changes in the liability's credit risk will be recognised in other comprehensive income.

All other Australian accounting standards and interpretations with new or future commencement dates are either not applicable to Darling Downs Hospital and Health Service's activities, or have no material impact on the Darling Downs Hospital and Health Service.

(af) Other

Voluntary Redundancies

In 2013-14 Darling Downs Hospital and Health Service, in line with whole of Government initiatives, conducted a Voluntary Redundancy program offering bona-fide redundancy packages to selected Department of Health staff. 101 voluntary redundancies were accepted in accordance with the terms of the Queensland Public Service Commission's Directive 11/12 *Early Retirement, Redundancy and Retrenchment*.

Payroll system

Whilst employees are currently paid under a service arrangement using the Department of Health's payroll system, the responsibility for the efficiency and effectiveness of this system remains with the Department.

Corporate Services Received for No Cost

Darling Downs Hospital and Health Service receives corporate services support from the Department of Health for no cost. Corporate services received include payroll services, accounts payable services, some taxation services, some supply services and some information technology services. As the fair value of these services is unable to be estimated reliably, no associated revenue and expense is recognised in the Statement of Profit or Loss and Other Comprehensive Income.

DARLING DOWNS HOSPITAL AND HEALTH SERVICE
Notes to and Forming Part of the Financial Statements 2013-14

2. Summary of Significant Accounting Policies continued

(af) Other continued

Property Maintenance Backlog

This represents the total cost of repairs, maintenance and assets due for replacement, with these activities to occur over future years. It is estimated that expenditure for the next 12 months will be approximately \$19.6 million. The current estimate of all property maintenance backlog costs is \$44.2 million as at the reporting date.

The Department of Health has provided \$16.1 million of additional funding in the 2014-15 budget allocation to address the property maintenance backlog of the Darling Downs Hospital and Health Service.

DARLING DOWNS HOSPITAL AND HEALTH SERVICE
Notes to and Forming Part of the Financial Statements 2013-14

	2014 \$'000	2013 \$'000
3. User charges and fees		
Government Funding		
Activity Based Funding		
State Share	161,308	126,314
Commonwealth share	104,233	65,137
	<u>265,541</u>	<u>191,451</u>
Block Funding		
State share	98,844	130,706
Commonwealth share	57,791	56,851
	<u>156,635</u>	<u>187,557</u>
Training, teaching and research		
State share	2,166	13,876
Commonwealth share	1,289	6,036
	<u>3,455</u>	<u>19,912</u>
Other government funding	103,812	112,071
Total Government Funding	<u>529,443</u>	<u>510,991</u>
Sales of goods and services	2,475	3,086
Hospital fees	24,366	21,069
Pharmaceutical Benefits Scheme Reimbursement	12,954	5,987
Other user charges - Rental income	23	36
	<u>569,261</u>	<u>541,169</u>
4. Grants and other contributions		
Commonwealth and State Government grants		
Nursing home grants	16,380	15,849
Home and community care grants	7,678	7,637
Other specific purpose grants	7,905	6,667
Total Australian Government grants	<u>31,963</u>	<u>30,153</u>
Other		
Donations non-current physical assets	8	18
Donations other	1,359	166
Other grants	673	
	<u>34,003</u>	<u>30,337</u>

DARLING DOWNS HOSPITAL AND HEALTH SERVICE
Notes to and Forming Part of the Financial Statements 2013-14

	2014	2013
	\$'000	\$'000
5. Other revenue		
Health Service Employee Cost Recoveries		
Queensland Government Departments	15	239
External	1,950	2,583
Workcover	734	695
Total Health Service Employee Cost Recoveries	2,699	3,517
Interest	159	154
Licences and registration charges	25	29
Non-labour recoveries	913	281
Other	313	312
	4,109	4,293
6. Gains on disposal/remeasurement of assets		
Gains on sale of property, plant and equipment	15	53
	15	53
7. Employee expenses		
Employee benefits		
Wages and Salaries	1,465	1,422
Annual leave levy	96	150
Employer superannuation contributions	152	163
Long service leave levy	23	25
Employee related expenses		
Redundancies	159	189
Workers compensation premium	20	21
Payroll tax	21	37
Other employee related expense	2	61
	1,938	2,068

The number of employees including both full-time employees and part-time employees measured on a full-time equivalent basis is:

Number of Employees (Full time Equivalents) as at 30 June	4	4.8
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Refer to Note 2 (v).

Key management personnel and remuneration is reported in Note 29.

DARLING DOWNS HOSPITAL AND HEALTH SERVICE
Notes to and Forming Part of the Financial Statements 2013-14

	2014 \$'000	2013 \$'000
8. Supplies and services		
Health Service Employee Costs	418,197	411,117
Consultants and Contractors	12,901	12,868
Water and utility costs	7,090	6,701
Patient travel	8,148	4,875
Other travel	1,786	1,374
Building services	1,052	996
Insurance Premiums (paid to Department of Health)	6,619	6,604
Motor vehicles	655	640
Inter-entity supplies (paid to Department of Health)	9,045	9,519
Computer Services and Communications	7,182	6,752
Repairs and maintenance	16,262	9,860
Minor works, including plant and equipment	2,102	888
Operating lease rentals	2,339	3,039
Drugs	19,180	16,633
Clinical supplies and services	20,450	18,105
Outsourced service delivery contracts (clinical services)	7,846	3,686
Catering and domestic supplies	8,768	8,487
Pathology and laboratory supplies	10,940	11,292
Other	1,444	4,200
	<u>562,006</u>	<u>537,636</u>

Health Service Employee Costs

The Hospital and Health Service through service arrangements with the Department of Health, has engaged a further 3,801 full-time equivalent persons (2013: 3,763 FTE's), as calculated by reference to the minimum obligatory human resources information (MOHRI). Refer to Note 2 (v) (i) for further details on the arrangements.

9. Grants and subsidies

Grants to other Hospital and Health Services for Rural Generalist Pathway	1,490	1,163
Medical research programs	92	131
Other		45
	<u>1,582</u>	<u>1,339</u>

10. Depreciation

Buildings	15,837	13,509
Plant and equipment	5,679	5,179
	<u>21,516</u>	<u>18,688</u>

Refer Note 17 and Note 2 (q).

11. Impairment losses

Impairment losses on trade receivables	579	(74)
Bad debts written off	509	407
	<u>1,088</u>	<u>333</u>

Refer Note 14.

DARLING DOWNS HOSPITAL AND HEALTH SERVICE
Notes to and Forming Part of the Financial Statements 2013-14

	2014 \$'000	2013 \$'000
12. Other expenses		
External audit fees	205	205
Bank fees	15	14
Insurance	200	149
Inventory written off	46	91
Losses from the disposal of non-current assets	184	422
Special payments - ex-gratia payments	41	56
Other legal costs	349	246
Journals and subscriptions	131	116
Advertising	97	84
Interpreter fees	178	137
Sponsorships	55	
Other	68	19
	<u>1,569</u>	<u>1,539</u>

Total audit fees recognised as payable to the Queensland Audit Office relating to the 2013-14 financial year are estimated to be \$200,000 (2013: \$205,000). There are no non-audit services included in this amount.

Insurance costs represent excess amounts under motor vehicle insurance claims and costs of insurance for motor vehicle fleet managed by the Darling Downs Hospital and Health Service. Certain losses of public property and health litigation costs are insured with the Queensland Government Insurance Fund. Insurance premiums are paid via fee for service arrangements to the Department of Health (refer Note 2 (x) Insurance) and disclosed at Note 8 (Supplies and Services).

Special payments (ex-gratia payments) greater than \$5,000 include: a compensation payment of \$18,245 to a member of the public; a compensation payment to a member of the public for \$5,350 in relation to a matter referred to the Queensland Civil and Administrative Tribunal; and a payment of \$5,000 to a Regional Council for a health infrastructure initiative.

