1. Objectives of the Department

The department's primary objective is to help people to better health and well being. This objective is achieved through:

- The provision of health services appropriate to the needs of Queenslanders given available resources and, where necessary, prioritising resource allocation using a consultative and open approach;
- Encouraging individual responsibility for health care; and
- Fostering research and education in order to improve health services continuously.

2. Summary of Significant Accounting Policies

(a) Basis of Accounting

This financial report is a general purpose financial report and has been prepared in accordance with the *Financial Administration and Audit Act 1977*, the *Financial Management Standard 1997*, applicable Australian Accounting Standards and the *Treasurer's Financial Reporting Requirements for Departmental Financial Statements for 2002-2003* and other prescribed requirements.

The following new or revised Australian Accounting Standards became operative during the 2002/2003 financial year and has been adopted where relevant:

- AASB 1028 *Employee Benefits*

Except where stated, the financial statements have been prepared in accordance with the historical cost convention. The accounting policies adopted are consistent with those of the previous year.

The accrual basis of accounting has been adopted for both controlled transactions and balances and those administered on a whole of Government basis.

(b) The Reporting Entity

Queensland Health is comprised of 38 Health Service Districts and a Corporate Office. Districts include all the operating activities of the hospital facilities, community, mental and residential health centres of a geographically defined area. Districts are not separate reporting entities. The balances and effects of transactions between Districts have been eliminated in preparing this financial report.

The Mater Misericordiae Public Hospital, although treated as a District for operational purposes, does not form part of Queensland Health and is not included in the financial statements except to the extent that an annual amount is paid by way of grant to the Hospital in accordance with a binding Service Agreement.

All the revenues, expenses, assets, liabilities and equities controlled by Queensland Health are included in the financial statements. Assets restricted for specified uses by a grantor or donor are considered to be controlled by the department. Separate disclosure has been made of material restricted assets. See Note 30.

Administered transactions and balances
On a whole of Government basis
The department is accountable for the transactions and balances involving administered resources but as Queensland Health does not have the discretion to deploy these resources for the achievement of its own objectives, the department does not control them. Note disclosure of administered balances is made in Note 36.

On behalf of parties external to State Government
Queensland Health also administers transactions and balances in a fiduciary trust capacity. As the department performs only a custodial role in respect of these transactions and balances, they are not recognised in the financial statements. Note 31 provides additional information on these balances.

(c) User Charges, Fees and Fines

User charges and fees controlled by the department are recognised as revenue when invoices can be raised for provision of related services. User charges and fees are controlled by the department where they can be deployed for the achievement of departmental objectives.

Fees and fines collected by but not controlled by the department are not recognised as revenues, but are reported as administered revenue in Note 36.

Arrangements exist between Queensland Health and various Hospital Foundations for the running of hospital car parks constructed by the department. Under these arrangements, approved by Cabinet, revenues generated by the operation of these car parks are retained by Hospital Foundations.

(d) Grants and other Contributions

Grants, donations, gifts and other contributions, which are non-reciprocal in nature, are recognised as revenue when Queensland Health obtains control. This includes amounts received from the Commonwealth Government for programs that have not been fully completed at the end of the financial year.

Non-reciprocal contributions are recognised as revenues during the reporting period.

Where grants are received that are reciprocal in nature, revenue is accrued over the term of the funding arrangements.

(e) Output Revenue

Output revenue is recognised in accordance with either the original budget estimate, or the most recent performance review, taking into account the delivery of the departments outputs in terms of quality, quantity, timeliness and cost.

(f) Borrowing Costs

Borrowing costs are recognised as an expense, except where the underlying interest bearing liability specifically funds the construction of a qualifying asset. Where a specific relationship with a qualifying asset is established, borrowing costs are capitalised as part of the cost of the qualifying asset under construction.

Borrowing costs include interest on bank overdrafts and short-term and long-term borrowings; finance lease charges and ancillary administration charges.

(g) Cash

For the purposes of the Statement of Financial Position and the Statement of Cash Flows, cash includes cash on hand and deposits at call which are readily convertible to cash and which are used in the daily cash management function of the Department.

