Chief Finance Officer statement

Section 77 (2)(b) of the *Financial Accountability Act 2009* requires the Chief Finance Officer (CFO)of Sunshine Coast Hospital and Health Service to provide the accountable officer with a statement as to whether the service's financial internal controls are operating efficiently, effectively and economically.

For the financial year ended 30 June 2013, a statement assessing Sunshine Coast Hospital and Health Service's financial internal controls has been provided by the CFO to the Chief Executive. The CFO has fulfilled the minimum responsibilities as required by the *Financial Accountability Act 2009*.

The statement was prepared in conformance with Section 57 of the *Financial Performance Management Standard 2009*. The statement was also provided to the Sunshine Coast Hospital and Health Service Audit Committee.

Financial statements

Contents

General information

These financial statements cover the Sunshine Coast Hospital and Health Service (SCHHS).

SCHHS was established on 1 July 2012 as a statutory body under the *Hospital and Health Boards Act 2011*. It is controlled by the State of Queensland which is the ultimate parent entity.

The head office and principal place of business for the SCHHS is:
Nambour General Hospital
Hospital Road
Nambour
Queensland 4560.

A description of the nature of the SCHHS operations and its principal activities are included in the Notes to the financial statements (page 116).

For information in relation to SCHHS financial statements, please call 07 5470 6600, email caroline_mcmahon@health.qld.gov.au or visit our website www.health.qld.gov.au/sunshinecoast

Statement of comprehensive income

For the year ending 30 June 2013

Statement of comprehensive income	Note	2013 $'000
Revenue		
User charges	4	34,698
Grants and other contributions	5	618,137
Other revenue	6	5,927
Gain	7	39
Total revenue		**658,801**
Expenses		
Employee expenses	8	(1,288)
Health service employee expenses	9	(420,412)
Supplies and services	10	(150,101)
Grants and subsidies	11	(50,130)
Depreciation and amortisation	12	(19,446)
Impairment losses	13	(88)
Other expenses	14	(6,799)
Revaluation loss on land assets	19	(2,476)
Total expenses		**(650,740)**
Surplus for the year		**8,061**
Other comprehensive income		
Items that will not be reclassified subsequently to operating result		
Gain on the revaluation of building assets	19	425
Total other comprehensive income for the year		**425**
Total comprehensive income for the year		8,486

Statement of financial position

As at 30 June 2013

Statement of comprehensive income	Note	2013 $'000
Assets		
Current assests		
Cash and cash equivalents	15	48,023
Trade and other receivables	16	6,801
Inventories	17	3,644
Other	18	2,398
Total current assets		60,866
Non-current assets		
Property, plant and equipment	19	318,597
Total non-current assets		**318,597**
Total assets		**379,463**
Liabilities		
Current liabilities		
Trade and other payables	20	47,608
Accrued employee benefits	21	53
Total current liabilities		**47,661**
Total liabilities		**47,661**
Net assets		331,802
Equity		
Contributed equity		323,316
Asset revaluation surplus	22	425
Retained surpluses		8,061
Total equity		331,802

Statement of changes in equity

For the year ended 30 June 2013

Statement of changes in equity	Note	Contributed equity $'000	Asset revaluation surplus $'000	Accumulated surpluses $'000	Total equity $'000
Balance at 1 July 2012		**-**	**-**	-	-
Surplus for the year		-	-	8,061	8,061
Other comprehensive income for the year		-	425	-	425
Total comprehensive income for the year		**-**	**425**	**8,061**	**8,486**
Transactions with owners in their capacity as owners:					
Net assets received on 1 July 2012 (transferred pursuant to the *Hospital and Health Boards Act 2011*)	30	316,681	-	-	316,681
Equity injections	23	25,641	-	-	25,641
Equity withdrawals	23	(19,006)	-	-	(19,006)
Balance at 30 June 2013		**323,316**	**425**	**8,061**	**331,802**

Statement of cash flows

For the year ending 30 June 2013

Statement of cash flows	Note	2013 $'000
Cash flows from operating activities		
User charges		30,849
Grants and other contributions		599,131
Interest received		130
GST collected from customers		594
GST input tax credits		11,666
Other revenue		5,798
Employee expenses		(1,235)
Supplies and services		(538,077)
Grants and subsidies		(50,130)
GST paid to suppliers		(12,892)
GST remitted		(446)
Other expenses		(9,275)
Net cash from operating activities	**35**	**36,113**
Cash flows from investing activities		
Payments for property, plant and equipment		(7,658)
Proceeds from sale of property, plant and equipment		351
Net cash used in investing activities		**(7,307)**
Cash flows from financing activities		
Proceeds from equity injections		19,217
Net cash from financing activities		**19,217**
Net increase in cash and cash equivalents		**48,023**
Cash and cash equivalents at the beginning of the financial year		**-**
Cash and cash equivalents at the end of the financial year	**15**	**48,023**

Notes to the financial statements

Note 1. Objectives and strategic priorities

The Sunshine Coast Hospital and Health Service (SCHHS) was established on 1 July 2012 as an independent statutory body under the *Hospital and Health Boards Act 2011* as part of National Health Reform.

The SCHHS is governed by a local board with responsibility for providing public health services in South-East Queensland from Caloundra in the south, inland to west of Kilkavan and north to Rainbow Beach.

The SCHHS serves a population of around 390,000 people. This includes direct management of facilities within the geographical boundaries including:

- Caloundra Hospital
- Gympie Hospital
- Maleny Soldiers Memorial Hospital
- Nambour General Hospital

SCHHS provides services and outcomes as defined in a publicly available service agreement with the Department of Health (as manager of the public hospital system). The key strategic objectives for 2012–16 are:

- effective and efficient health promotion, illness prevention and early intervention
- access to quality services delivered in the right way, the right place and at the right time
- improve the equity of health outcomes
- a sustainable, proactive and continually improving health system
- a sustainable and high-quality workforce to meet future health needs.

SCHHS is predominately funded through a combination of income sources including grants from the State and Commonwealth Governments, patient fees and charges.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are below.

(a) Statement of compliance

The SCHHS has prepared these financial statements in compliance with Section 62 (1) of the *Financial Accountability Act 2009 (QLD)* and Section 43 of the *Financial and Performance Management Standard 2009 (QLD)*.

The 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 2013, and other authoritative pronouncements.

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

(b) The reporting entity

The financial statements include the value of all revenues, expenses, assets, liabilities and equity of the Sunshine Coast Hospital and Health Service (SCHHS).

(c) Trust transactions and balances

The Sunshine Coast Hospital and Health Service acts in a fiduciary trust capacity in relation to patient trust accounts. These transactions and balances are not recognised in the financial statements. Although patient funds are not controlled by SCHHS, trust activities are included in the audit performed annually by the Auditor-General of Queensland. Note [31] – Patient Trust transactions and balances, provides additional information on the balances held in patient trust accounts.

The SCHHS also has a trust arrangement to facilitate the Right of Private Practice – Option B transactions. Details regarding the arrangement are outlined in Note [34] – Right of Private Practice (Option B) Trust.

(d) User charges

User charges and fees are controlled by SCHHS when they can be deployed for the achievement of SCHHS objectives. User charges and fees are recognised as revenues when earned and can be measured reliably with a sufficient degree of certainty. This involves either invoicing for related goods/services and/or the recognition of accrued revenue. Revenue in this category primarily consists of hospital fees (private patients), reimbursements of pharmaceutical benefits, and the sale of goods and services.

(e) Grants and contributions

Grants, contributions, donations and gifts that are non-reciprocal in nature are recognised as revenue in the year in which SCHHS obtains control over them. Where grants are received that are reciprocal in nature, revenue is recognised over the term of the funding arrangements.

Contributed assets are recognised at their fair value. Contributions of services are recognised only when a fair value can be determined reliably and the services would be purchased if they had not been donated.

SCHHS is predominately funded by non-reciprocal grants from the Department of Health and are recognised as revenue when received. The amount of this grant is governed and determined by a service agreement between the Department of Health and SCHHS.

(f) Special payments

Special Payments include ex gratia expenditure and other expenditure that the SCHHS is not contractually or legally obligated to make to other parties. In compliance with the *Financial and Performance Management Standard 2009*, the SCHHS maintains a register setting out detail of all Special Payments greater than $5,000. The total of all Special Payments (including those $5,000 or less) is disclosed separately within Note [14] – Other Expenses. However, descriptions of the nature of Special Payments are only provided for Special Payments greater than $5,000.

