

## 1. Objectives

The Queensland Shared Service Provider (QHSSP) commenced operations from 1 December 2003 under the whole of Government Shared Services Initiative (SSI). QHSSP aims to provide high quality, efficient and innovative corporate services that support the delivery of health services and promote organisational effectiveness for Queensland Health. The SSI is underpinned by standardising business processes, consolidating technology and pooling resources and expertise.

## 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 Queensland Government Agencies for 2003-2004* and other prescribed requirements.

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 controlled transactions and balances.

### b) The Reporting Entity

From 1 December 2003, QHSSP commenced operations. SSI policy defines QHSSP as a separate reporting entity within the Queensland Health Economic Entity. Pre-existing corporate service functions in Health Service Districts, Corporate Office and statewide services were transitioned into QHSSP in line with the whole of Government Shared Service Initiative. QHSSP is 100 per cent controlled by the Queensland Department of Health.

All the revenues, expenses, assets, liabilities and equities controlled by QHSSP are included in the financial statements.

### c) User Charges, Fees and Fines

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

### d) Grants and other Contributions

Grants and other contributions comprise:

- amounts received from Queensland Health which has in turn received funds for QHSSP by way of output revenue; and
- amounts received from the Shared Service Implementation Office hosted by Queensland Treasury.

These amounts are considered non-reciprocal in nature and are recognised as revenue when QHSSP obtains control.

### e) Cash assets

For the purposes of the Statement of Financial Position and the Statement of Cash Flows, cash is a notional balance including all cash and cheques received but not banked at 30 June attributed to QHSSP. QHSSP does not maintain a separate bank account but participates in the Queensland Health cash management facilities.

### f) 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.

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. No collateral is held for loans and advances made and no interest is charged on outstanding amounts.

### d) 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 *Acquisition of Assets*.

**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.

**Depreciation and amortisation**

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

Assets are depreciated or amortised from the time of acquisition

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

Class	Depreciation Rate
Plant and Equipment	5.0% - 20.0%

**Leased plant and equipment**

Leased plant and equipment for which QHSSP assumes substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases. As at 30 June 2004 QHSSP has no finance leases.

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.

**h) Intangibles****Software****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 at cost 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 QHSSP.

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%

**i) Payables**

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

**j) Employee Benefits****Wages, Salaries, Annual Leave, Sick Leave**

Wages, salaries and annual leave due but unpaid at the 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.

**k) Taxation**

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

QHSSP is not separately registered for GST and participates in the existing remittance and claims processes set up in Queensland Health. As such, no separate disclosure is made of input tax credits and GST remittances in the financial statements. Revenues, expenses, assets and payables are recognised net of the amount of GST.

**l) 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.

**m) Comparative Information**

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

**n) Contributed Equity**

Non-reciprocal transfers of assets and liabilities between wholly owned Queensland State 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*.

**o) 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.

**p) Adoption of International Financial Reporting Standards**

The Financial Reporting Council has determined that all entities preparing general purpose financial statements will apply the Australian Equivalents to International Financial Reporting Standards (IFRSs) for reporting periods beginning on or after 1 January 2005.

QHSSP is participating in the Queensland Health project, reference group and steering committee reporting arrangement to assist in the implementation of the new reporting requirements. All Pending Australian Equivalents to IFRSs are being progressively reviewed for possible implications on policies, procedures, systems and financial impacts arising from such changes.

To date, the department has identified the following key differences in accounting policies which will arise from the adoption of Australian Equivalents to IFRSs:

- Valuation of inventories will change from lower of cost and net realisable value to the lower of cost and current replacement cost.
- Requirement to conduct an annual impairment test on all non-current physical and intangible assets.

Policy decisions made at a whole of Government level in relation to the limiting of options in the Australian Equivalent to IFRSs may have additional impacts on financial reports prepared using these Standards.