

# **Department of Health**

## **Financial Statements - 30 June 2016**

**Department of Health**  
**Contents**  
**30 June 2016**

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**General Information**

Department of Health (the Department) is a Queensland Government department established under the *Public Service Act 2008* and its registered trading name is Queensland Health.

Queensland Health is controlled by the State of Queensland which is the ultimate parent entity.

The head office and principal place of business of the Department is:

147-163 Charlotte Street

Brisbane

Queensland 4000

For information in relation to the Department's financial statements, email [FIN\\_Corro@health.qld.gov.au](mailto:FIN_Corro@health.qld.gov.au) or visit the Queensland Health website at <http://www.health.qld.gov.au>.

**Department of Health**  
**Statement of profit or loss and other comprehensive income**  
**For the period ended 30 June 2016**

	Note	2016 \$'000	2015 \$'000
<b>Revenue</b>			
Departmental services revenue	3	9,581,853	9,033,311
User charges	4	1,826,783	1,684,476
Labour recoveries	5	1,829,976	1,699,905
Grants and other contributions	6	3,671,950	3,305,689
Other revenue	7	65,685	33,067
Gain on disposals		1,127	1,665
<b>Total revenue</b>		<b>16,977,374</b>	<b>15,758,113</b>
<b>Expenses</b>			
Employee expenses	8	(3,092,835)	(2,820,988)
Supplies and services	10	(1,581,402)	(1,411,501)
Health services	11	(11,648,335)	(10,780,869)
Grants and subsidies	12	(103,086)	(55,793)
Depreciation and amortisation	19, 20	(121,464)	(118,581)
Impairment losses		(638)	(4,697)
Share of loss from associates	29	(1,215)	(1,177)
Other expenses	13	(425,632)	(546,647)
<b>Total expenses</b>		<b>(16,974,607)</b>	<b>(15,740,253)</b>
<b>Surplus for the year</b>		<b>2,767</b>	<b>17,860</b>
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Increase/(decrease) in asset revaluation surplus		31,412	(9,439)
<b>Other comprehensive income for the year</b>		<b>31,412</b>	<b>(9,439)</b>
<b>Total comprehensive income for the year</b>		<b>34,179</b>	<b>8,421</b>

*The accompanying notes form part of these statements.*

Department of Health  
Statement of financial position  
As at 30 June 2016

	Note	2016 \$'000	2015 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	14	407,623	215,353
Loans and receivables	15	861,357	992,516
Inventories	16	60,844	54,752
Assets held for sale	17	32,000	-
Prepayments	18	33,824	178,911
<b>Total current assets</b>		<b>1,395,648</b>	<b>1,441,532</b>
<b>Non-current assets</b>			
Loans and receivables	15	104,406	111,518
Interests in associates	29	79,695	80,910
Property, plant and equipment	19	1,751,528	1,386,125
Intangibles	20	233,572	224,136
Other assets		4,041	4,307
<b>Total non-current assets</b>		<b>2,173,242</b>	<b>1,806,996</b>
<b>Total assets</b>		<b>3,568,890</b>	<b>3,248,528</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Payables	21	801,731	956,954
Accrued employee benefits	22	489,982	429,522
Unearned revenue		15,787	72
<b>Total current liabilities</b>		<b>1,307,500</b>	<b>1,386,548</b>
<b>Non-current liabilities</b>			
Unearned revenue		5,385	2,722
Other liabilities		-	-
<b>Total non-current liabilities</b>		<b>5,385</b>	<b>2,722</b>
<b>Total liabilities</b>		<b>1,312,885</b>	<b>1,389,270</b>
<b>Net assets</b>		<b>2,256,005</b>	<b>1,859,258</b>
<b>Equity</b>			
Contributed equity		357,100	-
Asset revaluation surplus	23	104,094	77,858
Retained surpluses		1,794,811	1,781,400
<b>Total equity</b>		<b>2,256,005</b>	<b>1,859,258</b>

The accompanying notes form part of these statements.

**Department of Health**  
**Statement of changes in equity**  
**For the period ended 30 June 2016**

	Contributed equity \$'000	Asset revaluation surplus \$'000	Retained surpluses \$'000	Total equity \$'000
Balance at 1 July 2014	-	87,297	3,004,276	3,091,573
Surplus for the year	-	-	17,860	17,860
Other comprehensive income for the year	-	(9,439)	-	(9,439)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>(9,439)</b>	<b>17,860</b>	<b>8,421</b>
<i>Transactions with owners in their capacity as owners:</i>				
Equity injections	809,118	-	-	809,118
Equity withdrawals	(409,819)	-	-	(409,819)
HHS equity injections	277,919	-	-	277,919
Reclassification between equity classes	1,244,731	-	(1,244,731)	-
Net assets transferred	(1,921,949)	-	-	(1,921,949)
Other equity adjustments	-	-	3,995	3,995
<b>Balance at 30 June 2015</b>	<b>-</b>	<b>77,858</b>	<b>1,781,400</b>	<b>1,859,258</b>

	Contributed equity \$'000	Asset revaluation surplus \$'000	Retained surpluses \$'000	Total equity \$'000
Balance at 1 July 2015	-	77,858	1,781,400	1,859,258
Surplus for the year	-	-	2,767	2,767
Other comprehensive income for the year	-	31,412	-	31,412
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>31,412</b>	<b>2,767</b>	<b>34,179</b>
<i>Transactions with owners in their capacity as owners:</i>				
Equity injections	698,234	-	-	698,234
Equity withdrawals	(445,986)	-	-	(445,986)
HHS equity injections*	285,849	-	-	285,849
Reclassification between equity classes	-	(5,176)	5,176	-
Net assets transferred	(180,997)	-	-	(180,997)
Other equity adjustments	-	-	5,468	5,468
<b>Balance at 30 June 2016</b>	<b>357,100</b>	<b>104,094</b>	<b>1,794,811</b>	<b>2,256,005</b>

**Significant accounting policies**

Non-reciprocal transfers of assets and liabilities between wholly-owned Queensland State Public Sector entities as a result of machinery-of-government changes, are adjusted to contributed equity in accordance with Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities*. Appropriations for equity adjustments are similarly designated.

\*HHSs are independent statutory bodies and equity injections should not be taken to indicate control or ownership by the Department. HHS equity injections represents funding of a capital nature transferred via equity.

*The accompanying notes form part of these statements.*

**Department of Health**  
**Statement of cash flows**  
**For the period ended 30 June 2016**

	Note	2016 \$'000	2015 \$'000
<b>Cash flows from operating activities</b>			
<i>Inflows</i>			
Departmental services receipts		9,318,683	8,839,980
Labour recoveries		1,814,500	1,751,726
User charges		1,557,220	1,574,768
Grants and other contributions		3,625,269	3,107,883
GST collected from customers		21,923	18,821
GST input tax credits		208,971	167,618
Other revenue		59,996	33,086
<i>Outflows</i>			
Health services		(11,101,074)	(10,181,626)
Employee expenses		(3,011,281)	(2,851,719)
Supplies and services		(1,281,801)	(1,345,995)
Grants and subsidies		(68,024)	(55,934)
GST paid to suppliers		(195,070)	(148,233)
GST remitted		(21,593)	(40,898)
Other expenses		(27,556)	(16,024)
Net cash from/(used by) operating activities	24	<u>900,163</u>	<u>853,453</u>
<b>Cash flows from investing activities</b>			
<i>Inflows</i>			
Loans and advances redeemed		142,274	133,965
Proceeds from sale of property, plant and equipment		1,127	16,369
<i>Outflows</i>			
Payments for property, plant and equipment		(649,080)	(796,462)
Payments for intangibles		(44,201)	(38,213)
Loans and advances made		-	(87)
Net cash from/(used by) investing activities		<u>(549,881)</u>	<u>(684,428)</u>
<b>Cash flows from financing activities</b>			
<i>Inflows</i>			
Equity injections		592,597	807,056
<i>Outflows</i>			
Equity withdrawals		(750,609)	(622,934)
Net cash from/(used by) financing activities		<u>(158,012)</u>	<u>184,122</u>
Net increase/(decrease) in cash held		<u>192,270</u>	<u>353,147</u>
Cash and cash equivalents at the beginning of the financial year		<u>215,353</u>	<u>(137,794)</u>
<b>Cash and cash equivalents at the end of the financial year</b>	14	<u><u>407,623</u></u>	<u><u>215,353</u></u>

*The accompanying notes form part of these statements.*

**Department of Health**  
**Statement of profit or loss and other comprehensive income by major departmental services**  
**For the period ended 30 June 2016**

	Acute Inpatient Care		Emergency Care		Integrated Mental Health Services		Outpatient Care		Sub and Non-Acute Care		Prevention, Primary and Community Care		Queensland Ambulance Service		Intra-Departmental Service Eliminations		Total Major Departmental Services		
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	
<b>Revenue</b>																			
Departmental services revenue	4,336,332	4,129,828	900,344	864,913	907,359	893,898	1,171,839	1,067,051	396,912	385,642	1,357,214	1,220,827	511,853	471,152	-	-	9,581,853	9,033,311	
User charges	854,778	789,184	177,476	165,280	178,859	170,818	230,993	203,907	78,239	73,694	267,535	233,293	120,621	117,864	(81,718)	(69,564)	1,826,783	1,684,476	
Labour recoveries	874,905	819,923	181,655	171,717	183,070	177,472	236,432	211,849	80,082	76,564	273,832	242,380	-	-	-	-	1,829,976	1,699,905	
Grants and other contributions	1,727,353	1,578,182	358,647	330,520	361,442	341,596	466,796	407,765	158,108	147,370	584,359	495,787	15,245	4,469	-	-	3,671,950	3,305,689	
Other revenue	30,981	15,250	6,433	3,194	6,483	3,301	8,372	3,940	2,836	1,424	9,697	4,507	883	1,451	-	-	65,685	33,067	
Gain on disposals	46	428	10	90	10	93	13	111	4	40	15	126	1,029	777	-	-	1,127	1,665	
<b>Total Revenue</b>	<b>7,824,395</b>	<b>7,332,795</b>	<b>1,624,565</b>	<b>1,535,714</b>	<b>1,637,223</b>	<b>1,587,178</b>	<b>2,114,445</b>	<b>1,894,623</b>	<b>716,181</b>	<b>684,734</b>	<b>2,492,652</b>	<b>2,196,920</b>	<b>649,631</b>	<b>595,713</b>	<b>(81,718)</b>	<b>(69,564)</b>	<b>16,977,374</b>	<b>15,758,113</b>	
<b>Expenses</b>																			
Employee expenses	1,298,072	1,184,731	274,465	252,734	239,534	226,321	316,549	279,456	101,892	95,855	397,078	344,584	465,245	437,307	-	-	3,092,835	2,820,988	
Supplies and services	725,144	648,964	154,046	139,534	131,073	119,782	171,830	146,764	54,448	49,006	224,261	193,248	132,771	114,220	(12,171)	(17)	1,581,402	1,411,501	
Health services	5,540,189	5,177,360	1,140,288	1,074,402	1,219,567	1,181,238	1,566,457	1,394,867	541,350	515,148	1,710,031	1,507,401	-	-	(69,547)	(69,547)	11,648,335	10,780,869	
Grants and subsidies	32,225	12,530	7,194	2,841	5,812	1,750	5,218	1,986	1,225	476	46,100	30,454	5,312	5,756	-	-	103,086	55,793	
Depreciation and amortisation	44,421	44,930	9,918	10,187	6,205	6,276	7,194	7,122	1,689	1,708	15,366	15,540	36,671	32,818	-	-	121,464	118,581	
Impairment losses	124	2,126	28	482	17	297	20	337	5	81	43	736	401	638	-	-	638	4,697	
Share of loss from associates	-	-	-	-	-	-	-	-	-	-	1,215	1,177	-	-	-	-	1,215	1,177	
Other expenses	204,965	268,044	42,932	56,767	39,355	52,788	52,782	65,613	17,471	23,010	61,329	76,285	6,798	4,160	-	-	425,632	546,647	
<b>Total expenses</b>	<b>7,845,140</b>	<b>7,338,685</b>	<b>1,628,871</b>	<b>1,536,947</b>	<b>1,641,563</b>	<b>1,588,452</b>	<b>2,120,050</b>	<b>1,896,145</b>	<b>718,080</b>	<b>685,284</b>	<b>2,455,423</b>	<b>2,169,405</b>	<b>647,198</b>	<b>(81,718)</b>	<b>(69,564)</b>	<b>16,974,607</b>	<b>15,740,253</b>		
<b>(Deficit)/Surplus for the year</b>	<b>(20,745)</b>	<b>(5,890)</b>	<b>(4,306)</b>	<b>(1,233)</b>	<b>(4,340)</b>	<b>(1,274)</b>	<b>(5,605)</b>	<b>(1,522)</b>	<b>(1,899)</b>	<b>(550)</b>	<b>37,229</b>	<b>27,515</b>	<b>2,433</b>	<b>814</b>	<b>-</b>	<b>-</b>	<b>2,767</b>	<b>17,860</b>	
<b>Items that will not be reclassified subsequently to profit or loss</b>																			
Increase/(decrease) in asset revaluation surplus	12,491	(9,808)	2,789	(310)	1,745	(253)	2,023	(274)	475	(89)	4,321	(798)	7,568	2,093	-	-	31,412	(9,439)	
Other comprehensive income	12,491	(9,808)	2,789	(310)	1,745	(253)	2,023	(274)	475	(89)	4,321	(798)	7,568	2,093	-	-	31,412	(9,439)	
<b>Total comprehensive income</b>	<b>(8,254)</b>	<b>(15,698)</b>	<b>(1,517)</b>	<b>(1,543)</b>	<b>(2,595)</b>	<b>(1,527)</b>	<b>(3,582)</b>	<b>(1,796)</b>	<b>(1,424)</b>	<b>(639)</b>	<b>41,550</b>	<b>26,717</b>	<b>10,001</b>	<b>2,907</b>	<b>-</b>	<b>-</b>	<b>34,179</b>	<b>8,421</b>	