(g) Revenue recognition

Other revenue is recognised when it is probable that the economic benefit will flow to the SCHHS and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

(h) Transfer of assets and liabilities

On 1 July 2012, certain asset and liability balances were transferred from the Department of Health to Hospital and Health Services. This was affected via a Transfer Notice signed by the Minister for Health, designating that the transfer be recognised as a contribution by owners through Equity.

Balances transferred to SCHHS materially reflected the closing balances of the former Health Service District as at 30 June 2012 and net assets received by SCHHS as at 1 July 2012.

The cash balance transferred to SCHHS was the amount required to ensure the entity commence operations with a solvent working capital position.

The value of assets and liabilities transferred to the Sunshine Coast Hospital and Health Service on 1 July 2012 are disclosed in Note [30] – Transfer of assets and liabilities from the Department of Health.

(i) Transfer of land and buildings

Legal title to land and buildings has not been transferred as at 30 June 2013. The Department of Health retains legal ownership, however control of these assets was transferred to the HHS, via a concurrent lease representing its right to use the assets. Under the Deeds of Lease, SCHHS has full exposure to the risks and rewards of asset ownership.

SCHHS 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 the Statement of Financial Position.

(j) Income tax

The SCHHS 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). Refer to Note [2y] – Goods and services Tax (GST) and other similar taxes.

(k) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(l) Trade and other receivables

Trade debtors are recognised at their carrying value less any impairment. The recoverability of trade debtors is reviewed on an ongoing basis at an operating unit level. Trade receivables are generally settled within 60 days, while other receivables may take longer than twelve months. Any allowance for impairment is based on loss events disclosed in Note [16] – Current assets – trade and other receivables. All known bad debts are written off when identified.

(m) Inventories

Inventories consist mainly of pharmaceutical and medical supplies held for distribution in hospitals and are provided to patients at a subsidised rate. Inventories are measured at weighted average

cost, adjusted for obsolescence. Unless material, inventories do not include supplies held for ready use in the wards throughout the hospital facilities and these items are expensed on issue from storage facilities.

Consignment inventory

Supplies may be held on site under arrangements with external suppliers. The terms for the consumption of these goods by SCHHS are outlined in the agreement with the relevant supplier. The goods do not form part of the inventory holding of SCHHS and are not valued within the financial statements.

The SCHHS does not pay for the goods until they are consumed. The value of these goods is charged to, and expensed by, SCHHS in the period they are consumed.

(n) Debit facility

SCHHS has access to the Whole-of-Government debit facility with limits approved by Queensland Treasury and Trade. The current approved limit is $6 million. The drawdown balance as at 30 June 2013 is nil.

(o) Property, plant and equipment

Sunshine Coast 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 more than 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.

Class	Threshold
Buildings	$10,000
Land	$1
Plant and equipment	$5,000

Land improvements undertaken by the SCHHS are included in the buildings class.

Actual cost is used for the initial recording of all non-current physical 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 department (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*.

Land and buildings are measured at fair value in accordance with *AASB 116 Property, Plant and Equipment* and Queensland Treasury and Trade's Non-Current Asset Policies for the Queensland Public Sector. In respect of these asset classes, the cost of items acquired during the financial year have been judged by management to materially reflect the fair value at the end of the reporting period.

Land is measured at fair value using indexation provided by the State Valuation Service. Independent revaluations are performed with sufficient regularity to ensure land assets are carried at fair value.

In 2012–13 the SCHHS engaged the State Valuation Service to provide indices for all land holdings held at the 14th of February 2013 excluding properties which do not have a liquid market, for example properties under Deed of grant (recorded at a nominal value of $1).

Buildings are measured at fair value utilising either independent revaluation or applying an interim revaluation methodology developed by the external quantity surveyors Davis Langdon Australia Pty. Limited (engaged under the current five year agreement with the Department of Health).

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 to current standards.

In determining the depreciated replacement cost of each building being comprehensively revalued, the independent quantity surveyors considered a number of factors such as age, functionality and physical condition. The rating scale employed in the model is shown below.

Category	Condition	Description
1.	Very good condition	Only normal maintenance required
2.	Minor defects only	Minor maintenance required
3.	Maintenance required to return the building to accepted level of service	Significant maintenance required (up to 50% of capital maintenance cost)
4.	Requires renewal	Complete renewal of the internal fit out engineering services required (up to 70% capital replacement cost)
5.	Asset unserviceable	Complete asset replacement required

An indexation factor developed by Davis Langdon Australia Pty. Limited has been applied to those assets not comprehensively revalued. The indices are based on desktop revaluations on a sample of 'typical' assets, taking account of key cost drivers such as location and facility type.

Revaluation increments are credited to the asset revaluation surplus of the appropriate class, except to the extent it reverses a revaluation decrement for the class previously recognised as an expense. 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.

Sunshine Coast Hospital and Health Service has adopted the gross method of reporting comprehensively revalued assets. This method restates separately the gross amount and related accumulated depreciation of the assets comprising the class of revalued assets. Accumulated depreciation is restated proportionally in accordance with the independent advice of the appointed quantity surveyor. The proportionate method has been applied to those assets that have been revalued by way of indexation.

Plant and equipment is measured at cost, net of accumulated depreciation and any impairment in accordance with Queensland Treasury and Trade's Non-Current Asset Policies for the Queensland Public Sector.

Consignment equipment

Equipment is held on site under arrangements with external suppliers. The terms for the use by SCHHS are outlined in the agreement with the relevant supplier. The items do not form part of the asset base of the SCHHS and are not valued within the financial statements.

Depreciation

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

Property, plant and equipment are depreciated on a straight-line basis. Annual depreciation is based on fair values and SCHHS assessment of the useful remaining life of individual assets. Land is not depreciated as it has an unlimited useful life. Assets under construction are not depreciated until ready for use.

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.

Class	Depreciation rates
Buildings	2.5% – 3.33%
Plant and equipment	5.0% – 20.0%

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.

SCHHS had no assets under finance lease as at the reporting date.

Impairment of non-current assets

A review is conducted annually in order to isolate indicators of impairment in accordance with *AASB 136 Impairment of Assets*. If an indicator of impairment exists, SCHHS determines the asset's recoverable amount (the higher of value in use or 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.

(p) Intangible assets

SCHHS has not acquired any intangible assets. The Health Service Information Agency managed by the Department of Health provides a comprehensive network information and communication technology service on a fee-for-service basis. The service includes access to network infrastructure, software applications and business development intelligence and advisory services. The associated risks and rewards associated with ownership are not transferred to SCHHS. Payments are charged to the statement of comprehensive income as and when incurred.

(q) Financial instruments

A financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. Sunshine Coast Hospital and Health Service holds financial instruments in the form of cash, receivables and payables. SCHHS accounts for its financial instruments in accordance with *AASB 139 Financial Instruments: Recognition and Measurement* and reports instruments under *AASB 7 Financial Instruments: Disclosures – For Not-For-Profit (NFP) Entities Only*.

Recognition

Financial assets and financial liabilities are recognised in the Statement of Financial Position when SCHHS 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

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. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of a financial instrument (or when appropriate, a shorter period) to the net carrying amount of that instrument.

The SCHHS does not enter into transactions for speculative purposes, or for hedging. Apart from cash and cash equivalents, SCHHS holds no financial assets classified at fair value through profit or loss.

All other disclosures relating to the measurement and financial risk management of financial instruments held by the SCHHS are include in Note [24] – Financial Instruments.

(r) Trade and other payables

These amounts represent liabilities for goods and services provided to the SCHHS prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

(s) Employee benefits

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

(i) Department of Health employees engaged as contractors

In 2012–13 the Sunshine Coast Hospital and Health Service was not a prescribed service and accordingly all non-executive staff were employed by the Department. Provisions in the HHB Act enable SCHHS 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 SCHHS, and the Department acknowledges and accepts its obligations as the employer of these Department employees
- the SCHHS is responsible for the day to day management of these departmental employees
- the SCHHS reimburses the Department for the salaries and on-costs of these employees.