13. Cash and cash equivalents

General trust cash at bank	1,239	501
Operating cash on hand and at bank	56,697	35,448
General trust at call deposits	3,001	2,903
	<u>60,937</u>	<u>38,852</u>

Refer Note 26 Restricted Assets

Darling Downs Hospital and Health Service's operating bank accounts are grouped as part of a whole-of-Government (WoG) banking arrangement with Queensland Treasury Corporation, and does not earn interest on surplus funds nor is it charged interest or fees for accessing its approved cash debit facility. Any interest earned on the WoG fund accrues to the Consolidated Fund.

General trust bank and term deposits do not form part of the WoG banking arrangement and incur fees as well as earn interest. Interest earned from general trust accounts is used in accordance with the terms of the trust.

Cash deposited with Queensland Treasury Corporation earns interest, calculated on a daily basis reflecting market movements in cash funds. Annual effective interest rates (payable monthly) achieved throughout the year range between 3.22% to 4.17% (2013: 3.61% to 4.68%).

DARLING DOWNS HOSPITAL AND HEALTH SERVICE
Notes to and Forming Part of the Financial Statements 2013-14

	2014 \$'000	2013 \$'000
14. Receivables		
Trade receivables	5,477	4,191
Payroll receivables	6	11
Less: Provision for impairment of receivables	(1,142)	(564)
	<u>4,341</u>	<u>3,638</u>
GST input tax credits receivable	826	766
GST payable/(receivable)	12	(47)
	<u>838</u>	<u>719</u>
Accrued revenue from Department of Health	2,732	6,528
Other accrued revenue	1,474	1,495
Other		50
Total	<u>9,385</u>	<u>12,430</u>

Payroll receivables represent interim cash payments and salary overpayments for executive staff.

Impairment of receivables

Darling Downs Hospital and Health Service has recognised a loss of \$1.09M (2013: \$0.3M) in respect of impairment of receivables. Refer Note 28 for details of the ageing of impaired receivables.

Movements in the allowance for impairment loss

Balance at beginning of the year	564	
Balance transferred in on establishment of Hospital and Health Service		638
Amounts written off during the year	(509)	(407)
Amount recovered during the year		
Increase/(decrease) in allowance recognised in operating result	1,088	333
Balance at the end of the year	<u>1,143</u>	<u>564</u>

15. Inventories

Medical supplies and equipment	2,866	2,308
Drugs	2,275	2,072
Catering and domestic	129	98
Other	265	286
	<u>5,535</u>	<u>4,764</u>

16. Other current assets

Prepayments	234	168
	<u>234</u>	<u>168</u>

DARLING DOWNS HOSPITAL AND HEALTH SERVICE
Notes to and Forming Part of the Financial Statements 2013-14

	2014 \$'000	2013 \$'000
17. Property, plant and equipment		
Land		
At fair value	44,563	42,169
Buildings		
At fair value	628,667	619,284
Less: Accumulated depreciation	<u>(395,505)</u>	<u>(379,709)</u>
	<u>233,162</u>	<u>239,575</u>
Plant and equipment		
At cost	63,778	60,135
Less: Accumulated depreciation	<u>(36,634)</u>	<u>(32,649)</u>
	<u>27,144</u>	<u>27,486</u>
Capital works in progress		
At cost	600	1,237
Total property, plant and equipment	<u>305,469</u>	<u>310,467</u>

Refer Note 2 (o).

Land

Land is measured at fair value using independent revaluations, desktop market revaluations or indexation by the State Valuation Service (SVS) within the Department of Natural Resources and Mines. Independent revaluations are performed with sufficient regularity to ensure assets are carried at fair value.

In 2014, Darling Downs Hospital and Health Service engaged the State Valuation Service (SVS) to undertake land indexation with a comprehensive revaluation program to occur over the next four years (with indices applied in the intervening periods) for all land holdings, excluding properties which do not have a liquid market, for example properties under Deed of Grant (recorded at a nominal value of \$1).

Indices are based on actual market movements for the relevant location and asset category and were applied to the fair value of land transferred from the Department of Health on 1 July 2012.

The fair value of land was based on publicly available data on sales of similar land in nearby localities prior to the date of the indexation. In determining the values, adjustments were made to the sales data to take into account the location of the land, its size, street/road frontage and access, and any significant restrictions.

The extent of the adjustments made varies in significance for each parcel of land - refer to the reconciliation table later in this note for information about the fair value classification of the Darling Downs Hospital and Health Service's land.

The revaluation program resulted in an increment of \$2.393 million (2013: \$0) to the carrying amount of land.

DARLING DOWNS HOSPITAL AND HEALTH SERVICE

Notes to and Forming Part of the Financial Statements 2013-14

17. Property, plant and equipment continued

Buildings

Reflecting the specialised nature of health service buildings and on hospital-site residential facilities, fair value is determined using depreciated replacement cost methodology, due to there not being an active market for such facilities. Depreciated replacement cost is determined as the replacement cost less the cost to bring an asset to current standards. Buildings are measured at fair value by applying either, a revised estimate of individual asset's depreciated replacement cost, or interim indices which approximates movement in price and design standards as at reporting date. These estimates are developed by independent quantity surveyors.

In determining the replacement cost of each building, the estimated replacement cost of the asset, or the likely cost of construction including fees and on costs if tendered on the valuation date, is assessed. This is based on internal records of the original cost, adjusted for more contemporary design/construction approaches and current construction contracts. Assets are priced using Brisbane rates with published industry benchmark location indices applied. Revaluations are then compared and assessed against current construction contracts for reasonableness. The valuation assumes a replacement building will provide the same service function and form (shape and size) as the original building but built consistent with current building standards. Area estimates were compiled by measuring floor areas of Project Services e-plan room or drawings obtained from Darling Downs Hospital and Health Service. Refurbishment costs were derived from specific projects and are therefore indicative of actual costs.

In determining the asset to be revalued the measurement of key quantities includes:

- Gross floor area
- Number of floors
- Girth of the building
- Height of the building
- Number of lifts and staircases.

Significant judgement is also used to assess the remaining service potential of the facility, given local climatic and environmental conditions and records of the current condition of the facility.

The 'cost to bring to current standards' is the estimated cost of refurbishing the asset to bring it to current design standards and in an "as new" condition. This estimated cost is linked to the condition factor of the building assessed by the quantity surveyor. It is also representative of the deemed remaining useful life of the building. The condition of the building is based on visual inspection, asset condition data, guidance from asset managers and previous reports.

In assessing the condition of a building the following ratings (International Infrastructure Management Manual) were applied:

Category	Condition
1	Very good condition - only normal maintenance required. Generally newly constructed assets that have no backlog maintenance issues.
2	Minor defects only - minor maintenance required or the asset is not built to the same standard as equivalent new assets (such as IT cabling, complying with new regulation's such as the <i>Disability Discrimination Act 1992</i>). Refurbishment is approximately 5% of replacement cost.
3	Largely still in good operational state however maintenance required to return to acceptable level of service. Significant maintenance required up to 50% of capital replacement cost.
4	Requires renewal - complete renewal of internal fitout and engineering services required (up to 70% of capital replacement cost).
5	Asset unserviceable - complete asset replacement required. Asset's value is nil.

Valuations assume a nil residual value. Significant capital works, such as a refurbishment across multiple floors of a building, may result in an improved condition assessment and higher depreciated replacement values. This increase is typically less than the original capitalised cost of the refurbishment, resulting in a small write down. Presently all major refurbishments are funded by the Department of Health.

