

2019–2020
ANNUAL
REPORT



Queensland
Government

ACCESSIBILITY

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Content from this annual report should be attributed as: State of Queensland (Cairns and Hinterland Hospital and Health Service) Annual Report 2019–20.

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ISSN 2201-9863 (print) ISSN 2207-3329 (online)

Aboriginal and Torres Strait Islander people are advised that this publication may contain words, names, images and descriptions of people who have passed away.

Acknowledgment

The Cairns and Hinterland Hospital and Health Service respectfully acknowledges all traditional owner groups within the lands in which we work and acknowledges their elders, past, present and emerging.

At least 20 traditional owner groups align with 21 hospital facilities within our service area. They include:

- Bar Barrum
- Djabugay
- Djiru
- Ewamian
- Gimuy Walaburra Yidinji
- Girramay
- Gulnay
- Gunggandji and Mandingalbay Yidinji
- Jirrbal
- Kuku Yalanji
- Malanbarra Yidinji
- Mamu
- Muluridji
- Ngadjon Jii
- Tableland Yidinji
- Tagalaka
- Wakaman
- Wanyurr Majay
- Yirrganydji

Letter of compliance

2 September 2020

The Honourable Steven Miles MP
Deputy Premier, Minister for Health and Minister for Ambulance Services
GPO Box 48
Brisbane Q 4001

Dear Deputy Premier

I am pleased to submit for presentation to the Parliament the Annual Report 2019-20 and financial statements for Cairns and Hinterland Hospital and Health Service.

I certify that this Annual Report complies with:

- the prescribed requirements of the *Financial Accountability Act 2009* and the *Financial and Performance Management Standard 2019*, and
- the detailed requirements set out in the Annual Report Requirements for Queensland Government agencies.

A checklist outlining the annual reporting requirements can be found in Appendix C of this report.

Yours sincerely



Clive Skarott AM

Chair, Cairns and Hinterland
Hospital and Health Board

Table of Contents

Accessibility.....	2
Acknowledgment	3
Letter of compliance	4
Table of Contents	5
Statement on Queensland Government objectives for the community	7
From the Chair and Acting Chief Executive	9
About us	12
Strategic direction.....	12
Vision, Purpose, Values	12
Priorities.....	12
Aboriginal and Torres Strait Islander Health	13
Our community-based and hospital-based services	15
Targets and challenges	16
Governance.....	19
Our people.....	19
Board membership.....	19
Executive management	25
Organisational structure and workforce profile	28
Strategic workforce planning and performance	29
Early retirement, redundancy and retrenchment	30
Our risk management.....	31
Internal audit.....	31
External scrutiny, information systems and management.....	31
External scrutiny	31
Medical records.....	31
Information systems and record keeping.....	32
Queensland Public Service ethics.....	32
Human Rights	33
Confidential information.....	33
Performance.....	34
Service standards.....	34
Financial summary	36
Financial highlights	36
Where the funds came from	36
Where funding was spent	36
Cash and investments	36

Asset revaluation	36
Anticipated maintenance	36
Capital works	37

Appendix A: Financial Statements and Independent Auditor's Report

Appendix B: Glossary

Appendix C: Checklist

STATEMENT ON QUEENSLAND GOVERNMENT OBJECTIVES FOR THE COMMUNITY

The Cairns and Hinterland Hospital and Health Service is committed to the *Our Future State: Advancing Queensland's Priorities*. In particular, our policies, strategies and services align with the outcomes of 'Keep Queenslanders healthy', 'Give all our children a great start', 'Be a responsive government' and 'Create jobs in a strong economy'.

The Cairns and Hinterland Hospital and Health Service Strategic Plan 2018-2022 articulates our vision of excellence in healthcare, wellbeing, education and research in Far North Queensland.

This Strategic Plan was developed to support and align with the Queensland Government objectives for the community, including the directions outlined in *My health, Queensland's future: Advancing health 2026*.

Cairns and Hinterland Hospital and Health Service priorities	Alignment with the Advancing Queensland's Priorities
Our Patients We work to provide safe and equitable healthcare closer to home for our patients, their families and our communities.	<ul style="list-style-type: none"> ▪ Keep Queenslanders healthy ▪ Be a responsive Government ▪ Give all our children a great start
Our People We build a culture of excellence that fosters compassion, accountability, integrity and respect to strengthen our workplace.	<ul style="list-style-type: none"> ▪ Keep Queenslanders healthy ▪ Keep communities safe ▪ Create jobs in a strong economy
Aboriginal and Torres Strait Islander communities We improve our service delivery and partnerships with Aboriginal and Torres Strait Islander communities to improve health and wellbeing outcomes.	<ul style="list-style-type: none"> ▪ Keep Queenslanders healthy ▪ Give all our children a great start
Our Research and Education We promote and undertake research and education to deliver better health outcomes for our community.	<ul style="list-style-type: none"> ▪ Keep Queenslanders healthy ▪ Give all our children a great start
Our Technology We optimise our use of current and emerging technologies to provide better continuity of care.	<ul style="list-style-type: none"> ▪ Keep Queenslanders healthy ▪ Be a responsive Government
Our Future Growth and Sustainability We meet the needs of our community through safe and sustainable growth and service delivery.	<ul style="list-style-type: none"> ▪ Keep Queenslanders healthy ▪ Be a responsive Government ▪ Keep communities safe ▪ Create jobs in a strong economy

Table 1

During 2019-20, the Health Service focused on:

- delivering strategies relating to the six priorities in the Health Service's *Your Voice, Our Future Strategic Plan 2018-22*
- meeting the needs of our community by following the direction outlined in the *Clinical Service Plan 2018-22*, which details how to improve and grow our services over the next five to 10 years

- progressing the health outcomes of Aboriginal and Torres Strait Islander people through partnering with providers
- implementing initiatives to decrease the number of patients waiting outside clinically recommended timeframes across all categories
- advancing a number of capital projects, including the Atherton Hospital redevelopment, the Cairns South Health Facility and the Mental Health Service redevelopment
- improving financial and operational performance
- responding to the COVID-19 pandemic through implementation of public health strategies.

FROM THE CHAIR AND ACTING CHIEF EXECUTIVE

The year of 2019-20 was one of unexpected challenges and extraordinary achievements, which highlighted that through working together with our partners and communities, we can achieve our strategic vision to provide excellence in healthcare.

This annual report outlines the progress the Cairns and Hinterland Hospital and Health Service made in the first half of the 2019-20 financial year to strengthen our agenda to improve health and wellbeing outcomes for Far North Queenslanders. Our focus in the second half of the financial year shifted to the COVID-19 pandemic response and recovery with work also focusing on the continued delivery of essential health services. The Health Service will continue to be COVID-19 ready, including both the careful monitoring of hospital bed capacity, and appropriate streaming of patients whilst focusing on the recovery of those services that were delayed during the intense COVID-19 preparation period.

Strategic aims

This is the second year of our *Strategic Plan 2018-22*, which outlines a strong vision and strong focus on our patients, our people, our First Nations communities, our research and education, our technology, and our future growth and sustainability.

The Cairns University Hospital project is one step closer to becoming a reality with the development of a proposal, which includes a Research and Innovation Centre. The development of the University Hospital would ultimately facilitate the delivery of more complex services locally to ensure we continue to meet the health needs of Far North Queensland's growing population. Further investment in our research is demonstrated through the Tropical Australian Academic Health Centre, a collaboration between the five hospital and health services in northern Queensland (Cairns and Hinterland, Torres and Cape, Townsville, Mackay, and North West), Northern Queensland Primary Health Network and James Cook University.

We continue to prioritise and focus on our core purpose of delivering excellence in healthcare for our patients and communities.

There was a huge number of clinical innovations and research projects across the health service during 2019-20, many of which focused on responding to the particular health needs of our diverse and remote communities in Far North Queensland. These projects include:

- Far North Queensland Better Cardiac Care: this program provides specialist cardiac outreach services to regional, rural and remote towns and communities across Far North Queensland. This meant 661 patients did not need to travel to Cairns Hospital to see a cardiologist. The program conducted 349 echocardiograms and educated more than 50 staff.
- Advancing Kidney Care 2026: this project is improving access to kidney transplant referral rates and coordination, as well as access to supports and home dialysis, particularly for Aboriginal and Torres Strait Islander people. Indigenous adults are more than twice as likely to suffer chronic kidney disease as their non-Indigenous counterparts. Of note, a quarter of our kidney transplant recipients in 2019-20 identified as being Indigenous.
- Frail Older Persons Program: our Health Service continues to lead the way with innovative models that improve access to comprehensive and coordinated care for vulnerable older persons. This has included the alignment of the Geriatric Emergency Department Intervention with the OPEN ARCH community care coordination team and our Older Persons Liaison Service, together with the commencement of a new acute response for residential aged care that provides the choice for hospital-like care within the facility.

- The Queensland Aboriginal and Torres Strait Islander Rheumatic Heart Disease Action Plan 2018-21: our Health Service continues to lead and support the implementation of the action plan across the State. The Action Plan is delivering improvements in clinical pathways, data, reporting and education, as well as implementing innovative models of care.

Economic impact

As the cost of healthcare continues to increase, we have continued to ensure financial sustainability and excellent patient care in an environment of increased demand. During the 2019-20 financial year, a record \$1 billion was invested in healthcare in our Health Service.

Our end-of-financial year break-even result marks the successful end of our three-year plan to return to a balanced budget. We have been able to achieve a balanced result thanks to the efforts of all our staff, who actively engaged in programs to improve the efficiency of our services, while still delivering high quality care.

Infrastructure

During the past year, we turned the sod on the \$70 million Atherton Hospital redevelopment. We also progressed the new \$70 million Cairns Hospital Mental Health Unit, commenced work on the \$6.9 million upgrade of Mossman Multi-Purpose Health Emergency Department, and introduced endoscopy services at Mareeba Hospital following a \$1 million operating theatre upgrade. The new \$12.9 million Cairns South Health Facility also passed several construction milestones and is on track to open by the end of 2020.

Partnerships

Our relationships with other regional health services, our health partners and local governments and other agencies have been solidified during the financial year, particularly during the COVID-19 pandemic. We acknowledge and thank our partners for their continued support and commitment.

In February, we joined with Queensland Ambulance Service to launch the Patient Access Coordination Hub at Cairns Hospital, to better manage patient transfers between our health facilities. This resulted in smooth coordination of more than 500 inter-hospital transfers between February and mid-June.

The contributions of the Far North Queensland Hospital Foundation and many committed community members through Friends of the Foundation groups cannot be underestimated. In 2019-20, contributions totalled \$2.89 million in grants, including \$1.72 million to support COVID-19 preparations.

Our People

With 6362 full-time, part-time and casual employees, the Health Service is the largest single employer in the region. Our staff are our greatest asset, and we continue to invest in their development.

The safety of our patients and staff has remained our number one priority. Thank you to our staff members for their ongoing support, care and advocacy for our communities, and their tireless commitment to improving the health of our clients, especially during the pandemic. We would not be where we are today without you.

Lastly, we would also acknowledge the commitment and leadership of Clare Douglas, who departed as Chief Executive in March after almost four years in the role. Clare brought enormous energy and enthusiasm to the Health Service. Her legacy includes improving governance across the Health Service, delivering excellence in healthcare and improving the organisation's financial sustainability.

It is with great pleasure that we present to you Cairns and Hinterland Hospital and Health Service's 2019-20 Annual Report.

Yours sincerely,



Clive Skarott AM
Board Chair



Tina Chinery
Acting Chief Executive

ABOUT US

The Cairns and Hinterland Hospital and Health Service covers a large geographic area with a diverse and growing population and relatively high health needs compared with Queensland and national averages.

The Health Service's facilities include 9 hospitals, 11 primary health sites and 9 community health centres, as well as mental health facilities and specialist services.

The Cairns Hospital is the primary referral hospital for Far North Queensland with a catchment population of about 285,000. Referrals are from as far north as Cape York Peninsula and Torres Strait Islands, west to Croydon and south to Tully.

The Health Service provides a wide range of primary care, acute and specialist services. It is 95 per cent self-sufficient, meaning only five per cent of patients need to be referred to Townsville or Brisbane for highly specialised acute services.

Our staff are a part of the community we serve and we strongly believe that health outcomes are enhanced by involving our community in the planning and evaluation of local health services.