**Department of Health  
Statement of assets and liabilities by major departmental services  
As at 30 June 2016**

	Acute Inpatient Care		Emergency Care		Integrated Mental Health Services		Outpatient Care		Sub and Non-Acute Care		Prevention, Primary and Community Care		Queensland Ambulance Services		Intra-Departmental Service Eliminations		Total Major Departmental Services		
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	
<b>Current assets</b>																			
Cash and cash equivalents	175,147	82,562	36,365	17,291	36,649	17,871	47,331	21,332	16,031	7,710	54,819	24,406	41,281	44,181	-	-	407,623	215,353	
Loans and receivables	402,215	468,638	83,511	98,147	84,162	101,436	108,693	121,085	36,815	43,761	125,888	138,537	32,580	21,574	(12,507)	(662)	861,357	992,516	
Inventories	28,381	25,617	5,893	5,365	5,939	5,545	7,670	6,619	2,598	2,392	8,881	7,572	1,482	1,642	-	-	60,844	54,752	
Classified as held for sale	15,299	-	3,177	-	3,201	-	4,134	-	1,400	-	4,789	-	-	-	-	-	32,000	-	
Other assets	15,480	84,454	3,210	17,687	3,235	18,280	4,178	21,821	1,415	7,886	4,838	24,966	1,488	3,817	-	-	33,824	178,911	
<b>Total current assets</b>	636,502	661,271	132,156	138,490	133,186	143,132	172,006	170,857	58,259	61,749	199,215	195,481	76,831	71,214	(12,507)	(662)	1,395,648	1,441,532	
<b>Non-current assets</b>																			
Loans and receivables	49,916	53,789	10,364	11,265	10,445	11,643	13,489	13,898	4,569	5,023	15,623	15,900	-	-	-	-	104,406	111,518	
Investment in associates	38,102	39,026	7,911	8,173	7,973	8,447	10,297	10,083	3,488	3,644	11,924	11,537	-	-	-	-	79,695	80,910	
Property, plant and equipment	629,062	464,177	130,611	97,213	131,629	100,471	169,996	119,932	57,579	43,345	196,888	137,216	435,763	423,771	-	-	1,751,528	1,386,125	
Intangibles	110,907	107,802	23,027	22,577	23,207	23,334	29,971	27,854	10,152	10,067	34,712	31,867	1,596	635	-	-	233,572	224,136	
Prepayments	1,932	2,077	401	435	404	450	522	537	177	194	605	614	-	-	-	-	4,041	4,307	
<b>Total non-current assets</b>	829,919	666,871	172,314	139,663	173,658	144,345	224,275	172,304	75,965	62,273	259,752	197,134	437,359	424,406	-	-	2,173,242	1,806,996	
<b>Total assets</b>	1,466,421	1,328,142	304,470	278,153	306,844	287,477	396,281	343,161	134,224	124,022	458,967	392,615	514,190	495,620	(12,507)	(662)	3,568,890	3,248,528	
<b>Current liabilities</b>																			
Payables	372,503	444,742	77,342	93,143	77,945	96,264	100,664	114,911	34,096	41,530	116,588	131,471	35,100	35,555	(12,507)	(662)	801,731	956,954	
Accrued employees benefits	223,990	199,163	46,507	41,711	46,869	43,109	60,531	51,459	20,502	18,598	70,106	58,875	21,477	16,607	-	-	489,982	429,522	
Unearned revenue	7,548	19	1,567	4	1,579	4	2,040	5	691	2	2,382	6	-	32	-	-	15,787	72	
<b>Total current liabilities</b>	604,041	643,924	125,416	134,858	126,393	139,377	163,235	166,375	55,289	60,130	189,056	190,352	56,577	52,194	(12,507)	(662)	1,307,500	1,386,548	
<b>Non-current liabilities</b>																			
Unearned revenue	2,575	1,313	535	275	539	284	696	339	236	123	804	388	-	-	-	-	5,385	2,722	
<b>Total non-current liabilities</b>	2,575	1,313	535	275	539	284	696	339	236	123	804	388	-	-	-	-	5,385	2,722	
<b>Total liabilities</b>	606,616	645,237	125,951	135,133	126,932	139,661	163,931	166,714	55,525	60,253	189,860	190,740	56,577	52,194	(12,507)	(662)	1,312,885	1,389,270	
<b>Net assets</b>	859,805	682,905	178,519	143,020	179,912	147,816	232,350	176,447	78,699	63,769	269,107	201,875	457,613	443,426	-	-	2,256,005	1,859,258	



**Department of Health**  
**Notes to the financial statements**  
**For the period ended 30 June 2016**

**Major services**

**Significant accounting policies**

The revenues and expenses of the Department's corporate services are allocated to departmental services on the basis of the services they primarily support and are included in the Statement of profit or loss and other comprehensive income by major services.

There were seven major health services delivered by the Queensland Health system. These reflect the Department's planning priorities as articulated in the *Department of Health Strategic Plan 2015-2018* and support investment decision making based on the health continuum. The identity and purpose of each service is summarised as follows:

*Acute Inpatient Care*

Aims to provide safe, timely, appropriately accessible, patient centred care that maximises the health outcomes of patients. Service includes a broad range of services provided to patients under a formal admission process and can refer to care provided in hospital and/or in a patient's home.

*Outpatient Care*

Aims to deliver coordinated care, clinical follow-up and appropriate discharge planning throughout the patient journey. Outpatient services are examinations, consultations, treatments or other services provided to patients who are not currently admitted to hospital that require specialist care. Outpatient services also provide associated allied health services (such as physiotherapy) and diagnostic testing.

*Emergency Care*

Aims to minimise early mortality and complications through diagnosing and treating acute and urgent illness and injury. This major service is provided by a wide range of facilities and providers from remote nurse run clinics, general practices, retrieval services, through to Emergency Departments (EDs).

*Sub and Non-Acute Care*

Aims to optimise patients' functioning and quality of life and comprises of rehabilitation care, palliative care, geriatric evaluation and management care, psychogeriatric care and maintenance care.

*Integrated Mental Health Service and Alcohol, Tobacco and Other Drug Services*

Aims to promote the mental health of the community, prevent the development of mental health problems and address the harms arising from the use of alcohol and other drugs, and to provide timely access to safe, high quality assessment and treatment services. Integrated Mental Health Services span the health continuum through the provision of mental health promotion and prevention activities, community-based services, acute inpatient services and extended treatment services. Alcohol, Tobacco and Other Drug Services (ATODS) provide prevention, treatment and harm reduction responses in community based services.

*Prevention, Primary and Community Care*

Aims to prevent illness and injury, addresses health problems or risk factors and protect the good health and wellbeing of Queenslanders. Services include health promotion, illness prevention, disease control, immunisation, screening, oral health services, environmental health, research, advocacy and community development, allied health, assessment and care planning and self-management support.

*Queensland Ambulance Service*

The Queensland Ambulance Service provides timely and quality ambulance services which meet the needs of the Queensland community and includes emergency and non-urgent patient care, routine pre-hospital patient care and casualty room services, patient transport, community education and awareness programs and community first aid training. The Queensland Ambulance Service continues to operate under its own corporate identity.

**Note 1. Significant accounting policies**

**Statement of compliance**

The financial statements are general purpose financial statements which have been prepared in compliance with section 42 of the *Financial and Performance Management Standard 2009* and in accordance with Australian Accounting Standards and Interpretations applicable to the Department's not-for-profit entity status. The financial statements comply with Queensland Treasury's reporting requirements and authoritative pronouncements. Amounts are recorded at their historical cost, except where stated otherwise.

**Impairment of non-current assets**

All non-current physical and intangible assets are assessed for indicators of impairment on an annual basis. If an indicator of impairment exists, the Department determines the asset's recoverable amount (higher of value in use and fair value less costs to sell). Any amount by which the asset's carrying amount exceeds the recoverable amount is considered an impairment loss.

**Service provided free of charge or for a nominal value**

The Department provides corporate services to Hospitals and Health Services (HHSs) free of charge. This includes payroll, accounts payable, accounts receivable, procurement and taxation services. The fair value of providing payroll and accounts payable services to HHSs during 2015-16 is estimated to be \$111.8M (payroll) and \$8.4M (accounts payable).

**Goods and Services Tax and other similar taxes**

Queensland Health is a state body, as defined under the *Income Tax Assessment Act 1936*, and is exempt from Commonwealth taxation, with the exception of Fringe Benefits Tax (FBT) and Goods and Services Tax (GST). FBT and GST are the only Commonwealth taxes recognised by the Department.

**Department of Health**  
**Notes to the financial statements**  
**For the period ended 30 June 2016**

**Note 1. Significant accounting policies (continued)**

**New accounting standards and interpretations**

The Department is not permitted to early adopt accounting standards unless approved by Queensland Treasury. The early adoption of AASB 2015-2 and AASB 2015-7 has been approved by Queensland Treasury during the 2015-16 financial year.

<i>Standard/Interpretation</i>	<i>Description</i>	<i>Effective date</i>	<i>Impact/anticipated impact for the Department</i>
AASB 2015-2 <i>Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101</i>	Permits changes to statement presentation and disclosures within the notes to the financial statements. Judgement can be used when deciding what information to disclose.	1 July 2016 with early adoption permitted  Early adopted by the Department during 2015-16	The Department has changed the layout of the notes and given prominence to material disclosures in support of the reduced disclosure initiative.
AASB 2015-7 <i>Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-profit Public Sector</i>	Amends AASB 13 <i>Fair Value Measurement</i> to provide relief from certain disclosures about fair values categorised as level 3 under the fair value hierarchy.	1 July 2016 with early adoption permitted  Early adopted by the Department during 2015-16	The Department will no longer disclose the disaggregation of certain gains/losses on assets reflected in the operating result and descriptions of the sensitivity of the fair value measurement to changes in the unobservable inputs.
AASB 124 <i>Related Party Disclosures</i>	Requires a range of disclosures about the remuneration of key management personnel, transactions with related parties/entities, and relationships between parent and controlled entities.	1 July 2016	The most significant implications for the Department will be disclosures to be made for transactions with key management personnel, the Minister for Health and Minister for Ambulance Services or close members of their families.
AASB 15 <i>Revenue from Contracts with Customers</i>	Depending on the specific contractual terms, revenue may be deferred to a later accounting period. Unperformed contractual obligations could lead to unearned revenue.	1 January 2018	The Department does not expect a significant impact on its present accounting practices.
AASB 9 <i>Financial Instruments</i> and AASB 2014-7 <i>Amendments to Australian Accounting Standards arising from AASB 9</i>	Provides for changes to the classification, measurement, impairment and disclosures associated with financial assets. AASB 9 introduces different criteria for whether financial assets can be measured at amortised cost or fair value.	1 January 2018	The Department's financial assets are expected to be measured at fair value. Since the Department's current receivables are short-term in nature, the carrying amount is expected to be a reasonable approximation of fair value.  Calculations for impairment losses are expected to be determined according to the amount of lifetime expected credit losses.
AASB 16 <i>Leases</i>	Introduces a new lease accounting model for lessees, whereby lessees will be required to recognise a right-of-use asset and a corresponding liability for higher value leases with a term exceeding 12 months.	1 January 2019	The Department as a lessee will be required to recognise a number of operating leases as assets alongside the associated liability rather than simply accounting for these as operating lease expenditure.  This is expected to change the current accounting practice for a small number of property leases and some leased equipment.

There are no other standards effective for future reporting periods that are expected to have a material impact on the Department.

**Department of Health**  
**Notes to the financial statements**  
**For the period ended 30 June 2016**

**Note 1. Significant Accounting Policies (continued)**

**Critical accounting judgement and key sources of estimation uncertainty**

The preparation of financial statements necessarily requires the determination and use of certain critical accounting estimates, assumptions and management judgements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant, and are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised or in the period of the revision and future periods if the revision affects both current and future periods.