DARLING DOWNS HOSPITAL AND HEALTH SERVICE
Notes to and Forming Part of the Financial Statements 2013-14

17. Property, plant and equipment continued

In 2014, Darling Downs Hospital and Health Service engaged independent experts, Davis Langdon Australia Pty Ltd (Davis Langdon) to provide indices for asset revaluations. All building and land improvement assets were assessed for indexation in 2014, and due to low market levels of construction activity, coupled with considerable slowing in the engineering and mining sectors, price escalation is at low levels. With the lack of new building project commencements, prices in the building industry are very competitive. On this basis, the application of a nil change was adopted for current asset values for 2013-14. Refer Notes 2 (o) & (p) for further details on the revaluation methodology applied.

Darling Downs Hospital and Health Service has plant and equipment with an original cost of \$1.656 million (2013: \$1.753 million), or 2.6% of total plant and equipment gross value, with a written down value of zero still being used in the provision of services. 5% of these assets, with a gross cost of \$0.08 million, are expected to be replaced in 2015.

Reconciliations (including fair value levels refer Note 2 (p)) of the carrying amount for each class of property, plant and equipment are set out below:

	Land*		Buildings**		Total \$'000
	Level 2	Level 2	Level 3		
	\$'000	\$'000	\$'000		
As at 1 July 2013	42,169	6,204	233,371		281,744
Acquisitions			5,462		5,462
Donations received					-
Disposals			-		-
Transfer between classes			3,963		3,963
Revaluation Increments/ (decrements)	2,393				2,393
Depreciation			(15,837)		(15,837)
As at 30 June 2014	44,562	6,204	226,959		277,725

* Land level 2 assets represent vacant land in an active market whereas level 3 assets are land parcels with no active market and/or significant restrictions.

** Buildings level 2 assets represent offsite residential dwellings in an active market whereas level 3 are special purpose built buildings with no active market.

Reconciliations of the carrying amount for each class of property, plant and equipment are set out below:

	Land	Buildings	Plant & equipment	Work in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July 2013	42,169	239,575	27,486	1,237	310,467
Acquisitions		5,462	5,411	3,444	14,317
Donations received			8		8
Disposals			(200)		(200)
Transfers between asset classes		3,963	118	(4,081)	
Net revaluation increments/(decrements)	2,393				2,393
Depreciation		(15,837)	(5,679)		(21,516)
Carrying amount at 30 June 2014	44,562	233,163	27,144	600	305,469

	Land	Buildings	Plant & equipment	Work in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July 2012	41,467	229,581	28,166	1,887	301,101
Assets transferred in 1 July 2012					
Acquisitions	702	3,404	4,990	2,046	11,142
Donations received			18		18
Disposals		(1)	(509)		(510)
Transfers between asset classes		2,696		(2,696)	
Net revaluation increments/(decrements)		17,404			17,404
Depreciation		(13,509)	(5,179)		(18,688)
Carrying amount at 30 June 2013	42,169	239,575	27,486	1,237	310,467

DARLING DOWNS HOSPITAL AND HEALTH SERVICE
Notes to and Forming Part of the Financial Statements 2013-14

17. Property, plant and equipment continued

Categorisation of fair values recognised at 30 June 2014 (refer to note 2(p))

	Level 2 \$'000	Level 3 \$'000	Total \$'000
Land	44,562		44,562
Buildings	6,204	226,959	233,163
Total	50,766	226,959	277,725

Level 3 significant valuation inputs and relationship to fair value

Description	Fair value at 30 June 2014	Types of Level 3 input	Possible alternative outcomes for level 3 inputs	Impact of alternative outcomes for level 3 inputs
Buildings - health service hospital facilities	\$227M	Replacement cost estimates	Increase or decrease	An increase in the estimated replacement costs would increase the fair value of the assets. A decrease in the estimated replacement costs would reduce the fair value of the assets.
		Remaining useful lives estimates	Increase or decrease	An increase in the estimated remaining useful lives would increase the fair value of the assets. A decrease in the estimated remaining useful lives would reduce the fair value of the assets.
		Cost to bring to current standards	Increase or decrease	An increase in the estimated costs to bring to current standards would reduce the fair value of the assets. A decrease in the estimated costs to bring to current standards would increase the fair value of the assets.
		Condition rating	Improvement or decline	An improvement in the condition rating would increase the fair value of the assets. A decline in the condition rating would reduce the fair value of the assets.

As the measurement of quantities is finite for buildings, the major variables in determining the valuation are the rates applied to each quantity, locality index and on-costs.

In regard to the sensitivity of valuations to variances in rates, locality index and pricing of preliminaries and builder's margin the following factors may affect the valuation:

- * local industry construction volumes/market conditions;
- * material supply prices (steel, raw metals, etc);
- * exchanges rate fluctuations; and
- * enterprise bargaining agreements.

Over the next twelve months Davis Langdon do not reasonably foresee any substantial movements in price as construction volumes remain relatively low with no indication of a significantly increased pipeline of new projects. The current cost escalation estimate from Davis Langdon utilising the cost modelling method, the Davis Langdon Tender Price Index, and DPW's Building Price Index (discontinued in December 2013) was in the range of 0.5% to 1% over the 2013-14 financial year.

There are no significant inter-relationships between unobservable inputs that materially impact fair value.

DARLING DOWNS HOSPITAL AND HEALTH SERVICE
Notes to and Forming Part of the Financial Statements 2013-14

	2014	2013
	\$'000	\$'000
18. Payables		
Trade creditors	4,265	3,505
Payable to Department of Health	26,889	26,468
Accrued expenses	10,397	8,519
Other		31
	<u>41,551</u>	<u>38,523</u>

19. Accrued employee benefits

Salaries and wages accrued	25	73
	<u>25</u>	<u>73</u>
Refer Note 2 (v) (i)		

20. Unearned revenue

Revenue in advance	30	5
	<u>30</u>	<u>5</u>

21. Asset revaluation surplus

	<i>Land</i> \$'000	<i>Buildings</i> \$'000	<i>Total</i> \$'000
Balance at 1 July 2012			
Revaluation increment/(decrement)		17,404	17,404
Balance at 30 June 2013		<u>17,404</u>	<u>17,404</u>
Balance at 1 July 2013		17,404	17,404
Revaluation increment/(decrement)	2,393		2,393
Balance at 30 June 2014	<u>2,393</u>	<u>17,404</u>	<u>19,797</u>

The asset revaluation surplus represents the net effect of revaluation movements in assets.

DARLING DOWNS HOSPITAL AND HEALTH SERVICE
Notes to and Forming Part of the Financial Statements 2013-14

22. Reconciliation of Operating Surplus to Net Cash From Operating Activities

	2014 \$'000	2013 \$'000
Operating surplus	17,689	14,249
Non-cash movements :		
Depreciation and amortisation	21,516	18,688
Write-off of assets		510
Depreciation grant funding (non-cash)	(21,447)	(18,656)
Net (gain)/loss on disposal/revaluation of non-current assets	170	(53)
Assets donated revenue - non-cash	(8)	(18)
Change in assets and liabilities:		
(Increase)/decrease in receivables	5,875	(1,577)
(Increase)/decrease in GST receivables	(59)	(766)
(Increase)/decrease in inventories	(772)	(79)
(Increase)/decrease in prepayments	(66)	3
(Increase)/decrease in accrued revenue	(2,713)	1,300
Increase/(decrease) in trade and other payables	1,092	16,546
Increase/(decrease) in accrued employee benefits	(49)	73
Increase/(decrease) in unearned funding revenue	25	3
Increase in other operating liabilities	1,877	5,721
Net cash from operating activities	23,130	35,944

23. Non-cash financing and investing activities

Assets and liabilities received or transferred by the Darling Downs Hospital and Health Service are set out in the Statement of Changes in Equity and Note 2 (g).