Strategic direction

The *Cairns and Hinterland Hospital and Health Service Strategic Plan 2018-22* is based on extensive collaboration with our staff and community. It sets the future directions and actions for the Health Service to meet the healthcare challenges and opportunities of our region.

Vision, Purpose, Values

Our Vision

Excellence in healthcare, wellbeing, research and education in Far North Queensland.

Our Purpose

We work together, with our communities, providing healthcare services to improve health and wellbeing in Far North Queensland.

Our Values

The Health Service is committed to upholding the five Queensland Public Service (QPS) values of Customers First, Ideas into Action, Unleash Potential, Be Courageous and Empower People.

The QPS values are augmented within the Health Service by the organisation's shared values: Compassion, Accountability, Integrity and Respect. These shared values were selected through extensive consultation with staff, patients and community in 2017. They have been embedded throughout the Health Service and are increasingly demonstrated by our staff.

Priorities

Our Patients: We work to provide safe and equitable healthcare close to home for our patients, their families and our communities.

Our People: We build a culture of excellence that fosters compassion, accountability, integrity and respect to strengthen our workplace.

Aboriginal and Torres Strait Islander communities: We improve our service delivery and partnerships with Aboriginal and Torres Strait Islander communities to enhance health and wellbeing outcomes.

Our Research and Education: We promote and undertake research and education to deliver better health outcomes for our community.

Our Technology: We optimise our use of current and emerging technologies to provide better continuity of care.

Our Future Growth and Sustainability: We meet the needs of our community through safe and sustainable growth and service delivery.

Aboriginal and Torres Strait Islander Health

The Health Service's footprint has an Aboriginal and Torres Strait Islander population of 29,729 or 14 per cent of the total population. This represents 13.5 per cent of Queensland's total First Nations population, the largest absolute population of Aboriginal and Torres Strait Islander residents of any Hospital and Health Service region.

Almost 30 per cent of patients accessing our services identify as Aboriginal and Torres Strait Islander. We continue to be met with challenges to reduce the gap in health equity that exists between Aboriginal and Torres Strait Islander and non-indigenous Queenslanders. The health gap is largely due to six main drivers:

- Cardiovascular disease
- Diabetes
- Mental health
- Chronic respiratory disease
- Intentional injuries
- Cancer

First Nations health planning

One of the six key priorities in the *Your Voice, Our Future Strategic Plan 2018-22* is to improve our service delivery and partnerships with Aboriginal and Torres Strait Islander communities to boost health and wellbeing outcomes.

Aboriginal and Torres Strait Islander health is guided through the Health Service's *Closing the Gap Implementation Plan*. This plan outlines local priorities across the Health Service for improving health service delivery and increasing healthier outcomes for Aboriginal and Torres Strait Islander people accessing our hospital and health services.

A total of 20 specific action items are included in the Closing the Gap plan to:

1. Increase Aboriginal and Torres Strait Islander leadership, governance and workforce
2. Improve engagement and partnerships with First Nations people, communities and organisations
3. Improve transparency, reporting and accountability.

While significant progress has been made, the impacts of COVID-19 have meant that some of these actions will need to be rolled over into 2020-21 First Nations planning activities.

Health equity

The Health Service is committed to improving health equity, which was demonstrated in the message to all staff: ‘We stand with Australia’s First Peoples’. This reinforced the importance of working across teams to reflect, learn and do whatever we can to end the health inequities for Aboriginal and Torres Strait Islander peoples. A key initiative for the Health Service in 2020-21 will be to establish an Aboriginal and Torres Strait Islander Health Equity Council to strengthen First Nations strategic governance and accountability.

Partnerships in health

Partnerships are key to improving Aboriginal and Torres Strait Islander health outcomes. A significant opportunity to progress partnerships is being realised through the *Stronger Mob, Living Longer Plan*; a joint planning initiative involving five Aboriginal Community Controlled Health Organisations (ACCHO), Torres and Cape Hospital and Health Service, Check-up Australia, Royal Flying Doctor Service, Northern Queensland Primary Health Network, Queensland Aboriginal and Islander Health Council and the Northern Aboriginal and Torres Strait Islander Health Alliance.

The *Stronger Mob, Living Longer Plan* is progressing the collaboration of resource and information sharing across these regional health partners of Far North Queensland and continues to track progress against milestones.

First Nations COVID-19 planning and response

COVID-19 posed challenges in developing rapid response efforts for First Nations peoples. Some of these complexities included preparing multiple agency prevention, response communication and workforce support efforts, as well as continuity of care for patients with chronic diseases, mental health conditions and the added pressures of quarantine and isolation accommodation and transport.

The Health Service built on existing partnerships in acknowledgement that all providers in the local region have a role during the planning and design of COVID-19 pandemic preparedness and response efforts.

Internal and external consultation with a wide range of health partners enabled endorsement of a *Cairns and Hinterland Hospital and Health Service First Nations COVID-19 Urban Response Readiness Plan*. This plan was co-designed with Tropical Public Health Services and five ACCHOs to guide the COVID-19 public health response efforts to prevent and reduce COVID-19 cases and community transmission among First Nations population groups across Far North Queensland.

Aboriginal and Torres Strait Islander engagement

Our Aboriginal and Torres Strait Islander Community Consultation Committee (CCC) is one of four CCC groups, with all four chairpersons of these committees being members of the Community Advisory Group (CAG). The CAG reports directly to the Health Service’s Board to bring the voice of patients, consumers, carers and the community to all aspects of planning, design, delivery and evaluation of our healthcare. Our Aboriginal and Torres Strait Islander CCC actively met during the 2019-20 financial year and during COVID-19 received regular COVID-19 updates.

Cultural Capability Program

The Health Service’s Aboriginal and Torres Strait Islander Health Directorate continues to deliver mandatory Cultural Practice Program (CPP) training to more than 6000 employees. During the

COVID-19 pandemic, a virtual Cultural Practice training program was implemented to ensure continued delivery to staff.

During 2019-20, a total of 3765 staff completed the CPP training. The CPP training target of 80 per cent staff completion will require prioritisation and commitment from individual staff members.

The Health Service engaged an external independent review of our Cultural Capability Program in late 2019. The report highlighted a number of positive elements and provided six recommendations for further improvement. The Aboriginal and Torres Strait Islander Health team will continue to strengthen the organisation's cultural capability through introducing a *CPP Implementation Plan 2020-21*.

Discharge Against Medical Advice (DAMA) Action Plan

The Health Service recognises the burdens on individuals and the health system when patients self-discharge and that Aboriginal and Torres Strait Islander patients are over-represented in this category. A working group is progressing 14 action items designed to engage and protect Aboriginal and Torres Strait Islander patients by reducing the rates of discharge against medical advice.

Our community-based and hospital-based services

The Cairns and Hinterland Hospital and Health Service is responsible for the delivery of local public hospital and health services from Jumbun in the south to Cow Bay in the north and Croydon in the west.

The Cairns Hospital is the main referral hospital for Far North Queensland as well as providing specialist outreach service for the Torres and Cape regions.

The Health Service is responsible for management of the facilities within its geographical boundaries, including:

- Atherton Hospital
- Babinda Multi-Purpose Health Centre
- Cairns Hospital
- Gordonvale Hospital
- Herberton Hospital
- Innisfail Hospital
- Mareeba Hospital
- Mossman Multi-Purpose Health Centre
- Tully Hospital
- Yarrabah Emergency Health Centre

The Health Service also provides a number of clinics and general practice services through primary health centres and hospitals in rural and remote areas. Primary health centres are at Dimbulah, Chillagoe, Mt Garnet, Croydon, Georgetown, Forsayth, Malanda, Millaa Millaa, Ravenshoe, Cow Bay, Babinda, Mission Beach, Jumbun, Smithfield, Cairns North and Edmonton.

Additional services include:

- mental health, oral health, and community, Indigenous and subacute services at many sites, including hospitals, community health centres, primary health centres, residential and extended care facilities, and by mobile service teams.
- Tropical Public Health Services (Cairns), which focuses on preventing disease, illness and injury, as well as providing limited health promotion to targeted groups.
- health services at Lotus Glen Correctional Centre.

Targets and challenges

The Cairns and Hinterland Hospital and Health Service progressed a range of initiatives during 2019-20 to support achievement of its strategic objectives, as outlined in the table below.

Priority	Strategic Plan KPIs	Achievements 2019-20
<p>Our patients</p> <p><i>We work to provide safe and equitable health care close to home for our patients, their families and our communities.</i></p>	<ul style="list-style-type: none"> ▪ Accreditation requirements are maintained. ▪ Measures of patient experience, including cultural safety, improved. ▪ Growth in the number of occasions of service in rural and remote hospitals. ▪ Targets met for access in surgery, outpatients and emergency departments. ▪ Increased partner engagement. ▪ Adherence to all legislated requirements relating to human rights. 	<ul style="list-style-type: none"> ▪ CHHHS has maintained accreditation against the National Safety and Quality Health Service Standards in Healthcare (second edition) ▪ Implemented initiatives via the Access to Care Project to improve patient flow at Cairns Hospital ▪ Opened a new endoscopy service at Mareeba Hospital in October 2019 ▪ Expanded day chemotherapy services at Atherton Hospital and Innisfail Hospital to help bring care closer to home for our local residents ▪ Access targets for surgery, outpatients and Emergency Department were not achieved and were significantly impacted by COVID-19 public health policies. ▪ Member of Better Health NQ – a regional partnership working together to improve healthcare delivery in northern Queensland
<p>Our people</p> <p><i>We build a culture of excellence that fosters compassion, accountability, integrity and respect to strengthen our workplace.</i></p>	<ul style="list-style-type: none"> ▪ 80% of staff identified as having an Individual Development Plan (IDP) in place. ▪ Improvements in the area of agency engagement, organisational leadership, innovation and culture as reported in workforce surveys. ▪ Reduction in sick leave and excess annual leave. ▪ Implementation of CHHHS workforce plan. ▪ Improved workplace health and safety indicators and compliance. 	<ul style="list-style-type: none"> ▪ Commenced the Senior Nursing and Midwifery Leadership Program ▪ Launched the CHHHS Culture Framework and supporting internal engagement survey ▪ Strengthened our workplace health and safety focus through a new Workplace Health and Safety Framework ▪ Sick leave was reduced in 2019-20; however, excess annual leave KPI was not achieved in 2019-20 due to COVID-19 ▪ IDP 2019-20 average compliance: target not met as impacted by COVID-19
<p>Aboriginal and Torres Strait Islander communities</p> <p><i>We improve our service delivery and partnerships with Aboriginal and Torres Strait Islander communities to improve health and wellbeing outcomes</i></p>	<ul style="list-style-type: none"> ▪ Increased percentage of our Aboriginal and Torres Strait Islander workforce. ▪ Agreed Health Plan for our Aboriginal and Torres Strait Islander community implemented. ▪ 80% of staff completed cultural capability training. ▪ Increased number of formalised partnerships. ▪ Implement strategies to reduce rates of Discharge Against Medical Advice (DAMA) and reduce Potentially Preventable Hospitalisation Rates (PPHRs). 	<ul style="list-style-type: none"> ▪ Continued to progress our Closing the Gap Plan actions ▪ DAMA rates have stabilised in 2019-20. ▪ Led the implementation for a number of the key initiatives in the <i>Stronger Mob, Living Longer Health Plan</i> and supported the implementation of the Aboriginal and Torres Strait Islander Health Plan for Far North Queensland ▪ Cultural Capability training 2019-20 average compliance: target not met as impacted by COVID-19)

