

# Financial statements

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## General information

The financial report covers the Sunshine Coast Hospital and Health Service (SCHHS) as an individual entity. The financial report is presented in Australian dollars, which is the functional and presentation currency of SCHHS. SCHHS was established on 1 July 2012 as a statutory body under the Hospital and Health Boards Act 2011.

SCHHS is controlled by the State of Queensland which is the ultimate parent.

The head office and principal place of business of SCHHS is:

Nambour General Hospital  
Hospital Road Nambour  
QLD 4560

For information in relation to Sunshine Coast Hospital and Health Service's financial statements, please call 07 5370 3629, email [Felicia.Macpherson@health.qld.gov.au](mailto:Felicia.Macpherson@health.qld.gov.au) or visit the Sunshine Coast Hospital and Health Service website at <http://www.health.qld.gov.au/sunshinecoast>

## **Sunshine Coast Hospital and Health Service**

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**30 June 2015**

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#### **General information**

The financial report covers the Sunshine Coast Hospital and Health Service (SCHHS) as an individual entity. The financial report is presented in Australian dollars, which is the functional and presentation currency of SCHHS.

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**Sunshine Coast Hospital and Health Service**  
**Statement of comprehensive income**  
**For the year ended 30 June 2015**

	Note	2015 \$'000	2014 \$'000
<b>Income</b>			
Health service funding	3	673,793	601,605
User charges	4	47,477	44,567
Grants and other contributions	5	16,544	17,893
Other revenue	6	4,667	7,769
Gains		23	2
Revaluation gain on land assets	17	426	-
Total revenue		<u>742,930</u>	<u>671,836</u>
<b>Expenses</b>			
Employee expenses	7	(456,865)	(1,193)
Health service employee expenses	8	-	(435,846)
Supplies and services	9	(257,668)	(188,615)
Grants and subsidies	10	(154)	(8,730)
Depreciation and amortisation	17	(20,271)	(19,638)
Impairment losses		(226)	(623)
Other expenses	11	(8,571)	(8,513)
Revaluation loss on land assets	12	-	(2,702)
Total expenses		<u>(743,755)</u>	<u>(665,859)</u>
<b>Surplus/(deficit) for the year</b>		(825)	5,977
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Gain on the revaluation of building assets	17	<u>1,420</u>	<u>1,416</u>
Other comprehensive income for the year		<u>1,420</u>	<u>1,416</u>
<b>Total comprehensive income for the year</b>		<u><u>595</u></u>	<u><u>7,393</u></u>

*The above statement of comprehensive income should be read in conjunction with the accompanying notes*

**Sunshine Coast Hospital and Health Service**  
**Statement of financial position**  
**As at 30 June 2015**

	Note	2015 \$'000	2014 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	13	42,436	51,610
Trade and other receivables	14	19,880	9,293
Inventories	15	4,385	4,221
Other	16	5,980	4,072
Total current assets		<u>72,681</u>	<u>69,196</u>
<b>Non-current assets</b>			
Property, plant and equipment	17	<u>285,290</u>	<u>295,894</u>
Total non-current assets		<u>285,290</u>	<u>295,894</u>
<b>Total assets</b>		<u>357,971</u>	<u>365,090</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	18	42,451	48,944
Accrued employee benefits	19	13,211	24
Unearned revenue		2	416
Total current liabilities		<u>55,664</u>	<u>49,384</u>
<b>Total liabilities</b>		<u>55,664</u>	<u>49,384</u>
<b>Net assets</b>		<u>302,307</u>	<u>315,706</u>
<b>Equity</b>			
Contributed		285,833	299,827
Asset revaluation surplus	20	3,261	1,841
Accumulated surpluses		<u>13,213</u>	<u>14,038</u>
<b>Total equity</b>		<u>302,307</u>	<u>315,706</u>

*The above statement of financial position should be read in conjunction with the accompanying notes*

**Sunshine Coast Hospital and Health Service**  
**Statement of changes in equity**  
**For the year ended 30 June 2015**

	<b>Contributed equity</b>	<b>Asset revaluation surplus</b>	<b>Accumulated surpluses</b>	<b>Total equity</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Balance at 1 July 2013	323,316	425	8,061	331,802
Operating result for the year	-	-	5,977	5,977
Other comprehensive income for the year	-	1,416	-	1,416
Total comprehensive income for the year	-	1,416	5,977	7,393
<i>Transactions with owners in their capacity as owners:</i>				
Equity injections	7,644	-	-	7,644
Equity withdrawals	(31,133)	-	-	(31,133)
Balance at 30 June 2014	<u>299,827</u>	<u>1,841</u>	<u>14,038</u>	<u>315,706</u>

	<b>Contributed equity</b>	<b>Asset revaluation surplus</b>	<b>Accumulated surpluses</b>	<b>Total equity</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Balance at 1 July 2014	299,827	1,841	14,038	315,706
Deficit for the year	-	-	(825)	(825)
Other comprehensive income for the year	-	1,420	-	1,420
Total comprehensive income for the year	-	1,420	(825)	595
<i>Transactions with owners in their capacity as owners:</i>				
Equity injections	10,728	-	-	10,728
Equity withdrawals	(24,722)	-	-	(24,722)
Balance at 30 June 2015	<u>285,833</u>	<u>3,261</u>	<u>13,213</u>	<u>302,307</u>

**Note**

*The above statement of changes in equity should be read in conjunction with the accompanying notes*

**Sunshine Coast Hospital and Health Service**  
**Statement of cash flows**  
**For the year ended 30 June 2015**

	Note	2015 \$'000	2014 \$'000
<b>Cash flows from operating activities</b>			
Health service funding		639,927	585,250
User charges		48,858	37,907
Grants and other contributions		16,514	17,893
Interest received		131	133
GST collected from customers		373	830
GST input tax credits		17,373	11,913
Other revenue		4,536	7,638
Employee expenses		(443,678)	(1,222)
Health service employee expenses		(8,492)	(448,963)
Supplies and services		(255,096)	(174,952)
Grants and subsidies		(154)	(8,729)
GST paid to suppliers		(17,420)	(12,670)
GST remitted		(439)	(850)
Other expenses		(8,571)	(8,472)
Net cash from/(used in) operating activities	32	<u>(6,138)</u>	<u>5,706</u>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(6,131)	(5,091)
Proceeds from disposal of property, plant and equipment		<u>5</u>	<u>3</u>
Net cash used in investing activities		<u>(6,126)</u>	<u>(5,088)</u>
<b>Cash flows from financing activities</b>			
Proceeds from equity injections		<u>3,090</u>	<u>2,969</u>
Net cash from financing activities		<u>3,090</u>	<u>2,969</u>
Net increase/(decrease) in cash and cash equivalents		(9,174)	3,587
Cash and cash equivalents at the beginning of the financial year		<u>51,610</u>	<u>48,023</u>
Cash and cash equivalents at the end of the financial year	13	<u><u>42,436</u></u>	<u><u>51,610</u></u>

*The above statement of cash flows should be read in conjunction with the accompanying notes*

**Sunshine Coast Hospital and Health Service**  
**Notes to the financial statements**  
**30 June 2015**

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**Sunshine Coast Hospital and Health Service**  
**Notes to the financial statements**  
**30 June 2015**

**Note 1. Significant accounting policies**

**(a) Statement of compliance**

The Sunshine Coast Hospital and Health Service ("SCHHS") has prepared these financial statements in compliance with section 62 (1) of the Financial Accountability Act 2009 and section 43 of the Financial and Performance Management Standard 2009.

These financial statements are general purpose financial statements and have been prepared on an accrual basis in accordance with Australian Accounting Standards and Interpretations. In addition, the financial statements comply with Queensland Treasury's Minimum Reporting Requirements for the year ending 30 June 2015 and other authoritative pronouncements.

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

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

**(b) Reporting entity**

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

**(c) Health service funding**

Health service funding primarily comprises revenue from the Department of Health ("the Department") as system manager for the public sector health system.

Funding from the Department is provided predominantly for specific public health services purchased by the Department from SCHHS in accordance with a service agreement between the Department and SCHHS. The service agreement is reviewed periodically and updated for changes in activities and prices of services delivered by SCHHS.

Funding from the Department is received fortnightly. At the end of the financial year an accounting adjustment may be required where the services provided are above or below the agreed level.

**(d) Depreciation offset**

SCHHS receives an offset from the Department to cover depreciation costs resulting in a non-cash revenue and non-cash equity withdrawal.

Refer to Note 21. Equity injections and equity withdrawals.

**(e) Grants and contributions**

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

Contributed assets are recognised at their fair value.

**(f) Services received free of charge**

SCHHS receives corporate services support from the Department for no cost. Corporate services received include payroll services, finance transactional services (including accounts payable), banking services, administrative services and taxation services. As the fair value of these services is unable to be estimated reliably, no associated revenue and expense is recognised in the Statement of comprehensive income.



**Sunshine Coast Hospital and Health Service**  
**Notes to the financial statements**  
**30 June 2015**

**Note 1. Significant accounting policies**

**(g) Trust transactions and balances**

SCHHS acts in a 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 28. Patient Trust provides additional information on the balances held in patient trust accounts.

SCHHS controls the General Trust. Refer to Note 29. General Trust. The general trust receives contributions from private practice clinicians and external parties. Refer to Note 30. Granted Private Practice.

**(h) Cash and cash equivalents**

Cash and cash equivalents include cash on hand and deposits held at call with financial institutions.

**(i) 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.

Any allowance for impairment is based on loss events disclosed in Note 14. Current assets - trade and other receivables. All known bad debts are written off when identified, and, approved by senior management.