As a result of this arrangement, the SCHHS treats the reimbursements to the Department of Health in these financial statements as Health Service Employee Expenses. These reimbursements are shown under Note [9] – Health service employee expenses.

In addition to the employees contracted from the Department, the SCHHS has engaged employees directly. The information detailed below relates specifically to the directly engaged employees.

(ii) Hospital and Health Service's directly engaged employees

SCHHS classifies salaries and wages, rostered days-off, sick leave, annual leave levy, long service leave levy and employer superannuation contributions as employee benefits in accordance with *AASB 119 Employee Benefits*. Wages and salaries due but unpaid at reporting date are recognised in the Statement of Financial Position at current salary rates. Non-vesting employee benefits such as sick leave are recognised as an expense when 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.

Annual leave and long service leave

Sunshine Coast Hospital and Health Service participates in the Annual Leave Central Scheme and the Long Service Leave Scheme.

Under the Queensland Government's Annual Leave Central Scheme (established on 30 June 2008) and Long Service Leave Central Scheme (established on 1 July 1999), levies are payable by SCHHS to cover the cost of employees' annual leave (including leave loading and on-costs) and long service leave. These levies are expensed in the period in which they are payable. Amounts paid to employees for annual leave and long service leave are claimed from the schemes quarterly in arrears which is currently facilitated by the Department of Health.

No provision for annual leave or long service leave is recognised in the financial statements of SCHHS, as the liability for these schemes 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 payable and the obligation of SCHHS 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*.

Sunshine Coast Hospital and Health Service complies with *The Superannuation Guarantee (Administration Act) 1992* (Superannuation Guarantee) which requires SCHHS to provide minimum superannuation cover for all eligible employees. The minimum level of superannuation cover under the Superannuation Guarantee is 9 per cent of each eligible employee's earnings base. Contributions are expensed in the period in which they are paid or payable. SCHHS obligation is limited to its contribution to the superannuation fund. Therefore no liability is recognised for accruing superannuation benefits in the Sunshine Coast Hospital and Health Service financial statements.

(t) 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. Refer to Note [25] for the disclosures on key executive management personnel and remuneration.

(u) Insurance

The Insurance Arrangements for Public Health Entities Health Service Directive (Directive number QH-HSD-011:2012) enables Sunshine Coast Hospital and Health Service to be named an insured party under the Department of Health policy. For the 2012–13 policy year, a premium was allocated to the SCHHS according to its underlying risk. The Sunshine Coast Hospital and Health Service premium covers claims from 1 July 2012. Pre 1 July 2012 claims remain the responsibility of the Department of Health.

The Department of Health pays premiums to Work Cover Queensland in respect of its obligations for employee compensation. These costs are reimbursed on a monthly basis from the SCHHS to the Department of Health.

Property and general losses above a $10,000 threshold are insured through the Queensland Government Insurance Fund (QGIF). Health litigation payments above a $20,000 threshold and associated legal fees are also insured through QGIF. Premiums are calculated by QGIF on a risk assessed basis.

(v) Provisions

Provisions are recorded when SCHHS has a present obligation, legal or constructive, as a result of a past event.

They are valued at the amount expected at reporting date for which the obligation will be settled in a future period. Where the settlement of the obligation is expected after 12 or more months, the obligation is discounted to the present value using an appropriate discount rate.

(w) Services received free of charge or for a 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. When this is the case, an equal amount is recognised as revenue and an expense.

(x) 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 *Interpretation 1038 'Contributions by Owners Made to Wholly-Owned Public Sector Entities*'.

(y) Goods and Services Tax (GST) and other similar taxes

The only Federal taxes that the SCHHS is assessed for are Fringe Benefit Tax and Goods and Services Tax.

Both SCHHS and the Department of Health satisfy section 149-25(e) of the *A New Tax System (Goods and Services) Act 1999* (Cth) (the GST Act). Consequently they were able, with other Hospital and Health Services, to form a "group" for GST purposes under Division 149 of the GST Act. 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 are recognised and accrued. Refer Note [16] - Current assets - trade and other receivables.

(z) Issuance of financial statements

The financial statements are authorised for issue by the Chief Executive and the Chief Finance Officer of the Sunshine Coast Hospital and Health Service, and the Chairman of the Sunshine Coast Hospital and Health Board as at the date of signing the Management Certificate.

(aa) Rounding of amounts

Amounts in this report have been rounded off to the nearest thousand dollars, or in certain cases, the nearest dollar.

(ab) Comparatives

As the SCHHS commenced operations on 1 July 2012 there are no comparative figures in the financial statements.

(ac) Accounting judgements and key sources of estimation uncertainty

The preparation of financial statements necessarily requires the determination and use of certain critical accounting estimates, assumptions and management judgements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant, and are reviewed on an ongoing basis. Actual results may differ from these estimates. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Estimates and assumptions that have a potential significant effect are outlined in the following financial statement notes:

- property, plant and equipment – [Note 19]
- trade and other receivables – [Note 16]
- Contingencies – [Notes 27 and 28].

(ad) New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the SCHHS for the annual reporting period ended 30 June 2013. The SCHHS assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the SCHHS, are set out below.

AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 and 1049] became effective from reporting periods beginning on or after 1 July 2012. The only impact for the SCHHS is that, in the Statement of Comprehensive Income, items within the 'Other Comprehensive Income' section are now presented in different subsections, according to whether or not they are subsequently classifiable to the operating result. Whether subsequent reclassification is possible depends on the requirements or criteria in the accounting standard/interpretation that relates to the item concerned.

The SCHHS 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 SCHHS has not applied any Australian Accounting Standards and Interpretations that have been issued but are not yet effective. The SCHHS applies standards and interpretations in accordance with their respective commencement dates.

At the date of authorisation of the financial report, the expected impacts of new or amended Australian Accounting Standards with future commencement dates are set out below.

AASB 13 Fair Value Measurement applies 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 will apply to all of the SCHHS assets and liabilities (excluding leases) that are measured and/or disclosed at fair value or another measurement based on fair value. The potential impacts of AASB 13 relate to the fair value measurement methodologies used and financial statement disclosures made in respect of such assets and liabilities.

The SCHHS has commenced reviewing its fair value methodologies (including instructions to valuers, data used and assumptions made) for all items of property, plant and equipment measured at fair value to determine whether those methodologies comply with AASB 13. To the extent that the

methodologies don't comply, changes will be necessary. While the SCHHS is yet to complete this review, no substantial changes are anticipated, based on the fair value methodologies presently used. Therefore, at this stage, no consequential material impacts are expected for the SCHHS's property, plant and equipment as from 1 July 2013.

AASB 13 will require an increased amount of information to be disclosed in relation to fair value measurements for both assets and liabilities. T o the extent that any fair value measurement for an asset or liability uses data that is not 'observable' outside the SCHHS the amount of information to be disclosed will be relatively greater.

A revised version of *AASB 119 Employee Benefits* applies from reporting periods beginning on or after 1 January 2013. The revised AASB 119 is generally to be applied retrospectively. Given the SCHHS's circumstances, the only implications for the SCHHS are that the revised standard clarifies the concept of 'termination benefits', and the recognition criteria for liabilities for termination benefits will be different. If termination benefits meet the timeframe criterion for 'short-term employee benefits', they will be measured according to the AASB 119 requirements for 'short-term employee benefits'. Otherwise, termination benefits will 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 SCHHS 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 SCHHS's financial statements as the employer liability is held by the central scheme. The revised AASB 119 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/assets. The SCHHS 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 AASB 119 will have no impact on the SCHHS.

AASB 1053 Application of Tiers of Australian Accounting Standards applies as from 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.

Pursuant to AASB 1053, public sector entities like the SCHHS 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 the SCHHS, Queensland Treasury and Trade is the regulator.

Queensland Treasury and Trade has advised that its policy decision is to require adoption of Tier 1 reporting by all Queensland Government statutory bodies that are consolidated into the whole-of-Government financial statements. Therefore, the release of AASB 1053 and associated amending standards will have no impact on the SCHHS.

AASB 1055 Budgetary Reporting applies from reporting periods beginning on or after 1 July 2014. From that date, based on what is currently published in the Queensland Government's Budgetary Service Delivery Statements, this means the SCHHS will need to include in these financial statements

the original budgeted statements for the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, and Statement of Cash Flows. These budgeted statements will need to be presented consistently with the corresponding (actuals) financial statements, and will be accompanied by explanations of major variances between the actual amounts and the corresponding budgeted financial statement.