Estimates and assumptions that have a potential significant effect are outlined in the following financial statement notes:

Loans and receivables (allowance for impairment)	Note 15
Property, plant and equipment	Note 19

**Other presentation matters**

Comparative information has been restated where necessary to be consistent with disclosures in the current reporting period. Amounts have been rounded to the nearest thousand dollars.

**Note 2. Activities and other events**

*Transfer of legal ownership of health service land and buildings to Hospital and Health Services*

Since 1 July 2014, the legal title of health service land and buildings has been progressively transferring from the Department to HHSs. As HHSs already controlled these assets through Deed of Lease arrangements, there was no material impact to the accounts of the Department upon transfer. Buildings which are currently used by the Department and reside on HHS land are leased back to the Department by HHSs.

Legal title transfer was effected when both entities (the Department and the HHS) had mutual confidence that the respective HHS has the capacity and capability to be effective asset managers.

During 2014-15, the Townsville, Metro South, Metro North, Sunshine Coast, West Moreton, Darling Downs, Gold Coast, and Cairns and Hinterland HHSs became the legal owners of their land and buildings. Remaining HHSs (Central Queensland, Central West, North West, Torres and Cape, Mackay, Wide Bay, Childrens Health Qld and South West) became legal owners effective 1 July 2015.

*Transfer of legal ownership of Queensland Ambulance Service land and buildings*

The Queensland Ambulance Service (QAS) became part of the Department following a machinery-of-government change effected on 1 October 2013. A change in the legal title of all QAS properties from the former Department of Community Safety to the Department of Health has recently been undertaken.

*Treatment of the former Gold Coast Hospital site*

Following the completion of the new Gold Coast University Hospital in September 2013, the former Gold Coast Hospital (GCH) was decommissioned and the building and land were transferred from the Gold Coast HHS to the Department.

The buildings have been demolished and the land has been recognised as held for sale.

**Events after the reporting period**

*Nurses and Midwives Certified Agreement ( EB 9) 2016*

Pending a consultation and ballot process closing 31 July 2016 employees covered by Nurses and Midwives EB 9 may receive 2.5% annual wage increase over the life of the agreement.

No other matter or circumstance has arisen since 30 June 2016 that has significantly affected, or may significantly affect the Department's operations, the results of those operations, or the Department's state of affairs in future financial years.

**Note 3. Departmental services revenue**

	<b>2016</b> <b>\$'000</b>	<b>2015</b> <b>\$'000</b>
Budgeted appropriation revenue	<b>9,406,668</b>	8,971,194
Lapsed appropriation revenue for other services	<b>(87,985)</b>	(131,214)
Total appropriation receipts (cash)	<b>9,318,683</b>	8,839,980
Less: Opening balance appropriation revenue receivable	<b>(112,313)</b>	(110,796)
Add: Closing balance appropriation revenue receivable	<b>40,932</b>	112,313
Add: Opening balance appropriation revenue payable	<b>334,550</b>	191,814
Less: Closing balance appropriation revenue payable	<b>(261,252)</b>	(353,792)
<b>Net appropriation revenue</b>	<b>9,320,601</b>	8,679,519
Add: Deferred appropriation payable to Consolidated Fund (expense)	<b>261,252</b>	353,792
<b>Appropriation revenue for services recognised in the Statement of profit or loss and other comprehensive income</b>	<b>9,581,853</b>	9,033,311

Department of Health  
Notes to the financial statements  
For the period ended 30 June 2016

**Note 3. Departmental service revenue (continued)**

	2016 \$'000	2015 \$'000
<b>Reconciliation of payments from Consolidated Fund to equity adjustment</b>		
Budgeted equity adjustment appropriation	506,709	924,342
Lapsed appropriation	(374,236)	(551,563)
Add: Appropriated equity injection receivable	117,747	65,727
Less: Opening balance appropriated equity injection receivable	(65,727)	(41,208)
Add: Opening balance appropriated equity withdrawal payable	108,687	110,681
Less: Appropriated equity withdrawal payable	(40,932)	(108,687)
<b>Equity adjustment recognised in contributed equity*</b>	<b>252,248</b>	<b>399,292</b>

\*This is net of equity injections and equity withdrawals.

**Significant accounting policies**

Appropriations provided under the *Appropriation Act 2015* are recognised as revenue when received or as a receivable when approved by Queensland Treasury.

Unspent appropriation for the 2015-16 financial year amounted to \$94.4M (\$331.5M in 2014-15). Revenue appropriations are received on the basis of budget estimates and various activity-specific agreements.

The funding received may be more than the associated expenditure over the financial year due to operating efficiencies, changes in activity levels or timing differences. Any unspent appropriation may be returned to Queensland Treasury and may become available for re-appropriation in subsequent years.

**Note 4. User charges**

	2016 \$'000	2015 \$'000
Sale of goods and services	1,505,986	1,326,407
Hospital fees	312,519	350,094
Rental income	8,278	7,975
	<b>1,826,783</b>	<b>1,684,476</b>

**Significant accounting policies**

User charges and fees are recognised by the Department when controlled and earned, in accordance with AASB 118 *Revenue*. Hospital fees mainly consist of interstate patient revenue and Department of Veterans' Affairs revenue. The sale of goods and services includes drugs, medical supplies, linen, pathology and other services provided to HHSs.

**Note 5. Labour recoveries**

	2016 \$'000	2015 \$'000
Labour recoveries from non-prescribed Hospital and Health Services	1,829,976	1,699,905
	<b>1,829,976</b>	<b>1,699,905</b>

**Significant accounting policies**

The Department provides employees to non-prescribed HHSs to perform work under a service agreement. For non-prescribed employer HHSs, the employees remain employees of the Department and are effectively contracted to the HHS. The Department recovers all employee expenses and associated on-costs from HHSs.

**Department of Health**  
**Notes to the financial statements**  
**For the period ended 30 June 2016**

**Note 6. Grants and other contributions**

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Australian Government - National Health Funding Pool	<b>3,605,038</b>	3,220,762
Capital contributions - Centre for Children's Health Research*	-	45,000
Australian Government - Donated inventory	<b>43,354</b>	24,863
Other grants	<b>12,113</b>	10,320
Donations non-current physical assets	-	2,394
Other	<b>11,445</b>	2,350
	<b>3,671,950</b>	<b>3,305,689</b>

**Significant accounting policies**

Grants, contributions, donations and gifts are recognised as revenue in the year in which the Department obtains control over them. Where grants received are reciprocal in nature, revenue is recognised as it is earned, according to the terms of the funding agreements. Donated assets are recognised at their fair value.

\* The Department recognised \$45.0M in 2014-15 relating to capital contributions received from third parties to fund the construction of the Centre for Children's Health Research (CCHR).

**Note 7. Other revenue**

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Recoveries and reimbursements	<b>25,307</b>	14,374
Interest	<b>6,224</b>	6,186
Grants returned	<b>15,893</b>	5,511
Licences and registration charges	<b>3,130</b>	3,591
Sale proceeds of non-capitalised assets	<b>1,302</b>	143
Other*	<b>13,829</b>	3,262
	<b>65,685</b>	<b>33,067</b>

\*Includes \$5.9M relating to the write-on of a research facility building asset subsequently transferred to Metro North HHS.

**Note 8. Employee expenses**

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Wages and salaries	<b>2,408,964</b>	2,232,014
Employer superannuation contributions	<b>258,768</b>	239,232
Annual leave levy	<b>323,002</b>	262,001
Long service leave levy	<b>57,085</b>	46,744
Redundancies	<b>3,654</b>	3,785
Workers' compensation premium	<b>10,529</b>	9,930
Professional development of nurses	<b>11,477</b>	10,630
Other employee related expenses	<b>19,356</b>	16,652
	<b>3,092,835</b>	<b>2,820,988</b>

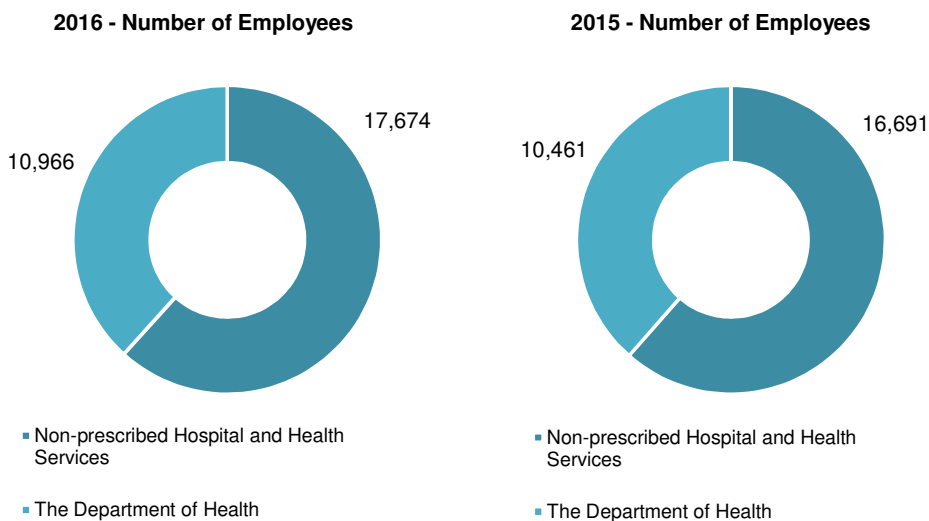
**Significant accounting policies**

Under the Queensland Government's Annual leave and Long service leave central schemes, levies are payable by the Department to cover the cost of employee leave (including leave loading and on-costs). These levies are expensed in the period in which they are paid or payable. Amounts paid to employees for annual leave and long service leave are claimed from the schemes quarterly, in arrears. Non-vesting employee benefits, such as sick leave, are recognised as an expense when taken.

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 paid or payable and the Department's obligation is limited to its contribution to QSuper.

The Department pays premiums to WorkCover Queensland in respect of its obligations for employee compensation.

**Note 8. Employee expenses (continued)**



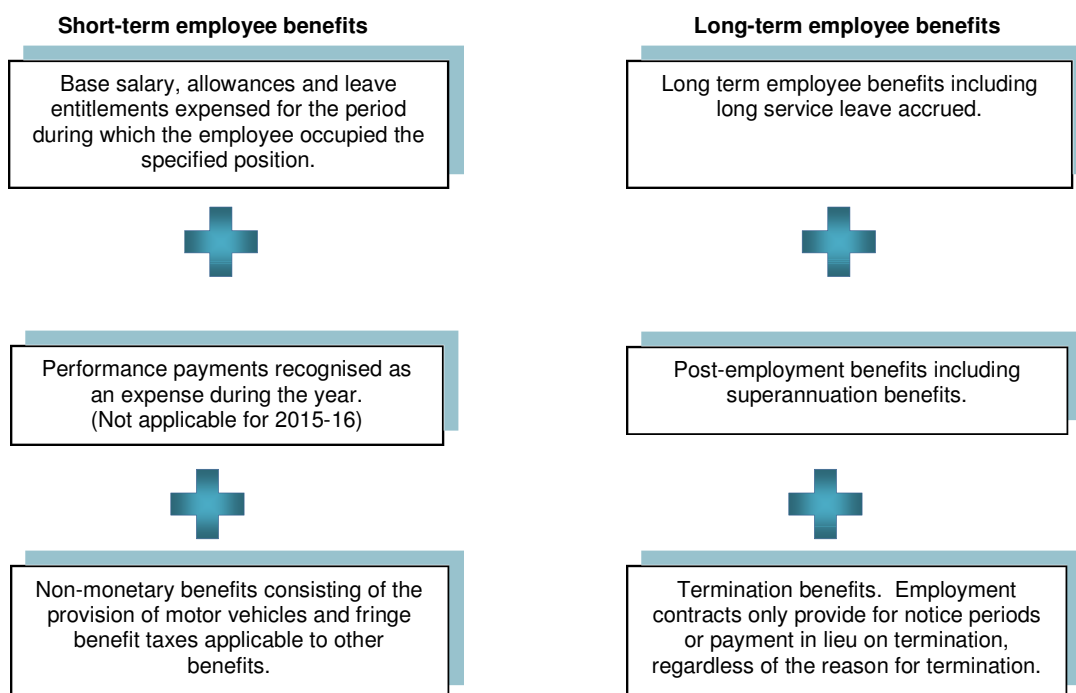
The number of employees includes full-time employees and part-time employees measured on a full-time equivalent basis as at 30 June. HHS employees are those of the non-prescribed employer HHSs where the employees remain employees of the Department and are effectively contracted to the HHS.

**Note 9. Key management personnel disclosures**

Key management personnel include those positions that had authority and responsibility for planning, directing and controlling the activities of the Department during 2014-15 and 2015-16.

Remuneration policy for the Department's key management personnel is set by the Queensland Public Service Commission as provided for under the *Public Service Act 2008* and the *Hospital and Health Boards Act 2011* and *Ambulance Service Act 1991*. The remuneration and other terms of employment for the key executive management personnel are specified in employment contracts. The contracts may provide for other benefits including a motor vehicle allowance.