**(j) 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 any loss in service potential.

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

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 the goods is charged to, and expensed by, SCHHS in the period they are consumed.

**(k) Property, plant and equipment**

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.

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

**Note 1. Significant accounting policies**

Land improvements undertaken by 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, such as architects' fees and engineering design fees. However, any training costs are expensed as incurred.

Where assets are received free of charge from another Queensland Government entity (whether as a result of a machinery-of-Government change or other involuntary transfer), the acquisition cost is recognised as the gross carrying amount in the books of the transferor immediately prior to the transfer together with any accumulated depreciation.

Assets acquired at no cost or for nominal consideration, other than from an involuntary transfer from another Queensland Government entity, are recognised at their fair value at the date of acquisition in accordance with AASB 116 Property, Plant and Equipment.

Land and buildings are subsequently measured at fair value in accordance with AASB 116 Property, Plant and Equipment, AASB 13 Fair Value and Queensland Treasury'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.

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

Assets under construction are not revalued until they are ready for use.

*Land and building revaluations*

The land and building revaluation process is overseen by the Board and coordinated by Senior Management.

The fair values reported by SCHHS are based on appropriate valuation techniques that maximise the use of available and relevant observable inputs and minimise the use of unobservable inputs. Refer to Note 23. Fair value measurement.

Where assets have not been specifically appraised in the reporting period, their previous valuations are materially kept up-to-date via the application of relevant indices.

Independent valuers/quantity surveyors engaged by SCHHS provide assurance of their robustness, validity and appropriateness for application to the relevant assets.

Land is measured at fair value using indexation or independent asset specific revaluations. Independent asset specific revaluations are performed with sufficient regularity to ensure land assets are carried at fair value. In accordance with Queensland Treasury's Non Current Asset Policy for the Queensland Public Sector the independent revaluations occur at least once every five years. In the off cycle years indexation is applied where there is no evidence of significant market fluctuations in land prices.

Land indices are based on actual market movements for the relevant locations and asset category and are applied to the fair value of land assets on hand.

Reflecting the specialised nature of health service buildings and on hospital-site residential facilities, fair value is determined by applying depreciated replacement cost methodology or an index which approximates movement in market prices for construction labour and other key resource inputs, as well as changes in design standards as at reporting date. Both methodologies are executed on behalf of SCHHS by independent quantity surveyors.

Depreciated replacement cost is determined on the basis of replicating the future service potential of the asset, adjusted for various factors. These factors include (amongst others) physical condition, the impact of refurbishments and upgrades, age, gross floor area, number of floors, number of lifts and staircases, and, functionality.

Physical condition is based on visual inspection, asset condition data, guidance from asset managers and previous reports.

**Sunshine Coast Hospital and Health Service**  
**Notes to the financial statements**  
**30 June 2015**

**Note 1. Significant accounting policies**

For residential buildings held by SCHHS on separate land titles fair value is determined by reference to independent market revaluations.

Any revaluation increment arising on the revaluation of an asset is 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.

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

Materiality is considered in determining whether the difference between the carrying amount and the fair value of an asset is material, in which case revaluation is warranted.

*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 methodologies are employed:

Property, plant and equipment are depreciated on a straight-line basis. 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 complex building assets are capitalised and depreciated on the same basis as the asset to which they relate.

The following depreciation rates are used for each asset class:

<b>Class</b>	<b>Depreciation Rates Used</b>	<b>Useful lives</b>
Buildings	1.1% - 4.6%	22 - 90 years
Plant and equipment	4.4% - 20%	5 - 23 years

**(I) 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 of disposal). Any amount by which the asset's carrying amount exceeds the recoverable amount is considered an impairment loss.

**Note 1. Significant accounting policies**

**(m) Intangible assets**

SCHHS has not recognised any intangible assets as the Department provides a comprehensive network information and communication technology service on a fee-for-service basis.

**(n) Fair value measurement and impact upon non-current asset revaluations**

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

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

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

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

More specific fair value information about the SCHHS property, plant and equipment is outlined in Note 23. Fair value measurement.

**(o) 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. SCHHS holds financial instruments in the form of cash, receivables and payables.

*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

SCHHS does not enter into transactions for speculative purposes, nor 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 SCHHS are included in Note 22. Financial instruments.

**Sunshine Coast Hospital and Health Service**  
**Notes to the financial statements**  
**30 June 2015**

**Note 1. Significant accounting policies**

**(p) Trade and other payables**

These amounts represent liabilities for goods and services provided to 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 - 60 days of recognition.

**(q) Employee benefits**

*(i) Department employees engaged as contractors up to the period ending 30 June 2014*

SCHHS became a prescribed service on 1 July 2014. Staff engaged in 2013-14 as contractors supplied by the Department are now classed as directly engaged employees of SCHHS.

*(ii) SCHHS directly engaged employees*

As at 30 June 2014 only four employees were directly engaged employees of SCHHS.

Due to the change in status to that of a prescribed employer, all staff previously categorised and expensed as department employees engaged as contractors are now classified as SCHHS directly engaged employees.

From 1 July 2014 SCHHS assumed its obligations as the employer of these directly engaged employees.

Wages and salaries due but unpaid at reporting date are recognised in the Statement of financial position at current salary rates. As SCHHS expects such liabilities to be wholly settled within 12 months of reporting date, the liabilities are recognised at undiscounted amounts.

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

Workers' compensation insurance is a consequence of employing employees, but is not counted in an employee's total remuneration package. It is not an employee benefit and is recognised separately as an employee related expense.

*Annual Leave and Long Service Leave*

SCHHS participates in the Annual Leave Central Scheme and the Long Service Leave Scheme.

Under the Queensland Government's Annual Leave Central Scheme and the Long Service Leave Central Scheme, 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.

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.

Therefore no liability is recognised for accruing superannuation benefits in these financial statements.

**Sunshine Coast Hospital and Health Service**  
**Notes to the financial statements**  
**30 June 2015**

**Note 1. Significant accounting policies**

*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. Refer to Note 24. Key management personnel disclosures for information on key executive management personnel and remuneration.

**(r) 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 details of all special payments exceeding \$5,000. The total of all special payments (including those of \$5,000 or less) is disclosed separately within Note 11. Other expenses. However, descriptions of the nature of special payments are only provided for special payments greater than \$5,000.

**(s) Insurance**

For the 2014-15 policy year, the premium was allocated to each HHS according to the underlying risk of an individual insured party. The Hospital and Health Service premiums cover claims from 1 July 2012. Pre 1 July 2012 claims remain the responsibility of the Department.

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. Refer to Note 26. Contingent Liabilities.

SCHHS also pays premiums to Work Cover Queensland in respect of its obligations for employee compensation.

**(t) Goods and Services Tax (GST) and Fringe Benefit Tax (FBT)**

The only federal taxes that SCHHS is assessed for are Fringe Benefit Tax (FBT) and Goods and Services Tax (GST).

All FBT and GST reporting to the Commonwealth is managed centrally by the Department with payments/ receipts made on behalf of the SCHHS reimbursed to/from the Department on a monthly basis. GST credits receivable from, and GST payable to the Australian Tax Office (ATO), are recognised on this basis.

Both SCHHS and the Department satisfy section 149-25 of the A New Tax System (Goods and Services Tax) 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.

**(u) 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.

**(v) Rounding of amounts**

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

**(w) Comparatives**

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



**Sunshine Coast Hospital and Health Service**  
**Notes to the financial statements**  
**30 June 2015**

**Note 1. Significant accounting policies**

**(x) New and revised accounting standards**

*AASB 1055 Budgetary Reporting*

AASB 1055 Budgetary Reporting became effective from reporting periods beginning on or after 1 July 2014. In response to this new standard, SCHHS has included in these financial statements a comprehensive new Note "Budget vs Actual Comparison" (Note 34).

This Note discloses the SCHHS original published budgeted figures for 2014-15 compared to actual results, with explanations of major variances, in respect of the SCHHS Statement of comprehensive income, Statement of financial position and Statement of cash flows.

Materiality considerations, per SCHHS Materiality Policy are taken into account to determine a material variance.

SCHHS also provides budget versus actuals explanations for the following :

- Variations that are larger than 5% of the budgeted figure for -
- employee expenses (Statement of comprehensive income);
- supplies and services (Statement of comprehensive income); and
- payments for property, plant & equipment (Statement of cash flows); and
  
- for all other material line items - variances larger than 10% of the budgeted figure.

Explanations of major variances include the following information:

- the specific transaction(s) and/or balance(s) that the variance relates to (including quantification, where possible); and
- the underlying cause of the variance.

*AASB 15 Revenue from Contracts with Customers*

This Standard is tentatively set by the International Accounting Standards Board to commence from 1 July 2018. AASB 15 defines the methodology for recognising revenue from contracts with customers and the disclosures required. When applied the Standard will supersede AASB 118 Revenue.

Under AASB 15 SCHHS will need to identify the contract, identify the performance obligations, determine the transaction price, allocate the transaction price to the performance obligations and recognise revenue when each performance obligation is satisfied.

AASB 15 is likely to impact the revenue disclosures of SCHHS, particularly in relation to contract balances, performance obligations and judgements made in applying the Standard. It is not yet known to what extent the Standard will impact the financial measurement of revenue for SCHHS.

*AASB 124 Related Party Disclosures*

From reporting periods beginning on or after 1 July 2016, SCHHS will need to comply with the requirements of AASB 124 Related Party Disclosures. That accounting standard requires a range of disclosures about the remuneration of key management personnel, transactions with related parties/entities, and relationships between parent and controlled entities.