<p>Our research and education</p> <p><i>We promote and undertake research and education to deliver better health outcomes for our community.</i></p>	<ul style="list-style-type: none"> ▪ Implementation of CHHHS Research Excellence Plan. ▪ Increased number of conjoint appointments between CHHHS and universities. ▪ Increased number of research publications. 	<ul style="list-style-type: none"> ▪ Progressed our Research Excellence Plan, providing a strong foundation for regional clinical trials and medical research (over 170 research activities currently underway) ▪ Member of Tropical Australian Academic Health Centre to promote study of research of health topics ▪ Completed a scoping paper for the Cairns Health and Innovation Precinct to support our vision of achieving university hospital status
<p>Our technology</p> <p><i>We optimise our use of current and emerging technologies to provide better continuity of care.</i></p>	<ul style="list-style-type: none"> ▪ Implementation of CHHHS Digital Health Services Plan. ▪ Increased telehealth occasions of service. 	<ul style="list-style-type: none"> ▪ Developed and approved an updated Cairns and Hinterland HHS Digital Health Plan ▪ Continued to progress key digital projects such as the Regional eHealth Project, which is on track for implementation in late 2020 ▪ Completed a review of our telehealth service to identify potential model of care improvement opportunities ▪ Increased telehealth services to maintain access to care in response to COVID-19
<p>Our future growth and sustainability</p> <p><i>We meet the needs of our community through safe and sustainable growth and service delivery.</i></p>	<ul style="list-style-type: none"> ▪ Number of initiatives related to the Clinical Services Plan service directions implemented. ▪ Increased Clinical Skills Capability Framework (CSCF) level of selected services, including some to level 6. ▪ Increased targeted services in rural and remote facilities. ▪ CHHHS returned to a surplus budget. 	<ul style="list-style-type: none"> ▪ Delivered a balanced budget position for 2019-20 ▪ Continued to progress our key infrastructure projects such as Cairns Southern Health Facility, Atherton Hospital Redevelopment and the new Mental Health precinct at Cairns Hospital ▪ Completed a scoping paper for the Cairns Health and Innovation Precinct to support our vision of achieving university hospital status and clinical service uplift ▪ Increased rural and remote services including endoscopy services at Mareeba Hospital in October 2019 and expanded day chemotherapy services at Atherton Hospital and Innisfail Hospital ▪ Increased outreach services for cardiac and renal services. ▪ Increased renal dialysis chairs as part of the Cairns and Hinterland HHS and Torres and Cape HHS renal service plan. ▪ Second Cardiac Catheter laboratory opened, and electrophysiology services commenced

Table 2: Strategic Plan achievements

Our challenges

- Our services extend beyond our catchment to include some of the most remote communities in Queensland. Eighty per cent of our regional towns are forecast to experience population growth in the next 10 years and an estimated 67,000 more people will live in our catchment area.
- Our community experiences a range of chronic and complex conditions. We have a higher than average prevalence of risk behaviours, including high-risk alcohol consumption, smoking and obesity.

- Each of our communities has its own identity, its own history and its own needs. Almost 60 per cent of our population is considered socio-economically disadvantaged. More than 20 per cent of our population is aged more than 60 years - a third more than the Australian average.
- We service the unique health needs of the largest and most diverse Aboriginal and Torres Strait Islander population in the State. Fourteen per cent of our residents are Aboriginal and Torres Strait Islander people compared with four per cent for the rest of Queensland.
- Our physical environment provides challenges to accessibility and the delivery of services. This Far North Queensland catchment area is approximately 380,000 square kilometres in size and supports an estimated 285,000 people.
- Maintaining our public health response to the COVID-19 pandemic whilst continuing to ensure our health services are safe for our patients and staff.

GOVERNANCE

Our people

Board membership



Mr Clive Skarott AM (Chair)
HonDUni, DipFinSvcs, FAICD, FAMI, JP (Qual.)

Appointed: 18 May 2017 - **Current term:** 18 May 2019 – 31 March 2022

Mr Skarott is the Chair of James Cook University (JCU) Dental and President of the Cairns Historical Society and Museum; a Director of Selectability Pty Ltd; and a Director of the Tropical Australian Academic Health Centre. In 2019 Mr Skarott was awarded an Honorary Doctorate of JCU, recognising his outstanding service and exceptional contribution to the north Queensland community. He was Chair of Ergon Energy and a Director of Energy Queensland Ltd as well as being Chair of the Cairns Port Authority until June 2010. Mr Skarott has also served in a number of other positions including as a Director of Advance Cairns; Treasurer of the Regional Development Australia Committee (Far North Queensland and Torres Strait); and Director and Chief Executive Officer of the Electricity Credit Union.

Mr Skarott holds the following positions:

- Chair, Board
- Member, Finance and Performance Committee
- Member, Safety and Quality Committee
- Member, Audit Committee
- Member, Executive Committee



Mr Luckbir Singh
LLB, GAICD

Appointed: Appointed: 15 May 2017 - **Current term:** 18 May 2020 – 31 March 2024

Mr Singh has been a corporate lawyer for 20 years and became a partner of MacDonnell's Law in 2007 - the youngest modern-day partner appointment in the firm's 136-year history. He has been recognised for his legal skills and client outcomes by Lawyer's Weekly as a finalist in the 2016 Australian Partner of the Year Awards. Mr Singh is also Chair of the People and Performance Committee for Northern Queensland Primary Health Network; Queensland Council member of the Australian Institute of Company Directors, and member of the Finance and Audit Committee, Tourism Tropical North Queensland.

Mr Singh holds the following positions:

- Chair, Executive Committee
- Member, Safety and Quality Committee



Ms Nancy Long
ADip Bus, Dip Bus

Appointed: 15 May 2017 - **Current term:** 18 May 2020 – 31 March 2024

Ms Long is an Indigenous health executive. She has held various positions with Wuchopperen Health Service from 1989, including Chief Executive Officer, Director of Primary Health Care, and Director of Business Development. Ms Long was inducted into the Queensland Aboriginal and Islander Health Council's Hall of Fame in 2010.

Ms Long holds the following positions:

- Member, Safety and Quality Committee
- Member, Finance and Performance Committee



Mr Greg Nucifora
BCom CA, GAICD

Appointed: 18 May 2020 - **Current term:** 18 May 2020 – 31 March 2024

Independent advisor: 4 September 2017 - 17 May 2020

Mr Nucifora served as the Chair of the ECU Australia Ltd Board until the merger of that organisation with Queensland Country in April 2017. He was born and raised in Far North Queensland and is a private client advisor with Bell Potter Securities in Cairns. Mr Nucifora has extensive Board experience, which includes the following current positions: Director of Queensland Country Health Fund Ltd; Director of Queensland Country Bank; Chair of the Catholic Development Fund for the Diocese of Cairns; Chair of the Audit Committee for Cairns Indigenous Art Fair; and Independent Chair of the Audit Committee, Cairns Regional Council. Mr Nucifora was an independent advisor to the Board before his appointment as a member.

Mr Nucifora holds the following positions:

- Chair, Finance and Performance Committee
- Member, Audit Committee



Mr Christopher Boland
BE (Hons), GAICD

Appointed: 15 May 2017 - **Current term:** 18 May 2020 – 31 March 2024

Mr Boland has been Chief Executive Officer of the Far North Queensland Ports Corporation (Ports North) since 2009 and is Chair of the Queensland Ports Association and Director of Advance Cairns and Ports Australia. He was previously the General Manager Seaport for Cairns Ports (formerly Cairns Port Authority). Mr Boland has two adult children, both practising as doctors.

Mr Boland holds the following positions:

- Chair, Audit Committee
- Member, Finance and Performance Committee



Dr Amanda Roberts
BSOC SCI (CUR), MBBCH, FACRRM

Appointed: 18 May 2020 - **Current term:** 18 May 2020 – 31 March 2024

Dr Roberts was born and raised in South Africa and moved to Cairns in 2007. Her appointment brings valuable clinical expertise to the Board as she is currently a GP with experience in the local community in both the primary health field and the business sector. Her medical experience in Australia includes rotations at Cairns Hospital and many years working with the Royal Flying Doctor Service in remote communities and in aeromedical retrievals. Prior to medicine training, Dr Roberts was a registered nurse and midwife. She is passionate about the provision of outreach health services to vulnerable and marginalised people and established and manages a local not-for-profit organisation.

Dr Roberts holds the following positions:

- Member, Executive Committee
- Member, Safety and Quality Committee



Ms Jodi Peters
BBus (USQ), GAICD, FIML, MAHRI

Appointed: 15 May 2017 - **Current term:** 18 May 2019 – 31 March 2022

Ms Peters is a founder and Managing Director of The 20/20 Group, a North Queensland strategic consultancy specialising in business and marketing planning. Through that business, Ms Peters primarily advises on strategic planning and governance, and undertakes major tendering projects for clients. She has extensive background managing law firms and is presently the Business Manager of Peters Bosel Lawyers. Ms Peters has, for nearly 25 years, chaired and sat on several not-for-profit boards (including the Far North Queensland Hospital Foundation Board) and organisation committees, and has consulted to many boards. This has given her a strong knowledge of governance, executive reporting, and financial and performance management.

Ms Peters holds the following positions:

- Chair, Safety and Quality Committee
- Member, Finance and Performance Committee



Ms Tracey Wilson
MSustDev, ProfDipHRM, MAICD, AMICDA

Appointed: 18 May 2017 - **Current term:** 18 May 2019 – 31 March 2022

Ms Wilson is the owner and director of Working Visions, an award-winning Queensland consulting firm focused on governance, public participation, collective impact, and leading collaboration and strategy for systemic change across communities and organisations. Over the past 18 years, she has held board and sub-committee roles on the Queensland Building Services Authority, Yachting

Queensland and the International Association for Public Participation, where she also chaired the Australasian Communications sub-committee.

Ms Wilson holds the following positions:

- Member, Audit Committee
- Member, Executive Committee



Ms Julianne Boneham

AICD

Appointed: 18 May 2019 - **Current term:** 18 May 2019 – 31 March 2022

Ms Boneham has more than 10 years' experience in Indigenous Affairs, health management and private enterprise. She currently holds the role of Independent Director of the Northern Aboriginal and Torres Strait Alliance (NATSIHA). Ms Boneham worked as a registered nurse for the Wuchopperen Health Service and Cairns Hospital early in her career.

Ms Boneham holds the following positions:

- Member, Audit Committee

Board attendance

The Cairns and Hinterland Hospital and Health Board meets monthly with 11 meetings typically scheduled each financial year. Attendance for the current Board is outlined in the table below:

	Board Meeting	Audit	Finance and Performance	Safety and Quality	Executive
Clive Skarott	11 of 11	4 of 4	11 of 11	6 of 6	4 of 4
Luckbir Singh	11 of 11	-	-	1 of 1	4 of 4
Nancy Long	11 of 11	-	6 of 7	5 of 6	-
Lee Stewart (term ended 17 May 2020)	3 of 10	-	-	2 of 5	-
Amanda Roberts (commenced 18 May 2020)	1 of 1			1 of 1	1 of 1
Christopher Boland	9 of 11	4 of 4	9 of 11	-	-
Sean McManus (term ended 17 May 2020)	9 of 10		-	4 of 5	1 of 3
Jodi Peters	10 of 11	3 of 3	9 of 11	1 of 1	-
Tracey Wilson	9 of 11	4 of 4	-	-	4 of 4
Julianne Boneham	8 of 11	1 of 1	-	4 of 5	-
Gregory Nucifora	11 of 11	4 of 4	11 of 11	-	-

Table 3 – Board meeting attendance

The annual Board fees for the Chair in 2019-20 are \$75,000 and for the Deputy Chair and members are \$40,000. Annual fees for the Committees are \$4000 for the designated Chair and \$3000 for members per Committee. Out-of-pocket expenses totalling \$1791 were paid to Board members during the reporting period.

Our committees

Committees of the Board

The Board is supported in the discharge of its duties by a series of Board committees. These committees include the:

- Executive Committee
- Safety and Quality Committee
- Audit Committee
- Finance and Performance Committee

Executive Committee

The Executive Committee is a formal committee of the Board established in accordance with section 32 of the *Hospital and Health Boards Act 2011*, and performs the functions described in this section and in accordance with its Terms of Reference.

During the 2019-20 year the Executive Committee considered a number of matters, including:

- Operational planning
- Cultural Strategy
- Workplace Health and Safety
- Communications and Engagement Plan
- HR performance
- Risk management

Safety and Quality Committee

The Safety and Quality Committee is a formal committee of the Board established in accordance with schedule 1, section 8 of the *Hospital and Health Boards Act 2011*, and performs the functions described under part 7, section 32 of the *Hospital and Health Boards Regulation 2012*.

The purpose of the Safety and Quality Committee is to assist the Health Service and its Board by fulfilling its oversight responsibilities and ensuring effective and accountable systems are in place to monitor and improve the quality and effectiveness of health services provided by the Health Service.

During the 2019-20 year, the Safety and Quality Committee considered a number of matters, including:

- Clinical governance
- Patient safety and quality
- Key performance indicators relating to organisation-wide assessment (accreditation) in accordance with the National Safety and Quality Health Service Standards
- Specific presentations by different service departments
- Consumer engagement.