(h) Receivables

Receivables are recognised at the amount due at the time of provision of the good or service. The collectibility of debts is assessed at reporting date and all known bad debts are written off. Provision is made for any doubtful accounts.

Trade and other debtors are generally settled within 60 days, while loans and advances range from three to fifteen months. Loans and advances represent amounts advanced to employees to align payment of salaries and wages to a uniform pay day throughout the department and amounts advanced to entities for services to be performed. No collateral is held for loans and advances made and no interest is charged on outstanding amounts.

(i) Inventories

Inventories are reported at the lower of cost and net realisable value. Cost is allocated on a weighted average basis for inventories recorded on a perpetual system. Unless material, inventories do not include supplies held ready for use in wards throughout hospital facilities. These supplies are expensed on issue from the department's main storage facilities.

(j) Property, plant and equipment

Acquisition

Items of property, plant and equipment are initially recorded at cost and depreciated as outlined below. Cost is determined as the value given as consideration plus costs incidental to the acquisition and all other costs incurred to bring the asset to a state where it is ready for use.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and revenues at their fair value at the date of acquisition, in accordance with AASB 1015 *Acquisitions of Assets*.

The cost of property, plant and equipment constructed by Queensland Health includes the cost of materials and direct labour.

Recognition

Items of property, plant and equipment with a cost or other value of $5,000 or more and with a useful life of more than one year are recognised in the year of acquisition. Items below this value are expensed in the year of acquisition.

Items or components that form an integral part of an asset are recognised as a single asset (functional asset). The recognition threshold is applied to the aggregate cost of each functional asset.

Revaluations

Land, buildings, infrastructure, heritage and cultural assets are measured at fair value in accordance with AASB 1041 *Revaluation of Non-Current Assets* and Queensland Treasury's *Non-Current Asset Accounting Guidelines for the Queensland Public Sector*.

All other non-current assets, principally plant and equipment, are measured at cost.

Non-current physical assets measured at fair value are comprehensively revalued at least once every five years with interim valuations, using appropriate indices, being otherwise performed on an annual basis where there has been a material variation in the index.

Only those assets, the total values of which are material, compared to the value of the class of assets to which they belong, are comprehensively revalued.

Separately identified components of assets are measured on the same basis as the assets to which they relate.

The gross method of reporting revalued assets has been adopted. This method restates separately the gross amount and related accumulated depreciation of the assets comprising the class of revalued assets.

Where an asset is identified for disposal, it is revalued to its market selling price in accordance with Queensland Treasury's *Non-Current Asset Accounting Guidelines for the Queensland Public Sector.*

A nominal useful life of thirty years was recognised for buildings valued on a composite basis in 2000/2001. This nominal useful life was established with reference to comprehensive elemental building information provided by valuers during the financial year 2000/2001. In assigning a thirty year nominal useful life for buildings, recognition is given to the complex nature of Queensland Health's building portfolio and the substantial renewal work undertaken by the department over the asset's life cycle. The nominal life adopted for buildings in 2000/2001 and 2001/2002 was reassessed in the current year and deemed reliable for continual use.

Depreciation and amortisation

Land is not depreciated as it has an unlimited useful life.

Included in the class of plant and equipment are artworks valued at $382,000. These items are not depreciated as their value is not expected to diminish with time.

Property, plant and equipment, including leasehold property is depreciated on a straight-line basis so as to allocate the net cost or revalued amount of the asset, less its estimated residual value, progressively over its estimated useful life to the department.

Assets are depreciated or amortised from the time of acquisition or, in respect of work in progress – internally constructed assets, from the time an asset is completed and held ready for use.

Items comprising the department's technical library are expensed on acquisition.

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

Class	Depreciation Rate
Buildings	2.50% - 3.33%
Plant and Equipment	5.0% - 20.0%

During 2000/2001 and 2001/2002, independent quantity surveyors provided Queensland Health with comprehensive elemental building information for approximately 40 percent (in value) of the department's building portfolio. Queensland Health did not obtain elemental breakdowns during the current year 2002/2003.

The suspension in obtaining elemental breakdowns was due to the expected asset information benefits to be derived from the development of a computerised maintenance management system for assets. This information will be used when the rolling revaluation program resumes.