In addition, based on what is currently published in the Queensland Government's Service Delivery Statements, the SCHHS will need to include in these financial statements the original budgeted information for major classes of administered income and expenses, and major classes of administered assets and liabilities. This budgeted information will need to be presented consistently with the corresponding (actuals) administered information, and will be accompanied by explanations of major variances between the actual amounts and the corresponding budgeted financial information.

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, 102, 108, 112, 118, 120, 121, 127, 128,131, 132, 136, 137, 139, 1023 and 1038 and Interpretations 2, 5, 10, 12, 19 and 127]* become effective from reporting periods beginning on or after 1 January 2015. The main impacts of these standards on the SCHHS are that they will change the requirements for the classification, measurement and disclosures associated with the SCHHS'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 on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The SCHHS has commenced reviewing the measurement of its financial assets against the new AASB 9 classification and measurement requirements. However, as the classification of financial assets at the date of initial application of AASB 9 will depend on the facts and circumstances existing at that date, the SCHHS's conclusions will not be confirmed until closer to that time. At this stage, and assuming no change in the types of transactions the SCHHS enters into, it is expected that AASB 9 will not have a material impact on the financial statements.

The SCHHS will not need to restate comparative figures for financial instruments on adopting AASB 9 as from 2015–16. However, changed disclosure requirements will apply from that time. A number of one-off disclosures will be required in the 2015–16 financial statements to explain the impact of adopting AASB 9.

All other Australian accounting standards and interpretations with future commencement dates are either not applicable to SCHHS activities, or have no material impact on the SCHHS.

The SCHHS did not voluntarily change any of its accounting policies during 2012–13. Australian Accounting Standard changes applicable for the first time for 2012-13 have had minimal effect on the SCHHS.

Note 3. Major services, activities and other events

The Sunshine Coast Hospital and Health Service provides the following major services and activities:

- Clinical Services including Inpatient, Outpatient, Ambulatory, Outreach and Telehealth services
- Primary health and Community Services including (amongst others) Oral Health, Aboriginal and Torres Strait Islander Health
- Alcohol, Tobacco and Other Drug Services, Child Health, Mental Health and Community Rehabilitation
- Communicable Disease Control and Immunisation Services
- Sexual Health and Viral Hepatitis Services
- Cancer Screening Services
- Preventative Health Services
- management of health services infrastructure and processes
- management of residential and aged care facilities
- management of mental health facilities and services
- teaching, training and research activities.

Other events

Early retirement, redundancy and retrenchment

In 2012–13 the SCHHS Board undertook a restructure of the Hospital and Health Service announcing Voluntary Separation Packages (VSP) for staff across the SCHHS to reprioritise spending to frontline services. The VSP arrangements were in accordance with the terms of the Queensland Public Service Commission's Voluntary Separation Program Handbook. The VSP program will cease in September 2013 and no further offers will be made to employees. Employees who have previously accepted a VSP, but are yet to cease employment will continue to separate as planned.

Health reform

On 2 August 2011, Queensland, as a member of the Council of Australian Governments signed the National Health Reform Agreement, committing to major changes in the way that health services in Australia are funded and governed. These changes took effect from 1 July 2012 and include:

- moving to a purchaser-provider model, with health service delivery to be purchased from legally independent hospital networks (statutory bodies to be known as Hospital and Health Services (HHSs) in Queensland)
- introducing national funding models and a national efficient price for services, with the majority of services to be funded on an activity unit basis into the future
- defining a refocused role for state governments in managing the health system, including:
    - the use of purchasing arrangements and other levers to drive access and clinical service improvements within and across the HHSs
    - a responsibility to intervene to remediate poor performance, either at the state's initiative or in response to prompting by the National Health Performance Authority, which will publicly report on performance of the HHSs and healthcare facilities.

The *Hospital and Health Boards Act 2011*, enabling the establishment of the new health service entities and the System Manager role for the Department of Health in Queensland, was passed by the Queensland Parliament in October 2011.

Funding is provided to the Hospital and Health Services in accordance with service agreements

The Commonwealth and State contribution for activity based funding is pooled and allocated transparently via a National Health Funding Pool. The Commonwealth and State contribution for block funding and training, teaching and research funds is pooled and allocated transparently via a State Managed Fund. Public Health funding from the Commonwealth is managed by the Department of Health.

An Independent Hospital Pricing Authority (IHPA) has been established independently from the Commonwealth to develop and specify national classifications to be used to classify activity in public hospitals for the purposes of Activity Based Funding.

IHPA will determine the national efficient price for services provided on an activity basis in public hospitals and will develop data and coding standards to support uniform provision of data. In addition to this, IHPA will determine block funded criteria and what other public hospital services are eligible for Commonwealth funding.

The National Health Funding Body and National Health Funding Pool have complete transparency in reporting and accounting for contributions into and out of pool accounts. The Administrator will be an independent statutory office holder, distinct from Commonwealth and State departments.

The SCHHS has entered into a service agreement with the Department of Health which provides ongoing funding for the provision of services from July 2014 to the financial year ending 30 June 2016. This agreement was signed prior to 30 June 2013.

Note 4. User charges

User charges	2013 $'000
Sale of goods and services	15,884
Hospital fees	18,814
	34,698

Note 5. Grants and other contributions

Grants and other contributions	2013 $'000
State Government - block funding	40,637
State Government - activity based funding	246,381
State Government - other grants	150,275
Australian Government - block funding	17,675
Australian Government - activity based funding	150,465
Australian Government - nursing home grants	1,451
Australian Government - other grants	8,279
Other grants	2,862
Donations other	100
Donations non-current physical assets	12
	618,137

Note 6. Other revenue

Other revenue	2013 $'000
Interest	130
Rental income	29
Labour recoveries - Other HHS	44
Sale proceeds of non-capitalised assets	1
Contract staff recoveries	2,747
Workcover recoveries	1,307
Other recoveries	1,000
Other	669
	5,927

Contract staff recoveries

There are arrangements where SCHHS staff are placed with external organisations. Fees are charged by SCHHS to recover staffing and other costs related to the arrangements.

Other recoveries

Other recoveries includes invoicing to external organisations for costs incurred on their behalf.

Note 7. Gains

Gains	2013 $'000
Gain on sale of property, plant and equipment	12
Asset stocktake gain	27
	39

Note 8. Employee expenses

Employee expenses	2013 $'000
Wages and salaries	1,034
Employer superannuation contributions	107
Annual leave levy	99
Long service leave levy	20
Workers' compensation premium	14
Payroll tax	14
	1,288

The number of employees as at 30 June 2013 including both full time employees and part time employees measured on a full time equivalent basis is 5.

Note 9. Health service employee expenses

	2013 $'000
Health service employee expenses	**420,412**

As at 30 June 2013, in addition to the 5 employees directly employed by the SCHHS, a further 3,570 full time equivalents are contracted through service arrangements with the Department of Health.

These personnel remain employees of the Department of Health.

Note 10. Supplies and services

Supplies and services	2013 $'000
Other consultants and contractors	3,695
Ambulance service	6,084
Electricity and other energy	3,034
Services purchased from private hospitals	24,337
Patient travel	1,294
Other travel	648
Water	453
Building services	720
Computer services	514
Motor vehicles	564
Communications	693
Repairs and maintenance	7,394
Expenses relating to capital works	2,286
Operating lease rentals	4,745
Drugs	23,836
Clinical supplies and services	37,012
Catering and domestic supplies	5,701

Supplies and services (continued)	2013 $'000
Pathology, blood and parts	17,141
Other	9,950
	150,101

Services purchased from private hospitals

During the year $24.275 million was expensed in relation to the agreement with Ramsay Healthcare for the provision of health services to public patients within The Noosa Private Hospital. Refer to Note [32] – Arrangements for the provision of public infrastructure by other entities.

Note 11. Grants and subsidies

Grants and subsidies	2013 $'000
SCUPH Availability Fee	50,070
Home, community and rural health services	69
Medical research programs	(9)
	50,130

SCUPH availability fee

An amount of $50.070 million was expensed under the terms of the agreement with Ramsay Health Care for the construction of the Sunshine Coast University Private Hospital. The amount represents part of the overall Availability Fee payable to Ramsay Health Care under the agreement. Refer to Note [32] – Arrangements for the provision of public infrastructure by other entities.