Audit Committee

The Audit Committee is a formal committee of the Board established in accordance with schedule 1, section 8 of the *Hospital and Health Boards Act 2011* and section 35 of the *Financial and Performance Management Standard 2019*.

The Audit Committee performs the functions as so described under part 7, section 34 of the *Hospital and Health Boards Regulation 2012*.

The purpose of the Audit Committee is to advise the Board on the adequacy of the Health Service's financial statements, internal control structure, internal audit function and legislative compliance systems. The Committee also oversees the Health Service's liaison with the Queensland Audit Office. The Audit Committee monitors audit recommendations on a quarterly basis – including External Audit recommendations and QAO performance audit recommendations (where relevant).

The Audit Committee has observed the terms of its charter and has had due regard to Treasury's Audit Committee Guidelines.

Finance and Performance Committee

The Finance and Performance Committee is a formal committee of the Board established in accordance with schedule 1, section 8 of the *Hospital and Health Boards Act 2011* and performs its functions as so described under part 7, section 33 of the *Hospital and Health Boards Regulation 2012*.

The purpose of the Finance and Performance Committee is to assess the Health Service's budgets and monitor the Health Service's cash flow and its financial and operating performance. It is responsible for advising and updating the Board about these and other related matters.

During 2019-20, the Finance and Performance Committee considered a number of matters, including:

- Financial performance
- Operational performance and supporting key performance indicators
- Capital projects
- Organisational Sustainability Plan.

Executive management



Acting Chief Executive

Ms Tina Chinery EMPA, DipEd, BAppSc (Nursing), GAICD

Tina Chinery has extensive experience in public health service leadership, including management of acute services, primary health and aged-care sectors. She has been involved in a number of system-wide health service reforms and has overseen the development and commissioning of regional hospitals and tertiary hospitals.

Tina began her career as a rural general nurse and in the past 20 years has been in senior executive roles, including Regional Director for the Pilbara Region WA and Chief Operating Officer Southern for the WA Country Health Service, and Executive Director Cairns Services.

Tina commenced in the Acting Chief Executive role in March 2020.



Acting Executive Director Cairns Services

Ms Marie Kelly GAICD, RN, RPN, Grad. Cert (CMH)

Marie Kelly commenced as Acting Executive Director Cairns Services in March 2020. She has worked in a variety of roles across Queensland Health for the past 28 years. These have included clinical and management positions in multiple hospital and health services with a dedicated focus on the growth and development of Mental Health Services. She spent over six years in the Mental Health Branch, Department of Health leading state-wide initiatives before returning to front-line operational work in late 2016.

Following the successful commissioning of the new mental health building at the Sunshine Coast University Hospital greenfield site, Marie joined the Cairns Services Management Team in 2017 as the Mental Health Service Director and has been integral in the \$70 million Mental Health Unit redevelopment.



Acting Executive Director Rural and Remote Services

Ms Tracey Morgan RN, RM, Grad Cert (InsCare), Grad Cert (MH), Grad Cert (BusManHlth), MNSG, MAICD

Tracey has 39 years' experience in nursing, including 19 years in senior nursing leadership and management positions across the public and private sector. In her early nursing career, she held clinical nurse specialist roles in Intensive Care and Respiratory Medicine at Westmead Hospital in NSW.

Tracey also worked for 12 months for International Health and Medical Service as the health service manager in the detention centres in Darwin during the peak of the asylum seeker period, managing the detention health services at two sites.

More recently, she was the Rural Manager for Mental Health in southern Queensland before progressing into Director of Nursing roles. She then came to Cairns and Hinterland Hospital and Health Service as Director of Nursing and Midwifery, Rural and Remote Services. Tracey is a member of the Australian College of Nursing and a member of the Australian Institute of Company Directors.

**Chief Finance Officer**

Mr Steve Thacker FCCA, CIPFA, BA, PGDip, MA

Steve Thacker was appointed as Chief Finance Officer (CFO) of the Health Service in December 2015.

He brings more than 25 years' senior management experience to Queensland Health, following a varied career across health, government and charity sectors. Accepting this role of CFO brought him back to his roots, having grown up in North Queensland. Prior to spending nearly 20 years in the United Kingdom working in health, education and criminal justice systems, Steve worked in remote Australian Indigenous communities.

He is a Fellow of the Association of Chartered Certified Accountants, a member of the Chartered Institute of Public Finance Accountants, the Institute of Directors and the Association for Project Management.

**Executive Director Allied Health**

Dr Donna Goodman BPsych (Hons), MPsych (Clin), PhD, MAPS

Donna Goodman has been Executive Director of Allied Health since July 2011, and was permanently appointed in June 2013. Prior to this, Donna worked as a psychologist for 14 years in public and private sector health settings in clinical, management and research roles before becoming the Health Service's Director of Psychology in 2008. She holds a Bachelor of Psychology and completed a PhD in 2002, which investigated psychosocial adjustment to chronic illness. She completed a Masters in Clinical Psychology in 2015. Clinically, Donna's interests include professional ethics, chronic condition self-management, adjustment to illness and disability, health behaviour change and chronic pain. She is an Adjunct Associate Professor in the Division of Tropical Health and Medicine at James Cook University.

**Executive Director Medical Services**

Adjunct Clinical Professor Don Mackie MB ChB FANZCA FRACMA MInstD

Don Mackie was appointed in June 2019 and has over 20 years' experience in clinical leadership roles in Australia and New Zealand. He originally specialised in anaesthesia and has worked in the United Kingdom and United States.

Most recently, Don held the role of Executive Director of Medical Services and Clinical Governance with the Central Adelaide Local Health Network. Previously, he was New Zealand Ministry of Health Chief Medical Officer and Deputy Director General: Clinical Leadership, Protection and Regulation. Before that, he was Chief Medical Officer at Counties Manukau District Health Board.

**Executive Director Nursing and Midwifery**

Adjunct Professor Debra Cutler RN, BSc (Hons), MHM, MACN, GAICD

Debra Cutler joined the Executive Team in April 2019. She was born and grew up in Cairns and trained and worked at the then Cairns Base Hospital.

Debra has worked in health services for more than 30 years, the last 20 years as executive director of nursing and midwifery and director of operations in large and complex public health organisations in Australia and the United Kingdom.

She has extensive experience in strategic management, ensuring effective clinical and operational governance and providing professional nursing leadership. She has been an accreditation surveyor for the Australian Council on Healthcare Standards since 2013 and is an Adjunct Professor with the University of Technology Sydney.

**Executive Director Aboriginal and Torres Strait Islander Health**

Ms Joy Savage MBA, AICD member

Joy Savage joined the Executive Team in May 2018. She has lived most of her life in Cairns and returned from an extended orbit in Canberra where she worked at the senior executive service level for well over a decade.

She has previously held chief executive roles in the Aboriginal community-controlled health service sector in Far North Queensland and has senior officer experience in the Commonwealth public service, including the Department of Health and the Department of the Prime Minister and Cabinet.

Joy has health leadership, social policy, corporate and international development experience accumulated over 25 years.

Joy is currently a Board Member of the Australian Healthcare and Hospitals Association (AHHA) and is a Board member of the Fred Hollows Foundation Social Action Fund (USA).

**Acting Executive Director People and Engagement**

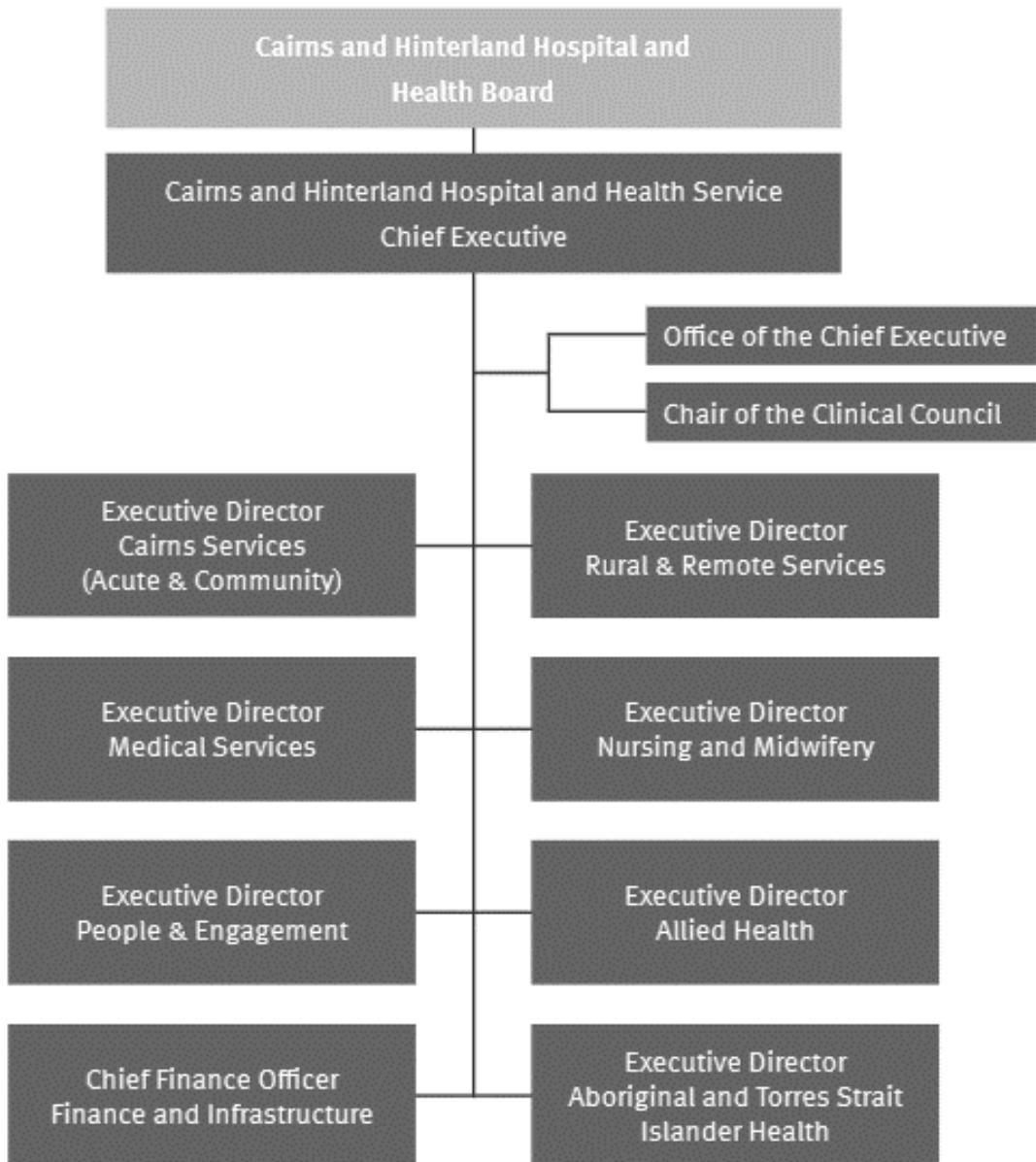
Ms Erica Gallagher Grad Cert Public Sector Mgt, FAHRI

Erica Gallagher joined the Executive Team as acting Executive Director People and Engagement in June 2020. Erica's career spans over 30 years in leading and managing strategic and operational workforce services in the WA and Queensland public sector and more recently as Executive Director Workforce and Engagement for Torres and Cape Hospital and Health Service. She has also worked in the not-for-profit disability sector and in the Kimberley region in WA in training and health organisations.

Erica is a Fellow member of the Australian Human Resource Institute and was the WA State President. Her focus is on relationship building, innovation, valuing diversity, promoting cultural inclusiveness and working in collaborative partnerships with every aspect of the business. She is passionate about working with people and strongly believes that concentrating on people results in improved business performance.

Organisational structure and workforce profile

Organisational structure



Workforce profile

Cairns and Hinterland Hospital and Health Service continues to be the largest employer in Far North Queensland. At 30 June 2020, 6362 (5312 full-time equivalent) employees delivered services across nine executive-led portfolios within the Health Service. This includes staffing increases of 32 more medical staff, 106 more nursing staff and 47 more allied health staff compared to the previous year.

The permanent separation rate of staff leaving the Health Service during 2019-20 was 5.15 per cent.

The Health Service is focused on building a culture of excellence, which fosters compassion, accountability, integrity and respect.