24. Commitments for Expenditure

(a) Non-Cancellable Operating Leases

Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	74	90
One to five years	220	269
More than five years	679	660
Total	973	1,019

Commitments under operating leases at reporting date are inclusive of anticipated GST. Darling Downs Hospital and Health Service has non-cancellable operating leases relating predominantly to offices. Lease payments are generally fixed, but with escalation clauses on which contingent rentals are determined. No lease arrangements contain restrictions on financing or other leasing activities.

DARLING DOWNS HOSPITAL AND HEALTH SERVICE
Notes to and Forming Part of the Financial Statements 2013-14

24. Commitments for Expenditure continued

(b) Capital Expenditure Commitments

Material classes of capital expenditure commitments inclusive of anticipated GST, contracted for at reporting date but not recognised in the accounts are included. Capital projects are included as commitments for the remaining project amounts. Each of these projects is currently at a different stage of the contractual cycle.

	2014	2013
	\$'000	\$'000
Committed at the reporting date but not recognised as liabilities:		
Repairs & maintenance	11,775	552
Supplies & services	357	17
Capital works	7,906	1,941
Other	350	103
	<u>20,388</u>	<u>2,613</u>
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	<u>20,388</u>	<u>2,613</u>
	<u>20,388</u>	<u>2,613</u>

25. Contingencies

(a) Litigation in Progress

Health litigation is underwritten by the Queensland Government Insurance Fund (QGIF). Darling Downs Hospital and Health Service's liability in this area is limited to an excess per insurance event (Refer Note 2 (x) "Insurance"). Darling Downs Hospital and Health Service's legal advisers and management believe it would be misleading to estimate the final amounts payable (if any) in respect of the litigation before the courts at this time.

The introduction of the Personal Injuries Proceedings Act 2002 (PIPA) has resulted in fewer cases appearing before the courts. These matters are usually resolved at the pre-proceedings stage.

As at 30 June 2014 there were 14 claims managed by QGIF(2013: 13 claims), some of which may never be litigated or result in payments to claims (note that this figure excludes Initial Notices under PIPA). The maximum exposure to Darling Downs Hospital and Health Service under this policy is up to \$20,000 for each insurable event.

As at 30 June 2014, the following cases were filed in the courts naming the State of Queensland acting through the Darling Downs Hospital and Health Service as defendant:

	2014	2013
	Number of cases	Number of cases
Supreme Court	4	2
Tribunals, commissions and boards	1	1
	<u>5</u>	<u>3</u>

b) Native Title

The Queensland Government Native Title Work Procedures were designed to ensure that native title issues are considered in all of Darling Downs Hospital and Health Service's land and natural resource management activities.

All business pertaining to land held by or on behalf of Darling Downs Hospital and Health Service must therefore take native title into account before proceeding. Such activities include disposal, acquisition, development, redevelopment, clearing, fencing of real property including the granting of leases, licences or permits.

DARLING DOWNS HOSPITAL AND HEALTH SERVICE
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25. Contingencies continued

b) Native Title continued

Real Property Dealings may proceed on Darling Downs Hospital and Health Service owned land where native title continues to exist, provided native title holders or claimants receive the necessary procedural rights.

Darling Downs Hospital and Health Service undertakes native title assessments over real property when required and will negotiate Indigenous Land Use Agreements (ILUA) with native title holders as necessary. These ILUAs will provide trustee leases to validate the tenure of current and future health facilities. The National Native Title Tribunal has reported no native title claims for Darling Downs Hospital and Health Service as at the reporting date.

26. Restricted assets

Darling Downs Hospital and Health Service receives cash contributions primarily from private practice clinicians and from external entities to provide for education, study and research in clinical areas. Contributions are also received from benefactors in the form of gifts, donations and bequests for stipulated purposes.

As at 30 June 2014, amounts are set aside for clinical trials \$203,098 (2013: \$185,640); clinical research \$14,301 (2013: \$32,206); health research \$30,861 (2013: \$23,845) and other purposes \$53,208 (2013: \$87,144) for the specific purposes underlying the contribution.

27. Fiduciary Trust Transactions and Balances

(a) Patient Fiduciary Funds

Darling Downs Hospital and Health Service acts in a custodial role in respect of patient fiduciary fund (formerly known as patient trust accounts) transactions and balances (refer Note 2(c)). As such, they are not recognised in the financial statements, but are disclosed below for information purposes.

	2014	2013
	\$'000	\$'000
<i>Patient Trust receipts and payments</i>		
<i>Receipts</i>		
Patient fiduciary fund receipts	7,796	7,901
Total receipts	7,796	7,901
<i>Payments</i>		
Patient fiduciary fund payments	7,670	8,001
Total payments	7,670	8,001
Increase/(decrease) in net patient fiduciary fund assets	126	(100)
Patient fiduciary fund assets opening balance 1 July	584	684
Patient fiduciary fund assets closing balance 30 June	710	584
<i>Fiduciary Fund assets</i>		
<i>Current assets</i>		
Cash at bank and on hand	710	584
Total current assets	710	584

DARLING DOWNS HOSPITAL AND HEALTH SERVICE

Notes to and Forming Part of the Financial Statements 2013-14

27. Fiduciary Trust Transactions and Balances continued

(b) Right of Private Practice (RoPP) scheme

Under the Australian Government's National Health Reform Agreement with the states and territories, patient choice is facilitated by the Right of Private Practice (RoPP) scheme, which provides for senior medical officers (SMOs) who are employed in the public health system to also treat those patients who come into the public system and elect to be treated as private patients.

The Queensland RoPP scheme was approved to capture privately insured patients receiving treatment as public patients, and to assist in the recruitment and retention of full time specialist staff in the public hospital system. Public patients were not to be affected adversely by the introduction of scheme options.

Under the scheme, SMO's receive a private practice allowance as well as a base salary. In exchange for being paid this allowance, these SMOs assign all the private practice revenue they generate to the Hospital and Health Service facility where they are working. In turn, the Hospital and Health Service fully absorbs the direct and indirect costs (facility, administrative and other overheads) associated with these services including, for example, the cost of billing and collection of revenue. Today, this scheme is called Option A. It is also referred to as the 'assignment' model.

The other major scheme variant allows SMOs to retain a proportion of the private fees they earn, with the balance being paid into a trust account for the Hospital and Health Service facility to apply to research by, and education of, all staff at the facility referred to as SERTA funds. The Hospital and Health Service recovers a facility charge and administration fee from each participating SMO to defray the overhead costs of service provision. Today, this scheme is called Option B, and there is a variant called Option R which is available only for radiologists. It is also referred to as the 'retention and revenue sharing' model.

A third model, available only to pathologists, is a combination of the assignment and revenue sharing models, known as Option P.

Darling Downs Hospital and Health Service acts in an agency role in respect of the transactions and balances of the accounts. As such, the Right of Private Practice funds are not controlled by Darling Downs Hospital and Health Service but the activities are included in the annual audit performed by the Auditor-General of Queensland.

	2014	2013
	\$'000	\$'000
Right of Private Practice (ROPP) receipts and payments		
<i>Receipts</i>		
Medical Practice receipts	6,569	5,237
Bank interest	8	8
Total receipts	6,577	5,245
<i>Payments</i>		
Payments to Medical Officers	922	785
Payments to Hospital and Health Service	4,779	3,612
Payments to Hospital and Health Service General Trust	876	749
Total payments	6,577	5,146
Increase in net private practice assets		99
<i>Current Assets</i>		
Cash - RoPP	652	507
Total Current Assets	652	507
<i>Current Liabilities</i>		
Payments to Medical Officers	49	49
Payments to Hospital and Health Service	504	371
Payments to Hospital and Health Service General Trust	99	87
Total current liabilities	652	507

DARLING DOWNS HOSPITAL AND HEALTH SERVICE
Notes to and Forming Part of the Financial Statements 2013-14

28. Financial Instruments

(a) Categorisation of Financial Instruments

Darling Downs Hospital and Health Service has the following categories of financial assets and financial liabilities:

<i>Category</i>	<i>Note</i>	<i>2014</i> \$'000	<i>2013</i> \$'000
Financial assets			
Cash and cash equivalents	13	60,937	38,852
Receivables	14	9,385	12,430
Total		70,322	51,282
Financial liabilities			
<i>Financial liabilities measured at amortised cost:</i>			
Payables	18	41,551	38,523
Total		41,551	38,523

(b) Financial Risk Management Objectives

The Hospital and Health Service's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk.