For the 2015-16 year, the remuneration of most key executive management personnel increased by 2.5 per cent in accordance with government policy. Remuneration packages for key executive management personnel comprise of the following:



**Department of Health**  
**Notes to the financial statements**  
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**Note 9. Key management personnel disclosures (continued)**

2016	Position title	Short-term benefits Monetary expenses \$'000	Non- monetary expenses \$'000	Other employee benefits Long term expenses \$'000	Post employment expenses \$'000	Termination benefits \$'000	Total \$'000
	<b>Director-General, Queensland Health</b> Responsible for the overall management of the public sector health system. In performing the role, the Director-General is responsible for Statewide planning, Managing statewide industrial relations, Managing major capital works, Monitoring Service performance and Issuing binding health service directives to Services. s96 Contract/CEO Band 2 (Public Service Act 2008) <i>Current:</i> Michael Walsh (6 July 2015 to current)						
	<b>Deputy Director-General, Corporate Services Division</b> Responsible for providing strategic leadership to the delivery of corporate and operational services; capital works delivery activities; business enhancement and legal services both within the Department and, in certain circumstances, to the broader Queensland public health system. Also responsible for leading the Department's budget, financial reporting processes, human resource services, Knowledge management, system-wide industrial relations activities, major capital infrastructure delivery projects and facilities management activities. s67 Contract/HES 4 Chief Executive (Hospital and Health Boards Act 2011) <i>Current:</i> Elizabeth Gregorc (Acting) (29 March 2016 to current) <i>Former:</i> Susan Middleitch (6 July 2015 - 1 January 2016)	67	-	1	5	-	73
	<b>Deputy Director-General, Clinical Excellence Division</b> Responsible for providing strategic leadership to the patient safety and service quality, clinical improvement and innovation, research and professional clinical leadership activities of the Department. s67 Contract/HES 4 Chief Executive (Hospital and Health Boards Act 2011) <i>Current:</i> Dr John Wakefield (4 January 2016 to current) <i>Former:</i> Dr Michael Cleary (13 July 2015 to 31 December 2015)	194	4	4	20	-	212
	<b>Deputy Director-General, Healthcare Purchasing and System Performance Division</b> Responsible for providing strategic leadership to the functions relating to purchasing of clinical activity from service providers and managing the performance of those service providers to achieve whole-of-system outcomes that align with the Department's strategic objectives. s67 Contract/HES 4 Chief Executive (Hospital and Health Boards Act 2011) <i>Current:</i> Nicholas Steele (31 August 2015 to current)	262	2	5	19	-	288
	<b>Queensland Chief Health Officer and Deputy Director-General, Prevention Division</b> Responsible for providing leadership to the public health, population health, health protection and other major regulatory activities of the State's health system. Also responsible for leading the disaster coordination, emergency response and emergency preparedness activities for Queensland at a system-wide level, for overseeing retrieval and counter-disaster activities and maintaining the State's capacity to identify and respond to communicable diseases and other health threats. The position also has responsibility for leading health information campaigns to address issues relating to chronic disease and emergent health trends, in order to reduce the future impacts on the State's health system and to raise awareness about issues relating to personal responsibility for health outcomes. s67 Contract/HES 4 Chief Executive (Hospital and Health Boards Act 2011) <i>Current:</i> Dr Jeanette Young (6 July 2015 to current)	209	3	4	22	390	618
		250	5	5	25	-	285
		501	8	9	51	-	569



**Department of Health**  
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**Note 9. Key management personnel disclosures (continued)**

2016	Position title	Short-term benefits					Total \$'000
		Monetary expenses \$'000	Non-monetary expenses \$'000	Long term expenses \$'000	Post employment expenses \$'000	Termination benefits \$'000	
	<b>Deputy Director-General, Strategy, Policy and Planning Division</b> Responsible for providing strategic leadership and direction to the activities of Queensland's health system through establishing the high level policy agendas, overseeing system-wide planning processes and facilitating strategic reform initiatives required to drive better health outcomes for Queenslanders. <i>s67 Contract/HES 4 Chief Executive (Hospital and Health Boards Act 2011)</i> <i>Current: Kathleen Forester (2 November 2015 to current)</i>	188	-	4	20	-	212
	<b>Commissioner, Queensland Ambulance Services</b> Responsible and accountable for the strategic direction and overall operations of the Queensland Ambulance Service. Governor in Council ( <i>Ambulance Service Act 1991</i> ) <i>Current: Russell Bowles (3 June 2011 to current)</i>	306	-	-	35	-	341
	<b>Chief Executive, Health Support Queensland</b> Responsible for managing the strategic functions relating to the Clinical and Statewide Service provided by Queensland Health including Pathology, Medication Services, Radiology, Forensic and Scientific Services, Biomedical Technology Services and Queensland Blood Management. <i>s67 Contract/HES 4 Chief Executive/(Hospital and Health Boards Act 2011)</i> <i>Current: Gary Uhlmann (11 January 2016 to current)</i> <i>Former: Kathleen Byrne (20 April 2015 to 10 January 2016)</i>	151	-	3	16	-	170
	<b>Chief Technology Officer, eHealth Queensland</b> Responsible for all aspects of developing, implementing and maintaining technology initiatives within the organisation, assuring high performance, consistency, reliability and scalability of all technology offerings. <i>s67 Contract/HES 4 Chief Executive (Hospital and Health Boards Act 2011)</i> <i>Former: Colin McCrick (12 January 2015 to 6 December 2015)</i>	177	-	3	17	228	425
	<b>Chief Executive, eHealth Queensland</b> Responsible for providing leadership to all aspects of developing, implementing and maintaining technology initiatives within the State's public health system, assuring high performance, consistency, reliability and scalability of all technology offerings. <i>s67 Contract/HES 4 Chief Executive/(Hospital and Health Boards Act 2011)</i> <i>Current: Colin McCrick (11 April 2016 to 8 Jul 2016)</i> <i>Former: Catherine Ford (Acting) (4 January 2016 to 10 April 2016)</i>	153	2	3	16	-	174
	<b>Chief Executive, eHealth Queensland</b> Responsible for providing leadership to all aspects of developing, implementing and maintaining technology initiatives within the State's public health system, assuring high performance, consistency, reliability and scalability of all technology offerings. <i>s67 Contract/HES 4 Chief Executive/(Hospital and Health Boards Act 2011)</i> <i>Current: Colin McCrick (11 April 2016 to 8 Jul 2016)</i> <i>Former: Catherine Ford (Acting) (4 January 2016 to 10 April 2016)</i>	81	-	2	9	-	92
	<b>Chief Executive, eHealth Queensland</b> Responsible for providing leadership to all aspects of developing, implementing and maintaining technology initiatives within the State's public health system, assuring high performance, consistency, reliability and scalability of all technology offerings. <i>s67 Contract/HES 4 Chief Executive/(Hospital and Health Boards Act 2011)</i> <i>Current: Colin McCrick (11 April 2016 to 8 Jul 2016)</i> <i>Former: Catherine Ford (Acting) (4 January 2016 to 10 April 2016)</i>	61	-	1	6	-	68

<sup>a</sup> Due to changes in the organisational structure of the Department there has been a change in the positions listed as key management personnel when compared to the prior year.



**Department of Health**  
**Notes to the financial statements**  
**For the period ended 30 June 2016**

**Note 9. Key management personnel disclosures (continued)**

2015	Position title Position holder	Short-term benefits					Other employee benefits				Total \$'000	
		Monetary expenses \$'000	Non- monetary expenses \$'000	Long term expenses \$'000	Post employment expenses \$'000	Termination benefits \$'000						
	<b>Director-General Queensland Health</b>											
	Responsible for the overall management of the department through major functional areas to ensure the delivery of key government objectives in improving the health and well-being of all Queenslanders. S92 Contract/CEO Governor in Council ( <i>Public Services Act 2008</i> ) Dr Michael Cleary (Acting) (14 Feb 2015 to 5 Jul 2015) Ian Maynard (23 Sep 2013 to 24 Mar 2015)*	145 504	2 12	3 10	16 -	- 244					166 770	
	<b>Deputy Director-General, Health Service and Clinical Innovation</b>											
	Lead the development of policy, strategy and clinical workforce development to meet current and future health challenges. S67 Contract/HES 4 Chief Executive ( <i>Hospital and Health Boards Act 2011</i> ) Dr William Kingswell (Acting)(14 Feb 2015)** Dr Michael Cleary (10 May 2010 to 13 Feb 2015)	171 278	2 17	3 5	11 31	- -					187 331	
	<b>Chief Human Resources Officer, System Support Services</b>											
	Responsible for providing strategic leadership in relation to all human resource matters across Queensland Health, including being the primary owner for the leadership and management of industrial issues. S67 Contract/HES 3 Chief Executive ( <i>Hospital and Health Boards Act 2011</i> ) David Waters (Acting) (1 Sep 2014)**	172	4	3	17	-					196	
	<b>Chief Legal Counsel, System Support Services</b>											
	Manage the provision of quality and cost effective legal services across the Department so that the Department's and the Minister's legal interests are appropriately protected S67 Contract/HES 2 Chief Executive ( <i>Hospital and Health Boards Act 2011</i> ) Annette McMullan (21 Oct 2011)**	198	8	4	20	-					230	
	<b>Chief Finance Officer, System Support Services</b>											
	Responsible for providing both strategic and operational leadership related to all financial management issues within the Department. S67 Contract/HES 4 Chief Executive ( <i>Hospital and Health Boards Act 2011</i> ) Malcolm Wilson (25 Nov 2013)**	281	7	5	29	-					322	
	<b>Deputy Director-General, Health Commissioning Queensland</b>											
	Lead and manage the functions relating to accountability and governance across Queensland Health. Responsible for developing governance, strategic planning and performance management frameworks S67 Contract/HES 4 Chief Executive ( <i>Hospital and Health Boards Act 2011</i> ) Philip Davies (27 May 2013)**	339	7	7	36	-					389	

\* The former Director - General Ian Maynard's short term benefits include performance payments (at risk components) of \$71,830.37 relating to the 2014-15 financial year and \$80,208 relating to the 2013-14 financial year.  
 \*\* This reflects the start date with the individual remaining within the position as at 30 June 2015.

Department of Health  
Notes to the financial statements  
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Note 9. Key management personnel disclosures (continued)

2015	Position title Position holder	Short-term benefits					Total \$'000
		Monetary expenses \$'000	Non- monetary expenses \$'000	Long term expenses \$'000	Post employment expenses \$'000	Termination benefits \$'000	
	<b>Queensland Chief Health Officer</b> Lead and manage the development of strategic policy, regulation, legislative frameworks and programs for public health function, including mental health, population health and health service regulation as well as the provision of advice to the Minister and government relating to emergencies such as pandemics, epidemics, or major disasters. S67 Contract/HES 4 Chief Executive ( <i>Hospital and Health Boards Act 2011</i> ) Dr Jeanette Young (14 Nov 2005)**	483	19	9	49	-	560
	<b>Deputy Director-General, Office of the Director-General</b> Responsible for providing strategic direction and authoritative advice to the Director-General and Department on a range of services, functions and programs to achieve improvements in performance, quality of outcomes and service delivery across the Department and the public health system. S67 Contract/HES 4 Chief Executive ( <i>Hospital and Health Boards Act 2011</i> ) William Brett (1 Jul 2014)**	325	7	6	31	-	369
	<b>Commissioner, Queensland Ambulance Services</b> Responsible and accountable for the strategic direction and overall operations of the Queensland Ambulance Service. HES 4 (equivalent) Governor in Council ( <i>Ambulance Service Act 1991</i> ) Fussell Bowles ASM (3 Jun 2011)**	259	9	-	31	-	299
	<b>Chief Technology Officer, Health Services Information Agency</b> Responsible for all aspects of developing implementing and maintaining technology initiatives within the organisation, assuring high performance, consistency, reliability and scalability of all technology offerings. S67 Contract/HES 4 Chief Executive ( <i>Hospital and Health Boards Act 2011</i> ) Colin McCrick (12 Jan 2015)**	161	3	3	17	-	184
	<b>Chief Health Information Officer, Office of the Chief Health Information Officer</b> Responsible for providing strategic leadership in information management and the use of information and communication technology across the Queensland Health system. S122 Contract/HES 4 equivalent Chief Executive ( <i>Public Service Act 2008</i> ) Walcolm Thacher (15 Sep 2014 – 30 Jun 2015)	319	7	6	26	-	358
	<b>Acting Chief Information Officer, Health Services and Information Agency</b> Responsible for providing strategic leadership in information management and the use of information and communication technology across the Queensland Health system. Paul Carroll (26 Aug 2014 to 16 Jan 2015)	203	11	4	20	-	238
	<b>Chief Executive, Health Support Queensland</b> Responsible for managing the strategic functions relating to the clinical and State-wide service provided by Queensland Health including pathology, medication services, radiology, forensic and scientific services, biomedical technology services and Queensland blood management S67 Contract/HES 4 Chief Executive ( <i>Hospital and Health Boards Act 2011</i> ) Susan Middleditch (28 April 2014)**	314	10	6	33	-	363
	<b>Chief Nursing and Midwifery Officer, Nursing and Midwifery Officer Queensland</b> Responsible for the delivery of state-wide support and coordination functions to assist Hospital and Health Services with nursing and midwifery matters that have whole of system implications. S67 Contract/HES 3 Chief Executive ( <i>Hospital and Health Boards Act 2011</i> ) Dr Frances Hughes (5 Mar 2012)**	215	18	4	22	-	259

\*\* This reflects the start date with the individual remaining within the position as at 30 June 2015.