It seeks to increase the number of Aboriginal and Torres Strait Islander people employed to better reflect the diversity of our local population and patients. This includes offering traineeships, mentoring and support, and creating identified positions where appropriate. This year there was an increase of 36 staff who identified as of Aboriginal and Torres Strait Islander descent.

	2015-16	2016-17	2017-18	2018-19	2019-20
Medical staff ^a	513	545	582	614	646
Nursing staff ^a	2,181	2,234	2,269	2,286	2,392
Allied Health staff ^a	592	577	620	620	667

Table 4 - More doctors and nurses*

	2015-16	2016-17	2017-18	2018-19	2019-20
Persons identifying as being First Nations ^b	128	137	148	150	186

Table 5: Greater diversity in our workforce*

Note: * Workforce is measured in MOHRI – Full-Time Equivalent (FTE). Data presented reflects the most recent pay cycle at year's end. Data presented is to June-20.

Source: ^a DSS Employee Analysis, ^b Queensland Health MOHRI, DSS Employee Analysis

Strategic workforce planning and performance

The Health Service's continuing mission is to attract and retain high-calibre staff with the right skills and attitude to make a positive contribution to patient-centred care across our region. Staff are offered a range of learning and development opportunities and targeted leadership programs associated with the Health Service Leadership Pipeline Performance Standards. The aim is to build leadership capability to enable employees and the Health Service to achieve organisational goals while supporting career growth and maintaining patient care and safety.

Key performance indicators relating to our staff are outlined in the Targets and Challenges section of this Annual Report.

Planning for the future of work

The Health Service will undertake workforce planning to meet the clinical needs of the service. As a Digital Hospital since 2016, the Health Service is using technology such as the integrated electronic Medical Record (ieMR) program to improve clinicians' access to information.

Our Health Service is invested in the ongoing sustainability and growth of telehealth technology to improve access to speciality services across the State. In the 2019-20 financial year, we committed to strive for greater coordination and management of telehealth services to further improve the patient experience. A telehealth service review commenced to identify if any further improvements to the service are needed. There was a significant increase in telehealth services in response to COVID 19 to maintain service access for our communities.

Flexible working arrangements

The Health Service supports and encourages flexible work practice for the mutual benefit of our organisation and employees. A range of flexible work options is available to staff, including (but not limited to) part-time employment, variable working hours, working set shifts or set days, purchased

leave, parental leave, lactation breaks and domestic violence leave. Information on flexible work practices is communicated to employees within initial vacancy advertising, during orientation and induction, as well as in response to direct enquiries.

Leadership and management development framework

The Leadership Pipeline, implemented in 2018, continued to be embedded in 2019-20 and provides clarity of leadership accountability and performance development opportunities. The key performance standards for each layer are patient-centred care, engagement and relationships, values and culture, and accountability and sustainability. A Leadership Framework has been developed to align the range of leadership programs and support structures with key strategic plans and management activities.

Employee performance is monitored via the Individual Development Plan process. During 2019-20, the Individual Development Plan (IDP) training workshops were reviewed to develop line manager skills in performance and development conversations to drive more effective outcomes and improve employee engagement. IDP workshops continue to be delivered to all levels of staff and are a pre-requisite for attendance on a Leadership Development program. The IDP process was also reviewed to ensure strong alignment between the Health Service's shared values and the performance standards, as well as ensuring the process is simple and robust.

Initiatives for Aboriginal and Torres Strait Islander staff

An on-line staff network that was established in March 2019 for Aboriginal and Torres Strait Islander staff continues to offer a safe place to yarn, explore ideas and raise topics of discussion.

Two surveys of managers and Aboriginal and Torres Strait Islander staff undertaken in February and June 2019 continue to help shape and refine further strategies to increase Indigenous employment and retention.

Industrial relations framework

The Health Service has a number of local consultative forums that support a collaborative approach to consultation and the timely resolution of issues between the Health Service and unions. The overarching Health Service Consultative Forum, attended by the Executive Directors, has strategic oversight of people management issues, and is the peak body for unresolved matters from the local consultative forums.

Recognition of Australian South Sea Islanders

Cairns and Hinterland Hospital and Health Service formally recognises the Australian South Sea Islanders as a distinct cultural group within our geographical boundaries. Cairns and Hinterland Hospital and Health Service is committed to fulfilling the *Queensland Government Recognition Statement for Australian South Sea Islander Community*, to ensure that present and future generations of Australian South Sea Islanders have equality of opportunity to participate in and contribute to the economic, social, political and cultural life of the State.

Early retirement, redundancy and retrenchment

No redundancy, early retirement or retrenchment packages were paid during the period.

OUR RISK MANAGEMENT

Internal audit

The Health Service has an internal audit function, which provides independent, objective assurance to the Health Service's Executive Leadership Committee, Audit Committee and Board on the state of risks and internal controls. It also provides the executive directors with recommendations to enhance internal controls.

The Internal Audit function operates in accordance with a Board-approved Internal Audit Charter, which is reviewed annually and in accordance with the Institute of Internal Auditors' Professional Practices Framework (IPPF). The Internal Audit Charter identifies the role and responsibility of the function, along with how it ensures independence and objectivity by reporting functionally to the Chief Executive and having a direct reporting line to the Audit Committee. The Internal Audit function is independent of management and the external auditors.

An annual Internal Audit Plan is approved by the Board at the start of each financial year. Quarterly updates are provided to the Executive Leadership Team and the Board Audit Committee on the progress towards the plan.

All audit reports are presented to the relevant operational manager for management responses, and then submitted to the Chief Executive and Audit Committee. The Internal Audit Team follows up implementation of all review recommendations and presents a quarterly update on implementation to senior management, the Chief Executive and Audit Committee.

The Internal Audit Team is resourced with an in-house Director of Internal Audit and Senior Internal Auditor. Arrangements for the use of external contractors are made periodically as required to deliver the Internal Audit Plan.

External scrutiny, information systems and management

External scrutiny

The Health Service's operations are subject to regular scrutiny from external oversight bodies. These include, but are not limited to:

- Australian Council on Healthcare Standards (ACHS)
- Australian Health Practitioner Regulation Agency
- Coroner
- Crime and Corruption Commission
- Medical colleges
- National Association of Testing Authorities Australia
- Office of the Health Ombudsman
- Queensland Prevocational Medical Accreditation
- BreastScreen Queensland
- Radiology Health division of Queensland Health
- Pathology Queensland
- Queensland Audit Office

Medical records

The Health Service manages medical records through two key mechanisms.

Staff at the Cairns Hospital and Cairns Community Health use a digital medical record (ieMR) to document care for their patients. Clinical staff at all other facilities within the Health Service region are able to view this record, enabling continuity of care. This allows for information to be available to multiple providers at the one time and assists in the coordinated care of patients. All access to the system is controlled and logged, and audit trails are regularly monitored.

Health Information Services, within the Health Service, manages the paper records across the facilities and, where required, scans information from paper records into the electronic medical record. Health Information Services is currently accredited by the Australian Council Healthcare Standards. Systems are in place to ensure paper records are appropriately stored, easily located and accessible when required, secured from unauthorised access, and protected from environmental threats. Health Information Services also has procedures and work instructions in place that ensure compliance with the Health Sector (Clinical Records) Retention and Disposal Schedule, Queensland Disposal Authority Number (QDAN) 683 Version 1.

Information systems and record keeping

The Health Service is responsible for the management and safe custody of administrative records in accordance with the Records Governance Policy and *Public Records Act 2002*.

Administrative records are created, stored and maintained for only some of the business activities undertaken.

The Health Service adheres to the General Retention and Disposal Schedule for retention of records. Building and maintaining best-practice record keeping is the responsibility of all employees.

Queensland Public Service ethics

The Health Service continued to uphold the principles of the *Public Sector Ethics Act 1994*: integrity and impartiality, promoting the public good, commitment to the system of government, and accountability and transparency.

All staff employed are required to undertake training in the Code of Conduct for the Queensland Public Service during their orientation and to familiarise themselves with the Code at regular intervals.

The orientation program includes conflict of interest, fraud, and bullying and harassment to ensure all staff have a good understanding of their requirements under the Code of Conduct for the Queensland Public Service. Communications relating to the standard of practice are also regularly released.

Other mandatory training for staff includes orientation, Aboriginal and Torres Strait Islander cultural practice, key health and safety programs, and Australian Charter of Health Care Rights Awareness.

Our procedures and management practices have proper regard to the ethics, principles and values of the Code of Conduct for the Queensland Public Service.

Human Rights

The performance of actions to further the objectives of the *Human Rights Act 2019* (the Act) and reviews for compatibility with human rights have been impacted as a result of COVID-19. Whilst relevant actions in 2020 have been different from what was anticipated, the Health Service undertook significant work within the 2019-20 period, including:

1. Actions to further the objectives of the Act

At a strategic level, training for senior leaders, conducting awareness raising throughout the Health Service, incorporating human rights into the Cairns and Hinterland Hospital and *Health Service Strategic Plan 2018-22*, engaging with functional public entities to raise awareness of obligations, and reporting to the Executive Leadership Committee on human rights implementation activities.

At an operational level, training staff, incorporating human rights into the Health Service's operational plan, incorporating human rights into staff performance plans, incorporating human rights into the Health Service's recruitment processes, including human rights considerations into relevant contracts and procurement processes, and conducting awareness raising for staff.

2. Reviews undertaken for compatibility with the Act

Reviews were undertaken to ensure compatibility with the Act. These included:

- Health Service clinical and non-clinical policies, guidelines and frameworks, incorporating human rights into the Health Service consumer feedback and compliments and complaints management policy, and incorporating human rights into workplace policies
- Review of eligibility criteria for programs and review of who accesses programs to identify potential access issues
- Review of Health Service procedures and incorporating human rights into the Health Service's consumer feedback procedure
- Review practices of administrative decision-makers, ensuring contracts and procurement processes incorporate human rights and respond to concerns or complaints.

The Health Service has developed and implemented human rights compatibility analysis tools to assist staff to consider, and act compatibly with, human rights when making decisions. The tools include a compatibility analysis template, a selection of key human rights and a useful table of rights relevant to healthcare. This has assisted in embedding a human rights culture into the Health Service.

The Health Service has received one human rights complaint and an explanation will be provided as an outcome to this complaint.

Confidential information

The *Hospital and Health Boards Act 2011* requires annual reports to state the nature and purpose of any confidential information disclosed in the public interest during the financial year. The Chief Executive did not authorise the disclosure of confidential information during the reporting period.

PERFORMANCE

Service standards

Due to the COVID-19 pandemic from March 2020, category 2 and 3 elective surgery and specialist outpatient services were cancelled. The reduced services and restrictions on travel across the State impacted activity at the Health Service, thereby increasing the cost per case treated.

A staged rebalancing of elective surgery services commenced from early June 2020, with incremental increases in surgical theatre sessions in alignment with the clinical supply chain.

The increased cost of transport, personal protective equipment (PPE) and general goods and services over the pandemic period may have offset any savings that might have been made due to the downturn in patient activity reducing the opportunity to deliver some saving strategies.

It was necessary to secure additional labour and purchase services to manage the response to the COVID-19 pandemic and provide access to services. Inflated labour costs were directly linked with ensuring the ongoing provision of safe services and the reduced levels of annual leave taken during this period.

In 2019-20 there was a 16 per cent increase in the number of telehealth consultations with 1178 more than the previous year which is a reflection on measures to increase physical distancing and safety for our patients during COVID-19.

Median wait time in emergency departments was 14 minutes which remained the same as the previous year.