Darling Downs Hospital and Health Service measures risk exposure using a variety of methods as follows:

<i>Risk Exposure</i>	<i>Measurement method</i>
Credit risk	Ageing analysis, earnings at risk
Liquidity risk	Monitoring of cash flows by management of accrual accounts, sensitivity analysis
Market risk	Interest rate sensitivity analysis

Financial risk is managed in accordance with Queensland Government and Darling Downs Hospital and Health Service policy. These policies provide written principles for overall risk management, as well as policies covering specific areas, and aim to minimise potential adverse effects of risk events on the financial performance of Darling Downs Hospital and Health Service.

(c) Credit Risk Exposure

Credit risk exposure refers to the situation where the Darling Downs Hospital and Health Service may incur financial loss as a result of another party to a financial instrument failing to discharge their obligation.

Credit risk on receivables is considered minimal given that \$3.4 million (37%) (2013: \$7.5 million or 61%) of total receivables is receivable from the Department of Health. Refer Note 14 for further information.

Credit risk on cash and cash equivalents is considered minimal given all Darling Downs Hospital and Health Service deposits are held through the Commonwealth Bank of Australia and by the State through Queensland Treasury Corporation. No financial assets have had their terms renegotiated as to prevent them from being past due or impaired and are stated at the carrying amounts as indicated.

Maximum exposure to credit risk	<i>Note</i>	<i>2014</i> \$'000	<i>2013</i> \$'000
Cash and cash equivalents	13	60,937	38,852

No collateral is held as security and no credit enhancements relate to financial assets held by Darling Downs Hospital and Health Service.

DARLING DOWNS HOSPITAL AND HEALTH SERVICE
Notes to and Forming Part of the Financial Statements 2013-14

28. Financial Instruments continued

The allowance for impairment reflects the occurrence of loss events. If no loss events have arisen in respect of a particular debtor, or group of debtors, no allowance for impairment is made in respect of that debt/group of debtors. If Darling Downs Hospital and Health Service determines that an amount owing by such a debtor does become uncollectible (after appropriate range of debt recovery actions), that amount is recognised as a bad debt expense and written-off directly against receivables. In other cases where a debt becomes uncollectible but the uncollectible amounts exceeds the amount already allowed for impairment of that debt, the excess is recognised directly as a bad debt expense and written-off directly against receivables.

Impairment loss expense for the current year regarding receivables is \$579K (2013: \$-74K).

Ageing of past due, but not impaired, as well as impaired financial assets are disclosed in the following tables:

Financial assets past due but not impaired 2014

	Not overdue \$'000	Less than 30 days	Overdue \$'000			Total
			30-60 days	61-90 days	More than 90 days	
Receivables	7,668	944	265	70	432	9,379
Payroll Receivables			(2)		8	6
Total	7,668	944	263	70	440	9,385

Financial assets past due but not impaired 2013

	Not overdue \$'000	Less than 30 days	Overdue \$'000			Total
			30-60 days	61-90 days	More than 90 days	
Receivables	10,068	1,092	317	228	714	12,419
Payroll Receivables	4		-		7	11
Total	10,072	1,092	317	228	721	12,430

Unimpaired debts are represented by amounts for hospital admissions that have been referred to health insurers for settlement. These unimpaired debts are expected to be fully recoverable upon completion of health insurer's processing requirements, in line with industry experience.

Individually impaired financial assets 2014

	Less than 30 days	Overdue \$'000			Total
		30-60 days	61-90 days	More than 90 days	
Receivables (gross)	28	30	29	74	161
Allowance for impairment	(28)	(30)	(29)	(74)	(161)
Carrying amount					

Individually impaired financial assets 2013

	Less than 30 days	Overdue \$'000			Total
		30-60 days	61-90 days	More than 90 days	
Receivables (gross)					
Allowance for impairment					
Carrying amount					

This represents individual debts impaired. In addition, patient debtors and other debtors are impaired on a historical percentage basis. These general impairments are not included in the figures above.

DARLING DOWNS HOSPITAL AND HEALTH SERVICE
Notes to and Forming Part of the Financial Statements 2013-14

28. Financial Instruments continued

(d) Liquidity Risk

Liquidity risk refers to the situation where Darling Downs Hospital and Health Service may encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Darling Downs Hospital and Health Service is exposed to liquidity risk through its trading in the normal course of business, and manages liquidity risk through the use of a liquidity management strategy. This strategy aims to reduce the exposure to liquidity risk by ensuring that sufficient funds are available to meet employee and supplier obligations as they fall due. This is achieved by ensuring that minimum levels of cash are held within the various bank accounts so as to match the expected duration of the various employee and supplier liabilities.

Darling Downs Hospital and Health Service has an approved debt facility of \$6 million under Whole-of-Government banking arrangements to manage any short term cash shortfalls (See Note 2 (i)).

The following table sets out the liquidity risk of financial liabilities held by the Darling Downs Hospital and Health Service. It represents the contractual maturity of financial liabilities, calculated based on undiscounted cash flows relating to the liabilities at reporting date. The undiscounted cash flows in these tables differ from the amounts included in the Statement of Financial Position that are based on discounted cash flows.

		2014 Payable in			
	<i>Note</i>	<i>1 year</i>	<i>1-5 years</i>	<i>> 5 years</i>	<i>Total</i>
		<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Financial Liabilities					
Payables	18	41,551			41,551
Total		41,551			41,551

		2013 Payable in			
	<i>Note</i>	<i>1 year</i>	<i>1-5 years</i>	<i>> 5 years</i>	<i>Total</i>
		<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Financial Liabilities					
Payables	18	38,523			38,523
Total		38,523			38,523

All financial liabilities are current in nature and will be due and payable within twelve months. As such no discounting of cashflows has been made to these liabilities in the Statement of Financial Position.

(e) Market Risk

The Darling Downs Hospital and Health Service does not trade in foreign currency and is not materially exposed to commodity price changes. Darling Downs Hospital and Health Service is exposed to interest rate changes on the 24 hour at call deposits and there is no interest rate exposure on its cash and fixed rate deposits.

Darling Downs Hospital and Health Service does not undertake any hedging in relation to interest rate risk and manages its risk as per the Darling Downs Hospital and Health Service liquidity risk management strategy articulated in the Darling Downs Hospital and Health Service's Financial Management Practice Manual. Changes in interest rates have a minimal effect on the operating result of the Hospital and Health Service.

DARLING DOWNS HOSPITAL AND HEALTH SERVICE
Notes to and Forming Part of the Financial Statements 2013-14

28. Financial Instruments continued

(f) Interest Rate Sensitivity Analysis

The following interest rate sensitivity analysis depicts the outcome on net income if interest rates would change by +/- 1% from the year end rates applicable to the Darling Downs Hospital and Health Service's financial assets.

<i>Financial Assets</i>	Carrying amount \$'000	2014 Interest rate risk			
		-1%		1%	
		<i>Profit</i> \$'000	<i>Equity</i> \$'000	<i>Profit</i> \$'000	<i>Equity</i> \$'000
Cash and cash equivalents					
General trust cash at bank	1,239				
Operating cash on hand and at bank	56,697				
General trust at call deposits	3,001	(30)	(30)	30	30
Potential impact		(30)	(30)	30	30

<i>Financial Assets</i>	Carrying amount \$'000	2013 Interest rate risk			
		-1%		1%	
		<i>Profit</i> \$'000	<i>Equity</i> \$'000	<i>Profit</i> \$'000	<i>Equity</i> \$'000
Cash and cash equivalents					
General trust cash at bank	501				
Operating cash on hand and at bank	35,448				
General trust at call deposits	2,903	(29)	(29)	29	29
Potential impact		(29)	(29)	29	29

Operating cash at bank is not subject to interest due to existing Whole-of-Government banking arrangements. Refer to Note 13 Cash and cash equivalents for details.