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**Note 10. Supplies and services**

	<b>2016</b> <b>\$'000</b>	<b>2015</b> <b>\$'000</b>
Drugs	497,180	353,780
Clinical supplies and services	389,336	371,720
Consultants and contractors	162,953	153,144
Expenses relating to capital works	56,578	125,716
Repairs and maintenance	122,146	118,594
Operating lease rentals	59,678	63,062
Computer services	130,673	72,495
Communications	56,499	49,687
Advertising	13,789	20,012
Catering and domestic supplies	9,372	16,322
Motor vehicles	10,359	11,279
Electricity and other energy	9,825	9,757
Other travel	8,703	8,348
Building services	9,697	7,344
Interstate transport levy	4,334	4,302
Water	1,299	1,317
Other	38,981	24,622
	<b>1,581,402</b>	<b>1,411,501</b>

**Significant accounting policies**

Operating lease payments are recognised as an expense in the period in which they are incurred.

**Note 11. Health services**

	<b>2016</b> <b>\$'000</b>	<b>2015</b> <b>\$'000</b>
Hospital and Health Services	10,957,648	9,959,331
Mater Hospitals	379,496	429,731
National Blood Authority	49,364	102,015
Aeromedical services	62,011	87,728
Mental health services	79,279	76,976
Community health services	76,689	76,950
Indigenous Health Services	23,731	26,592
Other health service providers	20,117	21,546
	<b>11,648,335</b>	<b>10,780,869</b>

**Note 12. Grants and subsidies**

	<b>2016</b> <b>\$'000</b>	<b>2015</b> <b>\$'000</b>
Medical research programs	34,954	26,118
Public hospital support services*	57,274	15,450
Mental, home, community and rural health services	1,311	60
Other	9,547	14,165
	<b>103,086</b>	<b>55,793</b>

\*In 2015-16 this includes a \$35.1M contribution to Children's Health Queensland (CHQ) HHS relating to the impairment of the Herston site buildings assets following the opening of the new Lady Cilento Children's Hospital at South Brisbane.

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**Note 13. Other expenses**

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Deferred appropriation payable to Consolidated Fund	261,252	353,792
Insurance	116,042	108,126
Losses from disposal/transfer of non-current assets	12,515	25,675
Impairment of capital work in progress	188	22,240
Impairment of software work in progress	8,733	21,258
Journals and subscriptions	9,296	7,631
Other legal costs	14,075	3,754
External audit fees*	1,300	1,358
Other audit fees	257	326
Losses - public monies	1	3
Special payments - ex-gratia payments**	169	314
Inventory written off	598	148
Other	1,206	2,022
	<b>425,632</b>	<b>546,647</b>

**Significant accounting policies**

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 basis.

\*Total Queensland Audit Office audit fees for the 2015-16 financial year are \$1.3M (\$1.4M in 2014-15). This balance is inclusive of a \$0.6M engagement to provide assurance on controls at the Department in its capacity as a service organisation for HHSs.

\*\*During 2015-16, there were two special payments exceeding \$5,000. Of these, one related to legal settlements and one was a settlement in lieu of consultancy fees.

**Note 14. Cash and cash equivalents**

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash at bank and on hand	375,432	182,732
24 hour call deposits	12,191	12,621
Fixed rate deposit	20,000	20,000
	<b>407,623</b>	<b>215,353</b>

**Significant accounting policies**

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

The Department's operational bank accounts are grouped within the whole-of-government set-off arrangement with the Queensland Treasury Corporation. The Department does not earn interest on surplus funds and is not charged interest or fees for accessing its approved cash overdraft facility as it is part of the whole-of-government banking arrangements. Interest earned on the aggregate set-off arrangement balance accrues to the Consolidated Fund.

The 24 hour call deposits relates to the Department's General Trust balance. This balance is currently invested with Queensland Treasury Corporation with approval from the Treasurer, which acknowledges the Department's obligations to maintain sound cash management and investment processes regarding General Trust Funds. For the 2015-16 year, the weighted average interest rate on the 24 hour call deposit was 2.85 per cent (2.95 per cent in 2014-15).

The fixed rate deposit is held with Queensland Treasury Corporation. The Department has the ability and intention to continue to hold the deposit until maturity as the interest earned contributes towards the Queensland Government's objective of promoting high quality health research. During the 2015-16 year, the weighted average interest rate on this deposit was 2.28 per cent (2.73 per cent in 2014-15).

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**Note 15. Loans and receivables**

	2016 \$'000	2015 \$'000
<b>Current</b>		
Trade receivables	344,435	405,207
Payroll receivables	33,805	35,069
	<b>378,240</b>	<b>440,276</b>
Less: Pay day loan fair value adjustment	(2,059)	(2,252)
Less: Allowance for impairment of receivables	(1,011)	(2,217)
	<b>(3,070)</b>	<b>(4,469)</b>
GST input tax credits receivables	30,055	43,831
GST payable	(718)	(263)
	<b>29,337</b>	<b>43,568</b>
Appropriation receivable	158,679	178,040
Annual leave reimbursements	158,126	177,050
Grants receivable	114,843	123,199
Long service leave reimbursements	24,945	27,115
Advances	155	7,645
Other	102	92
	<b>861,357</b>	<b>992,516</b>
<b>Non-current</b>		
Payroll receivables	109,602	125,173
Less: Pay day loan fair value adjustment	(6,424)	(8,236)
Less: Allowance for impairment of receivables	(24,190)	(29,627)
	<b>78,988</b>	<b>87,310</b>
Loans to other entities	25,418	24,208
	<b>104,406</b>	<b>111,518</b>

**Significant accounting policies**

Trade receivables are generally settled within 60 days; however, some debt may take longer to recover. The recoverability of trade debtors is reviewed on an ongoing basis. All known bad debts are written off when identified.

Payroll receivables include amounts relating to salary overpayments and interim cash payments.

The change in pay date transitional loan was measured at fair value on initial recognition, calculated as the present value of the expected future cash flows over the life of the loan, discounted using a risk-free effective interest rate of 3.05 per cent.

Loans to other entities refers to an interest-free loan to Telstra relating to the relocation of the South Brisbane Telephone Exchange in connection with the development of the Lady Cilento Children's Hospital (LCCH). This loan is repayable within the 2018-19 financial year.

*Payroll receivables*

As at 30 June 2016, the Department recognised \$66.2M (\$74.9M in 2014-15) relating to salary overpayments and interim cash payments, of which \$22.6M is classified as current and \$43.6M is classified as non-current.

The Department is undertaking a process to recover these debts by working with the individuals affected. The non-current portion of payroll overpayments and interim cash payments has not been discounted to present value as this could not be reliably estimated, due to the uncertainty of the timing of future cash receipts.

As at 30 June 2016, the Department held a pay date loan of \$74.9M (\$85.0M in 2014-15) to provide a transitional loan equal to two weeks' net pay (of which \$10.9M is classified as current and \$64.0M is classified as non-current).

As the loan was interest-free for employees, the Department recognised a loan discount expense of \$17.7M in the year the loan was issued (2012-13) to account for the time value of money. The loan is considered to be low risk of non-repayment as it is legislatively recoverable from recipients upon termination of their employment with the Department. The loan is expected to be fully recovered as individuals leave the Department and the majority is expected to be recovered over the next seven years.

**Department of Health**  
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**Note 15. Loans and receivables (continued)**

*Impairment of financial assets*

At the end of each reporting period, the Department assesses whether there is objective evidence that a financial asset, or group of financial assets, is impaired. Objective evidence includes financial difficulties of the debtor, changes in debtor credit ratings and current outstanding accounts over 60 days. The allowance for impairment reflects the Department's assessment of the credit risk associated with receivables balances and is determined based on consideration of objective evidence of impairment, past experience and management judgment.

An allowance for impairment of \$24.2M (\$29.6M in 2014-15) has been recognised in relation to payroll receivables. The due date of payroll receivables is the date the recipient terminates employment with the Department. The balance of payroll receivables past due, but not impaired, of \$6.6M (\$2.8M in 2014-15) represents balances owing from current and former employees which are considered likely to be recovered. In determining this balance, consideration was given to the value, quantity and age of the amounts receivable.

*Ageing of past due but not impaired trade receivables*

	<b>2016</b> <b>\$'000</b>	<b>2015</b> <b>\$'000</b>
Less than 30 days	5,227	15,643
30 to 60 days	1,297	551
61 to 90 days	631	1,197
More than 90 days	19,424	6,825
	<b>26,579</b>	<b>24,215</b>

*Movement in the provision for impairment*

	<b>2016</b> <b>\$'000</b>	<b>2015</b> <b>\$'000</b>
Opening balance	31,844	34,660
(Decrease) in impairment recognised on receivables	(6,643)	(2,816)
Closing balance	<b>25,201</b>	<b>31,844</b>

*Ageing of impaired trade receivables*

	<b>2016</b> <b>\$'000</b>	<b>2015</b> <b>\$'000</b>
Not overdue	2,988	3,683
30 to 60 days	-	2
61 to 90 days	-	8
More than 90 days	22,213	28,151
	<b>25,201</b>	<b>31,844</b>

**Note 16. Inventories**

	<b>2016</b> <b>\$'000</b>	<b>2015</b> <b>\$'000</b>
Medical supplies and drugs	55,004	50,725
Catering and domestic	2,562	1,271
Less: Allowance for obsolescence	(293)	(313)
	<b>57,273</b>	<b>51,683</b>
Engineering	2,384	1,933
Other	1,187	1,136
	<b>60,844</b>	<b>54,752</b>

**Significant accounting policies**

Inventories consist mainly of pharmacy and general medical supplies held for sale to HHSs. Inventories are measured at weighted average cost, adjusted for obsolescence, other than vaccine stock which is measured at cost on a first in first out basis. Inventory is held at the lower of cost and net realisable value.

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Note 17. Assets held for sale

	2016 \$'000	2015 \$'000
Land	32,000	-
	<u>32,000</u>	<u>-</u>

Significant accounting policies

Sale of the land at the former Southport Hospital site has been agreed at a sale price of \$32.0M. Upon recognition as held for sale, based on management decision and high probability of sale within the next twelve months, the land has been valued according to AASB 5 at fair value.

The site was demolished by the Department of State Development in October 2015 and the cost relating to that (\$17.6M) has been recognised by the Department within the Statement of Profit or Loss and Other Comprehensive Income.

Note 18. Prepayments

	2016 \$'000	2015 \$'000
Insurance premium prepayment*	-	112,991
Other prepayments	33,824	65,920
	<u>33,824</u>	<u>178,911</u>

\*The QGIF premium for the proceeding twelve months is no-longer paid prior to 30 June.

Note 19. Property, plant and equipment

2016	Land \$'000	Buildings \$'000	Plant and equipment \$'000	Capital works in progress \$'000	Total \$'000
Gross	178,144	617,543	723,527	992,215	2,511,429
Less: Accumulated depreciation	-	( 284,834)	( 475,067)	-	( 759,901)
<b>Carrying amount at end of period</b>	<b>178,144</b>	<b>332,709</b>	<b>248,460</b>	<b>992,215</b>	<b>1,751,528</b>
Categorisation of fair value hierarchy	<i>Level 2</i>	<i>Level 2 &amp; 3*</i>			
<b>Movement</b>					
Carrying amount at start of period	163,251	340,587	240,426	641,861	1,386,125
Additions	785	-	50,046	598,249	649,080
Donations received	-	-	1	-	1
Donations made	( 35)	-	( 76)	-	( 111)
Disposals	( 293)	( 11,974)	( 1,139)	-	( 13,406)
Revaluation increments/(decrements)	20,618	10,794	-	-	31,412
Transfers to/from HHSs	24,793	( 53,723)	( 5,544)	( 129,397)	( 163,871)
Transfers to/from Intangibles	-	-	( 2,428)	-	( 2,428)
Transfers to assets held for sale	( 32,000)	-	-	-	( 32,000)
Transfers to Department of Main Roads	-	( 9,026)	-	-	( 9,026)
Transfers between classes	1,025	72,741	44,329	( 118,095)	-
Write-off capital works in progress	-	-	-	( 403)	( 403)
Depreciation expense	-	( 16,690)	( 77,155)	-	( 93,845)
<b>Carrying amount at end of period</b>	<b>178,144</b>	<b>332,709</b>	<b>248,460</b>	<b>992,215</b>	<b>1,751,528</b>

\* Level 2 buildings valuations resulted in net valuation increment of \$0.2M on carrying amount of \$0.5M.