Service Standards	Target	Actual
Effectiveness measures		
Percentage of patients attending emergency departments seen within recommended timeframes: ^a		
Category 1 (within 2 minutes)	100%	99.4%
Category 2 (within 10 minutes)	80%	78.6%
Category 3 (within 30 minutes)	75%	79.1%
Category 4 (within 60 minutes)	70%	80.3%
Category 5 (within 120 minutes)	70%	95.0%
Percentage of emergency department attendances who depart within four hours of their arrival in the department ^a	>80%	75.7%
Percentage of elective surgery patients treated within clinically recommended times: ^b		
Category 1 (30 days)	>98%	89.5% ¹
Category 2 (90 days)	>95%	84.1%
Category 3 (365 days)	>95%	92.5%
Rate of healthcare associated Staphylococcus aureus (including MRSA) bloodstream (SAB) infections/10,000 acute public hospital patient days ^c	<2	0.6 ²
Rate of community follow-up within 1 to 7 days following discharge from an acute mental health inpatient unit ^d	>65%	59.5%
Proportion of readmissions to an acute mental health inpatient unit within 28 days of discharge ^d	<12%	12.6% ³
Percentage of specialist outpatients waiting within clinically recommended times: ^e		
Category 1 (30 days)	83%	76.2% ¹
Category 2 (90 days)	41%	33.4%
Category 3 (365 days)	74%	67.9%

Service Standards	Target	Actual
Percentage of specialist outpatients seen within clinically recommended times: ^e		
Category 1 (30 days)	77%	85.5% ¹
Category 2 (90 days)	60%	67.8%
Category 3 (365 days)	83%	78.3%
Median wait time for treatment in emergency departments (minutes) ^a	..	14
Median wait time for elective surgery (days) ^b	..	26
Efficiency Measure		
Average cost per weighted activity unit for Activity Based Funding facilities ^{f,g}	\$ 4,743	\$4,884 ⁴
Other Measures		
Number of elective surgery patients treated within clinically recommended times: ^b		
Category 1 (30 days)	3,092	2,693 ¹
Category 2 (90 days)	2,327	1,569
Category 3 (365 days)	1,960	1,165
Number of Telehealth outpatient occasions of service events ^h	6,898	7,497
Total weighted activity units (WAU's) ^g		
Acute Inpatient	87,001	85,470 ⁵
Outpatients	24,392	22,887
Sub-acute	11,167	10,715
Emergency Department	21,031	19,618
Mental Health	7,798	9,188
Prevention and Primary Care	3,296	2,543
Ambulatory mental health service contact duration (hours) ^d	>72,247	68,286
Staffing ⁱ	5,101	5,312

Table 6: Service Standards – Performance 2019-20

¹ Non urgent elective surgery and specialist outpatient services were temporarily suspended as part of COVID-19 preparation. Seen in time performance and service volumes were impacted as a result.

² The Epidemiology and Research Unit in the Communicable Diseases Branch are unable to provide full year SAB data as resources are redirected to the COVID-19 response. SAB data presented as Mar-20 FYTD and is preliminary.

³ Readmission to acute Mental Health inpatient unit data presented as May-20 FYTD.

⁴ Cost per WAU data presented as Mar-20 FYTD.

⁵ Delivery of activity and weighted activity units was impacted by two significant factors in 2019-20; the introduction of a revised Australian Coding Standard “0002 Additional diagnoses” from 1 July 2019, resulted in lower weighted activity units being calculated for admitted patients relative to the same casemix of 2018-19 year and COVID-19 preparation and the temporary suspension of non-urgent planned care services reduced the volume of patient activity. Activity data presented is preliminary. Data presented is full year as at 17 August 2020.

Source: ^a Emergency Data Collection, ^b Elective Surgery Data Collection, ^c Communicable Diseases Unit, ^d Mental Health Branch, ^e Specialist Outpatient Data Collection, ^f DSS Finance, ^g GenWAU, ^h Monthly Activity Collection, ⁱ DSS Employee Analysis. **Note:** Targets presented are full year targets as published in 2019-20 Service Delivery Statements.

Financial summary

The Cairns and Hinterland Hospital and Health Service ended the financial year with an operating surplus of \$0.06 million (projected budget break-even result), compared with an operating deficit of \$9.1 million in the previous financial year.

Financial highlights

The surplus position of \$0.06 million is against revenue of \$1.057 billion for the year ended 30 June 2020. Throughout 2019-20, the Health Service continued its journey to financial sustainability while continuing to maintain or expand existing services and safely and efficiently delivering quality care to patients.

The Organisational Sustainability Plan enabled the Health Service to deliver its commitment to return to a surplus.

Where the funds came from

The Health Service's income from all funding sources for 2019-20 was \$1.057 billion and was principally derived from the ABF (Activity Based Funding) model with Queensland Health.

Where funding was spent

Total expenses were \$1.057 billion, averaging \$2.9 million per day to provide public health services. Expenditure has increased by \$60.5 million on 2018-19 levels (\$996.2 million). Expenditure increased primarily due to new and expanded services to address demand and improve performance relating to access to services.

Although there is a National Partnership Agreement to support healthcare COVID-19 costs, not all costs, including loss of revenue, are eligible for compensation.

Cash and investments

At balance date, the Health Service had \$9 million in cash and investments.

Asset revaluation

The revaluation program for 2019-20 of land and building assets led to a revaluation decrement of \$8.6 million for the year, bringing the accumulated asset revaluation surplus balance to \$197.8 million. This was due mainly to revaluing recently completed building projects, where the costs associated with the project was higher than the fair value.

Anticipated maintenance

Anticipated maintenance is a common building maintenance strategy utilised by public and private sector industries.

All Queensland Health entities comply with the Queensland Government Maintenance Management Framework, which requires the reporting of anticipated maintenance.

Anticipated maintenance is defined as maintenance that is necessary to prevent the deterioration of an asset or its function, but which has not been carried out. Some anticipated maintenance activities can be postponed without immediately having a noticeable effect on the functionality of the building. All anticipated maintenance items are risk assessed to identify any potential impact on users and services and are closely managed to ensure all facilities are safe.

As of 3 June 2020, the Health Service had reported anticipated maintenance of \$40.1 million.

The following strategies are in place to mitigate any risks associated with these items:

- Routine risk assessment of listed maintenance items.
- Bring forward the planned and preventative maintenance as necessary to support deteriorating assets and extend life expectancy.
- Detailed review of asset life cycle and life expectancy.
- Application for assistance for specific items from Priority Capital Programs, Emergent Works and/or as part of wider redevelopment projects.

Capital works

The Health Service had a large number of infrastructure projects under way in 2019-20, including:

- **\$70 million** to construct a new mental health precinct at Cairns Hospital, which is due for completion in 2022.
- **\$70 million** to redevelop Atherton Hospital, including a new purpose-built Clinical Services Building with an emergency department, medical imaging, operating theatres and inpatient ward areas.
- **\$12.9 million** for the Cairns South Health Facility, which will provide critical infrastructure for the community, including emergency operating theatres during a major disaster; opens 2020.
- **\$10.1 million** upgrade of the high voltage network across the Cairns Hospital.
- **\$8.8 million** to upgrade the chilled water system as well as heating, ventilation and air-conditioning (HVAC) systems at Cairns Hospital to improve energy efficiency.
- **\$6.9 million** for an upgrade of the Mossman Multi-Purpose Health Emergency Department to improve patient flow, security and service delivery.
- **\$5 million** to purchase and install a computed tomography (CT) scanner at Mareeba Hospital; opens late 2020.
- **\$3.7 million** construction of a new Hybrid Theatre at Cairns Hospital.
- **\$3.2 million** for a replacement of the heating, ventilation and air-conditioning system at Mossman Multi-Purpose Health Service.
- **\$2.8 million** for two new Cardiac Catheter Laboratories at the Cairns Hospital. The project was jointly funded by the State Government and the Far North Queensland Hospital Foundation (\$1.4 million each).
- **\$1 million** upgrade to Mareeba Hospital's operating theatre to allow for the introduction of a new endoscopy service for residents. Opened October 2019.

APPENDIX A – FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR’S REPORT

Cairns and Hinterland Hospital and Health Service

Financial Statements - 30 June 2020

Cairns and Hinterland Hospital and Health Service

Table of Contents

for the year ended 30 June 2020

STATEMENT OF COMPREHENSIVE INCOME.....	3
STATEMENT OF FINANCIAL POSITION.....	4
STATEMENT OF CHANGES IN EQUITY.....	5
STATEMENT OF CASH FLOWS.....	6
 PREPARATION INFORMATION	8
SECTION A.....	10
HOW WE OPERATE – OUR OBJECTIVES AND ACTIVITIES	10
A1 OBJECTIVES OF HHS.....	10
A2 CONTROLLED ENTITIES.....	10
A3 INVESTMENT IN PRIMARY HEALTH NETWORK.....	10
A4 INVESTMENT IN TROPICAL AUSTRALIA ACADEMIC HEALTH CENTRE.....	10
A5 ECONOMIC DEPENDENCY.....	10
SECTION B.....	11
NOTES ABOUT OUR FINANCIAL PERFORMANCE	11
B1 REVENUE.....	11
B2 EXPENSES.....	13
SECTION C.....	16
NOTES ABOUT OUR FINANCIAL POSITION.....	16
C1 CASH AND CASH EQUIVALENTS	16
C2 RECEIVABLES	16
C3 INVENTORIES.....	17
C4 OTHER ASSETS	17
C5 PROPERTY, PLANT AND EQUIPMENT AND RELATED DEPRECIATION.....	18
C6 INTANGIBLES	21
C7 PAYABLES	22
C8 ACCRUED EMPLOYEE BENEFITS.....	22
C9 OTHER LIABILITIES	23
C10 EQUITY.....	23
C11 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES	24
SECTION D.....	26
NOTES ABOUT RISKS AND OTHER ACCOUNTING UNCERTAINTIES.....	26
D1 FINANCIAL RISK MANAGEMENT	26
D2 CONTINGENCIES	28
D3 COMMITMENTS	28
D4 EVENTS AFTER THE BALANCE DATE	28
SECTION E.....	29
NOTES ON OUR PERFORMANCE COMPARED TO BUDGET.....	29
E1 BUDGETARY REPORTING DISCLOSURES	29
E2 BUDGET TO ACTUAL COMPARISON – STATEMENT OF COMPREHENSIVE INCOME.....	29
E3 BUDGET TO ACTUAL COMPARISON – STATEMENT OF FINANCIAL POSITION	30
E4 BUDGET TO ACTUAL COMPARISON – STATEMENT OF CASH FLOWS	31
SECTION F	32
WHAT WE LOOK AFTER ON BEHALF OF THIRD PARTIES	32
F1 TRUST TRANSACTIONS AND BALANCES.....	32
SECTION G.....	33
OTHER INFORMATION	33
G1 KEY MANAGEMENT PERSONNEL AND REMUNERATION EXPENSES.....	33
G2 RELATED PARTY TRANSACTIONS	40
G3 RESTRICTED ASSETS	40

Cairns and Hinterland Hospital and Health Service

Table of Contents

for the year ended 30 June 2020

G4 FIRST YEAR APPLICATION OF NEW ACCOUNTING STANDARDS OR CHANGE IN POLICY	41
G5 FUTURE IMPACT OF ACCOUNTING STANDARDS NOT YET EFFECTIVE	44
MANAGEMENT CERTIFICATE.....	45
INDEPENDENT AUDITOR'S REPORT.....	46

Cairns and Hinterland Hospital and Health Service

Statement of Comprehensive Income

For the year ended 30 June 2020

	Notes	2020 \$'000	2019 \$'000
Income			
User charges and fees	B1-1	95,843	90,083
Funding for public health services	B1-2	935,775	874,091
Grants and other contributions	B1-3	15,145	13,515
Interest		47	85
Other revenue	B1-4	9,957	9,358
Total income		1,056,767	987,132
Expenses			
Employee expenses	B2-1	(117,403)	(107,007)
Health service employee expenses	B2-2	(625,037)	(586,834)
Supplies and services	B2-3	(236,584)	(235,122)
Grants and subsidies		-	(45)
Depreciation and amortisation	C5-2, C6, C11-1	(58,114)	(54,540)
Impairment losses	B2-4	(1,206)	(464)
Other expenses	B2-5	(18,368)	(12,178)
Total expenses		(1,056,712)	(996,190)
Operating result for the year		55	(9,058)
Other comprehensive income			
Items that will not be reclassified subsequently to operating result			
(Decrease)/increase in asset revaluation surplus	C10-1	(8,604)	9,489
Total other comprehensive income		(8,604)	9,489
Total comprehensive income for the year		(8,549)	431

Cairns and Hinterland Hospital and Health Service
Statement of Financial Position

As at 30 June 2020

	Notes	2020 \$'000	2019 \$'000
Assets			
Current assets			
Cash and cash equivalents	C1-1	8,985	8,273
Receivables	C2-1	21,303	24,499
Inventories	C3-1	5,152	5,443
Other assets	C4-1	1,712	1,566
Total current assets		37,152	39,781
Non-current assets			
Property, plant and equipment	C5-1	734,756	765,985
Right-of-use assets	C11-1	718	-
Intangible assets	C6-1	735	819
Total non-current assets		736,209	766,804
Total assets		773,361	806,585
Current liabilities			
Payables	C7-1	54,689	48,726
Lease liabilities	C11-1	713	-
Accrued employees benefits	C8-1	1,517	1,669
Other liabilities	C9-1	1,732	630
Total current liabilities		58,651	51,025
Total liabilities		58,651	51,025
Net assets		714,710	755,560
EQUITY			
Contributed equity		583,617	615,863
Accumulated surplus/(deficit)		(66,669)	(66,669)
Asset revaluation surplus	C10-1	197,762	206,366
Total equity		714,710	755,560