(g) Fair Value

Darling Downs Hospital and Health Service does not recognise any financial assets or liabilities at fair value. The fair value of trade receivables and payables is assumed to approximate the value of the original transaction, less any allowance for impairment.

DARLING DOWNS HOSPITAL AND HEALTH SERVICE
Notes to and Forming Part of the Financial Statements 2013-14

29. Key Management Personnel and Remuneration

(a) Board members

The following details for Board members include those positions that had authority and responsibility for planning, directing and controlling the activities of Darling Downs Hospital and Health Service during 2013-14. Further information on these positions can be found in the body of the Annual Report under the section relating to Governing our Organisation.

Name and position of current incumbents	Responsibilities	Contract classification and appointment authority	Appointment date
Mike Horan AM	Chair	Government Board B1	18 May 2012
Dr Dennis Campbell	Deputy Chair	Government Board B1	29 June 2012
Cheryl Dalton	Board member	Government Board B1	29 June 2012
Terry Fleischfresser	Board member	Government Board B1	29 June 2012
Dr Ross Hetherington	Board member	Government Board B1	29 June 2012
Dr Ian Keys	Board member	Government Board B1	29 June 2012
Patricia Leddington-Hill	Board member	Government Board B1	9 November 2012
Marie Pietsch	Board member	Government Board B1	29 June 2012
Dr Jeffrey Prebble OAM	Board member	Government Board B1	29 June 2012
Megan O'Shannessy	Board member	Government Board B1	18 May 2013

The date of appointment shown for Board members is the original date of appointment. From time to time, Board members are re-appointed in accordance with *Hospital and Health Boards Act 2011* .

DARLING DOWNS HOSPITAL AND HEALTH SERVICE
Notes to and Forming Part of the Financial Statements 2013-14

29. Key Management Personnel and Remuneration continued

(b) Executive

The following details for key executive management personnel include those positions that had authority and responsibility for planning, directing and controlling the activities of Darling Downs Hospital and Health Service during 2013-14. Further information on these positions can be found in the body of the Annual Report under the section relating to Executive Management.

Darling Downs Hospital and Health Service Executives (employed under contract by the Darling Downs Hospital and Health Service)

Name and position of current incumbents	Responsibilities	Contract classification and appointment authority	Date appointed to position (date resigned from position)
Dr Peter Bristow Health Service Chief Executive	Responsible for the overall management of Darling Downs Hospital and Health Service through major functional areas to ensure the delivery of key government objectives in improving the health and well-being of all Darling Downs residents.	s24 & s70 Appointed by Board under <i>Hospital and Health Boards Act 2011</i> (Section 7 (3)).	6 August 2012
Scott McConnel Chief Finance Officer	Provides single point accountability and leadership for the Finance Division and coordinates the Health Service's financial management consistent with relevant legislation and policy directions to support high quality health care delivery within the Darling Downs Hospital and Health Service.	HES 2-3 Appointed by Chief Executive (CE) under <i>Hospital and Health Boards Act 2011</i>	12 December 2011
Harold Shelton A/Chief Finance Officer		HES 2-3 Appointed by Chief Executive (CE) under <i>Hospital and Health Boards Act 2011</i>	22 October 2013 to 23 February 2014
Stewart Gordon Executive Director People and Corporate Services *	Provides single point accountability and leadership for the Division of People and Corporate Services within the Darling Downs Hospital and Health Service. This includes the functions of human resources management, occupational health & safety, workforce planning and development, infrastructure and planning (including service planning, capital works planning and delivery, facility engineering and maintenance), operational and administrative support services in Toowoomba and the provision of oversight of these support services in rural areas of the Health Service.	HES 2-3 Appointed by Chief Executive (CE) under <i>Hospital and Health Boards Act 2011</i>	27 January 2012 Ceased 24 March 2014
Michael Bishop General Manager Rural *	Provides single point accountability and leadership for the Division of Rural Health and Aged Care within the Darling Downs Hospital and Health Service. This Division includes 19 hospitals and health care services, including co-located residential aged care services, and Mt Lofty Heights Residential Aged Care Facility.	HES 2-3 Appointed by Chief Executive (CE) under <i>Hospital and Health Boards Act 2011</i>	28 May 2012
Shirley Wigan Executive Director Mental Health	Provides single point accountability and leadership for the Darling Downs Hospital and Health Service Mental Health, Alcohol and Other Drugs services, including acute in-patient services at Toowoomba Hospital, extended in-patient services at Baillie Henderson Hospital and ambulatory care services located throughout the Health Service.	HES 2-3 Appointed by Chief Executive (CE) under <i>Hospital and Health Boards Act 2011</i>	22 November 2012

* Following an Executive restructure effective 31 March 2014, the position of Executive Director People and Corporate Services was abolished. The functions of this role were distributed to remaining Executive Officers. The Hospital and Health Service is in the process of creating the position of Chief Corporate Officer which will have a single point of accountability for Finance, Commercial Management, Human Resource, Health Information, Infrastructure and Planning functions. The position of Executive Director, Rural Health and Aged Care has had its position title changed to General Manager Rural.

DARLING DOWNS HOSPITAL AND HEALTH SERVICE
Notes to and Forming Part of the Financial Statements 2013-14

29. Key Management Personnel and Remuneration continued

(b) Executive continued

As part of the Executive restructure, some position titles were amended although responsibilities of these positions remained substantially the same.

Darling Downs Hospital and Health Service Executives employed by the Department of Health under Award

Name and position of current incumbents	Responsibilities	Contract classification and appointment authority	Date appointed to position (date resigned from position)
Dr Peter Gillies General Manager Toowoomba Hospital * **	Provides single point of accountability and leadership for the Division of Toowoomba Hospital. Also provides professional leadership for the medical services of the Darling Downs Hospital and Health Service and Toowoomba Hospital. Leads the development and implementation of strategies that will ensure the medical workforce is aligned with identified service delivery needs, and appropriately qualified, competent and credentialed workforce is maintained. In addition, the position oversees Medical Research and clinical governance including patient safety and quality.	Medical - MMO12	Appointed 8 July 2013. (Acting from 1 July 2012 to 7 July 2013)
Judith March Executive Director of Nursing and Midwifery Services	Provides professional leadership for the nursing services of the Darling Downs Hospital and Health Service. The position leads the development and implementation of strategies that will ensure the nursing and midwifery workforce is aligned with identified service delivery needs.	Nursing and Midwifery – NRG12-1	22 May 2012
Megan Morse Executive Director Allied Health	Provides single point accountability and leadership, strategic planning, management, delivery and evaluation of the Allied Health Professional functions, Commonwealth Programs, and Staff Education and Training programs within the Darling Downs Hospital and Health Service, to optimise quality health care and business outcomes.	Health Practitioner - HP7-1	4 July 2012 Ceased 9 August 2013
Annette Scott A/Executive Director Allied Health **	Provides single point accountability and leadership, strategic planning, management, delivery and evaluation of the Allied Health Professional functions, Commonwealth Programs, and Staff Education and Training programs within the Darling Downs Hospital and Health Service, to optimise quality health care and business outcomes.	Health Practitioner - HP7-1	12 August 2013 (Acting)

* Following an Executive restructure effective 31 March 2014, a decision was made to transfer professional leadership for medical services from the Executive Director Toowoomba Hospital and Medical Services to a new position of Chief Medical Officer. Medical leadership within the Hospital and Health Service continues to be provided by the General Manager, Toowoomba Hospital, until the Chief Medical Officer position is filled. The position of Executive Director of Toowoomba Hospital has had its position title changed to General Manager Toowoomba Hospital.