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**Note 19. Property, Plant and Equipment (continued)**

2015	Land \$'000	Buildings \$'000	Plant and equipment \$'000	Capital works in progress \$'000	Total \$'000
Gross	163,251	748,977	682,540	641,861	2,236,629
Less: Accumulated depreciation	-	(408,390)	(442,114)	-	(850,504)
<b>Carrying amount at end of period</b>	<b>163,251</b>	<b>340,587</b>	<b>240,426</b>	<b>641,861</b>	<b>1,386,125</b>
<i>Categorisation of fair value hierarchy</i>	<i>Level 2</i>	<i>Level 3</i>			
<b>Movement</b>					
Carrying amount at start of period	242,090	373,248	256,932	1,837,675	2,709,945
Additions	-	707	64,082	671,276	736,065
Donations received	-	2,384	10	-	2,394
Disposals	(2,567)	(1,151)	(3,679)	-	(7,397)
Donations made	(796)	(22,647)	(19)	-	(23,462)
Revaluation increments/(decrements)	(9,539)	100	-	-	(9,439)
Transfers to HHSs	(23,990)	33,954	(26,170)	(1,783,191)	(1,799,397)
Transfers to DHPW	(42,318)	(79,283)	-	-	(121,601)
Transfers between classes	371	48,884	27,476	(76,731)	-
Write-off capital works in progress	-	-	-	(7,168)	(7,168)
Other	-	-	(75)	-	(75)
Depreciation expense	-	(15,609)	(78,131)	-	(93,740)
<b>Carrying amount at end of period</b>	<b>163,251</b>	<b>340,587</b>	<b>240,426</b>	<b>641,861</b>	<b>1,386,125</b>

**Significant accounting policies**

Property, plant and equipment are initially recorded at purchase price plus any other costs directly incurred in bringing the asset to the condition ready for use. Items or components that form an integral part of an asset are recognised as a single asset. The cost of items acquired during the financial year has been judged by management to materially represent the fair value at the end of the reporting period.

Assets received for no consideration from another Queensland Government agency are recognised at fair value, being the net book value recorded by the transferor immediately prior to the transfer. Assets acquired at no cost, or for nominal consideration, other than a transfer from another Queensland Government entity, are initially recognised at their fair value at the date of acquisition.

The Department recognises items of property, plant and equipment when they have a useful life of more than one year and have a cost or fair value equal to or greater than the following thresholds:

Buildings (including land improvements)	\$10,000
Land	\$1
Plant and equipment	\$5,000

Depreciation is calculated on a straight-line basis (in accordance with AASB 116). The residual value is assumed to be zero. Annual depreciation is based on the cost or the fair value of the asset and the Department's assessments of the remaining useful life of individual assets. Land is not depreciated. Assets under construction (work in progress) are not depreciated until they are ready for use.

The Department's buildings have useful lives ranging from 8 to 72 years; for plant and equipment the useful life is between 1 and 50 years:

Computer, furniture & fittings	1 to 27 years	Medical equipment	8 to 38 years
Office equipment	10 to 20 years	Engineering and Other equipment	10 to 50 years
Vehicles	5 to 21 years		

*Fair Value Measurement*

Land and buildings are measured at fair value, which are reviewed each year to ensure they are materially correct. Significant land and buildings are specifically revalued once every five years, or whenever volatility is detected, with values adjusted for indexation in the interim years.

Fair value measurement takes into account a market participant's ability to generate economic benefit from 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.

All assets and liabilities of the Department for which fair value is measured or disclosed in the financial statements are categorised within the following fair value hierarchy, based on the data and assumptions used in the most recent specific appraisals:



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**Note 19. Property, Plant and Equipment (continued)**

- Level 1 – reflects unadjusted quoted market prices in active markets for identical assets and liabilities;
- Level 2 – are substantially derived from inputs (other than quoted prices included in level 1) that are observable, either directly or indirectly; and
- Level 3 – are substantially derived from unobservable inputs.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions (that is, an exit price). Fair value is determined using observable and unobservable inputs.

Observable inputs are publicly available data relevant to the characteristics of the assets/liabilities being valued, such as published sales data for land and residential dwellings.

Unobservable inputs are data, assumptions and judgements not available publicly, but relevant to the characteristics of the assets/liabilities being valued. Significant unobservable inputs used by the Department include subjective adjustments made to observable data to take account of the specialised nature of health service buildings, 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.

Reflecting the specialised nature of health service buildings, fair value is determined using depreciated replacement cost methodology. Depreciated replacement cost represents how much it would cost to replace the 'service potential' remaining in an existing asset. This requires identification of the full cost of a replacement asset, adjusted to take account of the age and condition of the existing asset. The cost of a replacement asset is determined by reference to a modern equivalent asset, built to current standards and with modern materials.

In assessing the condition of a building the following ratings are applied by the valuers:

<b>Category</b>	<b>Condition</b>	<b>Description</b>
1	<i>Very good condition</i>	<i>Only normal maintenance required</i>
2	<i>Minor defects only</i>	<i>Minor maintenance required</i>
3	<i>Maintenance required to bring to acceptable level of service</i>	<i>Significant maintenance required (up to 50 per cent of capital replacement cost)</i>
4	<i>Requires renewal</i>	<i>Complete renewal of internal fitout and services (up to 70 per cent of capital replacement cost)</i>
5	<i>Asset unserviceable</i>	<i>Complete asset replacement required</i>

The Department's land and buildings are independently and professionally valued by the State Valuation Service (qualified valuers) and Davis Langdon/AECOM (qualified quantity surveyors) respectively. The Department also revalues significant, newly commissioned assets to ensure they are transferred to HHSs at fair value.

Where a revaluation increment is recognised in relation to assets transferred to HHSs which is material in the context of the asset class, the portion of the Asset revaluation surplus relating to the increment is reclassified to Retained surpluses.

Revaluation increments increase the asset revaluation surplus of the asset class, except to the extent it reverses a revaluation decrement for the class previously recognised as an expense. Revaluation decrements are recognised as expenses where they exceed the balance of 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 any change in the estimate of remaining useful life.

**Land**

The Department recognises land valued at \$0.04M (\$0.7M in 2014-15) which is owned by third parties and leased to the Department under various agreements. The Department has restricted use of this land.

The fair value of land was based on publicly available data including recent sales of similar land in nearby localities. In determining the values, adjustments were made to the sales data to take into account the location of department's land, its size, street/road frontage and access and any significant factors such as land zoning and easements. Land zonings and easements indicate the permissible use and potential development of the land. The extent of the adjustments made varies in significance for each parcel of land. The revaluation program resulted in a \$8.8M increment (\$9.5M decrement in 2014-15) to the carrying amount of land. For land not subject to comprehensive valuations indices between 0.448 to 1.495 were applied. The Gold Coast land held for sale resulted in a revaluation increment of \$11.8M.

**Buildings**

The Department recognises five heritage buildings held at gross value of \$3.3M (five buildings at gross value of \$2.7M in 2014-15).

An independent revaluation of 1% of the gross value of the building portfolio was performed during 2015-16. For buildings not subject to independent revaluations during 2015-16, an index of between 1 and 1.015 was applied. Indices are based on inflation across the industry and take into account regional variances due to specific market conditions. The buildings valuations for 2015-16 resulted in a net increment to the building portfolio of \$5.6M (\$0.1M increment in 2014-15).

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**Note 19. Property, Plant and Equipment (continued)**

*Capital work in progress*

The Department is responsible for managing major health infrastructure projects for the HHSs. During the construction phase these projects remain on the Department's Statement of financial position as a work in progress asset. Upon completion of these infrastructure projects, these assets are transferred to the respective HHS for use and depreciation. Current works in progress balances are attributable across the portfolio of capital works and include the Sunshine Coast University Hospital (SCUH).

**Note 20. Intangibles**

<b>2016</b>	<b>Software purchased \$'000</b>	<b>Software generated \$'000</b>	<b>Software work in progress \$'000</b>	<b>Total \$'000</b>
Gross	162,463	415,892	14,791	593,146
Less: Accumulated amortisation	(118,605)	(240,969)	-	(359,574)
<b>Carrying amount at end of period</b>	<b>43,858</b>	<b>174,923</b>	<b>14,791</b>	<b>233,572</b>
<b>Movement</b>				
Carrying amount at start of period	45,677	45,974	132,485	224,136
Additions	2,382	123	41,697	44,201
Disposals	1	(1,246)	(8,329)	(9,575)
Transfers to/from property, plant & equipment	2,428	-	-	2,428
Transfers between classes	1,607	149,455	(151,062)	-
Amortisation expense	(8,237)	(19,382)	-	(27,619)
<b>Carrying amount at end of period</b>	<b>43,858</b>	<b>174,923</b>	<b>14,791</b>	<b>233,572</b>
<b>2015</b>				
	<b>Software purchased \$'000</b>	<b>Software generated \$'000</b>	<b>Software work in progress \$'000</b>	<b>Total \$'000</b>
Gross	157,582	272,031	132,485	562,098
Less: Accumulated depreciation	(111,905)	(226,057)	-	(337,962)
<b>Carrying amount at end of period</b>	<b>45,677</b>	<b>45,974</b>	<b>132,485</b>	<b>224,136</b>
<b>Movement</b>				
Carrying amount at start of period	53,738	56,257	121,988	231,983
Additions	425	295	35,283	36,003
Transfers to HHSs	-	(617)	-	(617)
Transfer between classes	283	6,118	(6,401)	-
Write-off of software work in progress	-	-	(18,385)	(18,385)
Amortisation expense	(8,769)	(16,078)	-	(24,848)
<b>Carrying amount at end of period</b>	<b>45,677</b>	<b>45,974</b>	<b>132,485</b>	<b>224,136</b>

**Significant accounting policies**

Intangible assets are only recognised if their cost is equal to or greater than \$100,000. Intangible assets are recorded at cost, which is purchase price plus costs directly attributable to the acquisition, less accumulated amortisation and impairment losses. Internally generated software cost includes all direct costs associated with development of that software. All other costs are expensed as incurred.

Intangible assets are amortised on a straight-line basis over their estimated useful life with a residual value of zero. The estimated useful life and amortisation method are reviewed periodically, with the effect of any changes in estimate being accounted for on a prospective basis. The useful life for the Department's software ranges from 4 to 27 years.

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**Note 20. Intangibles (continued)**

The Department controls both registered intellectual property, in the form of patents, designs and trademarks, and other unregistered intellectual property, in the form of copyright. At the reporting dates these intellectual property assets do not meet the recognition criteria as their values cannot be measured reliably.

**Note 21. Payables**

	2016 \$'000	2015 \$'000
Trade payables	304,014	296,798
Appropriations payable	302,184	462,480
Hospital and Health Service payables	177,106	186,862
Other payables	18,427	10,814
	<b>801,731</b>	<b>956,954</b>

**Significant accounting policies**

Payables are recognised for amounts to be paid in the future for goods and services received. Trade payables are measured at the agreed purchase/contract price, gross of applicable trade and other discounts. The amounts are unsecured and normally settled within 60 days.

**Note 22. Accrued employee benefits**

	2016 \$'000	2015 \$'000
Salaries and wages accrued	103,246	73,813
Annual leave levy payable	252,214	195,182
Long service leave levy payable	50,096	39,979
Other employee entitlements payable	84,426	120,548
	<b>489,982</b>	<b>429,522</b>

**Significant accounting policies**

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

Provisions for annual leave, long service leave and superannuation are reported on a whole-of-government basis pursuant to AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

**Note 23. Asset revaluation surplus**

2016	Land \$'000	Buildings \$'000	Total \$'000
Carrying amount at start of period	44,450	33,408	77,858
Asset revaluation increment/(decrement)	20,618	10,794	31,412
Asset revaluation transferred to retained surplus	-	(5,176)	(5,176)
<b>Carrying amount at end of period</b>	<b>65,068</b>	<b>39,026</b>	<b>104,094</b>
2015	Land \$'000	Buildings \$'000	Total \$'000
Carrying amount at start of period	53,989	33,308	87,297
Asset revaluation increment/(decrement)	(9,539)	100	(9,439)
<b>Carrying amount at end of period</b>	<b>44,450</b>	<b>33,408</b>	<b>77,858</b>

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**Note 24. Reconciliation of surplus to net cash from operating activities**

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Surplus for the year	2,767	17,860
Adjustments for:		
Depreciation and amortisation	121,464	118,581
Write off of non-current assets	20,782	47,727
Net (gain)/loss on disposal of non-current assets	(1,127)	24,010
Share of loss - associates	1,215	1,177
Impairment losses	638	-
Grants and subsidies	35,062	-
Donated non-cash assets	48,878	(29,606)
Non cash depreciation funding expense	522,030	485,820
Other non-cash items	13,960	(3,296)
Changes in assets and liabilities:		
(Increase)/Decrease in loans and receivables	58,661	54,356
(Increase)/Decrease in inventories	(60,890)	26,683
(Increase)/Decrease in prepayments	145,353	(51,610)
Increase/(Decrease) in payables and other liabilities	(87,468)	294,810
Increase/(Decrease) in accrued employee benefits	60,460	(115,577)
Increase/(Decrease) in unearned revenue	18,378	(17,482)
<b>Net cash from operating activities</b>	<b>900,163</b>	<b>853,453</b>

**Note 25. Financial instruments**

**Significant accounting policies**

Financial assets and financial liabilities are recognised in the Statement of financial position when the Department becomes a party to the contractual provisions of the financial instrument.