Cairns and Hinterland Hospital and Health Service
Statement of Changes in Equity
For the year ended 30 June 2020

	Contributed equity \$'000	Accumulated surplus/(deficit) \$'000	Asset revaluation surplus (Note C10-1) \$'000	Total equity \$'000
Balance at 1 July 2018	652,040	(57,611)	196,877	791,306
Operating result for the year	-	(9,058)	-	(9,058)
Other comprehensive income				
Increase in asset revaluation surplus	-	-	9,489	9,489
Total comprehensive income for the year	-	(9,058)	9,489	431
Transactions with owners as owners				
Non appropriated equity asset transfers	19	-	-	19
Non appropriated equity injections	18,344	-	-	18,344
Non appropriated equity withdrawals (depreciation funding)	(54,540)	-	-	(54,540)
Net transactions with owners as owners	(36,177)	-	-	(36,177)
Balance at 30 June 2019	615,863	(66,669)	206,366	755,560
Balance at 1 July 2019	615,863	(66,669)	206,366	755,560
Operating result for the year	-	55	-	55
Other comprehensive income				
Decrease in asset revaluation surplus	-	-	(8,604)	(8,604)
Total comprehensive income for the year	-	55	(8,604)	(8,549)
Transactions with owners as owners				
Non appropriated equity injections	25,868	(55)	-	25,813
Non appropriated equity withdrawals (depreciation funding)	(58,114)	-	-	(58,114)
Net transactions with owners as owners	(32,246)	(55)	-	(32,301)
Balance at 30 June 2020	583,617	(66,669)	197,762	714,710

Cairns and Hinterland Hospital and Health Service
Statement of Cash Flows
For the year ended 30 June 2020

	Notes	2020 \$'000	2019 \$'000
Cash flows from operating activities			
<i>Inflows:</i>			
User charges and fees		976,561	913,249
Grants and other contributions		14,631	12,172
Interest received		47	85
GST input tax credits from Australian Tax Office		17,229	15,302
GST collected from customers		994	710
Other revenue		9,932	10,681
<i>Outflows:</i>			
Employee expenses		(120,330)	(109,081)
Health service employee expenses		(615,070)	(585,917)
Supplies and services		(237,999)	(234,970)
Grants and subsidies		-	(45)
GST paid to suppliers		(17,131)	(15,533)
GST remitted to Australian Tax Office		(929)	(722)
Interest payments on lease liabilities		(16)	-
Other expenses		(17,955)	(11,466)
Net cash provided by (used in) operating activities	CF-1	9,964	(5,535)
Cash flows from investing activities			
<i>Outflows:</i>			
Payments for property, plant and equipment	C5-2	(34,754)	(20,583)
Payments for intangibles	C6-2	-	(54)
Net cash provided by (used in) investing activities		(34,754)	(20,637)
Cash flows from financing activities			
<i>Inflows:</i>			
Equity injections		25,813	18,344
<i>Outflows:</i>			
Lease payments	CF-2	(311)	-
Net cash provided by (used in) financing activities		25,502	18,344
Net increase / (decrease) in cash and cash equivalents		712	(7,828)
Cash and cash equivalents at the beginning of the financial year		8,273	16,101
Cash and cash equivalents at the end of the financial year	C1-1	8,985	8,273

Cairns and Hinterland Hospital and Health Service
Statement of Cash Flows
For the year ended 30 June 2020

NOTES TO THE STATEMENT OF CASH FLOWS

CF-1 RECONCILIATION OF OPERATING RESULT TO NET CASH FROM OPERATING ACTIVITIES

	2020 \$'000	2019 \$'000
Operating result for the year	55	(9,058)
Non-cash items included in operating result:		
Depreciation and amortisation expense	58,114	54,540
Equity funding for depreciation and amortisation	(58,114)	(54,540)
Net loss on disposal of non-current assets	170	520
Asset stocktake write on	-	(18)
Donated assets received	(515)	(1,348)
Change in assets and liabilities:		
(Increase)/decrease in trade and other receivables	3,033	6,378
(Increase)/decrease in GST receivables	163	(243)
(Increase)/decrease in inventories	291	(1,040)
(Increase)/decrease in prepayments	(146)	(192)
Increase/(decrease) in payables	5,963	(450)
Increase/(decrease) in accrued employee benefits	(152)	107
Increase/(decrease) in contract liabilities and unearned revenue	1,102	(191)
Net cash from operating activities	9,964	(5,535)

CF-2 CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	2020				Non-cash changes			Cash flows		
	Closing balance 2019 \$'000	Transfers to/(from) other Queensland Government entities			New leases acquired \$'000	Other \$'000	Cash received \$'000	Cash repayments \$'000	Closing balance 2020 \$'000	
Lease liabilities	-	-	-	-	1,024	-	-	(311)	713	
Total	-	-	-	-	1,024	-	-	(311)	713	

Assets and liabilities received or transferred by the HHS through equity adjustments are set out in the Statement of Changes in Equity.

Cairns and Hinterland Hospital and Health Service

Notes to the financial statements

For the year ended 30 June 2020

PREPARATION INFORMATION

GENERAL INFORMATION

These financial statements cover the Cairns and Hinterland Hospital and Health Service (the HHS) as an individual entity.

The HHS is a not-for-profit statutory body under the *Hospital and Health Boards Act 2011* and is domiciled in Australia.

The HHS is controlled by the State of Queensland which is the ultimate parent.

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

Cairns Hospital
165 – 171 The Esplanade
Cairns QLD 4870

For more information in relation to the HHS financial statements, email CHHHS_Board@health.qld.gov.au or visit the website at www.health.qld.gov.au/cairns_hinterland/.

COMPLIANCE WITH PRESCRIBED REQUIREMENTS

The HHS has prepared these financial statements in compliance with section 62 (1) of the *Financial Accountability Act 2009* and section 39 of the *Financial and Performance Management Standard 2019*.

These financial statements are general purpose financial statements and have been prepared on an accrual basis in accordance with Australian Accounting Standards and Interpretations. In addition, the financial statements comply with Queensland Treasury's Minimum Reporting Requirements for the year ending 30 June 2020, other authoritative pronouncements.

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

PRESENTATION

Currency and Rounding

Amounts included in the financial statements are in Australian dollars and have been rounded to the nearest \$1,000.

There were no material restatements of comparative information required to ensure consistency with current period disclosures.

AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements are authorised for issue by the Chair of the HHS, the Chief Executive and the Chief Finance Officer at the date of signing the Management Certificate.

BASIS OF MEASUREMENT

Historical cost is used as the measurement basis in this financial report except for the following:

- Land, land improvements and buildings which are measured at fair value;
- Provisions expected to be settled 12 or more months after reporting date which are measured at their present value; and
- Inventories which are measured at the lower of cost and net realisable value.

Historical Cost

Under historical cost, assets are recorded at the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire assets at the time of their acquisition. Liabilities are recorded at the amount of proceeds received in exchange for the obligation or at the amounts of cash or cash equivalents expected to be paid to satisfy the liability in the normal course of business.

Fair Value

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 (i.e. an exit price) regardless of whether that price is directly derived from observable inputs or estimated using another valuation technique. Fair value is determined using one of the following three approaches:

- The *market approach* uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets, liabilities or a group of assets and liabilities, such as a business.
- The *cost approach* reflects the amount that would be required currently to replace the service capacity of an asset. This method includes the current replacement cost methodology.
- The *income approach* converts multiple future cash flows amounts to a single current (i.e. discounted) amount. When the income approach is used, the fair value measurement reflects current market expectations about those future amounts.

Where fair value is used, the fair value approach is disclosed.

Cairns and Hinterland Hospital and Health Service

Notes to the financial statements

For the year ended 30 June 2020

BASIS OF MEASUREMENT (continued)

Present Value

Present value represents the present discounted value of the future net cash inflows that the item is expected to generate (in respect of assets) or the present discounted value of the future net cash outflows expected to settle (in respect of liabilities) in the normal course of business.

Net Realisable Value

Net realisable value represents the amount of cash or cash equivalents that could currently be obtained by selling an asset in an orderly disposal.

Cairns and Hinterland Hospital and Health Service

Notes to the financial statements

For the year ended 30 June 2020

SECTION A

HOW WE OPERATE – OUR OBJECTIVES AND ACTIVITIES

A1 OBJECTIVES OF HHS

The HHS is responsible for providing primary health, community and public health services in the area assigned under the *Hospital and Health Boards Regulation 2012*.

Funding is obtained predominantly through the purchase of health services by the Department of Health (DoH) on behalf of both the State and Australian Governments. In addition, health services are provided on a fee for service basis mainly for private patient care.

A1-1 ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements necessarily requires the determination and use of certain critical accounting estimates, assumptions and management judgements that have the potential to cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Such estimates, judgements and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in future periods as relevant.

A2 CONTROLLED ENTITIES

The Hospital and Health Service has no wholly-owned controlled entities or indirectly controlled entities.

A3 INVESTMENT IN PRIMARY HEALTH NETWORK

North Queensland Primary Health Network Limited (NQPHNL) was established as a public company limited by guarantee on 21 May 2015. Cairns and Hinterland Hospital and Health Service is one of eleven members along with Mackay Hospital and Health Service, Townsville Hospital and Health Service, Torres and Cape Hospital and Health Service, the Pharmacy Guild of Australia, the Australian College of Rural and Remote Medicine, the Northern Aboriginal and Torres Strait Islander Health Alliance, the Australian Primary Healthcare Nurses Association, the Council on the Ageing, CheckUp and the Queensland Alliance for Mental Health, with each member holding one voting right in the company.

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

As each member has the same voting entitlement, it is considered that none of the individual members has power over NQPHNL (as defined by AASB 10 *Consolidated Financial Statements*) and therefore none of the members individually control NQPHNL. The HHS currently has 9.09% of the voting power of the NQPHNL – below the 20% at which it is presumed to have significant influence (in accordance with AASB 128 *Investments in Associates and Joint Ventures*). This is supported by the fact that each other member also has 9.09% voting power, limiting the extent of any influence that the HHS may have over NQPHNL.

Each member's liability to NQPHNL is limited to \$10. NQPHNL is legally prevented from paying dividends to its members and its constitution also prevents any income or property of the NQPHNL being transferred directly or indirectly to or amongst the members. As NQPHNL is not controlled by the HHS and is not considered a joint operation or an associate of the HHS, financial results of NQPHNL are not required to be disclosed in these statements.

A4 INVESTMENT IN TROPICAL AUSTRALIA ACADEMIC HEALTH CENTRE

Tropical Australia Academic Health Centre (TAAHCL) registered as a public company limited by guarantee on 3 June 2019. Cairns and Hinterland Hospital and Health Service is one of seven founding members along with Mackay Hospital and Health Service, North West Hospital and Health Service, Torres and Cape Hospital and Health Service, Townsville Hospital and Health Service, North Queensland Primary Health Network and James Cook University. Each founding member holds two voting rights in the Company and is entitled to appoint two directors.

The principal place of business of TAAHCL is Townsville, Queensland. The company's principal purpose is the advancement of health through the promotion of the study and research topics of special importance to people living in the tropics.

As each member has the same voting entitlement (14.3%), it is considered that none of the individual members has power or significant influence over TAAHCL (as defined by AASB 10 *Consolidated Financial Statements* and AASB 128 *Investments in Associates and Joint Ventures*). Each member's liability to TAAHCL is limited to \$10. TAAHCL's constitution prevents any income or property of the company being transferred directly or indirectly to or amongst the members. Each member must pay annual membership fees as determined by the board of TAAHCL.

As TAAHCL is not controlled by Cairns and Hinterland Hospital and Health Service and is not considered a joint operation or an associate of Cairns and Hinterland Hospital and Health Service, financial results of TAAHCL are not required to be disclosed in these statements.