** Following the abolishment of the position of Executive Director People and Corporate Services, some responsibilities were transferred to the positions of Executive Director Allied Health and General Manager Toowoomba Hospital.

(c) Remuneration - Board Members

The Governor in Council approves the remuneration arrangements for Hospital and Health Board Chair, Deputy Chairs and Members.

Chairs, Deputy Chairs and Members are paid an annual salary consistent with the Government policy titled: *Remuneration of Part-time Chairs and Members of Government Boards, Committees and Statutory Authorities* .

DARLING DOWNS HOSPITAL AND HEALTH SERVICE
Notes to and Forming Part of the Financial Statements 2013-14

29. Key Management Personnel and Remuneration continued

(c) Remuneration - Board Members continued

1 July 2013 - 30 June 2014

Name and position (date resigned if applicable)	Short-Term Benefits	Post-employment benefits	Total
	Directors Fees and Allowances \$'000	\$'000	\$'000
Mike Horan AM Chair	69	5	74
Dr Dennis Campbell Deputy Chair	34	3	37
Cheryl Dalton Board member	34	3	37
Terry Fleischfresser Board member	34	3	37
Dr Ross Hetherington Board member	35	3	38
Dr Ian Keys Board member	35	3	38
Patricia Leddington-Hill Board member	39	3	42
Marie Pietsch Board member	38	3	41
Dr Jeffrey Prebble OAM Board member	34	3	37
Megan O'Shannessy Board member	32	3	35

(d) Remuneration - Executive

Remuneration policy for Darling Downs Hospital and Health Service's key Health Executive personnel is set by the Director-General, Department of Health, as provided for under the *Hospital and Health Boards Act 2011*. The remuneration and other terms of employment for the key executive management personnel are specified in employment contracts. For the 2013-14 year, the remuneration of key executive management personnel (with the exception of the Health Service Chief Executive) increased by 2.2% in accordance with government policy.

Remuneration packages for key executive management personnel comprise the following components:

- Short-term employee benefits which include:
 - Base – consisting of base salary, allowances and leave entitlements paid and provided for the entire year or for that part of the year during which the employee occupied the specified position. Amounts disclosed equal the amount expensed in the Statement of Comprehensive Income.
 - Non-monetary benefits – consisting of provision of vehicle and expense payments together with fringe benefits tax applicable to the benefit. Non-monetary benefits includes the notional value of motor vehicles provided to key management personnel.
- Long term employee benefits include long service leave accrued.
- Post employment benefits include amounts expensed in respect of superannuation obligations.
- Redundancy payments are not provided for within individual contracts of employment. Contracts of employment provide only for notice periods or payment in lieu on termination, regardless of the reason for termination.
- There were no performance bonuses paid in the 2013-14 financial year.

Total fixed remuneration is calculated on a 'total cost' basis and includes the base and non-monetary benefits, long term employee benefits and post employment benefits.

DARLING DOWNS HOSPITAL AND HEALTH SERVICE
Notes to and Forming Part of the Financial Statements 2013-14

29. Key Management Personnel and Remuneration continued

(d) Remuneration - Executive continued

Darling Downs Hospital and Health Service Executives (employed under contract by the Darling Downs Hospital and Health Service)

1 July 2013 - 30 June 2014

Name and position (date resigned if applicable)	Short-term Employee Expenses		Long-Term Employee Expenses	Post-Employment Expenses	Termination Benefits	Total Expenses
	Monetary Expenses \$'000	Non-Monetary Benefits \$'000	\$'000	\$'000	\$'000	\$'000
Dr Peter Bristow Health Service Chief Executive	448	28	9	49		534
Scott McConnel Chief Finance Officer	182		4	19		205
Harold Shelton A/Chief Finance Officer 22 October 2013 to 23 February 2014	53		1	5		59
Stewart Gordon Executive Director People and Corporate Services Ceased 24 March 2014	106		2	12	159	279
Michael Bishop General Manager Rural	169	12	4	19		204
Shirley Wigan Executive Director Mental Health	182		4	21		207

DARLING DOWNS HOSPITAL AND HEALTH SERVICE
Notes to and Forming Part of the Financial Statements 2013-14

29. Key Management Personnel and Remuneration continued

(d) Remuneration - Executive continued

Darling Downs Hospital and Health Service Executives employed by the Department of Health under Award
 1 July 2013 - 30 June 2014

Name and position (date resigned if applicable)	Short-term Employee Expenses		Long-Term Employee Expenses	Post-Employment Expenses	Termination Benefits	Total Expenses
	Monetary Expenses \$'000	Non-Monetary Benefits \$'000	\$'000	\$'000	\$'000	\$'000
Dr Peter Gillies General Manager Toowoomba Hospital	486	9	10	33		538
Judith March Executive Director of Nursing and Midwifery Services	185		4	34		223
Megan Morse Executive Director Allied Health Ceased 9 August 2014	18			1	5	24
Annette Scott A/Executive Director Allied Health Commenced 12 August 2013	144		3	15		162

(d) Remuneration - Board Members 1 July 2012 - 30 June 2013

Name and position (date resigned if applicable)	Short-Term Benefits	Post-employment benefits	Total
	Directors Fees and Allowances \$'000	\$'000	\$'000
Mike Horan AM Chair	74	6	80
Dr Dennis Campbell Deputy Chair	33	3	36
Danielle Causer Board member Ceased 31 December 2012	19	1	20
Cheryl Dalton Board member	31	3	34
Terry Fleischfresser Board member	32	3	35
Dr Ross Hetherington Board member	35	3	38
Dr Ian Keys Board member	32	3	35
Patricia Leddington-Hill Board member	22	2	24
Megan O'Shannessy Board member	4	1	5
Marie Pietsch Board member	37	3	40
Dr Jeffrey Prebble OAM Board member	31	3	34

DARLING DOWNS HOSPITAL AND HEALTH SERVICE
Notes to and Forming Part of the Financial Statements 2013-14

29. Key Management Personnel and Remuneration continued

(e) Remuneration - Executive 1 July 2012 - 30 June 2013 (employed under contract by the Darling Downs Hospital and Health Service)

Name and position (date resigned if applicable)	Short-term Employee Expenses		Long-Term Employee Expenses	Post-Employment Expenses	Termination Benefits	Total Expenses
	Monetary Expenses \$'000	Non-Monetary Benefits \$'000	\$'000	\$'000	\$'000	\$'000
Dr Peter Bristow Health Service Chief Executive	466	28	10	50		554
Scott McConnel Chief Finance Officer	180		4	20		204
Stewart Gordon Executive Director People and Corporate Services Ceased 24 March 2014	144		3	17		164
Michael Bishop Executive Director Rural Health and Aged Care	155	25	3	20		203
Shirley Wigan Executive Director Mental Health	161	3	3	20		187
Brigid Loughnane Executive Director Toowoomba Hospital Ceased 11 January 2013	93		10	2	189	293

(e) Remuneration - Executive 1 July 2012 - 30 June 2013 (employed by the Department of Health under Award)

Name and position (date resigned if applicable)	Short-term Employee Expenses		Long-Term Employee Expenses	Post-Employment Expenses	Termination Benefits	Total Expenses
	Monetary Expenses \$'000	Non-Monetary Benefits \$'000	\$'000	\$'000	\$'000	\$'000
Dr Peter Gillies Executive Director Medical Services & Toowoomba Hospital	454	23	10	34		521
Judith March Executive Director of Nursing and Midwifery Services	179		4	25		208
Megan Morse Executive Director Allied Health Ceased 9 August 2013.	145		3	18		166

DARLING DOWNS HOSPITAL AND HEALTH SERVICE

Notes to and Forming Part of the Financial Statements 2013-14

30. Events occurring after balance date

Transfer of general purpose housing to the Department of Housing and Public Works

As part of a whole-of-Government initiative, management of all non-operational housing transitioned to the Department of Housing and Public Works (DHPW) on 1 January 2014. Legal ownership of housing assets will transfer to the DHPW on 1 July 2014.