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
- loans to other entities - held at amortised cost
- payables - held at amortised cost

The Department does not enter into transactions for speculative purposes, or for hedging.

Financial risk is managed in accordance with Queensland Government and departmental policies. The Department has considered the following types of risks in relation to financial instruments.

Liquidity risk - this risk is minimal, as the Department has an approved debit facility of \$520.0M up to 30 June 2016 and \$420.0M from 1 July 2016 under whole-of-government banking arrangements to manage any cash shortfalls.

Market risk (interest rate risk) - the Department has interest rate exposure on its cash and fixed rate deposits. Changes in interest rates have a minimal effect on the operating results of the Department.

Credit risk - the credit risk relating to deposits is minimal as all department deposits are held by the state through Queensland Treasury Corporation and the Commonwealth Bank of Australia. The Department's maximum exposure to credit risk on receivables is their total carrying amount (refer note 15).

**Note 26. Contingencies**

*Guarantees*

As at 30 June 2016, the Department held guarantees of \$106.0M (\$105.0M in 2014-15) from third parties in connection with capital projects. These amounts have not been recognised as assets in the financial statements.

*Litigation in progress*

At 30 June 2016, the Department had five litigation cases before the courts. As civil litigation is underwritten by the QGIF, the Department's liability in this area is limited to \$20,000 per insurance event. The Department's legal advisers and management believe it would be misleading to estimate the final amount payable (if any) in respect of litigation before the courts at this time.

**Department of Health**  
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**Note 26. Contingencies (continued)**

*Major capital projects*

In the course of constructing the Sunshine Coast University Hospital (SCUH), the Department entered into agreements which may give rise to possible obligations which are contingent on the occurrence or non-occurrence of uncertain future events (for example, government approvals and staff movements).

The Department has agreed to certain compensation events with the car park operators at SCUH (for example, failure to achieve forecast car park revenues, operational bed numbers or staff numbers) which may give rise to possible obligations. The occurrence of these future events is uncertain.

*Contingent liability*

The Department receives Commonwealth funding via the Pharmaceutical Benefits Scheme. The Department may be required to make a repayment of funding in relation to activity undertaken in the 2015-16 financial year. This cannot be measured with sufficient reliability and is contingent on a decision being made by the Commonwealth Government.

**Note 27. Commitments to expenditure**

*Social public private partnership arrangements*

**Significant accounting policies**

The Department currently has one social public private partnership arrangement. The share of construction costs contributed by the Department are currently recognised as a works in progress asset. The construction costs borne by the other entities will be recognised as a leased asset with a corresponding finance lease liability when the asset is ready for use. The finance lease liability will be unwound over the service concession period as payments to the other entities are made.

On 17 July 2012, the Department entered into contractual arrangements with Exemplar Health Partnership (Exemplar Health), a consortium comprising Lend Lease (building), Spotless (facilities manager), Capella Capital and Siemens (financiers) to design, construct, commission, maintain and partially finance the SCUH under a Public Private Partnership (PPP) arrangement. Construction of the SCUH is scheduled for completion in April 2017.

The SCUH PPP includes a limited scope of operational support services that are closely linked to the hospital building and its systems, such as security, pest control and car parking services but does not include the provision of any clinical services.

The Department will lease back the SCUH from Exemplar Health and make lease payments as well as payments for the maintenance, refurbishment and other services to be provided by Exemplar Health over the term of the agreement. This agreement will transfer in full to the Sunshine Coast HHS during the 2016-17 financial year.

The land is controlled by the Sunshine Coast HHS and Exemplar Health has been granted a licence that gives the consortium the right to enter and operate on the site. The SCUH indicative operating and capital cash outflows are outlined within the first table only below.

	2016 \$'000	2015 \$'000
Cash outflows expected to be paid:		
within 1 year	62,773	331,686
1 year to 5 years	304,729	282,612
5 years to 10 years	420,219	410,408
more than 10 years	1,694,710	1,784,382
	<b>2,482,431</b>	<b>2,809,088</b>
<b>Capital commitments</b>		
Committed at reporting date but not recognised as liabilities, payable:		
within 1 year	76,453	88,527
1 year to 5 years	2,830	14,686
more than 5 years	-	-
	<b>79,283</b>	<b>103,213</b>
<b>Lease commitments - operating</b>		
Committed at reporting date but not recognised as liabilities, payable:		
within 1 year	40,877	38,330
1 year to 5 years	69,661	84,374
more than 5 years	45,797	53,951
	<b>156,335</b>	<b>176,655</b>

**Department of Health**  
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**Note 28. Restricted assets**

The Department receives cash contributions primarily from private practice clinicians, Pathology Queensland and from external entities to provide for education, study and research in clinical areas. Contributions are also received from benefactors in the form of gifts, donations and bequests and are ring-fenced for stipulated purposes.

	<b>2016</b> <b>\$'000</b>	<b>2015</b> <b>\$'000</b>
General trust	13,481	13,702
Clinical drug trials	4	4
	<b>13,485</b>	<b>13,706</b>

**Note 29. Interests in associates**

**Significant accounting policies**

The Department holds a minority shareholding in the Queensland Children's Medical Research Institute (QCMRI). However, as the Department has no rights to the net assets of QCMRI and no economic benefit is expected to flow to the Department, an investment in associate asset has not been recognised.

The Department has two associated entities, Translational Research Pty Ltd and Translational Research Institute Trust. The Department does not control either entity but does have significant influence over the financial and operating policy decisions. The Department uses the equity method to account for its interest in associates.

Translational Research Pty Ltd (the Company) is the trustee of the TRI Trust and does not trade.

The objectives of the TRI Trust are to maintain the Translational Research Institute Facility (TRI Facility); and operate and manage the TRI Facility to promote medical study, research and education.

In determining the Department's share of TRI's financial result, its income, expenses and equity movements are adjusted to align the accounting policies of TRI with those of the Department. At each reporting date, the Department assesses the investment for indicators of impairment. If there are impairment indicators, the impairment is calculated as the difference between the recoverable amount and the carrying value of the investment and recognised in the Statement of profit or loss and other comprehensive income.

Entity name	Incorporated		Ownership interest
Translational Research Pty Ltd (the Company)	Australia	12 June 2009	25 shares of \$1 per share (25% shareholding)
Translational Research Institute Trust (TRI Trust)	Australia	16 June 2009	25 units with equal voting rights (25% of voting rights)

The summarised financial information of the TRI Trust is set out below:

	<b>2016</b> <b>\$'000</b>	<b>2015</b> <b>\$'000</b>
<i>Summarised statement of financial position</i>		
Current assets	69,242	64,007
Non-current assets	279,186	290,928
Total assets	<b>348,428</b>	<b>354,935</b>
Current liabilities	7,081	7,549
Non-current liabilities	22,561	23,740
Total liabilities	<b>29,642</b>	<b>31,289</b>
Net assets	<b>318,786</b>	<b>323,646</b>
The Department's share of net assets	<b>79,695</b>	<b>80,910</b>

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**Note 29. Interests in associates (continued)**

The investment in TRI is recognised as its initial cost plus post-acquisition changes in the Department's 25 per cent share of TRI's net assets.

Revenue	26,686	22,227
Expenses	(31,544)	(26,934)
Surplus/(deficit)	(4,858)	(4,707)
Other comprehensive income	-	-
Total comprehensive income	(4,858)	(4,707)
The Department's share of total comprehensive income	(1,215)	(1,177)

**Note 30. Administered transactions and balances**

**Significant accounting policies**

The Department administers, but does not control, certain resources on behalf of the Queensland Government. In doing so it has responsibility and is accountable for administering related transactions and items, but does not have the discretion to deploy the resources for the achievement of the Department's objectives.

Amounts appropriated to the Department for transfer to other entities are reported as administered appropriation items.

Administered transactions and balances are comprised primarily of the movement of funds to the Office of the Health Ombudsman and the Mental Health Commission as well as transactions relating to the redevelopment of the Mater public hospital.

	2016 \$'000	2015 \$'000
<b>Administered revenues</b>		
Administered item appropriation	33,508	33,874
Taxes, fees and fines	30	33
Other revenue	320	-
Total administered revenues	33,858	33,906
<b>Administered expenses</b>		
Grants	29,566	29,222
Borrowing costs	3,942	4,651
Other expenses	350	33
Total administered expenses	33,858	33,906
<b>Administered assets</b>		
<b>Current</b>		
Cash	2	47
Receivables	12,189	11,433
<b>Non-current</b>		
Receivables	41,626	53,815
Total administered assets	53,817	65,295
<b>Administered liabilities</b>		
<b>Current</b>		
Payables	2	47
Other financial liabilities	12,189	11,433
<b>Non-current</b>		
Borrowings	41,626	53,815
Total administered liabilities	53,817	65,295

**Department of Health**  
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**Note 30. Administered transactions and balances (continued)**

A capital contribution was provided to Mater Health Services in relation to the Mater public hospital redevelopment completed in June 2008. This was underpinned by a Queensland Treasury Corporation (QTC) loan for which the Department receives Queensland Treasury funding to allow repayments to be made to QTC on a periodical basis.

The interest rate on the QTC borrowings is fixed at 6.46 per cent. The repayment term is ten years. The market value of the debt as notified by QTC as at 30 June 2016 was \$57.6M (2014-15: \$70.8M). This represents the value of the debt if the Department repaid the debt in full on 30 June 2016.

The Department derives no financial benefit from the transactions. The financial risk associated with the public component of the project has been underwritten by the Queensland Government.

**Note 31. Reconciliation of payments from Consolidated Fund to administered revenue**

	2016 \$'000	2015 \$'000
Budgeted appropriation	33,508	33,874
Transfers from (to)/from other headings	-	-
Administered revenue recognised in Note 30	<u>33,508</u>	<u>33,874</u>

**Note 32. Budget vs actual comparison**

**Statement of Comprehensive Income**

	Variance Notes	Original Budget 2016 \$'000	Actual 2016 \$'000	Variance \$'000	Variance % of budget
<b>Revenue</b>					
Departmental services revenue		9,406,668	9,581,853	175,185	2%
User charges	1	1,521,352	1,826,783	305,431	20%
Labour recoveries		1,791,861	1,829,976	38,115	2%
Grants and other contributions	2	3,261,255	3,671,950	410,695	13%
Other revenue		14,501	65,685	51,184	353%
Gain on disposals		-	1,127	1,127	100%
<b>Total revenue</b>		<u>15,995,637</u>	<u>16,977,374</u>	981,737	
<b>Expenses</b>					
Employee expenses	3	(2,941,076)	(3,092,835)	(151,759)	5%
Supplies and services	4	(2,057,481)	(1,581,402)	476,079	-23%
Health services	4	(10,548,444)	(11,648,335)	(1,099,891)	10%
Grants and subsidies	5	(125,141)	(103,086)	22,055	-18%
Depreciation and amortisation	6	(183,237)	(121,464)	61,773	-34%
Impairment losses		(1,478)	(638)	840	-57%
Share of loss from associates		-	(1,215)	(1,215)	100%
Other expenses	7	(137,296)	(425,632)	(288,336)	210%
<b>Total expenses</b>		<u>(15,994,153)</u>	<u>(16,974,607)</u>	(980,454)	
<b>Surplus for the year</b>		<u>1,484</u>	<u>2,767</u>	1,283	
<b>Other comprehensive income</b>					
<i>Items that will not be reclassified subsequently to profit or loss</i>					
Increase/(decrease) in asset revaluation surplus		-	31,412	31,412	
<b>Other comprehensive income for the year</b>		<u>-</u>	<u>31,412</u>	31,412	
<b>Total comprehensive income for the year</b>		<u>1,484</u>	<u>34,179</u>	32,695	



Department of Health  
Notes to the financial statements  
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Note 32. Budget vs actual comparison (continued)