The rolling revaluation program will be accelerated over the next two financial years to cover the remainder of the portfolio and will be undertaken in accordance with the guidelines applicable at that time.

Disposal of revalued assets

The gain or loss on disposal of revalued assets is calculated as the difference between the carrying amount of an asset at the time of disposal and the proceeds on disposal and is brought to account in the year of disposal.

Leased plant and equipment

Leased plant and equipment for which Queensland Health assumes substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

Finance leases are capitalised. A lease asset and a lease liability equal to present value of the minimum lease payments are recognised at the inception of the lease. Capitalised lease assets are amortised on a straight line basis over the term of the relevant lease, or where it is likely Queensland Health will obtain ownership of the asset, over the useful life of the asset. Lease liabilities are reduced by repayments of principal and the interest components of lease payments are charged to the Statement of Financial Performance.

The following amortisation rates were used:

Class	Amortisation Rate
Plant and equipment	10.0% - 20.0%

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.

(k) Intangibles

Software

Acquisition
Software assets are initially recorded at cost and amortised as outlined below.

Recognition
Internally developed software with a useful life of more than one year and a development cost of $50,000 or more and purchased software with an acquisition cost of $5,000 or more per user license are recognised in the year of acquisition. Items below this value are expensed in the year of acquisition.

Amortisation
Each intangible asset is amortised on a straight-line basis so as to allocate the net cost of each asset, less any anticipated residual value, over its estimated useful life to the department.

Software is amortised from the time of acquisition or, in respect of internally developed software, from the time an asset is completed and held ready for use.

For each type of software, the following amortisation rates were used:

Class	Amortisation Rate
Software	10% - 20%

Intellectual property
A statewide review of the potential existence of intellectual property above the $50,000 recognition threshold was carried out in 2000/2001 and this review ascertained that the department does not control intellectual property that meets the criteria of having clear future economic benefits that can be recognised and reliably measured. The position as at 30 June 2003 is unchanged.

(l) Arrangements for the provision of public infrastructure by other entities

Queensland Health has entered into a number of contractual arrangements with private sector entities for the construction and operation of public infrastructure facilities for a period of time on departmental land. After an agreed period of between fifteen and twenty-two years, title to the facilities will pass to Queensland Health. Arrangements of this type are known as Build Own Operate Transfer (BOOT) type arrangements. BOOT arrangements in operation as at 30 June 2003 are listed in Note 32.

Queensland Health does not control the facilities associated with these arrangements, therefore, although the land on which the facilities have been constructed remains an asset of the department, the facilities are not recorded as assets of the department. The department receives rights and incurs obligations under these arrangements and these include:

- Rights to receive public infrastructure at the end of the contractual terms; and
- Rights and obligations to receive and pay cash flows in accordance with the respective contractual arrangements.

The arrangements have been structured to minimise risk exposure for the department.

The accounting professional bodies are currently developing an accounting standard that will cover recognition issues associated with these arrangements. Consequently, Queensland Health has not recognised any rights or obligations that may attach to those arrangements, other than those recognised under generally accepted accounting principles. Refer Note 32.

(m) Collocation Agreements

Queensland Health has entered into a number of contractual arrangements with private sector entities for the construction and operation of private health facilities for a period of time on departmental land. After an agreed period of twenty-five years, title to the facilities will pass to Queensland Health. Current collocation arrangements in operation are listed in Note 33.

As with BOOT type arrangements, Queensland Health does not recognise these facilities as assets. The department receives rights and incurs obligations under these arrangements and these include:

- Rights to receive private infrastructure at the end of the contractual terms; and
- Rights and obligations to receive and pay cash flows in accordance with the respective contractual arrangements.

The arrangements have been structured to minimise risk exposure for the department.

The accounting professional bodies are currently developing an accounting standard that will cover recognition issues associated with these arrangements. Consequently, Queensland Health has not recognised any rights or obligations that may attach to those arrangements, other than those recognised under generally accepted accounting principles. Refer Note 33.

(n) Payables

Payables are recognised for amounts to be paid in the future for goods and services received, whether or not billed to Queensland Health. Trade accounts payable are normally settled within 60 days.