As at 30 June 2014, Darling Downs Hospital and Health Service held non-operational housing assets with a total net book value of \$10.2 million under a Deed of Lease arrangement with the Department of Health. Effective 1 July 2014, the Deed of Lease arrangement in respect of these assets will cease, and the assets will be transferred to the Department of Health at their net book value, prior to their transfer to the DHPW.

As this transfer will be designated as a Contribution by Owners, the transfer will be undertaken through the Darling Downs Hospital and Health Service's Equity account. Therefore, this transaction will have no impact on the Statement of Profit or Loss and Other Comprehensive Income in the 2014-15 Financial Year.

Transfer of legal ownership of health service land and buildings to Hospital and Health Services

Commencing 1 July 2014, the legal title of health service land and buildings will progressively transfer from the Department of Health to Hospital and Health Services. As Darling Downs Hospital and Health Service currently controls these assets through a Deed of Lease arrangement, there will be no material impact to the accounts of the Hospital and Health Service upon transfer. Buildings which are currently used by the Department which reside on Hospital and Health Service land will be leased back to the Department by Hospital and Health Services.

Legal title transfer is currently expected to occur within three tranches, according to when both entities have mutual confidence that the respective Hospital and Health Service has the capacity and capability to be effective asset managers. The proposed transfer for Darling Downs Hospital and Health Service is expected to occur in December 2014.

Hospital and Health Services to be prescribed as employers

Currently, all staff, except Board members, Health Service Chief Executives and health executive service (HES) employees (working in an Hospital and Health Service), are employed by the Director-General, Department of Health.

In June 2012, amendments were made to the *Hospital and Health Boards Act 2011*, giving Hospital and Health Boards more autonomy by allowing them to become the employer of staff working for their Hospital and Health Service. Hospital and Health Services will become prescribed employers by regulation.

Once a Hospital and Health Service becomes prescribed to be the employer, all existing and future staff working for the Hospital and Health Service become its employees. The Hospital and Health Service, not the Department of Health, will recognise employee expenses in respect of these staff. The Director-General, Department of Health, will continue to be responsible for setting terms and conditions of employment, including remuneration and classification structures, and for negotiating enterprise agreements.

Darling Downs Hospital and Health Service is expected to be a prescribed employer on 1 July 2015.

Senior Medical Officer and Visiting Medical Officer Contracts

Effective 4 August 2014, Senior Medical Officers and Visiting Medical Officers have transitioned to individual employment contracts.

Individual contracts mean senior doctors will have a direct employment relationship with their Hospital and Health Service and employment terms and conditions tailored to individual or medical specialty circumstances (within a consistent state-wide framework).

As a direct employment relationship will be established between contracted medical officers and the Darling Downs Hospital and Health Service, employee-related costs for contracted Senior Medical Officers and Visiting Medical Officers will be recognised by Darling Downs Hospital and Health Service (not the Department of Health) from the date the contracts are effective.

DARLING DOWNS HOSPITAL AND HEALTH SERVICE

Notes to and Forming Part of the Financial Statements 2013-14

30. Events occurring after balance date continued

Senior Medical Officer and Visiting Medical Officer Contracts continued

Non-contracted Senior Medical Officers and Visiting Medical Officers will remain employed under current award arrangements. As the Darling Downs Hospital and Health Service is not yet a prescribed employer, they will continue to be employed by the Department of Health.

Queensland Payroll Tax Exemption

Following the announcement in the 2014-15 State Budget regarding Queensland payroll tax exemption, Darling Downs Hospital and Health Service will be exempt from paying payroll tax from 1 July 2014.

Based on this announcement, Queensland Treasury and Trade will no longer be providing funding to the Department of Health for payroll tax, and therefore the Department will subsequently reduce its funding to the Darling Downs Hospital and Health Service by \$1.7 million dollars.

Other Matters

No other matter or circumstance has arisen since 30 June 2014 that has significantly affected, or may significantly affect Darling Downs Hospital and Health Service's operations, the results of those operations, or the Darling Downs Hospital and Health Service's state of affairs in future financial years.

DARLING DOWNS HOSPITAL AND HEALTH SERVICE

Certificate of Darling Downs Hospital and Health Service

These general purpose financial statements have been prepared pursuant to section 62(1) of the *Financial Accountability Act 2009* (the Act), relevant sections of the *Financial and Performance Management Standard 2009* and other prescribed requirements. In accordance with section 62(1)(b) of the Act we certify that in our opinion:

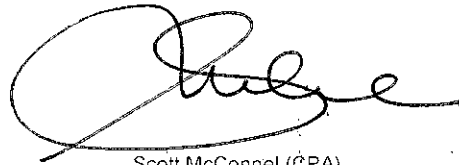
- a) the prescribed requirements for establishing and keeping the accounts have been complied with in all material respects; and
- b) the financial statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of Darling Downs Hospital and Health Service for the financial year ended 30 June 2014 and of the financial position of the Darling Downs Hospital and Health Service at the end of that year; and
- c) these assertions are based on an appropriate system of internal controls and risk management processes being effective, in all material respects, with respect to financial reporting throughout the reporting period.



Mike Horan *AM*

Chair
Darling Downs Hospital and Health Board

26/8/14



Scott McConnel (CPA)

Chief Finance Officer
Darling Downs Hospital and Health Service

26/8/2014

INDEPENDENT AUDITOR'S REPORT

To the Board of Darling Downs Hospital and Health Service

Report on the Financial Report

I have audited the accompanying financial report of Darling Downs Hospital and Health Service, which comprises the statement of financial position as at 30 June 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and certificates given by the Chair and Chief Finance Officer.

The Board's Responsibility for the Financial Report

The Board is responsible for the preparation of the financial report that gives a true and fair view in accordance with prescribed accounting requirements identified in the *Financial Accountability Act 2009* and the *Financial and Performance Management Standard 2009*, including compliance with Australian Accounting Standards. The Board's responsibility also includes such internal control as the Board determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view 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, other than in expressing an opinion on compliance with prescribed requirements. 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 report including any mandatory financial reporting requirements approved by the Treasurer for application in Queensland.

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

Independence

The *Auditor-General Act 2009* promotes the independence of the Auditor-General and all authorised auditors. The Auditor-General is the auditor of all Queensland public sector entities and can be removed only by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

Opinion

In accordance with s.40 of the *Auditor-General Act 2009* –

- (a) I have received all the information and explanations which I have required; and
- (b) in my opinion –
 - (i) the prescribed requirements in relation to the establishment and keeping of accounts have been complied with in all material respects; and
 - (ii) the financial report presents a true and fair view, in accordance with the prescribed accounting standards, of the transactions of the Darling Downs Hospital and Health Service for the financial year 1 July 2013 to 30 June 2014 and of the financial position as at the end of that year.

Other Matters - Electronic Presentation of the Audited Financial Report

Those viewing an electronic presentation of these financial statements should note that audit does not provide assurance on the integrity of the information presented electronically and does not provide an opinion on any information which may be hyperlinked to or from the financial statements. If users of the financial statements are concerned with the inherent risks arising from electronic presentation of information, they are advised to refer to the printed copy of the audited financial statements to confirm the accuracy of this electronically presented information.



B R Steel CPA
(as Delegate of the Auditor-General of Queensland)



Queensland Audit Office
Brisbane