SCHHS already discloses information about the remuneration expenses for key management personnel (refer to Note 24. Key management personnel disclosures) in compliance with requirements from Queensland Treasury. Therefore, the most significant implications of AASB 124 for the financial statements of SCHHS will be the disclosures to be made about transactions with related parties, including transactions with key management personnel or close members of their families.

**Note 1. Significant accounting policies**

*AASB 2015-7 Amendments to Australian Accounting Standards - Fair Value Disclosures of Not-for-Profit Public Sector Entities*

AASB 2015-7 amends AASB 13 Fair Value Measurement effective from annual reporting periods beginning on or after 1 July 2016. The amendments provide relief from certain disclosures about fair values categorised as level 3 under the fair value hierarchy. Accordingly, the following disclosures for level 3 fair values will no longer be required:

- the disaggregation of certain gains/losses on assets reflected in the operating result;
- quantitative information about the significant unobservable inputs used in the fair value measurement; and
- a description of the sensitivity of the fair value measurement to changes in the unobservable inputs.

As the amending standard was released in early July 2015, SCHHS has not early adopted this relief in these financial statements, as per instructions from Queensland Treasury. However, SCHHS will be early adopting this disclosure relief as from the 2015-16 reporting period (also on instructions from Queensland Treasury).

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

**Note 2. Critical accounting judgements, estimates and assumptions**

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

*Allowance for impairment of receivables*

The level of allowance is assessed by taking into account the ageing of receivables, historical collection rates and specific knowledge of the individual debtor's financial position. Refer to Note 14. Current assets - trade and other receivables.

*Fair value measurement*

Fair value measurement can be sensitive to the various valuation inputs selected. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset is placed in can be subjective. Refer to Note 23. Fair value measurement.

*Estimation of useful lives of assets*

The useful lives could change significantly as a result of technical innovations or some other event. The depreciation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

*Contingencies*

Contingent assets and liabilities require a degree of judgment as to the occurrence or non-occurrence, timing and magnitude of uncertain future events. Accordingly, contingent assets and liabilities are assessed continually to ensure that developments are appropriately reflected in the financial statements.



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**Note 3. Health service funding**

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
State Government - activity based funding	346,282	306,130
State Government - block funding	33,928	18,616
State Government - funding for depreciation	20,270	19,633
State Government - other system manager funding	62,989	81,921
Australian Government - activity based funding	197,801	164,417
Australian Government - block funding	12,523	10,888
	<u>673,793</u>	<u>601,605</u>
Health service funding	<u>673,793</u>	<u>601,605</u>

Other system manager funding includes funding required to cover various administrative, operational and support costs.

**Note 4. User charges**

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Sale of goods and services	841	472
Hospital fees	26,417	25,477
Pharmaceutical Benefits Scheme reimbursement	20,219	18,618
	<u>47,477</u>	<u>44,567</u>
	<u>47,477</u>	<u>44,567</u>

**Note 5. Grants and other contributions**

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Australian Government - nursing home grants	1,480	1,328
Australian Government - other grants	8,842	8,254
State Government entities - grants	4,191	6,055
Other grants	712	1,008
Donations	1,289	1,230
Donations non-current physical assets	30	18
	<u>16,544</u>	<u>17,893</u>
	<u>16,544</u>	<u>17,893</u>

*Australian Government - other grants*

The majority of this grant revenue is related to the Transition Care Programme - \$4.7m (2014: \$4.4m) and the Home and Community Care Programme - \$3.8m (2014: \$3.8m)

*Donations*

This category reflects mainly receipts from non-profit, charitable entities such as the Wishlist Foundation.

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**Note 6. Other revenue**

	2015 \$'000	2014 \$'000
Interest	131	133
Labour recoveries - other hospital and health services	-	22
Contract staff recoveries	-	4,547
Workcover recoveries	-	963
Other recoveries	3,479	1,704
Other	1,057	400
	<u>4,667</u>	<u>7,769</u>

*Staff recoveries and Workcover recoveries*

With the change in status to Prescribed Employer, SCHHS now offsets staff recoveries and Workcover recoveries directly against employee expenses. The value of these offsets for the year to 30 June 2015 is \$8.0m.

**Note 7. Employee expenses**

	2015 \$'000	2014 \$'000
Wages and salaries	359,584	934
Employer superannuation contributions	37,890	107
Annual leave levy	42,694	98
Long service leave levy	7,709	19
Redundancies	475	-
Workers' compensation premium	4,759	19
Payroll tax	5	16
Other employee related expenses	3,749	-
	<u>456,865</u>	<u>1,193</u>

The number of full-time equivalent employees as at 30 June 2015 is 3923. (2014: 4).

Due to SCHHS becoming a Prescribed Employer all staff are now employees of SCHHS directly. This is in contrast to being employees of the Department, as was the case in previous periods. Accordingly the number of reportable employees has increased significantly between the periods.

There is a commensurate impact on Employee expenses, these being previously recorded as Health service employee expenses. Refer to Note 8. Health service employee expenses.

**Note 8. Health service employee expenses**

	2015 \$'000	2014 \$'000
Health service employee expenses	<u>-</u>	<u>435,846</u>

All personnel previously classified as employees of the Department, are now directly engaged by SCHHS. The number of staff engaged in a contracting capacity under the previous arrangement with the Department was 3710 (30 June 2014).

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**Note 9. Supplies and services**

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Consultants and contractors	16,468	7,234
Ambulance service	8,569	7,032
Electricity and other energy	3,337	3,583
Services purchased from private hospitals	100,188	51,234
Patient travel	2,201	2,134
Other travel	701	705
Water	434	369
Building services	869	780
Computer services	494	338
Motor vehicles	302	408
Communications	986	926
Repairs and maintenance	7,576	6,836
Expenses relating to capital works	1,656	1,037
Operating lease rentals	4,202	4,066
Drugs	27,573	26,419
Clinical supplies and services	43,745	40,545
Catering and domestic supplies	5,954	5,917
Pathology, blood and parts	18,060	16,230
Other supplies and services	14,353	12,822
	<u>257,668</u>	<u>188,615</u>

*Services purchased from private hospitals*

During the year \$100.2m was expensed in relation to the agreement with Ramsay Healthcare for the provision of health services to public patients within the Noosa Private Hospital and the Sunshine Coast University Private Hospital (2014: \$51.2m).

Refer also to Note 31. Arrangements for the provision of public infrastructure by other entities.

**Note 10. Grants and subsidies**

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
SCUPH Availability Fee	-	8,730
Other	154	-
	<u>154</u>	<u>8,730</u>

*SCUPH Availability Fee*

After services commenced (December 2013), the subsequent SCUPH Availability Fee payments were recognised within the expenses category, Services purchased from private hospitals. Refer Note 9. Supplies and services.

Prior period comparatives reflect the value of the Availability Fee paid to Ramsay Health Care in the form of a Grant up to this time.

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**Note 11. Other expenses**

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Audit fees	219	232
Insurance	7,418	7,285
Inventory written off	-	39
Losses from the disposal of non-current assets	73	44
Special payments	3	40
Other legal costs	420	360
Other	438	513
	<u>8,571</u>	<u>8,513</u>

*Audit fees*

Total audit fees payable to the Queensland Audit Office relating to the 2014-15 SCHHS financial statements are quoted to be \$0.225m (2014: \$0.232m). There are no non-audit services included in this amount.

*Insurance*

Certain losses of public property and health litigation costs are insured with the Queensland Government Insurance Fund (QGIF). The claims made in respect of these losses have yet to be assessed by QGIF and the amount recoverable cannot be estimated reliably at reporting date. Upon notification by QGIF of the acceptance of the claims, revenue will be recognised for the agreed settlement amount and disclosed as Other Revenues - Insurance compensation from loss of property.

**Note 12. Revaluation decrements summary - land**

In accordance with AASB 116 Property, Plant & Equipment a decrement incurred as a result of revaluation is charged as an expense, to the extent that it exceeds the balance of the revaluation surplus relating to that asset class.

The prior period decrements were recognised entirely in the statement of comprehensive income. Subsequent increments can be recognised in the statement of comprehensive income, to the extent that they reverse this prior period decrement.

The summary below outlines the history and current position of revaluation decrements.

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Prior period revaluation decrements and current result</b>		
Land revaluation decrements carried forward from prior periods	5,178	2,476
Land revaluation (increment) / decrement for the current period recognised in the statement of comprehensive income	<u>(426)</u>	<u>2,702</u>
Total decrements carried forward to the next period	<u>4,752</u>	<u>5,178</u>

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**Note 13. Current assets - cash and cash equivalents**

	<b>2015</b> <b>\$'000</b>	<b>2014</b> <b>\$'000</b>
Cash at bank and on hand	39,588	48,148
24 hour call deposits	2,848	3,462
	<u>42,436</u>	<u>51,610</u>

A deposit is held with the Queensland Treasury Corporation reflecting the value of the Sunshine Coast Hospital and Health Service General Trust Fund. The value of this deposit as at 30 June 2015 was \$2.8m (2014: \$3.5m) and the Annual Effective Interest Rate was 2.84% (2014: 3.43%). For further information on the General Trust refer to Note 29. General Trust. The operating bank accounts do not earn interest.