Note 12. Depreciation and amortisation

Depreciation and amortisation	2013 $'000
Buildings	12,786
Plant and equipment	6,660
	19,446

Note 13. Impairment losses

Impairment losses	2013 $'000
Impairment losses on receivables	(74)
Bad debts written off	162
	88

Note 14. Other expenses

Other expenses	2013 $'000
Audit fees	245
Bank fees	10
Insurance	5,660
Inventory written off	105
Losses from the disposal of non-current assets	311
Special payments - donations/gifts	1
Special payments - ex-gratia payments	37
Other legal costs	129
Journals and subscriptions	174
Advertising	36
Interpreter fees	77
Other	14
	6,799

Insurance

Certain losses of public property and health litigation costs are insured with the Queensland Government Insurance Fund.

Special payments

During the year several ex gratia payments were made to employees and third parties. These included $12,950 paid to an employee as a reimbursement for lost wages and a short fall in QSuper

payments. These occurred as a result of her suffering an adverse outcome while she was a patient of the SCHHS, which required a long recuperation period before being able to return to work.

Note 15. Current assets – cash and cash equivalents

Current assets – cash and cash equivalents	2013 $'000
Cash at bank and on hand	44,712
24 hour call deposits	3,311
	48,023

A deposit is held with the Queensland Treasury Corporation reflecting the value of the Sunshine Coast Hospital & Health Service General Trust Fund. The value of this deposit as at 30 June 2013 was $3,310,595.40 and the Annual Effective Interest Rate was 3.59 per cent. For further information on the General Trust refer to Note [36] – Restricted Assets. The operating bank account does not earn interest.

Note 16. Current assets – trade and other receivables

Current assets – trade and other receivables	2013 $'000
Trade receivables	2,863
Less: Provision for impairment of receivables	(251)
	2,612
GST input tax credits receivable	1,226
GST payable	(148)
	1,078
Grants receivable	3,111
	6,801

Impairment of receivables

The SCHHS has recognised an expense of $251,000 in respect of impairment of receivables for the year ended 30 June 2013.

At the end of each reporting period SCHHS assesses whether there is objective evidence that a financial asset is impaired. Objective evidence includes financial difficulties of the debtor, the class of debtor, changes in debtor credit ratings and current outstanding accounts over 60 days. The

allowance for impairment reflects SCHHS assessment of the credit risk associated with receivables balances.

The ageing of the impaired receivables provided for above are as follows:

Ageing of impaired receivables	2013 $'000
30 - 60 days	2
61 - 90 days	14
More than 90 days	235
	251

Movements in the provision for impairment of receivables are as follows:

Movements in the provision for impairment	2013 $'000
Opening balance	-
Additional provisions recognised	411
Receivables written off during the year as uncollectible	(160)
Closing balance	**251**

Past due but not impaired

Customers with balances past due but without provision for impairment of receivables amount to $2,553,000 as at 30 June 2013.

The SCHHS did not consider a credit risk on the aggregate balances after reviewing credit terms of customers based on recent collection practices.

The ageing of the past due but not impaired receivables are as follows:

Ageing of past due but not impaired receivables	2013 $'000
Not overdue	1,948
30 - 60 days overdue	194
61 - 90 days overdue	98
More than 90 days overdue	313
	2,553

Note 17. Current assets – inventories

Current assets – inventories	2013 $'000
Medical supplies and equipment	3,643
Catering and domestic	50
Less: Provision for impairment	(65)
	3,628
Engineering	2
Other	14
	3,644

Note 18. Current assets – other

Current assets – other	2013 $'000
Accrued revenue	2,223
Prepayments	175
	2,398

Accrued revenue relates mainly to Pharmaceutical Benefits Scheme (PBS) claims revenue, Transition Care Programme (TCP) occupancy revenue from the Commonwealth Government and other miscellaneous revenue items.

Note 19. Non-current assets – property, plant and equipment

Non-current assets – property, plant and equipment	2013 $'000
Land - at independent valuation	71,430
	71,430
Buildings - at independent valuation	388,705
Less: Accumulated depreciation	(179,362)
	209,343
Plant and equipment - at cost	67,882
Less: Accumulated depreciation	(30,336)
	37,546
Capital works in progress - at cost	278
	278
	318,597

Reconciliations of the written down values at the beginning and end of the current financial year are set out below:

Non-current assets – property, plant and equipment	Land $'000	Buildings $'000	Plant and equipment $'000	Capital works in progress $'000	Total $'000
Balance at 1 July 2012	-	-	-	-	-
Additions	-	4,590	6,049	622	11,261
Additions through transfer from DoH (note 30)	73,906	202,463	36,903	679	313,951
Disposals	-	(38)	(274)	-	(312)
Revaluation increments	-	425	-	-	425
Revaluation decrements	(2,476)	-	-	-	(2,476)
Transfers in/(out)	-	14,688	1,527	(1,023)	15,192
Depreciation expense	-	(12,785)	(6,659)	-	(19,444)
Balance at 30 June 2013	**71,430**	**209,343**	**37,546**	**278**	**318,597**

Land

Land is measured at fair value using independent revaluations, desktop market revaluations or indexation by the State Valuation Service. Independent revaluations are performed with sufficient regularity to ensure assets are carried at fair value. In 2012-13 the SCHHS engaged the State Valuation Service to provide indices 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 revaluation program resulted in a decrement of $2.476 million to the carrying amount of land. This is a decrease of 3.35 per cent to the land portfolio as at 30 June 2013.

Buildings

An independent revaluation of 85 per cent of the acquisition value of the building and land improvement portfolios was performed during 2012–13 by independent quantity surveyors Davis Langdon Australia Pty Limited (Davis Langdon). Due to the specialised nature of the assets there is no observable market-based evidence of fair value.

Pursuant to *AASB 116 Property, Plant and Equipment* Davis Langdon therefore employed the Replacement Cost Methodology.

Under the Replacement Cost method, the assets were valued on the basis that the value is the estimated replacement cost of the asset, or the likely cost of construction including fees and on costs if tendered on the valuation date. The assets were priced using Brisbane rates. Location factors have been applied where applicable (per industry benchmarks).

The estimate is based on the assumption that the asset to be replaced will be of the same function and area of the original asset. Davis Langdon physically inspected each asset to be revalued as part of their methodology. The observed Condition Assessment Rating [Refer Note 20] is then applied to the asset in order to estimate 'Cost to Bring the Asset to Current Standards'. The 'Depreciated Replacement Cost' is the result of the 'Replacement Cost' less the 'Cost to Bring Asset to Current Standards'.

The differential between the Net Book Value and the Depreciated Replacement Cost (using the same Useful Lives) is then computed. The net differential for an asset is a Revaluation Decrement or Revaluation Increment.

The building valuations for 2012–13 resulted in a net increment to the portfolios of $0.425 million. This is an increase of 0.2 per cent to the building portfolio as at 30 June 2013.

Note 20. Current liabilities – trade and other payables

Current liabilities – trade and other payables	2013 $'000
Trade payables	25,993
Health service employee expenses	21,609
Other payables	6
	47,608

Refer to note 24 for further information on financial instruments.

Note 21. Current liabilities – accrued employee benefits

Current liabilities – accrued employee benefits	2013 $'000
Salaries and wages accrued	47
Other employee entitlements payable	6
	53

Note 22. Equity – asset revaluation surplus

Equity – asset revaluation surplus	2013 $'000
Balance at 1 July 2012	-
Building revaluation - gross	425
Balance at 30 June 2013	425

Note 23. Equity injections and equity withdrawals

During the year various equity injection and equity withdrawal transactions occurred.

$18.795 million of capital assets including dental vans and building upgrades were contributed to the SCHHS by the Department of Health. These were non-cash transactions.

A further $6.846 million was contributed in cash as funding for capital works.

Depreciation expenses to the value of $19.006 million were offset by non-cash adjustments through equity withdrawals.

Note 24. Financial instruments

(a) Categorisation of financial instruments

The SCHHS has the following categories of financial assets and financial liabilities.

