29. Budget vs actual comparison (continued)

Explanations of major variances

Statement of Financial Position

11. Increase in inventories has occurred for two reasons: some budget assumptions being too low, and an increase in medical supplies held by the HHS at year end.

12. The budget for 2014/15 was set prior to the end of the previous financial year and did not adequately provide for the level of changes that have occurred including the commissioning of the Block D Development at Cairns Hospital. The increase also reflects the uplift in valuation amounting to $32.169m (see Note 8 above).

13. Increase relates to Digital Hospital development of software. At the time of setting the budget, HHS was unaware of being a pilot site for the Digital Hospital project.

14. Increase in value relates to accrued salaries owing to staff designated as HHS employees. Due to the change in classification of Senior Medical Officers and Visiting Medical Officers as employees, wages owing is now included against this item but was provided for under “Payables” in the budget (see Note 4 above).

15. Increase predominantly relates to funding received in advance from the DoH for building maintenance and provision of endoscopy services, which will occur in 2015/16.

16. The budget for 2014/15 was set prior to the end of the previous financial year and did not adequately provide for the transfer of assets to the HHS from the DoH which represents the majority of the difference.

17. The HHS did not anticipate a surplus in 2014/15. The actual result of surplus for the year was due to growth funding provided by the Commonwealth Government of $9.518m, and the write-on of assets of $1.431m.

18. The HHS did not anticipate the outcome of the asset revaluations undertaken during 2014/15, which reflects the difference with the actual value to budget. Also see Note 8 above.

Statement of Cash Flows

The variances as reported in the Statement of Comprehensive Income and explanations provided above, for the most part also reflect in the variances between budget and actual in the Statement of Cash Flows. In addition to the notes provided above, other notable differences are described below:

Major variations between the 2014-15 budget and 2014-15 actual include:

19. The budget is overstated by the amount of $26.564m due to a coding difference with respect to non cash Depreciation funding, as per Note 25. The increase relates to additional revenue provided by the DoH for increased services. The value of the difference is lower than that reported in the Statement of Comprehensive Income due to the coding difference and also due to funding not received by 30 June 2015.

20. The budget for Input tax credits was provided for under “Other receipts”, but actual receipts have been reported as “GST Input tax credits”.

21. The budget for this item was provided for under “Supplies and services”. Overall payments were higher than planned due to increased services provided.

22. The budget provided for the payments to the DoH for employee costs, which have now been reclassified and reported separately. The budget also included expected payments for GST paid to suppliers and the QGIF Insurance premium (other), which are also reported separately.

23. Increase relates to additional payments made for property plant and equipment with funding provided via equity injection by the DoH, as well as payments made for the Digital Hospital project of $4.815m.
29. Budget vs actual comparison (continued)

Explanations of major variances

Statement of Cash Flows

24. Increase relates to additional funding provided by the DoH to offset increased payments made for property plant and equipment purchases.

25. This relates to a coding difference in relation to the original budget for 2014-15. This item should have been netted against User charges and fees as it relates to non cash Depreciation funding provided by the DoH. Also refer to Note 19.

30. Investment in Primary Health Network

North Queensland Primary Health Network Limited (NQPHNL) was established as a public company limited by guarantee on 21 May 2015. Cairns and Hinterland Hospital and Health Service is one of five founding members along with Mackay Hospital and Health Service, Torres and Cape Hospital and Health Service, the Pharmacy Guild of Australia (Queensland Branch) and FNQ Docs Inc with each member holding one voting right in the company. In approving the establishment of the company, the Under Treasurer requested that Townsville Hospital and Health Service also become a member of the company. This had not occurred prior to 30 June 2015.

The principal place of business of NQPHNL is Cairns, Queensland. The company’s principal purpose is to work with general practitioners, other Primary Health Care providers, community health services, pharmacists and hospitals in North Queensland to improve and coordinate Primary Health Care across the local health system for patients requiring care from multiple providers.

As each member has the same voting entitlement, it is considered that none of the individual members has power over NQPHNL (as defined by AASB 10 Consolidated Financial Statements) and therefore none of the members individually control NQPHNL. While Cairns and Hinterland Hospital and Health Service currently has 20% of the voting power of the NQPHNL and may be presumed to have significant influence (in accordance with AASB 128 Investments in Associates and Joint Ventures), the fact that each other member also has 20% voting power limits the extent of any influence that Cairns and Hinterland Hospital and Health Service may have over NQPHNL. Voting power would be further diminished once Townsville Hospital and Health Service becomes a member of the company.

Each member’s liability to NQPHNL is limited to $10. NQPHNL is legally prevented from paying dividends to its members and its constitution also prevents any income or property of the company being transferred directly or indirectly to or amongst the members.

As NQPHNL is not controlled by Cairns and Hinterland HHS and is not considered a joint operation or an associate of Cairns and Hinterland HHS, financial results of NQPHNL are not required to be disclosed in these statements.
These general purpose financial statements have been prepared pursuant to section 62(1) of the Financial Accountability Act 2009 (the Act), section 43 of the Financial and Performance Management Standard 2009 and other prescribed requirements. In accordance with section 62(1)(b) of the Act we certify that in our opinion:

a) the prescribed requirements for establishing and keeping the accounts have been complied with in all material respects; and

b) the statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of Cairns and Hinterland Hospital and Health Service for the financial year ended 30 June 2015 and of the financial position of the 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.

Mr Robert Norman  
Fellow of Australian Institute of Company Directors  
Chair  
Cairns and Hinterland Hospital and Health Service Board  
19 August 2015

Ms Julie Hartley-Jones  
RN, BSc(Hons), MBA, Adjunct Associate Professor James Cook University  
Chief Executive  
Cairns and Hinterland Hospital and Health Service Board  
19 August 2015

Mr Rod Margetts  
B Com, CA (CAANZ), MAICD  
Acting Chief Finance Officer  
Cairns and Hinterland Hospital and Health Service Board  
19 August 2015
INDEPENDENT AUDITOR’S REPORT

To the Board of Cairns and Hinterland Hospital and Health Service


I have audited the accompanying financial report of Cairns and Hinterland 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 Chair, Chief Executive and Acting 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 Cairns and Hinterland 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

26 AUG 2015