**Note 14. Current assets - trade and other receivables**

	<b>2015</b> <b>\$'000</b>	<b>2014</b> <b>\$'000</b>
Trade receivables	5,032	7,836
Less: Allowance for impairment of receivables	(550)	(649)
	<u>4,482</u>	<u>7,187</u>
GST input tax credits receivable	2,029	1,983
GST payable	(61)	(128)
	<u>1,968</u>	<u>1,855</u>
Health service funding in arrears	13,430	249
Other	-	2
	<u>19,880</u>	<u>9,293</u>

*Impairment of receivables*

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 the assessment of the credit risk associated with receivables balances.

The ageing of past due but not impaired as well as impaired receivables are disclosed in the following tables.

Accommodation billing makes up the majority of aged receivables. It takes approximately 20 days from the date of discharge for billing to be sent for payment. There is then a four week turn around before receipt. If health funds require additional information (e.g. pre-existing forms, accident forms, acute care certificates) this can further extend the collection period.

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

	<b>2015</b> <b>\$'000</b>	<b>2014</b> <b>\$'000</b>
Opening balance	649	251
Additional provisions recognised	2	522
Receivables written off during the year as uncollectable	(101)	(124)
	<u>550</u>	<u>649</u>

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**Note 14. Current assets - trade and other receivables (continued)**

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

**Financial assets (receivables) not impaired 2015**

	<b>\$'000</b>					
	<i>Not overdue</i>	<i>1 - 30 days overdue</i>	<i>31 - 60 days overdue</i>	<i>61 - 90 days overdue</i>	<i>More than 90 days overdue</i>	<i>Total</i>
Receivables	809	2,178	789	247	457	4,482

**Financial assets (receivables) not impaired 2014**

	<b>\$'000</b>					
	<i>Not overdue</i>	<i>1 - 30 days overdue</i>	<i>31 - 60 days overdue</i>	<i>61 - 90 days overdue</i>	<i>More than 90 days overdue</i>	<i>Total</i>
Receivables	2,398	3,145	1,292	104	248	7,187

**Individually impaired financial assets (receivables) 2015**

	<b>\$'000</b>					
	<i>1 - 30 days overdue</i>	<i>31 - 60 days overdue</i>	<i>61 - 90 days overdue</i>	<i>More than 90 days overdue</i>	<i>Total</i>	
Receivables (gross)	12	6	2	531	550	
Allowance for impairment	(12)	(6)	(2)	(531)	(550)	
<b>Carrying amount</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	

**Individually impaired financial assets (receivables) 2014**

	<b>\$'000</b>					
	<i>1 - 30 days overdue</i>	<i>31 - 60 days overdue</i>	<i>61 - 90 days overdue</i>	<i>More than 90 days overdue</i>	<i>Total</i>	
Receivables (gross)	10	21	7	611	649	
Allowance for impairment	(10)	(21)	(7)	(611)	(649)	
<b>Carrying amount</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	

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**Note 15. Current assets - inventories**

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Medical supplies and equipment	4,306	4,204
Catering and domestic	65	39
Less: Provision for impairment	-	(38)
	<u>4,371</u>	<u>4,205</u>
Engineering	<u>2</u>	<u>2</u>
Other	<u>12</u>	<u>14</u>
	<u><u>4,385</u></u>	<u><u>4,221</u></u>

**Note 16. Current assets - other**

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Accrued revenue	5,603	3,683
Prepayments	377	389
	<u>5,980</u>	<u>4,072</u>

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 17. Non-current assets - property, plant and equipment**

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Land - at fair value	<u>56,875</u>	<u>57,227</u>
Buildings - at fair value	403,511	393,856
Less: Accumulated depreciation	(209,212)	(193,322)
	<u>194,299</u>	<u>200,534</u>
Plant and equipment - at cost	76,849	73,753
Less: Accumulated depreciation	(43,697)	(36,778)
	<u>33,152</u>	<u>36,975</u>
Capital works in progress - at cost	<u>964</u>	<u>1,158</u>
	<u><u>285,290</u></u>	<u><u>295,894</u></u>

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**Note 17. Non-current assets - property, plant and equipment (continued)**

*Reconciliations*

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

	Land \$'000	Buildings \$'000	Plant and equipment \$'000	Capital works in progress \$'000	Total \$'000
Balance at 1 July 2013	71,430	209,343	37,546	278	318,597
Additions	-	905	4,444	1,851	7,200
Disposals	-	-	(44)	-	(44)
Revaluation increments	-	1,416	-	-	1,416
Revaluation decrements	(2,702)	-	-	-	(2,702)
Transfers in	-	479	3,751	-	4,230
Transfers out	(11,500)	-	(38)	-	(11,538)
Transfers between classes	-	714	257	(971)	-
Adjustment to accumulated depreciation on transfers in	-	-	(1,626)	-	(1,626)
Depreciation expense	-	(12,323)	(7,315)	-	(19,638)
<b>Balance at 30 June 2014</b>	<b>57,227</b>	<b>200,534</b>	<b>36,975</b>	<b>1,158</b>	<b>295,894</b>
Additions	-	77	3,844	2,240	6,161
Disposals	-	(2)	(148)	-	(150)
Revaluation increments	426	1,420	-	-	1,846
Transfers in *	1,285	7,817	141	-	9,243
Transfers out **	(2,063)	(3,585)	(79)	-	(5,727)
Transfers between classes	-	2,434	-	(2,434)	-
Adjustment to accumulated depreciation on transfers in	-	(1,680)	(26)	-	(1,706)
Depreciation expense	-	(12,716)	(7,555)	-	(20,271)
<b>Balance at 30 June 2015</b>	<b>56,875</b>	<b>194,299</b>	<b>33,152</b>	<b>964</b>	<b>285,290</b>

\* Transfers in during the current period included \$0.03m of donated Plant & Equipment assets and assets with a Net Book Value transferred from the Department of \$6.3m.

\*\* Transfers out during the current period included assets transferred to the Department with a Net Book Value of \$4.5m.



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**Note 17. Non-current assets - property, plant and equipment (continued)**

*Land*

Land assets which had indexation applied in the current year were last comprehensively revalued as a class as at 30 June 2011 with the exception of three specific parcels (value \$40.574m as at 30 June 2014) which were comprehensively revalued as at 30 June 2013 or 30 June 2014.

The result of the indexation assessment for the year ending 30 June 2015 was an 0.24% increase in value, or, \$0.1m. This is an increment of 0.22% to the land portfolio as at 30 June 2015.

Land assets revalued by way of reference to independent valuations as at 30 June 2015 resulted in an increment of \$0.3m to the carrying amount of land. This is an increment of 0.53% to the land portfolio as at 30 June 2015.

*Buildings*

Where material, buildings were revalued by way of indexation.

Of the buildings which had indexation applied, these were last comprehensively revalued as at 30 June 2012, 30 June 2013 or 30 June 2014. The result of the indexation assessment for the year ending 30 June 2015 was a 0.75% increase in value, or \$1.4m. This is an increment of 0.74% to the building portfolio as at 30 June 2015.

SCHHS has building assets with an original cost of \$0.4m and a written down value of zero still being used in the provision of services.

*Plant and equipment*

SCHHS has plant and equipment with an original cost of \$3.7m (2014: \$0.2m) and a written down value of zero still being used in the provision of services.

Another pool of assets has been identified with an original cost of \$0.3m and a written down value of zero as no longer being in service.

Most of the zero value items were medical equipment assets. Generally, these will be replaced under the Health Technology Equipment Replacement (HTER) programme, however the timing will be dependent on the age, condition and priority status of the assets.

Replacement of other fully depreciated plant and equipment assets will be dependent on asset age, asset condition and funding availability.

There are no plant and equipment assets identified as idle or restricted in use.

Refer to note 23 for further information on fair value measurement.

**Note 18. Current liabilities - trade and other payables**

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Trade payables	42,451	40,452
Health service employee expenses	-	8,492
	<u>42,451</u>	<u>48,944</u>

Refer to note 22 for further information on financial instruments.

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**Note 19. Current liabilities - accrued employee benefits**

	2015 \$'000	2014 \$'000
Salaries and wages accrued	11,414	22
Other employee benefits payable	1,797	2
	<u>13,211</u>	<u>24</u>

The change in employer status to Prescribed Employer has impacted the magnitude of accrued employee benefits. Refer to Note 7. Employee expenses.

**Note 20. Equity - asset revaluation surplus**

	2015 \$'000	2014 \$'000
Asset revaluation surplus - buildings	3,261	1,841

*Movement in asset revaluation surplus*

Movements in the assets revaluation surplus during the current year are set out below:

	Revaluation Surplus \$'000
Balance at 1 July 2013	425
Building revaluation - gross	<u>1,416</u>
Balance at 30 June 2014	1,841
Building revaluation - gross	<u>1,420</u>
Balance at 30 June 2015	<u>3,261</u>

**Note 21. Equity injections and equity withdrawals**

	2015 \$'000	2014 \$'000
<b>Equity injections and equity withdrawals</b>		
Cash injection for capital works and acquisitions from the Department	3,090	2,969
Non cash injection of capital assets	7,638	4,675
Non cash withdrawal for depreciation offset	(20,270)	(19,633)
Non cash withdrawal for assets transferred to the Department	<u>(4,452)</u>	<u>(11,500)</u>
Net equity injections and equity withdrawals for the period	<u>(13,994)</u>	<u>(23,489)</u>

**Note 22. Financial instruments**

*(a) Categorisation of financial instruments*

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

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**Note 22. Financial instruments (continued)**

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Financial Assets		
Cash and cash equivalents	42,436	51,610
Trade and other receivables	19,880	9,293
	<u>62,316</u>	<u>60,903</u>
Total Financial Assets	<u>62,316</u>	<u>60,903</u>
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Financial liabilities		
Trade and other payables	42,451	48,944
	<u>42,451</u>	<u>48,944</u>

No financial assets and financial liabilities have been offset and presented as net in the Statement of financial position.