Categories of financial assets and financial liabilities	Note	2013 $'000
Financial assets		
Cash and cash equivalents	15	48,023
Receivables	16	6,801
		54,824
Financial liabilities		
Payables	**20**	**47,608**

(b) Financial risk management

The SCHHS is exposed to a variety of financial risks - credit risk, liquidity risk and market risk.

Financial risk management is implemented pursuant to Queensland Government and the SCHHS policies. The policies provide written principles for overall risk management and aim to minimise potential adverse effects of risk events on the financial performance of SCHHS. The Sunshine Coast Hospital and Health Service measures risk exposure using a variety of methods as follows:

Risk Exposure	Measurement method
Credit risk	Ageing analysis, cash inflows at risk
Liquidity risk	Monitoring of cash flows by management
Market risk	Interest rate sensitivity analysis

(c) Credit risk

Credit risk is the potential for financial loss arising from a counterparty defaulting on its obligations. The maximum exposure to credit risk at balance date is equal to the gross carrying amount of the financial asset, inclusive of any allowance for impairment. The carrying amount of trade receivables represents the maximum exposure to credit risk. Refer to Note 16 for further information. Credit risk is considered minimal given all the Sunshine Coast Hospital and Health Service deposits are held by the State through Queensland Treasury Corporation.

(d) Liquidity risk

Liquidity risk is the risk that the Sunshine Coast Hospital and Health Service will not have the resources required at a particular time to meet its obligations to settle its financial liabilities. Sunshine Coast Hospital and Health Service is exposed to liquidity risk through its trading in the normal course of business. The SCHHS aims to reduce the exposure to liquidity risk by ensuring that sufficient funds are available to meet employee and supplier obligations at all times.

The only financial liabilities which expose the SCHHS to liquidity risk are trade and other payables. These are all due within one year under normal business payment terms. Refer to Note 20 for further information on trade and other payables.

The Sunshine Coast 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.

The facility remains unutilised as at 30 June 2013.

(e) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises: foreign exchange risk; interest rate risk; and other price risk.

The SCHHS does not trade in foreign currency and is not materially exposed to commodity price changes. The SCHHS has minimal interest rate exposure on the 24 hour call deposits, however there is no interest rate risk on its cash deposits. The SCHHS does not undertake any hedging in relation to interest rate risk.

(f) Price risk

The SCHHS is not exposed to any significant price risk.

(g) Interest rate risk

Changes in interest rate have a minimal effect on the operating result of the SCHHS. This is demonstrated in the interest rate sensitivity analysis below:

	Interest rate 1% increase		Interest rate 1% decrease	
2013	**Effect on profit ($000)**	**Effect on equity ($000)**	**Effect on profit ($000)**	**Effect on equity ($000)**
24 call deposit	27	27	(27)	(27)

The main operating bank account does not earn interest.

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value. The carrying amounts of trade receivables and trade payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial instruments.

Note 25. Key management personnel disclosures

The following details for key management personnel include those positions that had the authority and responsibility for planning, directing and controlling the major activities of the entity, directly or indirectly, during the financial year. The listing includes both executive leadership team (ELT) personnel and board members.

Name and position	Responsibilities	Contract classification and appointment	Appointment date
Chief Executive – Kevin Hegarty	Provide strategic leadership and direction, promote effective and efficient use of resources, develop health service plans, workforce plans and capital works for the delivery of public sector health services in the Sunshine Coast area.	S24/S70 *Hospital and Health Boards Act 2011 Section 33*	1 July 2012
Chief Finance Officer & Acting Executive Director, People & Culture – Rodney Margetts	Provide strategic leadership and operational control of the finance and human resources functions.	HES2–2 *Hospital and Health Boards Act 2011 Section 74*	1 July 2012
Chief Operating Officer – Jacheline Hanson	Provide strategic leadership and manage the operations of the SCHHS including evaluating each of the Health Service Groups.	HES2–4 *Hospital and Health Boards Act 2011 Section 74*	1 July 2012
Executive Director, Nursing and Midwifery Services – Graham Wilkinson	Provides leadership and strategic direction, clinical governance and professional support for all nursing and midwifery services.	NRG11–4 *Queensland Health Nurses and Midwives Award - State 2012*	1 July 2012
Executive Director, Medical Services – Dr. Piotr Swierkowski	Professional leader for all medical practitioners and control of the patient safety agenda, credentialing, education and research.	MMOI2 *District Health Services – Senior Medical Officers and Resident Medical Officers Award – State 2012*	1 July 2012

Name and position	Responsibilities	Contract classification and appointment	Appointment date
Executive Director, Planning and Capacity Development – Scott Lisle	Provide strategic leadership and direction for all service planning within the SCHHS including Information Communications Technology and workforce planning.	HES2–5 *Hospital and Health Boards Act 2011 Section 74*	1 July 2012
Executive Director, Strategy and Performance – Tracey Warhurst	Provide strategic leadership, management and high level authoritative advice and support on all matters relating to the performance of the SCHHS.	HES2–2 *Hospital and Health Boards Act 2011 Section 74*	1 July 2012
Chair Clinical Leadership Group (CLG) – Dr. Jeremy Long	The CLG is a forum for the strategic engagement of clinicians. The Chair governs the activities of the CLG. Provides feedback link for the Chief Executive and Executive Leadership Team.	MMOI2 *District Health Services – Senior Medical Officers and Resident Medical Officers Award – State 2012*	1 July 2012
Executive Director, People and Culture (Position Vacant) – formerly Annabelle Kirwan	Provide strategic leadership and operational control of the human resources function. The CFO is Acting in this role.	HES2–1 *Hospital and Health Boards Act 2011 Section 74*	1 July 2012 to 17 May 2013
Executive Director, Allied Health (Position abolished) – formerly Karen Hayes	Provide strategic leadership and operational control of the Allied Health functions such as the transition care programme, home and community care, social work and other allied health practitioners. Responsibility now falls within the duties of the Chief Operating Officer.	HP5 *District Health Services Employees Award – State 2012*	1 July 2012 to 27 January 2013

Name and position	Responsibilities	Contract classification and appointment	Appointment date
Chairperson – Prof. Paul Thomas, AM	Provide strategic leadership and guidance and effective oversight of management, operations and financial performance.	Chairperson – *Hospital and Health Boards Act 2011 Section 25 (1) (a)*	1 July 2012
Deputy Chairperson – Dr. Lorraine Ferguson, AM	Provide strategic leadership and guidance and effective oversight of management, operations and financial performance.	Deputy Chairperson – *Hospital and Health Boards Act 2011 Section 25 (1) (b)*	1 July 2012
Board Member – Dr. Edward Weaver	Provide strategic guidance and effective oversight of management, operations and financial performance.	Board Member – *Hospital and Health Boards Act 2011 Section 23 (1)*	1 July 2012
Board Member – Dr. Mason Stevenson	Provide strategic guidance and effective oversight of management, operations and financial performance.	Board Member – *Hospital and Health Boards Act 2011 Section 23 (1)*	1 July 2012
Board Member – Mr Peter Sullivan	Provide strategic guidance and effective oversight of management, operations and financial performance.	Board Member – *Hospital and Health Boards Act 2011 Section 23 (1)*	6 Sept 2012
Board Member – Dr. Martine Pop	Provide strategic guidance and effective oversight of management, operations and financial performance.	Board Member – *Hospital and Health Boards Act 2011 Section 23 (1)*	1 July 2012 to 17 May 2013
Board Member – Mr. Bradley Elms	Provide strategic guidance and effective oversight of management, operations and financial performance.	Board Member – *Hospital and Health Boards Act 2011 Section 23 (1)*	1 July 2012 to 17 May 2013
Board Member – Dr. Karen Woolley	Provide strategic guidance and effective oversight of management, operations and financial performance.	Board Member – *Hospital and Health Boards Act 2011 Section 23 (1)*	18 May 2013
Board Member – Mr. Brian Anker	Provide strategic guidance and effective oversight of management, operations and financial performance.	Board Member – *Hospital and Health Boards Act 2011 Section 23 (1)*	18 May 2013
Board Member – Mr. Cosmo Schuh	Provide strategic guidance and effective oversight of management, operations and financial performance.	Board Member – *Hospital and Health Boards Act 2011 Section 23 (1)*	18 May 2013

Key management personnel remuneration – Executive leadership team

Section 74 of the *Hospital and Health Board Act 2011* provides that the contract of employment for health executive staff must state the term of employment, the person's functions and any performance criteria as well as the person's classification level and remuneration package. Section 76 of the Act provides the Chief Executive authority to fix the remuneration packages for health executives, classification levels and terms and conditions having regard to remuneration packages for public sector employees in Queensland or other States and remuneration arrangements for employees employed privately in Queensland.