(o) Interest-Bearing Liabilities

Interest bearing liabilities are recorded at the book rate. Interest expense is accrued in the period in which it is incurred. The fair value of borrowings is disclosed at Note 22. All borrowings are with the Queensland Treasury Corporation with periodic repayments made quarterly in arrears.

(p) Employee Benefits

Wages, Salaries, Annual Leave, Sick Leave

Wages, salaries and annual leave due but unpaid at reporting date are recognised in the Statement of Financial Position at the remuneration rates expected to apply at the time of settlement and include related on-costs such as payroll tax, WorkCover premiums, long service leave levies and employer superannuation contributions.

Prior history indicates that on average, sick leave taken each reporting period is less than the entitlement accrued. This is expected to recur 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.

Long Service Leave

Under the Queensland Government's long service leave scheme, a levy is made on the department to cover this expense. Amounts paid to employees for long service leave are claimed from the scheme as and when leave is taken.

No provision for long service leave is recognised in the financial statements, the liability being held on a whole of government basis and reported in the financial report prepared pursuant to AAS 31 *Financial Reporting by Governments*.

Superannuation

Employer superannuation contributions are paid to QSuper, the superannuation plan for Queensland Government employees at rates determined by the State Actuary. The Government has full responsibility for the assets and liabilities of the superannuation scheme covering employees of Queensland Health. No superannuation liability is therefore recognised by the department.

(q) Taxation

The Department's activities are exempt from all Commonwealth taxation except for Fringe Benefits Tax and Goods and Services Tax (GST).

In compliance with Urgent Issues Group Abstract 31 *Accounting for the Goods and Services Tax*, input tax credits receivable and GST payable from/to the Australian Taxation Office are recognised and accrued as a net receivable. Refer Note 16. Revenues, expenses and assets are recognised net of the amount of GST. Cash flows relating to GST payments or receipts are disclosed on a gross basis in the Statement of Cash Flows.

(r) Allocation of Overheads to Departmental Activities

The revenues and expenses of the department's corporate services are allocated to outputs/activities on the basis of the services they primarily support.

(s) Insurance

From 1 July 2001, property and general losses above a $10,000 threshold are insured by the Queensland Government Insurance Fund (QGIF). Health litigation payments above a $20,000 threshold and associated legal fees are also insured by QGIF.

The department also pays premiums to Workcover Queensland in respect of its obligations for employee compensation.

(t) Rounding

Amounts included in the financial statements have been rounded to the nearest $1,000 or, where the amount is $500 or less, to zero.

(u) Comparative Information

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with the current financial year accounts.

(v) Contributed Equity

Non-reciprocal transfers of assets and liabilities between wholly owned Queensland Sate Public Sector entities as a result of machinery-of-Government changes, are adjusted to "Contributed Equity" in accordance with UIG Abstract 38 *Contributions by Owners Made to Wholly Owned Public Sector Entities*. Appropriations for equity adjustments are similarly designated.

(w) Services Received Free of Charge or For Nominal 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 expense.

(x) Joint Venture

The proportionate interests in assets, liabilities and expenses of a joint venture operation have been incorporated in the financial statements under the appropriate headings. Details of the joint venture is set out in Note 35.

3. Outputs/Major Activities of the Department

The identity and purpose of each output/major activity undertaken by Queensland Health during the year is summarised below:

Acute Inpatient Services

Hospital-based medical and surgical treatment services for admitted patients, linked to community-based treatment support services.

Non-Inpatient Services

Hospital-based emergency treatment and integrated services for non-admitted patients, including community-based services.

Health Maintenance Services

Services provided in dedicated facilities and a community-based, full service network of rehabilitation and home care services for frail older people and people with intellectual and physical disabilities; and hospital and community-based convalescent, rehabilitation, respite and palliative care services.

Integrated Mental Health Services

Inpatient, outpatient and community-based mental health services.

Public Health Services

Integrated population-wide responses to the promotion and protection of health and well-being and the prevention of disease, illness and injury.

Expenses and revenues attributable to these outputs are set out in the Statement of Outputs/Major Activities – Controlled Expenses and Revenues.