*(b) Financial risk management*

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 SCHHS policies. The policies provide principles for overall risk management and aim to minimise potential adverse effects of risk events on the financial performance of SCHHS. SCHHS measures risk exposure using a variety of methods as follows:

<i>Risk Exposure</i>	<i>Measurement method</i>
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 allowance for impairment reflects the occurrence of loss events. If no loss events have arisen in respect of a particular debtor, or group of debtors, no allowance for impairment is made in respect of that debtor / group of debtors. If SCHHS determines that an amount owing by such a debtor does become uncollectable (after deploying appropriate debt recovery actions), that amount is recognised as a bad debt expense and written-off directly against receivables. In other cases where a debt becomes uncollectable but the uncollectable amount exceeds the amount already allowed for impairment of that debt, the excess is recognised directly as a bad debt expense and written-off directly against receivables.

The carrying amount of trade receivables and cash balances held on deposit with the Queensland Treasury Corporation and the Commonwealth Bank of Australia represents the maximum exposure to credit risk. Refer to Note 14. Current assets - trade and other receivables and Note 13. Current assets - cash and cash equivalents for further information.

*(d) Liquidity risk*

Liquidity risk is the risk that SCHHS will not have the resources required at a particular time to meet its obligations to settle its financial liabilities. SCHHS is exposed to liquidity risk through its trading in the normal course of business. 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.

An approved debt facility of \$6m under Whole-of-Government banking arrangements to manage any short term cash shortfalls has been established. No funds had been withdrawn against this debt facility as at 30 June 2015 (2014: Nil).

The only financial liabilities which expose SCHHS to liquidity risk are trade and other payables. All financial liabilities are current in nature and will be due and payable within twelve months. As such no discounting of cashflows has been made to these liabilities in the Statement of financial position. Refer to Note 18. Current liabilities - trade and other payables.

**Sunshine Coast Hospital and Health Service**  
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**Note 22. Financial instruments (continued)**

*(e) Market risk - Interest rate risk*

Our sensitivity analysis indicates that the impact on revenue due to interest rate swings is immaterial for SCHHS. The SCHHS has minimal interest rate exposure on the 24 hour call deposits. There is no interest rate risk on the main operating accounts as these do not earn interest. Refer to Note 13. Current assets - cash and cash equivalents.

**Note 23. Fair value measurement**

*Categorisation of fair values recognised as at 30 June 2015*

The following tables detail the SCHHS assets, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the assets, either directly or indirectly

Level 3: Unobservable inputs for the assets

<b>2015</b>	<b>Level 1 \$'000</b>	<b>Level 2 \$'000</b>	<b>Level 3 \$'000</b>	<b>Total \$'000</b>
<i>Assets</i>				
Land	-	56,875	-	56,875
Buildings (residential)	-	880	-	880
Buildings (health service sites)	-	-	193,418	193,418
Total assets	-	57,755	193,418	251,173
<b>2014</b>	<b>Level 1 \$'000</b>	<b>Level 2 \$'000</b>	<b>Level 3 \$'000</b>	<b>Total \$'000</b>
<i>Assets</i>				
Land	-	57,227	-	57,227
Buildings (residential)	-	2,580	-	2,580
Buildings (health service sites)	-	-	197,954	197,954
Total assets	-	59,807	197,954	257,761

There were no transfers between levels during the financial year.

*Valuation techniques for fair value measurements categorised within level 2 and level 3*

Land has been valued using a market approach based on similar assets, sales market data, location and market conditions.

Residential buildings have been valued using a market approach based on similar assets, sales market data, location and market conditions.

Health service site buildings have been valued using a cost approach based on approximating prices and movements in prices for construction costs and other key resource inputs, as well as changes in design and current condition assessments.

**Sunshine Coast Hospital and Health Service**  
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**Note 23. Fair value measurement (continued)**

*Level 3 assets*

Movements in level 3 assets during the current financial year are set out below:

	<b>Buildings (Health service sites) \$'000</b>
Balance at 1 July 2013	-
Transfers into level 3	207,378
Gains recognised in other comprehensive income	710
Acquisitions	1,620
Transfers from the Department of Health	479
Depreciation for the year	<u>(12,233)</u>
Balance at 30 June 2014	197,954
Gains recognised in other comprehensive income	1,420
Acquisitions	2,511
Transfers from the Department of Health	4,205
Disposals	(2)
Depreciation for the year	<u>(12,670)</u>
Balance at 30 June 2015	<u><u>193,418</u></u>

**Sunshine Coast Hospital and Health Service**  
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**Note 23. Fair value measurement (continued)**

*Level 3 significant valuation inputs and relationship to fair value*

The following table highlights the key unobservable (Level 3) inputs assessed during the valuation process and the relationship to the estimated fair value.

The quantified ranges reflect advice provided by the valuers as at the date of the last comprehensive revaluation for each complex building asset (30 June 2013 or 30 June 2014).

The current fair value reflects the cumulative effect of the comprehensive revaluations and there are no indicators that the figures are not materially correct.

Asset description	Significant unobservable inputs	Unobservable inputs, quantitative measures Ranges used in valuations	Unobservable inputs - general effect on fair value measurement
Buildings - health service sites (fair value \$193.418m as at 30 June 2015)	Replacement cost estimates	Hospitals \$9.2m to \$86.2m Other buildings \$27k to \$13.3m	Replacement cost is based on tender pricing and historical building cost data. An increase (decrease) in the estimated replacement cost would increase (decrease) the fair value of the assets.
	Remaining useful lives estimates	5 years to 29 years	The remaining useful lives are based on industry benchmarks. An increase (decrease) in the estimated remaining useful lives would increase (decrease) the fair value of the assets.
	Costs to bring to current standards	Hospitals \$0 to \$38.1m Other Buildings \$14k to \$3.4m	Costs to bring to current standards are based on tender pricing and historical building cost data. An increase (decrease) in the estimated costs to bring to current standards would reduce (increase) the fair value of the assets.
	Condition rating	1 to 4, excellent to requiring renewal	The condition rating is based on the physical state of the assets. An improvement (deterioration) in the condition rating would increase (decrease) the fair value of the assets.

Usage of alternative quantitative values (higher or lower) for each unobservable input that are reasonable in the circumstances as at the revaluation date would not result in material changes in the reported fair value.

The condition rating of an asset is used as a mechanism to determine the cost to bring to current standards and also to estimate the remaining useful life.

There are no other direct or significant relationships between the unobservable inputs which materially impact fair value.

**Sunshine Coast Hospital and Health Service**  
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**Note 24. Key management personnel disclosures**

<b>Name and position of incumbents (Executive)</b>	<b>Responsibilities</b>	<b>Contract classification and appointment authority</b>	<b>Appointment date</b>
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.	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.	HES3-1 Hospital and Health Boards Act 2011 Section 74	1 July 2012 - 31 January 2015
Chief Finance Officer - John Slaven	Provide strategic leadership and operational control of the finance function.	HES3-1 Hospital and Health Boards Act 2011 Section 74	8 April 2015
Executive Director, Medical Services /Acting Chief Operating Officer - Dr. Piotr Swierkowski	Professional leader for all medical practitioners and control of the patient safety agenda, credentialing, education and research.	MMOI2 Hospital and Health Boards Act 2011 Section 74	1 July 2012 appointed, 5 May 2014 - 26 October 2014 acting
Executive Director, Clinical Services ** - Kerrie-Anne Hayes	Provide strategic leadership and manage the operations of SCHHS including evaluating each of the Health Service Groups.	HES3-2 Hospital and Health Boards Act 2011 Section 74	27 October 2014
Acting Executive Director, Medical Services - Dr. Mauritius Du Toit	Professional leader for all medical practitioners and control of the patient safety agenda, credentialing, education and research.	MMOI2 Hospital and Health Boards Act 2011 Section 74	5 May 2014 - 26 October 2014
Executive Director, Nursing and Midwifery Services - Graham Wilkinson	Provide leadership, strategic direction, clinical governance and professional support for nursing and midwifery services.	NRG11-4 Queensland Health Nurses and Midwives Award - State 2012	1 July 2012
Executive Director, Planning and Capacity Development - Scott Lisle	Provide strategic leadership and direction for all aspects of preparation and mobilisation for the Sunshine Coast University Hospital and the related health service reconfiguration.	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 the performance of SCHHS.	HES2-2 Hospital and Health Boards Act 2011 Section 74	1 July 2012
Chair Clinical Council - Dr. Jeremy Long	The Council is a forum for the strategic engagement of clinicians. The Chair governs the activities of the Council and provides feedback to the Executive.	MMOI2 Hospital and Health Boards Act 2011 Section 74	1 July 2012
Chief Information Officer, Barry Mather	Provide strategic leadership and operational control of the information technology function.	HES2-1 Hospital and Health Boards Act 2011 Section 74	2 February 2015
Executive Director, Human Resources ***, Nicholas Lake	Provide strategic leadership and operational control of the human resources function.	HES2-4 Hospital and Health Boards Act 2011 Section 74	30 March 2015

**Sunshine Coast Hospital and Health Service**  
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**Note 24. Key management personnel disclosures (continued)**

\* Upon the resignation of Rodney Margetts an existing employee, Sean D'Souza, temporarily acted as Chief Finance Officer. His remuneration benefits relating to this acting period are outlined in the following tables.

\*\* During the period the role of Executive Director Clinical Services was created. This is a revision of the former Chief Operating Officer role.