Remuneration policy for the SCHHS's key executive management personnel is set by direct engagement common law employment contracts and various award agreements. The remuneration and other terms of employment for the key executive management personnel are also addressed by these common law employment contracts and awards. The remuneration packages provide for the provision of some benefits including motor vehicles.

Remuneration packages for key management personnel comprise the following components:

- Short term employee benefits which include:
    - Base – consisting of base salary, allowances and leave entitlements expensed for the entire year or for that part of the year during which the employee occupied the specified position.
    - Non-monetary benefits – consisting of provision of vehicle and other non-monetary benefits.
- Long term employee benefits include amounts expensed in respect of long service leave.
- Post-employment benefits include amounts expensed in respect of employer 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 of notice on termination, regardless of the reason for termination.
- Performance bonuses are not paid under the contracts in place.
- 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.

Key management personnel – board

The Sunshine Coast Hospital and Health Service is independently and locally controlled by the Hospital and Health Board (the board). The board appoints the health service chief executive and exercises significant responsibilities at a local level, including controlling the financial management of the SCHHS and the management of the SCHHS land and buildings (*Section 7 Hospital and Health Board Act 2011*).

Board members are remunerated for their services. The values of remuneration received by board members in their capacity as board members are shown below. The details of the executive leadership team (ELT) remuneration are also disclosed.

2013	Base $'000	Non monetary $'000	Post employment benefits $'000	Long term benefits $'000	Termination benefits $'000	Total $'000
Chief Executive – Kevin Hegarty	329	7	33	(12)	-	357
Chief Finance Officer – Rod Margetts	184	-	17	3	-	204
Chief Operating Officer – Jackie Hanson	160	16	19	(5)	-	190
Executive Director, Nursing and Midwifery Services – Graham Wilkinson	157	8	17	3	-	185
Executive Director, Medical Services – Piotr Swierkowski	412	11	28	4	-	455
Executive Director,Planning and Capacity Development – Scott Lisle	169	8	19	4	-	200
Executive Director, Strategy and Performance – Tracey Warhurst	127	-	16	3	-	146
Chair Clinical Leadership Group – Jeremy Long	346	-	26	4	-	376
Executive Director, People and Culture (Position Vacant) – formerly Annabelle Kirwan	190	-	15	(2)	89	292
Executive Director, Allied Health (Position abolished) – formerly Karen Hayes	88	-	10	3	141	242

2013	Base $'000	Non monetary $'000	Post employment benefits $'000	Long term benefits $'000	Termination benefits $'000	Total $'000
Professor Paul Thomas – Chairperson	67	-	5	-	-	72
Dr. Lorraine Ferguson – Deputy Chairperson	29	-	2	-	-	31
Dr. Edward Weaver – Board Member	2	-	-	-	-	2
Dr. Mason Stevenson – Board Member	29	-	2	-	-	31
Mr. Peter Sullivan – Board Member	24	-	2	-	-	26
Dr. Martine Pop – Board Member	27	-	2	-	-	29
Mr. Bradley Elms – Board Member	27	-	2	-	-	29
Dr. Karen Woolley – Board Member	2	-	-	-	-	2
Mr. Cosmo Schuh – Board Member	2	-	-	-	-	2
Mr. Brian Anker – Board Member	0	-	-	-	-	0

Note 26. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Queensland Audit Office, the auditor of the SCHHS, and unrelated firms:

Remuneration of auditors	2013 $'000
Audit services - Queensland Audit Office	
Audit of the financial statements	**235**
Other services - unrelated firms	
Internal financial audit	2
Internal operational audit	8
	10

Note 27. Contingent assets

Flood damage and consequent insurance claim

In January 2013 the Gympie facility was impacted by a flood event in the region. As a result of the flood the facility incurred losses of approximately $0.5 million related to business continuity and building related repairs. Initial communication with QGIF has commenced and the SCHHS is compiling the necessary documentation and support in order to lodge a claim.

As the claim has not been lodged or assessed the estimated claim receivable can not be estimated.

Note 28. Contingent liabilities

Litigation in progress

As at 30 June 2013, the following cases were filed in the courts naming the State of Queensland acting through the Sunshine Coast Hospital and Health Service as defendant:

Litigation in progress	2013 No. of cases
Court	
District Court	1

Health litigation is underwritten by the Queensland Government Insurance Fund (QGIF). The SCHHS liability in this area is limited to an excess per insurance event of $20,000. Refer Note 2 [u]. The Sunshine Coast Hospital and Health Service is responsible for claims from 1 July 2012 with pre 1 July 2012 claims remaining the responsibility of the Department of Health.

The Sunshine Coast 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 (QLD)* has resulted in fewer cases appearing before the courts. These matters are usually resolved at the pre-proceedings stage.

All SCHHS indemnified claims have been managed by QGIF. As at 30 June 2013 there were 14 claims managed by QGIF, some of which may never be litigated or result in payments to claims. The maximum exposure to Sunshine Coast Hospital and Health Service under this policy is up to $20,000 for each insurable event.

Native Title

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

All business pertaining to land held by or on behalf of Queensland Health must 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. Real property dealings may proceed on SCHHS owned land where native title continues to exist, provided native title holders or claimants receive the necessary procedural rights.

Queensland Health undertakes native title assessments over real property when required and is currently negotiating a number of Indigenous Land Use Agreements (ILUA) with native title holders. These ILUAs will provide trustee leases to validate the tenure of current and future health facilities. The National Title Tribunal reported there are no title claims in relation to the real property holdings of the SCHHS.

Property maintenance backlog

This represents the total cost of repairs, maintenance and minor assets due for replacement, with these activities to occur over future years. The total estimate of the backlog is $16.826 million. This is based on the condition assessment ratings and programmed maintenance forecasts for the various properties and equipment.

The estimated timeframe to clear the backlog is up to 5 years however this is dependent on a number of factors including works prioritisation and supporting funding from the Department of Health.

Note 29. Commitments

Commitments	2013 $'000
Capital commitments	
Committed at the reporting date but not recognised as liabilities, payable:	
Capital works	**225**
Other commitments	
Committed at the reporting date but not recognised as liabilities, payable:	
Services	508,251
Repairs & Maintenance	4,664
	512,915
Capital and other commitments	
Committed at the reporting date but not recognised as liabilities, payable:	
Within one year	78,704
One to five years	381,695
More than five years	52,741
	513,140

Leases

SCHHS is party to an operating lease relating to land leased in Gympie. The land is used as a helipad. The lease value per annum is at 'peppercorn' rate of $100 plus CPI, payable till 2020.

SCHHS is not party to any finance leases.

Services

These commitments partly relate to health services provided to public patients by the Noosa Private Hospital ($169.758 million).

From December 2013 there will also be commitments incurred ($338.493 million) relating to health services provided to public patients by the Sunshine Coast University Private Hospital. Refer to Note [32] – Arrangements for the provision of public infrastructure by other entities.

Note 30. Transfer of assets and liabilities from the Department of Health

The value of assets and liabilities transferred from the Department of Health on 1 July 2012 were as follows:

Transfers from the Department of Health	2013 $'000
Cash and cash equivalents	12,371
Trade receivables	4,097
Inventories	3,947
Prepayments	305
Land and buildings	276,369
Plant and equipment	37,374
Motor vehicles	208
Trade payables	(17,990)
Net assets acquired	**316,681**

Note 31. Patient Trust transactions and balances

SCHHS acts in a custodial role in respect of these transactions and balances. As such, they are not recognised in the financial statements but are disclosed for information purposes.