Statement of financial position

	Variance Notes	Original Budget 2016 \$'000	Actual 2016 \$'000	Variance \$'000	Variance % of budget
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	8	(303,151)	407,623	710,774	234%
Loans and receivables	9	651,302	861,357	210,055	32%
Inventories		56,202	60,844	4,642	8%
Assets held for sale		21,804	32,000	10,196	47%
Prepayments	10	142,399	33,824	(108,575)	-76%
<b>Total current assets</b>		568,556	1,395,648	827,092	
<b>Non-current assets</b>					
Loans and receivables	11	372,831	104,406	(268,425)	-72%
Investment in associates		82,087	79,695	(2,392)	-3%
Property, plant and equipment		1,648,629	1,751,528	102,899	6%
Intangibles		247,641	233,572	(14,069)	-6%
Other assets		-	4,041	4,041	N/A
<b>Total non-current assets</b>		2,351,188	2,173,242	(177,946)	
<b>Total assets</b>		2,919,744	3,568,890	649,146	
<b>Liabilities</b>					
<b>Current liabilities</b>					
Payables	12	327,294	801,731	474,437	145%
Accrued employees benefits	13	253,580	489,982	236,402	93%
Unearned revenue		9,159	15,787	6,628	72%
<b>Total current liabilities</b>		590,033	1,307,500	717,467	
<b>Non-current liabilities</b>					
Unearned revenue		19,963	5,385	(14,578)	-73%
Other liabilities	14	247,283	-	(247,283)	-100%
<b>Total non-current liabilities</b>		267,246	5,385	(261,861)	
<b>Total liabilities</b>		857,279	1,312,885	455,606	
<b>Net assets</b>		2,062,465	2,256,005	193,540	
<b>Total equity</b>		2,062,465	2,256,005	193,540	

Department of Health  
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Note 32. Budget vs actual comparison (continued)

Cash Flow Statement

	Variance Notes	Original Budget 2016 \$'000	Actual 2016 \$'000	Variance \$'000	Variance % of budget
<b>Cash flows from operating activities</b>					
<i>Inflows</i>					
Departmental services receipts		9,406,668	<b>9,318,683</b>	(87,985)	-1%
Labour recoveries		1,791,861	<b>1,814,500</b>	22,639	1%
User charges		1,643,223	<b>1,557,220</b>	(86,003)	-5%
Grants and other contributions	2	3,261,255	<b>3,625,269</b>	364,014	11%
GST collected from customers		13,737	<b>21,923</b>	8,186	60%
GST input tax credits	15	153,264	<b>208,971</b>	55,707	36%
Other revenue		8,023	<b>59,996</b>	51,973	648%
<i>Outflows</i>					
Health services	4	(10,478,288)	<b>(11,101,074)</b>	(622,786)	6%
Employee expenses		(2,936,592)	<b>(3,011,281)</b>	(74,689)	3%
Supplies and services	4	(2,117,638)	<b>(1,281,801)</b>	835,837	-39%
Grants and subsidies	5	(125,141)	<b>(68,024)</b>	57,117	-46%
GST paid to suppliers	15	(143,394)	<b>(195,070)</b>	(51,676)	36%
GST remitted		(13,737)	<b>(21,593)</b>	(7,856)	57%
Other expenses	7	(127,822)	<b>(27,556)</b>	100,266	-78%
Net cash from/(used by) operating activities		335,419	<b>900,163</b>	564,744	
<b>Cash flows from investing activities</b>					
<i>Inflows</i>					
Loans and advances redeemed	16	-	<b>142,274</b>	142,274	N/A
Proceeds from sale of property, plant and equipment		1,500	<b>1,127</b>	(373)	-25%
<i>Outflows</i>					
Payments for property, plant and equipment	17	(1,068,345)	<b>(649,080)</b>	419,265	-39%
Payments for intangibles		(38,083)	<b>(44,201)</b>	(6,118)	16%
Loans and advances made		(309)	-	309	-100%
Net cash from/(used by) investing activities		(1,105,237)	<b>(549,881)</b>	555,356	
<b>Cash flows from financing activities</b>					
<i>Inflows</i>					
Equity injections	18	1,567,635	<b>592,597</b>	(975,038)	-62%
<i>Outflows</i>					
Equity withdrawals		(680,621)	<b>(750,609)</b>	(69,988)	10%
Net cash from/(used by) financing activities		887,014	<b>(158,012)</b>	(1,045,026)	
Net increase/(decrease) in cash held		117,196	<b>192,270</b>	75,074	
Cash and cash equivalents at the beginning of the financial year		(440,347)	<b>215,353</b>	655,700	-149%
<b>Cash and cash equivalents at the end of the financial year</b>		<b>(323,151)</b>	<b>407,623</b>	730,774	

Department of Health  
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Note 32. Budget vs actual comparison (continued)

Administered Items

	Variance Notes	Original Budget 2016 \$'000	Actual 2016 \$'000	Variance \$'000	Variance % of budget
<b>Administered revenues</b>					
Administered item appropriation		33,544	33,508	(36)	0%
Taxes, fees and fines		4	30	26	650%
Other revenue		-	320	320	100%
Total administered revenues		33,548	33,858	310	
<b>Administered expenses</b>					
Grants		29,606	29,566	(40)	0%
Borrowing costs		3,942	3,942	-	0%
Other expenses		-	350	350	100%
Total administered expenses		33,548	33,858	310	
<b>Administered assets</b>					
<b>Current</b>					
Cash		4	2	(2)	-50%
Receivables		12,190	12,189	(1)	0%
<b>Non-current</b>					
Receivables		41,626	41,626	-	0%
Total administered assets		53,820	53,817	(3)	
<b>Administered liabilities</b>					
<b>Current</b>					
Payables		5	2	(3)	-60%
Other financial liabilities		12,189	12,189	-	0%
<b>Non-current</b>					
Borrowings		41,626	41,626	-	0%
Total administered liabilities		53,820	53,817	(3)	

Explanations of Major Variances

1. The \$305.4M (20%) variance is mainly due to recognising revenue for medical supplies centrally procured by the Department and sold to HHSs (\$213.0M). This was not budgeted for. A matching expenditure is recognised in supplies and services. The variance is also attributable to the increased sale of new drugs to HHSs (\$138.3M).
2. The \$410.7M (13%) variance is mainly due to increased funding from the Commonwealth for health service delivery (\$234.5M). The Budget was based on estimated 2015-16 activity levels at the time the budget was prepared. During the year the Department delivered a higher level of activities, based on which the Commonwealth increased the actual cash funding. The variance is also attributable to Commonwealth funding accrued by the Department at the end of the financial year to account for the 2015-16 health services activities yet to receive funding for (\$114.8M).
3. The variance of \$151.8M (5%) is mainly due to higher actual staffing level than assumed in Budget (\$110.1M). It is also attributable to an additional Annual Leave levy payable to Queensland Treasury (\$41.7M).
4. The \$476.1M (23%) variance in supplies and services is mainly due to the recognition of cost of goods sold for medical supplies to HHSs (\$213.0M, refer explanation 1), an increase in drug expenditure due to the purchase of new high-cost drugs (\$191.1M), higher computer service expense associated with the statewide Windows 7 upgrade and increased IT purchases in HHSs (\$83.5M) as well as the expensing of prior year capitalised consultancy expenditure (\$22.4M). The \$1,099.9M (10%) variance in health services is mainly due to funding being re-directed from supply and services to purchase health services from HHSs (\$859.9M) and external service providers (\$183.9M) as a result of higher activity levels than budgeted.

**Department of Health**  
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**Note 32. Budget vs actual comparison (continued)**

5. The \$22.1M (18%) variance is mainly due to the Budget assuming additional grant expenditure but this was in fact service procurement expenditure disclosed in Health Services (\$57.0M). The variance is offset by grant expense to CHQ HHS for the decrease in the value of the Herston site (\$35.1M).

6. The \$61.8M (34%) variance is due to a higher budgeted asset base for Property, Plant and Equipment relating to lower level of capital acquisitions. Budgeted depreciation reflects the asset base of the Department at the time the Budget was prepared.

7. The \$288.3M (210%) variance is mainly due to the recognition of deferred appropriation expense (\$261.3M) which was not budgeted for. It is also attributable to write-offs in software Work-in-Progress (WIP) following an impairment review (\$8.7M), Sunshine Coast University Hospital (SCUH) project legal fees (\$6.9M), higher Queensland Government Insurance Fund (QGIF) premiums than budgeted (\$6.9M) and expensing of an advance payment for aborted capital purchase (\$6.0M).

8. The \$710.8M (234%) variance is mainly attributable to appropriation payable to Queensland Treasury recognised in Actuals whereas the Budget assumed a cash repayment prior to 30 June 2016 (\$294.9M). It is also due to lower budgeted payables resulting in higher cash payments within the Budget (\$305.2M) and higher budgeted receivables resulting in less cash receipts within the Budget (\$71.1M).

9. The \$210.1M (32%) variance is predominantly due to the recognition of appropriation receivable from Queensland Treasury (\$269.5M). The Budget assumed a reduction of \$110.8M whereas the Actual is an increase of \$158.7M. The variance is also attributed to the accrual of Commonwealth Activity Based Funding funding revenue in the current financial year (\$114.8M, refer Note 6). This is offset by lower Trade Debtors in Actuals mainly as a result of cash settlement for invoices issued to HHSs to recoup spending by the Department on behalf of HHSs.

10. The variance of \$108.6M (76%) results from payment of the Queensland Government Insurance Fund (QGIF) premium now being due post 30 June. The Budget assumed a payment in June for the 2016-17 premiums and the resulting prepayment.

11. The variance of \$268.4M (72%) mainly relates to the finance lease for Translational Research Institute (TRI) which has been transferred from the Department to Metro South HHS (\$247.3M). As a result, the associated finance lease assets and liabilities are no longer recognised by the Department in Actuals but Budget assumed otherwise.

12. The \$474.4M (145%) variance is predominantly due to the recognition of appropriation payable to Treasury for surplus funding and activities deferred into future years (\$413.0M). The Budget assumed a decrease of \$110.8M whereas the Actual had an increase of \$294.9M.

13. The \$236.4M (93%) variance is mainly due to higher Actuals for Annual Leave Levy Payable (\$187.9M) and Long Service Leave Levy Payable (\$39.5M). The Budget was based on April 2015 Actuals when the Annual Leave and Long Service Leave Central Schemes for the March Quarter had settled in cash and the balance of levy payables significantly reduced. However, the Actuals balance at 30 June 2016 includes the quarterly levy payables to be paid in July thus much higher than the Budget.

14. The \$247.3M (100%) variance is due to the inclusion in the budget of the Translational Research Institute (TRI) which has been transferred from the Department to Metro South HHS. Consequently, related finance lease assets and liabilities are no longer recognised by the department in Actuals (refer Note 13).

15. The variance of \$55.7M (36%) in GST input tax credits is due to increased supplier expenditure subject to GST than expected. This also explains the variance of \$51.7M (36%) for GST paid to suppliers.

16. The variance of \$142.3M is due to the recoupment invoice arrangement where the Department receives cash from HHSs for the spending on behalf of them. This was not budgeted for.

17. The \$419.3M (39%) variance is mainly due to a lower level of capital acquisition activities in Actuals than assumed in Budget. The variance is mainly due to budgeted capital expenditure not meeting the criteria for capitalisation and therefore recognised as operational cost (\$124.9M) and delays to ICT projects (\$67.5M), Sunshine Coast University Hospital project (\$37.7M), Townsville Hospital Expansion project (\$12.5M) and other capital programs (\$87.2M) as well as lower plant and equipment purchased (\$86.7M).

18. The variance of \$975.0M (62%) is mainly due to the fact that Budget assumed depreciation funding as cash expenditure whereas it is non-cash in Actuals (\$522.0M). It is also attributable to the capital expenditure deferrals mentioned in Note 20.

Department of Health

For the period ended 30 June 2016

**Management Certificate**

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

- a) the prescribed requirements for establishing and keeping the accounts have been complied with in all material respects; and
- b) the statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of the Department of Health (the Department) for the financial year ended 30 June 2016 and of the financial position of the Department 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.



Michael Walsh – Director General  
Department of Health

Date 30 / 8 / 16



Malcolm Wilson – Chief Finance Officer  
Department of Health

Date 30 / 8 / 16



## INDEPENDENT AUDITOR'S REPORT

To the Accountable Officer of the Department of Health

### Report on the Financial Report

I have audited the accompanying financial report of the Department of Health, which comprises the statement of financial position and statement of assets and liabilities by major departmental services as at 30 June 2016, statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of profit or loss and other comprehensive income by major departmental services for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the certificates given by the Director-General and the Chief Finance Officer.

#### *The Accountable Officer's Responsibility for the Financial Report*

The Accountable Officer 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 Accountable Officer's responsibility also includes such internal control as the Accountable Officer 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 Accountable Officer, 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* –

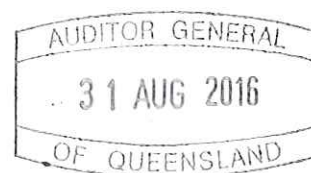
- (a) I have received all the information and explanations which I have required; and
- (b) in my opinion –
  - (i) the prescribed requirements in relation to the establishment and keeping of accounts have been complied with in all material respects; and
  - (ii) the financial report presents a true and fair view, in accordance with the prescribed accounting standards, of the transactions of the Department of Health for the financial year 1 July 2015 to 30 June 2016 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.



A M GREAVES FCA FCPA  
Auditor-General of Queensland



Queensland Audit Office  
Brisbane