\*\*\* The People & Culture function was re-structured and given a new title, Human Resources.

<b>Name and position of incumbents (Board)</b>	<b>Responsibilities</b>	<b>Contract classification and appointment authority</b>	<b>Appointment date</b>
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. 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 September 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)	6 September 2012
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 (ELT)*

Section 74 of the Hospital and Health Board Act 2011 provides 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.

Remuneration policy for SCHHS 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.



**Note 24. Key management personnel disclosures (continued)**

Remuneration packages for key management personnel comprise the following components:

- Short term employee monetary benefits which includes salary, allowances, salary sacrifice component and leave entitlements expensed for the entire year or for that part of the year during which the employee occupied the specified position.
- Short term non-monetary benefits consisting of provision of vehicle and other non-monetary benefits including FBT exemptions on 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.

*Key management personnel remuneration - 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 value of remuneration received by Board Members in their capacity as Board Members, and, the ELT, are disclosed in the following sections.

**Sunshine Coast Hospital and Health Service**  
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**Note 24. Key management personnel disclosures (continued)**

2015 Name and position	Short-term benefits		Post-employment benefits \$'000	Long-term benefits \$'000	Termination benefits \$'000	Total \$'000
	Monetary \$'000	Non- monetary \$'000				
Chief Executive - Kevin Hegarty	333	11	32	6	-	382
Chief Finance Officer & Acting Executive Director, People & Culture - Rodney Margetts	129	-	4	2	2	137
Acting Chief Finance Officer - Sean D'Souza	43	1	3	1	-	48
Chief Finance Officer - John Slaven	49	-	6	1	-	56
Executive Director, Medical Services & Acting Chief Operating Officer - Piotr Swierkowski	440	2	33	9	-	484
Executive Director, Clinical Services - Kerrie-Anne Hayes	148	-	15	3	-	166
Acting Executive Director, Medical Services - Mauritius Du Toit	114	-	8	2	-	124
Executive Director, Nursing and Midwifery Services - Graham Wilkinson	176	-	18	3	-	197
Executive Director, Planning and Capacity Development - Scott Lisle	198	1	20	4	-	223
Executive Director, Strategy and Performance - Tracey Warhurst	183	-	18	4	-	205
Chair Clinical Leadership Group - Jeremy Long	400	2	30	8	-	440
Chief Information Officer, Barry Mather	74	-	7	1	-	82
Executive Director, Human Resources, Nicholas Lake	42	-	4	1	-	47

**Sunshine Coast Hospital and Health Service**  
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**Note 24. Key management personnel disclosures (continued)**

2015 Name and position	Short-term benefits		Post-employment benefits \$'000	Long-term benefits \$'000	Termination benefits \$'000	Total \$'000
	Monetary \$'000	Non- monetary \$'000				
Professor Paul Thomas - Chairperson	90	-	8	-	-	98
Dr. Lorraine Ferguson - Deputy Chairperson	65	-	6	-	-	71
Dr. Mason Stevenson - Board Member	50	-	4	-	-	54
Mr. Peter Sullivan - Board Member	51	-	5	-	-	56
Dr. Edward Weaver - Board Member	45	-	4	-	-	49
Dr. Karen Woolley - Board Member	47	-	4	-	-	51
Mr. Cosmo Schuh - Board Member	51	-	5	-	-	56
Mr Brian Anker - Board Member	50	-	5	-	-	55

**Sunshine Coast Hospital and Health Service**  
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**Note 24. Key management personnel disclosures (continued)**

2014 Name and position	Short-term benefits		Post-employment benefits \$'000	Long-term benefits \$'000	Termination benefits \$'000	Total \$'000
	Monetary \$'000	Non- monetary \$'000				
Chief Executive - Kevin Hegarty	301	19	36	6	-	362
Chief Finance Officer & Acting Executive Director, People & Culture - Rodney Margetts	198	-	18	4	-	220
Chief Operating Officer - Jacheline Hanson	39	4	3	1	-	47
Chief Operating Officer - Karen Roach	140	13	17	3	-	173
Executive Director, Medical Services & Acting Chief Operating Officer - Piotr Swierkowski	457	16	33	5	-	511
Acting Executive Director, Medical Services - Mauritius Du Toit	68	-	5	1	-	74
Executive Director, Nursing and Midwifery Services - Graham Wilkinson	172	12	19	4	-	207
Executive Director, Planning and Capacity Development - Scott Lisle	191	3	21	4	-	219
Executive Director, Strategy and Performance - Tracey Warhurst	173	-	19	4	-	196
Chair Clinical Leadership Group - Jeremy Long	371	8	31	5	-	415

**Sunshine Coast Hospital and Health Service**  
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**Note 24. Key management personnel disclosures (continued)**

2014 Name and position	Short-term benefits		Post-employment benefits \$'000	Long-term benefits \$'000	Termination benefits \$'000	Total \$'000
	Monetary \$'000	Non- monetary \$'000				
Professor Paul Thomas - Chairperson	70	-	6	-	-	76
Dr. Lorraine Ferguson - Deputy Chairperson	33	-	3	-	-	36
Dr. Mason Stevenson - Board Member	41	-	3	-	-	44
Mr. Peter Sullivan - Board Member	34	-	3	-	-	37
Dr. Edward Weaver - Board Member	33	-	3	-	-	36
Dr. Karen Woolley - Board Member	33	-	3	-	-	36
Mr. Cosmo Schuh - Board Member	34	-	3	-	-	37
Mr Brian Anker - Board Member	34	-	3	-	-	37

**Note 25. 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 \$0.5m related to business continuity and building related repairs. SCHHS has lodged a claim with supporting documentation with the Queensland Government Insurance Fund (QGIF).

QGIF are assessing the claim however the potential claim receivable cannot be estimated at this time.

**Note 26. Contingent liabilities**

*Litigation in progress*

As at 30 June 2015, the following cases were filed in the courts naming the State of Queensland acting through the Sunshine Coast Hospital and Health Service as defendant:

Court	2015 No. of cases	New cases	Completed cases	2014 No. of cases
District Court	5	5	-	-
Tribunals, commissions and boards	1	-	1	2
	<u>6</u>	<u>5</u>	<u>1</u>	<u>2</u>

**Sunshine Coast Hospital and Health Service**  
**Notes to the financial statements**  
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**Note 26. Contingent liabilities (continued)**

SCHHS 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.

All SCHHS indemnified claims have been managed by the Queensland Government Insurance Fund (QGIF). As at 30 June 2015 there were 41 claims managed by QGIF on behalf of SCHHS (2014: 34 claims), some of which may never be litigated or result in payment of claims. Tribunals, commissions and board figures represent the matters that have been referred to QGIF for management.

**Note 27. Commitments**

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Lease commitments - operating</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	2,358	-
One to five years	2,729	-
	<u>5,087</u>	<u>-</u>
<i>Capital expenditure commitments</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	<u>1,342</u>	<u>695</u>
<i>Other commitments</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	106,860	101,779
One to five years	221,601	303,329
More than five years	-	25,683
	<u>328,461</u>	<u>430,791</u>

*Leases*

As at 30 June 2014 SCHHS was party to only one operating lease. This related to land leased in Gympie. The land is used as a helipad site. The lease value per annum is at a 'peppercorn' rate of \$100 plus CPI. The lease expires in 2020.

From 1 July 2014 the obligation for various property leases became the responsibility of SCHHS and have been disclosed by SCHHS as commitments from the 2014-15 year. The commitments were previously disclosed by the Department.

SCHHS is not party to any finance leases.

*Other commitments*

These commitments partly relate to health services to be provided to public patients by the Noosa Private Hospital (\$116.2m).

There will also be commitments incurred (\$206.7m) relating to health services to be provided to public patients by the Sunshine Coast University Private Hospital (SCUPH).

Refer to Note 31. Arrangements for the provision of public infrastructure by other entities.

The balance of Other commitments (\$5.6m) relates to contracts for equipment servicing, consulting and ancillary support costs.

**Sunshine Coast Hospital and Health Service**  
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**Note 28. Patient Trust**

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.

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Patient Trust receipts and payments</b>		
<i>Receipts</i>		
Amounts receipted on behalf of Patients	631	684
Total receipts	<u>631</u>	<u>684</u>
<i>Payments</i>		
Amounts paid to or on behalf of Patients	(635)	(681)
Total payments	<u>(635)</u>	<u>(681)</u>
<b>Trust assets and liabilities</b>		
<i>Assets</i>		
Cash held and bank deposits	61	65
Total assets	<u>61</u>	<u>65</u>

**Note 29. General Trust**

In 2013-14 SCHHS received cash contributions primarily from private practice clinicians (Refer Note 30. Granted Private Practice) and from external entities to provide for education, study and research in clinical areas.

During 2014-15 SCHHS made the decision to apply receipts from private practice clinicians to operational spending, rather than depositing within the General Trust ("the Trust").

Contributions were also received from benefactors in the form of gifts, donations and bequests for stipulated purposes. Contributions are collected and held within the Trust.

Payments are made from the Trust for specific purposes in accordance with the Trust Policy.

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>General Trust</b>		
Opening balance	3,331	3,291
Revenue received during the year	1,703	2,518
Expenditure during the year	<u>(2,223)</u>	<u>(2,478)</u>
Balance of the General Trust	<u><u>2,811</u></u>	<u><u>3,331</u></u>

The closing cash balance of the General Trust is \$2.918m (2014: \$3.500m). This is held on deposit with the Queensland Treasury Corporation - \$2.848m (2014: \$3.462m) and the Commonwealth Bank - \$0.070m (2014: \$0.038m).