Patient trust and balances	2013 $'000
Patient Trust receipts and payments	
Receipts	
Amounts receipted on behalf of Patients	680
Total receipts	**680**
Payments	
Amounts paid to or on behalf of Patients	(680)
Total payments	**(680)**
Trust assets and liabilities	
Assets	
Cash held and bank deposits	62
Total assets	**62**

Note 32. Arrangements for the provision of public infrastructure by other entities

The SCHHS has entered into contractual arrangements with Ramsay Healthcare for the construction and operation of public infrastructure facilities on SCHHS land. After an agreed period of time, ownership of the facilities will pass to the SCHHS. Arrangements of this type are known as Public Private Partnerships ('PPP').

The SCHHS does not control the building facilities associated with these arrangements, therefore these facilities are not recorded as assets. Consequently, the SCHHS has not recognised any rights or obligations that may be attached to those arrangements, other than those recognised under generally accepted accounting principles.

Facility	Hospital and Health Service	Counterparty	Terms of agreement	Commencement date
Noosa Hospital and Specialist Centre	SCHHS	Ramsay Healthcare	20 years	September 1999
Sunshine Coast University Private Hospital	SCHHS	Ramsay Healthcare	5 years	December 2013

Noosa Hospital and Specialist Centre

The agreement has been structured to transfer substantially all the risks associated with the operation of a public hospital to Ramsay Healthcare. The Noosa Hospital and Specialist Centre commenced operations in September 1999.

Under this arrangement, SCHHS funds the operators for the provision of services to public patients. The level of services and the amount paid is subject to annual review. A capital recovery charge is paid to the operator as part of the service agreement for the purpose of maintaining public infrastructure.

An estimate of the value of assets to be transferred on completion of the agreements has not yet been determined. The operator is not permitted to charge any fees to public patients other than those normally charged for a service in a public hospital.

Sunshine Coast University Private Hospital (SCUPH)

The agreement has been structured to ensure that service capacity is available for, and supplied to, public patients within the facility. The SCUPH operations will commence in December 2013.

The facility will provide health services to public patients over the following five years. The service capacity will transition to the Sunshine Coast University Hospital (Public) from 2016–17.

The operator is not permitted to charge any fees to public patients other than those normally charged for a service in a public hospital.

After the 5 year service term, Ramsay Healthcare will continue to operate the entire facility as a private provider of health services for a further 45 years. At the end of the 50 year period the building

asset will be transferred to the SCHHS. An estimate of the value of the asset to be transferred on completion of the agreement has not yet been determined.

The financial impacts of the arrangements are summarised in the table below. These values are incorporated within the main financial statements of the SCHHS for the year ending 30 June 2013.

	2013 $'000
Revenue and expenses	
Revenue	
Funding from the Department of Health	74,675
Total revenue	**74,675**
Expenses	
Service fee to Ramsay Healthcare (Noosa)	(24,275)
Labour costs	(272)
Other costs	(58)
Grants paid to Ramsay Healthcare (SCUPH)	(50,070)
Total expenses	**(74,675)**
Assets and liabilities	
Assets	
Land asset Noosa site	6,602
Land asset Kawana (SCUPH) site	2,700
Total assets	**9,302**
Liabilities	
Service fee due to Ramsay Healthcare (Noosa)	(2,055)
Grant due to Ramsay Healthcare (SCUPH)	(4,789)
Total liabilities	**(6,844)**

The recognised value of the entire land asset at Kawana is $30 million. This is the site of the future Sunshine Coast University Hospital (Public).

The portion of the site dedicated to the Sunshine Coast University Private Hospital (Ramsay Healthcare facility) is 9 per cent with an estimated value of $2.7 million.

A summary of the indicative cashflows related to the arrangements is shown below.

	1 year or less $'000	Between 1 and 5 years $'000	Between 5 and 10 years $'000	Over 10 years $'000	Total $'000
Indicative cash flows					
Inflows					
Department of Health funding	76,278	379,231	52,741	-	508,250
Outflows					
Service fees related to Noosa	(21,821)	(95,195)	(52,741)	-	(169,757)
Service fees related to SCUPH	(45,466)	(284,036)	-	-	(329,502)
Grants related to SCUPH	(8,991)	-	-	-	(8,991)
Net indicative cash flows	-	-	-	-	-

The indicative cashflows for Noosa are prepared by applying an uplift factor for inflation to the notional cashflows, which are based on the underlying contract with Ramsay Healthcare.

The indicative cashflows for SCUPH are prepared in accordance with the contracted fee schedule over the five year term.

Note 33. Events after the reporting period

No matter or circumstance has arisen since 30 June 2013 that has significantly affected, or may significantly affect the SCHHS operations, the results of those operations, or the SCHHS state of affairs in future financial years.

Note 34. Right of Public Practice (Option B) Trust

The SCHHS has a Right of Private Practice (ROPP) arrangement in place. This arrangement covers Option B Doctors.

ROPP Option B - The revenue recognised from ROPP Option B is payable to the private practice Option B doctors. Option B doctors receive a portion of the generated revenue up to an established annual cap. Amounts over the cap are split 1/3 to the doctor and 2/3 to the Private Practice Trust Account.

The Private Practice Trust Account has been established to fund various educational, study and research programmes for SCHHS staff. Funds are held in trust along with other restricted cash. Refer to Note [15] – Cash and Cash Equivalents and Note [36] – Restricted Assets.

Recoverables (administration costs etc) in respect of ROPP Option B, which the SCHHS is entitled to, are recorded in the SCHHS general ledger and statement of comprehensive income.

	2013 $'000
ROPP Option B Revenues and Expenses for the year ending 30 June 2013	
Billing - Option B doctors	4,262
Interest	3
Payments to Option B doctors	(2,021)
To SCHHS for recoverable costs	(1,246)
To SCHHS for the Private Practice Trust Account	(998)
Net	-

The only asset of the Option B arrangement is cash, the balance of which was $0.339 million at 30 June 2013.

Payables due to Option B doctors, the SCHHS for recoverable costs and the Private Practice Trust Account as at 30 June 2013 were $0.323 million.

The activity conducted through the Option B – ROPP arrangement is audited by the Queensland Audit Office (QAO) on an annual basis. The fee for this service is incorporated in the total fee charged by QAO for the full audit of the Annual Financial Report. Refer to Note [26].

Note 35. Reconciliation of surplus to net cash from operating activities

Reconciliation of surplus to net cash from operating activities	2013 $'000
Surplus for the year	8,061
Adjustments for:	
Depreciation and amortisation	19,444
Net loss / (gain) on sale of non-current assets	(39)
Revaluation loss on land assets	2,476
System manager non cash revenue	(19,006)
Change in operating assets and liabilities:	
Increase in trade and other receivables	(1,626)
Decrease in inventories	303
Increase in accrued revenue	(2,223)
Decrease in prepayments	130
Increase in other operating assets	(1,078)
Increase in trade and other payables	29,618
Increase in employee benefits	53
Net cash from operating activities	**36,113**

Note 36. Restricted assets

SCHHS 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. Contributions are collected and held within the General Trust. Payments are made from the General Trust for specific purposes in accordance with the General Trust Policy.

Restricted assets	2013 $'000
General Trust	
For the year ending 30 June 2013	
Balance of the General Trust as at 1 July 2012	2,652
Revenue received during the year	6,031
Expenditure during the year	(5,392)
Balance of the General Trust as at 30 June 2013	**3,291**

The closing cash balance of the General Trust is $3.311 million. This is held on deposit with the Queensland Treasury Corporation. Refer Note [15] – Cash and cash equivalents.

Sunshine Coast Hospital and Health Service Management Certificate

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 statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of Sunshine Coast Hospital and Health Service for the financial year ended 30 June 2013 and of the financial position of the Sunshine Coast Hospital and Health Service at the end of that year.

Emeritus Professor
Paul Thomas AM
Chairperson
Sunshine Coast Hospital
and Health Board

30/08/2013

Kevin Hegarty B Bus
Health Service Chief Executive
Sunshine Coast Hospital
and Health Service

30/08/2013

Rodney Margetts CA (NZICA)
Chief Finance Officer
Sunshine Coast Hospital
and Health Service

30/08/2013

Independent auditor's report

To the Board of Sunshine Coast Hospital and Health Service

Report on the financial report

I have audited the accompanying financial report of Sunshine Coast Hospital and Health Service, which comprises the statement of financial position as at 30 June 2013, 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 Chairperson, Health Service Chief Executive 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 Sunshine Coast Hospital and Health Service for the financial year 1 July 2012 to 30 June 2013 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