**Note 30. Granted Private Practice**

SCHHS has a Granted Private Practice arrangement in place. This arrangement covers Retention and Assigned revenue.

*Assigned Revenue* - The billing generated by doctors under the Assigned Model is paid and recognised as revenue to SCHHS. The Assigned doctors are employees of SCHHS.

**Sunshine Coast Hospital and Health Service**  
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**Note 30. Granted Private Practice (continued)**

*Retention Revenue*

The billing generated under the Retention Model is initially payable to the private practice doctors directly. Under this arrangement, doctors receive the generated revenue up to an established annual cap. Amounts over the cap are split 1/3 to the doctor and 2/3 to SCHHS.

In 2013-14 the portion due to SCHHS was applied to the Private Practice Trust Fund. In 2014-15 most of the portion due to SCHHS was recognised in operational revenue, with some interest revenue being applied to the Private Practice Trust Fund.

Recoverables (administration costs etc) in respect of the doctors practicing under the Retention Model, which the SCHHS is entitled to, are recorded in the SCHHS statement of comprehensive income category, User Charges.

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Granted Private Practice Revenues and Expenses</b>		
Billing - Assigned Model	8,820	8,087
Billing - Retention Model	5,234	5,239
Interest	24	17
Payments to SCHHS	(9,619)	(8,100)
Payments to retention doctors	(1,912)	(2,565)
To SCHHS for recoverable costs related to the Retention Model	(2,544)	(1,471)
To SCHHS for the Private Practice Trust Account	(3)	(1,207)
	<u>(3)</u>	<u>(1,207)</u>
	<u>-</u>	<u>-</u>

The only asset of the arrangement is cash, the balance of which is held in the Private Practice bank account. This account does not form part of the cash and cash equivalents of the SCHHS. As at 30 June 2015 the balance was \$1.0m (2014: \$1.4m).

Payables due to the SCHHS for Assigned revenue, the Retention doctors and the SCHHS for recoverable costs as at 30 June 2015 were \$1.0m (2014: \$1.4m).

**Note 31. Arrangements for the provision of public infrastructure by other entities**

SCHHS has entered into contractual arrangements with Ramsay Health Care 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 SCHHS. Arrangements of this type are known as Public Private Partnerships ('PPP').

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 Australian Accounting Standards.

<b>Facility</b>	<b>Agreement Term</b>	<b>Commencement Date</b>
Noosa Hospital and Specialist Centre	20 years	September 1999
Sunshine Coast University Private Hospital – Services	5 years	December 2013
Sunshine Coast University Private Hospital - Facility	50 years	December 2013



**Sunshine Coast Hospital and Health Service**  
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**Note 31. Arrangements for the provision of public infrastructure by other entities (continued)**

*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 Health Care.

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 agreement 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) - Services*

The services agreement has been structured to ensure that service capacity is available for, and supplied to, public patients within the facility. The service capacity will transition to the Sunshine Coast Public University Hospital from 2016 - 2017.

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) - Facility*

After the 5 year service term, Ramsay Health Care 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 and related building infrastructure 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 contracts for the year ending 30 June 2015 are summarised in the table below. These values are incorporated within the main financial statements of the SCHHS for the year ending 30 June 2015.

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Revenue and expenses</b>		
<i>Revenue</i>		
Health service funding from the Department of Health	100,158	59,902
Total revenue	<u>100,158</u>	<u>59,902</u>
<i>Expenses</i>		
Service fee to Ramsay Health Care	(100,158)	(51,172)
Grants paid SCUPH	-	(8,730)
Total expenses	<u>(100,158)</u>	<u>(59,902)</u>
<b>Assets and liabilities</b>		
<i>Assets</i>		
Land asset Noosa site	6,400	6,400
Land asset Kawana (SCUPH) site	2,110	2,109
Total assets	<u>8,510</u>	<u>8,509</u>
<i>Liabilities</i>		
Service fee due to Ramsay Health Care	(14,610)	(9,004)
Total liabilities	<u>(14,610)</u>	<u>(9,004)</u>

**Sunshine Coast Hospital and Health Service**  
**Notes to the financial statements**  
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**Note 31. Arrangements for the provision of public infrastructure by other entities (continued)**

The recognised fair value of the entire land asset at Kawana is \$26.7m (2014: \$27.5m). This is the site of the future Sunshine Coast Public University Hospital.

The portion of the site dedicated to the Sunshine Coast University Private Hospital (Ramsay Health Care facility) is approximately 7.9% with an estimated value of \$2.1m (2014: \$2.1m).

As part of separately negotiated contracts, SCHHS places a number of its own medical staff within the Noosa and SCUPH facilities to ensure continuity of service and medical resourcing needs are met. SCHHS charges staff cost recoveries to Ramsay Health Care at rates pursuant to the underlying contracts.

	<b>1 year or less \$'000</b>	<b>Between 1 and 5 years \$'000</b>	<b>Total \$'000</b>
<b>Indicative cash flows</b>			
<i>Inflows</i>			
Health service funding from the Department of Health	102,920	219,962	322,882
<i>Outflows</i>			
Service fees related to Noosa	(22,636)	(93,524)	(116,160)
Service fees related to SCUPH	(80,284)	(126,438)	(206,722)
Net indicative cash flows	<u>-</u>	<u>-</u>	<u>-</u>

The indicative cashflows for Noosa are prepared by applying a CPI uplift factor to the current underlying budgeted cashflows.

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

**Sunshine Coast Hospital and Health Service**  
**Notes to the financial statements**  
**30 June 2015**

**Note 32. Reconciliation of surplus/(deficit) to net cash from/(used in) operating activities**

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Surplus/(deficit) for the year	(825)	5,977
Adjustments for:		
Depreciation and amortisation	20,271	19,638
Net loss / (gain) on sale of non-current assets	(23)	41
Revaluation loss / (gain) on land assets	(426)	2,702
Assets donated revenue - non cash	(30)	-
Depreciation offset from the Department of Health	(20,271)	(19,633)
Impairment losses on receivables	226	398
Change in operating assets and liabilities:		
Increase in trade and other receivables	(9,155)	(2,113)
Increase in GST receivables	(113)	(777)
Increase in inventories	(164)	(577)
Increase in accrued revenue	(1,920)	(1,460)
Decrease/(increase) in prepayments	12	(214)
Increase/(decrease) in trade and other payables	(6,493)	1,336
Increase in salary and wages	11,392	-
Increase/(decrease) in other employee benefits	1,795	(29)
Increase/(decrease) in unearned revenue	(414)	416
	<hr/>	<hr/>
Net cash from/(used in) operating activities	<u>(6,138)</u>	<u>5,706</u>

**Note 33. Events after the reporting period**

No matter or circumstance has arisen since 30 June 2015 that has significantly affected, or may significantly affect the operations of SCHHS, the results of those operations, or the state of affairs of SCHHS in future financial years.

## Note 34. Budget vs actual comparison

### Statement of comprehensive income

	2015			
	\$'000 Budget	\$'000 Actual	\$'000 Variance	% Variance
<b>Income</b>				
Health service funding	625,259	673,793	48,534	8%
User charges	49,272	47,477	(1,795)	(4%)
Grants and other contributions	15,028	16,544	1,516	10%
Other revenue	5,904	4,667	(1,237)	(21%)
Gains	-	23	23	-%
Revaluation gain on land assets	-	426	426	-%
Total revenue	<u>695,463</u>	<u>742,930</u>	<u>47,467</u>	
<b>Expenses</b>				
Employee expenses	(1,598)	(456,865)	(455,267)	28490%
Health service employee expenses	(447,115)	-	447,115	(100%)
Supplies and services	(224,620)	(257,668)	(33,048)	15%
Grants and subsidies	-	(154)	(154)	-%
Depreciation and amortisation	(19,961)	(20,271)	(310)	2%
Impairment losses	(851)	(226)	625	(73%)
Other expenses	(1,318)	(8,571)	(7,253)	550%
Total expenses	<u>(695,463)</u>	<u>(743,755)</u>	<u>(48,292)</u>	
<b>Deficit for the year</b>	-	(825)	(825)	
<b>Other comprehensive income</b>				
Gain on the revaluation of building assets	-	1,420	1,420	
Other comprehensive income for the year	-	1,420	1,420	
<b>Total comprehensive income for the year</b>	<u>-</u>	<u>595</u>	<u>595</u>	

### Explanations of variances - Statement of comprehensive income

#### Health service funding

Major reasons for additional funding include preparation works to transition to the Sunshine Coast Public University Hospital (\$16.7m), additional public health services funded by the Commonwealth Government (\$9.8m), payments deferred from 2013-14 for the contract with Ramsay Healthcare for the Sunshine Coast University Private Hospital (\$6.7m) and funding to cover enterprise bargaining agreement increases in employee expenses (\$4.6m).

#### Grants and other contributions

The increase relates predominantly to unplanned donations of \$1.1m, mainly from contributions by the Wishlist Foundation.

#### Other revenue

The reduction in Other Revenue is as a result of a change in accounting policy with salary recoveries reclassified from Revenue to Expenditure. The original estimated budget for salary recoveries was \$3.4m.

#### Employee expenses

The increase relates to the Sunshine Coast Hospital and Health Service becoming the prescribed employer of health service employees effective 1 July 2014. This was not reflected in the 2014-15 State Budget, as the decision by the Minister for Health or prescribed by regulation were not finalised.

#### Health service employee expenses

The reduction relates to the Sunshine Coast Hospital and Health Service becoming the prescribed employer of health service employees effective 1 July 2014. This was not reflected in the 2014-15 State Budget, as the decision by the Minister for Health or prescribed by regulation were not finalised.

**Sunshine Coast Hospital and Health Service**  
**Notes to the financial statements**  
**30 June 2015**

**Note 34. Budget vs actual comparison (continued)**

*Supplies and services*

The increase primarily relates to -

- consultancy costs for the transition to the Sunshine Coast Public University Hospital (\$6.6m).
- contractors to cover staff shortages at Gympie Hospital (\$1.9m).
- outsourced service delivery of \$16.4m predominantly due to the under-estimated budget for services provided by the Sunshine Coast University Private Hospital SCUPH (11.9m) and additional dental services to reduce waitlists (\$2m).
- other supplies and services, predominantly ambulance transports to SCUPH (\$1.5m) and drugs, pathology testing and telecommunications due to increased patient services delivered (\$4.3m).

The increase is offset by payments to the Queensland Government Insurance Fund (\$7.3m) being reported in Actuals under Other expenses, but the budget being classified within Supplies and services.

*Other expenses*

The increase in Other Expenses predominantly relates to the Queensland Government Insurance Fund premium actual expense of \$7.3m. The original budget (\$7.3m) was planned against Supplies & Services.

**Sunshine Coast Hospital and Health Service**  
**Notes to the financial statements**  
**30 June 2015**

**Note 34. Budget vs actual comparison (continued)**

*Statement of financial position*

	2015			
	\$'000 Budget	\$'000 Actual	\$'000 Variance	% Variance
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	53,053	42,436	(10,617)	(20%)
Trade and other receivables	6,462	19,880	13,418	208%
Inventories	3,736	4,385	649	17%
Other	243	5,980	5,737	2361%
<b>Total current assets</b>	<u>63,494</u>	<u>72,681</u>	<u>9,187</u>	
<b>Non-current assets</b>				
Property, plant and equipment	307,544	285,290	(22,254)	(7%)
<b>Total non-current assets</b>	<u>307,544</u>	<u>285,290</u>	<u>(22,254)</u>	
<b>Total assets</b>	<u>371,038</u>	<u>357,971</u>	<u>(13,067)</u>	
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables	53,192	42,451	(10,741)	(20%)
Accrued employee benefits	53	13,211	13,158	24826%
Unearned revenue	-	2	2	-%
<b>Total current liabilities</b>	<u>53,245</u>	<u>55,664</u>	<u>2,419</u>	
<b>Total liabilities</b>	<u>53,245</u>	<u>55,664</u>	<u>2,419</u>	
<b>Net assets</b>	<u>317,793</u>	<u>302,307</u>	<u>(15,486)</u>	
<b>Equity</b>				
Contributed	292,874	285,833	(7,041)	(2%)
Asset revaluation surplus	13,165	3,261	(9,904)	(75%)
Accumulated surpluses	11,754	13,213	1,459	12%
<b>Total equity</b>	<u>317,793</u>	<u>302,307</u>	<u>(15,486)</u>	

**Explanations of variances - Statement of financial position**

*Cash and cash equivalents*

The variance is largely the result of: (i) an operating deficit during 2014-15, (ii) timing of cash receipts at year end - there was an increase in operating receivables held at 30 June 2015 relative to 30 June 2014 largely attributable to the increase in accrued revenue due from the Department of Health.

*Trade and other receivables*

The variance is due to a final revenue accrual (\$13.4m) required at year end to reflect the final tranche of negotiated and agreed funding from the Department. Normally all negotiations and consequent funding flows are settled by year end however in 2014-15 this additional adjustment was required due to the final timing of the arrangements, with the actual cash to be received in 2015-16.

*Other*

The Budget includes only an estimate for vendor prepayments. However, as well as vendor prepayments Actuals also include accrued revenue of \$5.6m. The most significant accruals are for Transition Care funding (\$2.3m) plus billing related to the Private Practice arrangement (\$1.9m) and the Pharmaceutical Benefits Scheme (\$0.6m).

**Sunshine Coast Hospital and Health Service**  
**Notes to the financial statements**  
**30 June 2015**

**Note 34. Budget vs actual comparison (continued)**

*Trade and other payables*

Liabilities for the payment of staff costs, treated as Trade payables in prior periods, are now treated as Accrued employee benefits. This is a result of SCHHS becoming a Prescribed Employer on the 1st of July 2014. The value of the accrual recognised in the prior period against Trade and other payables was \$8.5m. Comparatives are not restated, pursuant to Queensland Treasury guidance.

Compared to budget, the accrual for payments related to the contract held with Ramsay Healthcare for the operation of the Sunshine Coast University Private Hospital increased by \$8.0m.

*Accrued employee benefits*

Refer to Trade and other payables.

*Asset revaluation surplus*

The variance is due mainly to budgeted land and budgeted building revaluation gains not being realised in the period. Actual gains are reflective of the prevailing market conditions for land, and, modest growth in the construction price indices for buildings. Any budgeted gain actually realised is usually recognised in Equity, pursuant to Australian Accounting standards.

**Sunshine Coast Hospital and Health Service**  
**Notes to the financial statements**  
**30 June 2015**

**Note 34. Budget vs actual comparison (continued)**

*Statement of cash flows*

	2015			
	\$'000 Budget	\$'000 Actual	\$'000 Variance	% Variance
<b>Cash flows from operating activities</b>				
Health service funding	625,259	639,927	14,668	2%
User charges	48,289	48,858	569	1%
Grants and other contributions	15,028	16,514	1,486	10%
Interest received	139	131	(8)	(6%)
GST collected from customers	-	373	373	-%
GST input tax credits	16,095	17,373	1,278	8%
Other revenue	5,765	4,536	(1,229)	(21%)
Employee expenses	(1,598)	(443,678)	(442,080)	27665%
Health service employee expenses	(447,115)	(8,492)	438,623	(98%)
Supplies and services	(223,593)	(255,096)	(31,503)	14%
Grants and subsidies	-	(154)	(154)	-%
GST paid to suppliers	(16,106)	(17,420)	(1,314)	8%
GST remitted	-	(439)	(439)	-%
Other expenses	(1,112)	(8,571)	(7,459)	671%
Net cash from/(used in) operating activities	<u>21,051</u>	<u>(6,138)</u>	<u>(27,189)</u>	
<b>Cash flows from investing activities</b>				
Payments for property, plant and equipment	(8,790)	(6,131)	2,659	(30%)
Proceeds from disposal of property, plant and equipment	(133)	5	138	(104%)
Net cash used in investing activities	<u>(8,923)</u>	<u>(6,126)</u>	<u>2,797</u>	
<b>Cash flows from financing activities</b>				
Proceeds from equity injections	4,375	3,090	(1,285)	(29%)
Payments for equity withdrawals	(19,961)	-	19,961	(100%)
Net cash from/(used in) financing activities	<u>(15,586)</u>	<u>3,090</u>	<u>18,676</u>	
Net decrease in cash and cash equivalents	(3,458)	(9,174)	(5,716)	
Cash and cash equivalents at the beginning of the financial year	<u>56,511</u>	<u>51,610</u>	<u>(4,901)</u>	
Cash and cash equivalents at the end of the financial year	<u><u>53,053</u></u>	<u><u>42,436</u></u>	<u><u>(10,617)</u></u>	

**Explanations of variances - Statement of cash flows**

For the following categories, refer to the Statement of comprehensive income Budget vs Actual commentary.

*Grants and other contributions*

*Other revenue*

*Employee expenses*

*Health service employee expenses*

*Supplies and services*

*Other expenses*



**Sunshine Coast Hospital and Health Service**  
**Notes to the financial statements**  
**30 June 2015**

**Note 34. Budget vs actual comparison (continued)**

*Payments for property, plant and equipment*

The budget for 2014-15 assumed various information technology projects with a capital budget of \$4.2m would have been completed by the end of the period. However, only one project with a cash spend of \$1m was initiated and completed in the period.

The remaining projects have either been deferred to future periods or will not proceed.

*Proceeds from equity injections*

The budget assumed separate cash payments for the Health Technology Equipment Replacement (HTER) programme from the Department, to fund new medical equipment purchases. However these did not result in a separate cash inflow to SCHHS. Instead cash payments made to the Department during the year were reduced by the HTER funding due to SCHHS.

*Payments for equity withdrawals*

Funding for depreciation is budgeted as a cash item however it did not result in a separate cashflow. It was instead accounted for as a non-cash equity withdrawal.

**Sunshine Coast Hospital and Health Service  
Management Certificate**

These general purpose financial statements have been prepared pursuant to s.62(1) of the *Financial Accountability Act 2009* (the Act), section 43 the *Financial and Performance Management Standard 2009* and other prescribed requirements. In accordance with s.62(1)(b) of the Act we certify that in our opinion:

- a) the prescribed requirements for establishing and keeping the accounts have been complied with in all material respects; and
- b) the financial statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of Sunshine Coast Hospital and Health Service for the financial year ended 30 June 2015 and of the financial position of the Sunshine Coast Hospital and Health Service at the end of that year; and
- c) these assertions are based on an appropriate system of internal controls and risk management processes being effective, in all material respects, with respect to financial reporting throughout the reporting period.



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



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



John Slaven CA  
Chief Finance Officer  
Sunshine Coast Hospital and  
Health Service

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QAO  
certified statements

## 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 2015, 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 2014 to 30 June 2015 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.



D. J. OLIVE CPA  
as Delegate of the Auditor-General of Queensland



Queensland Audit Office  
Brisbane