A5 ECONOMIC DEPENDENCY

The HHS's primary source of income is from the DoH for the provision of public hospital, health and other services in accordance with a service agreement with the DoH, (refer to Note B1-1). The current service agreement covers the period 1 July 2019 to 30 June 2022. The HHS's ability to continue viable operations is dependent on this funding. At the date of this report, management has no reason to believe that this financial support will not continue. The HHS has an agreed and approved balanced budget operating position with the DoH for 2020-21 financial year onwards, which will ensure availability of cash to pay ongoing day-to-day operational expenditure.

Cairns and Hinterland Hospital and Health Service

Notes to the financial statements

For the year ended 30 June 2020

SECTION B

NOTES ABOUT OUR FINANCIAL PERFORMANCE

B1 REVENUE

B1-1 USER CHARGES AND FEES

	2020 \$'000	2019 \$'000
Revenue from contracts with customers		
Pharmaceutical Benefits Scheme subsidy	45,104	32,415
Hospital fees	38,234	41,885
Other user charges and fees		
Rental income	112	64
Other	12,393	15,719
Total	95,843	90,083

B1-2 FUNDING FOR PUBLIC HEALTH SERVICES

	Share of Funding <i>Australian Government</i>	2020 \$'000	2019 \$'000
Revenue from contracts with customers			
Activity based funding	State	411,647	281,225
	\$'000	\$'000	\$'000
		692,872	651,779
Other funding for public health services			
Block funding	State	81,500	37,270
Teacher training funding	\$'000	19,104	4,540
General purpose funding	\$'000	100,489	-
		118,770	112,587
		23,644	21,336
		100,489	88,389
Total		935,775	874,091

Accounting Policy – User charges and fees and funding for public health services

The adoption of AASB 15 *Revenue from Contracts with Customers* and AASB 1058 *Income of Not-For-Profit Entities* in 2019-20 did not change the timing of revenue recognition for user charges and fees.

Funding is provided predominantly by the DoH for specific public health services purchased by the DoH in accordance with a service agreement. The DoH receives its revenue for funding from the Queensland Government (majority of funding) and the Commonwealth. Activity based funding is based on an agreed number of activities, per the service agreement and a state-wide price by which relevant activities are funded. Block funding is not based on levels of public health care activity. The service agreement is reviewed periodically and updated for changes in activities and prices of services delivered. The funding from the DoH is received fortnightly in advance with the monthly DoH revenue accrual recognised as per the service agreement and budget phasing methodology. At the end of the financial year, a financial adjustment may be required where the level of service provided is above or below the agreed level. The Board and management believe that the terms and conditions of its funding arrangements under the Service Agreement Framework will provide Cairns and Hinterland Hospital and Health Service with sufficient cash resources to meet its financial obligations for at least the next year.

Funding revenue received for the impact of COVID-19 was \$8.9M for outsourcing to the private sector of elective surgery, endoscopy waitlists, and other minor programs affected by COVID-19. \$1.7M of COVID-19 funding has been deferred to the 2020-2021 financial year for services that the CHHS is yet to meet its performance obligation.

The service agreement between the DoH and the HHS specifies that the DoH funds the HHS's depreciation and amortisation charges via non-cash revenue. The DoH retains the cash to fund future major capital replacements. This transaction is shown in the Statement of Changes in Equity as a non-appropriated equity withdrawal.

Hospital fees mainly consist of private patient hospital fees, interstate patient revenue and Department of Veterans' Affairs revenue.

Revenue recognition for user charges and fees is based on either invoicing for related goods, services and/or the recognition of accrued revenue based on the volumes of goods and services delivered.

Cairns and Hinterland Hospital and Health Service

Notes to the financial statements

For the year ended 30 June 2020

B1-3 GRANTS AND OTHER CONTRIBUTIONS

	2020 \$'000	2019 \$'000
Revenue from contracts with customers		
Australian Government - Specific purpose payments	5,425	5,345
Other grants and contributions		
Australian Government - Nursing home grants	2,425	2,444
Australian Government - Specific purpose - capital grants	690	690
Australian Government - Specific purpose payments	3,190	3,095
Donations other	2,140	97
Donations non-current physical assets	514	1,343
Other grants	761	501
Total	15,145	13,515

Accounting Policy – Grants and other contributions

The adoption of AASB 15 *Revenue from Contracts with Customers* and AASB 1058 *Income of Not-For-Profit Entities* in 2019-20 did not change the timing of revenue recognition for grants and other contributions.

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

Contributed assets are recognised at their fair value. Contributions of services are recognised only if the services would have been purchased if they had not been donated and their fair value can be measured reliably. Where this is the case, an equal amount is recognised as revenue and an expense.

The HHS receives corporate services support from the DoH at no cost. Corporate services received include payroll services, accounts payable services, finance transactional services, taxation services, procurement services and information technology services. The value associated with these services for the financial year amounted to \$8.9M (2019: \$8.1M) which, has not been accounted for in these financial statements as it is not considered material by the HHS and as such has not been disclosed as revenue and an associated expense.

B1-4 OTHER REVENUE

	2020 \$'000	2019 \$'000
Sale proceeds for assets	16	-
Licences and registration charges	62	39
Recoveries from other agencies and other hospital and health services	9,079	8,494
Other revenue	800	825
Total	9,957	9,358

Accounting Policy – Other revenue

Other revenue primarily reflects recoveries of payments for contracted staff from third parties such as universities and other government agencies and travel and inventory management services provided on behalf of other hospital and health services.

Cairns and Hinterland Hospital and Health Service

Notes to the financial statements

For the year ended 30 June 2020

B2 EXPENSES

B2-1 EMPLOYEE EXPENSES

	2020 \$'000	2019 \$'000
Employee benefits		
Wages and salaries	97,693	89,147
Annual leave levy	8,833	8,171
Employer superannuation contributions	8,103	7,422
Long service leave levy	2,452	2,020
Employee related expenses		
Workers compensation premium	322	247
Total	117,403	107,007
Number of employees*	No.	No.
	259	242

* The number of employees include full-time and part-time employees measured on a full-time equivalent basis (reflecting Minimum Obligatory Human Resource Information (MOHRI)). The number of employees does not include the Chair or the Deputy Chair of the Board or the Board members.

Accounting Policy – Employee expenses

Employee expenses include the health executives and directors. Health executives are directly engaged in the service of the HHS in accordance with section 70 of the *Hospital and Health Boards Act 2011* (HHBA). The basis of employment for health executives is in accordance with section 74 of the HHBA.

Employee expenses also include senior medical officers who entered into individual contracts commencing August 2014.

The information detailed below relates specifically to these directly engaged employees only.

Employer superannuation contributions, annual leave levies and long service leave levies are regarded as employee benefits.

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

Wages, salaries and sick leave

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

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

As sick leave is non-vesting, an expense is recognised for this leave as it is taken.

Annual and long service leave

Under the Queensland Government's Annual Leave Central Scheme and Long Service Leave Central Scheme, levies are payable to cover the cost of employees' annual leave (including leave loading and on-costs) and long service leave. No provision for annual leave and long service leave is recognised in the HHS's financial statements as a liability is held on a whole-of-government basis and reported in those financial statements pursuant to AASB 1049 *Whole of Government and General Government Sector Financial Reporting*. 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.

Superannuation

Employer superannuation contributions are paid to QSuper, the superannuation scheme for Queensland Government employees, at rates determined by the Treasurer on the advice of the State Actuary. Contributions are expensed in the period in which they are paid or payable and the HHS obligation is limited to its contribution to QSuper.

The QSuper scheme has defined benefit and defined contribution categories. The liability for defined benefits is held on a whole-of-government basis and reported in those financial statements pursuant to AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

Board members and Visiting Medical Officers are offered a choice of superannuation funds and the HHS pays superannuation contributions into a complying superannuation fund. Contributions are expensed in the period in which they are paid or payable. The HHS obligation is limited to its contribution to the superannuation fund. Therefore no liability is recognised for accruing superannuation benefits in the HHS financial statements.

Cairns and Hinterland Hospital and Health Service

Notes to the financial statements

For the year ended 30 June 2020

B2-1 EMPLOYEE EXPENSES (continued)

Key management personnel and remuneration

Key management personnel and remuneration disclosures are made in accordance with FRR 3C of the Financial Reporting Requirements for Queensland Government Agencies issued by Queensland Treasury. Refer to Note G1 for the disclosures on key executive management personnel and remuneration.

B2-2 HEALTH SERVICE EMPLOYEE EXPENSES

	2020	2019
	\$'000	\$'000
Health service employee expenses*	615,997	579,473
Health service employee related expenses**	6,618	5,520
Other health service employee related expenses	2,422	1,841
Total	625,037	586,834

	No.	No.
Number of employees***	5,053	4,864

*Health service employee expenses includes \$3.5M of \$1,250 one-off, pro-rata payments to 3,529 health service employees.

**The health service employee related expenses include \$6.3M of workers' compensation insurance premium.

***The number of health service employees reflects full-time employees, part-time health service employees and temporary external agency labour measured on a full-time equivalent basis (reflecting Minimum Obligatory Human Resource Information (MOHRI)) at the end of the year.

Accounting Policy – Health service employee expenses

Health service employee expenses represent the cost of DoH employees and other contracted staff to the HHS, paid via invoice, to provide public health services.

As established under the *Hospital and Health Boards Act 2011*, the DoH is the employer for all health service employees (excluding persons appointed as a Health Executive) and recovers all employee expenses and associated on-costs from hospital and health services.

In accordance with the *Hospital and Health Boards Act 2011*, the employees of the DoH are referred to as health service employees. Under this arrangement:

- The DoH provides employees to perform work for the HHS and acknowledges and accepts its obligations as the employer of these employees
- The HHS is responsible for the day to day management of these DoH employees
- The HHS reimburses the DoH for the salaries and on-costs of these employees

The HHS discloses the reimbursement of these costs as health service employee expenses.

B2-3 SUPPLIES AND SERVICES

	2020	2019
	\$'000	\$'000
Agency fees	1,119	1,531
Electricity and other energy	8,972	9,413
Patient travel	9,819	15,214
Other travel	3,385	4,868
Building services	1,163	1,939
Computer services	8,262	5,890
Motor vehicles	480	613
Communications	11,294	12,197
Consultancies	127	622
Repairs and maintenance	15,170	14,749
Minor works including plant and equipment	2,192	2,034
Rental expenses*	6,541	5,679
Drugs	54,602	41,598
Clinical supplies and services	58,701	62,266
Catering and domestic supplies	13,222	11,908
Pathology, blood and parts	19,782	19,359
Professional Services	5,604	8,366
Other	16,149	16,876
Total	236,584	235,122

Cairns and Hinterland Hospital and Health Service

Notes to the financial statements

For the year ended 30 June 2020

*Rental Expenses include lease rentals for short term leases, leases of low value assets and variable lease payments. Refer to Note C11-1 for the breakdown of expenses and other lease disclosures.

B2-4 IMPAIRMENT LOSSES

	2020 \$'000	2019 \$'000
Impairment losses on receivables	(420)	(2,108)
Bad debts written off	1,626	2,572
Total	1,206	464

B2-5 OTHER EXPENSES

	2020 \$'000	2019 \$'000
External audit fees*	239	209
Insurance premiums - QGIF	9,040	7,835
Insurance premiums - Other	81	47
Net losses from the disposal of non-current assets	170	520
Special payments - ex-gratia payments	35	4
Legal costs	258	332
Advertising	383	541
Interpreter fees	274	332
Right-of-use assets	16	-
Other	7,872	2,358
Total	18,368	12,178

*Total audit fees paid to the Queensland Audit Office relating to the 2019-20 financial year are estimated to be \$0.2M (2019: \$0.2M) including out of pocket expenses. There are no non-audit services included in this amount.

Accounting Policy – Insurance

The HHS is covered by the DoH insurance policy with Queensland Government Insurance Fund (QGIF) and pays a fee to the DoH as a fee for service arrangement.

QGIF covers property and general losses above a \$10,000 threshold and health litigation payments above a \$20,000 threshold and associated legal fees. Premiums are calculated by QGIF on a risk assessment basis.

Accounting Policy – Special payments – Ex-gratia payments

Special payments include ex-gratia expenditure and other expenditure that the HHS is not contractually or legally obligated to make to other parties. In compliance with the *Financial and Performance Management Standard 2019*, the HHS maintains a register setting out details of all special payments exceeding \$5,000. The total of all special payments (including those of \$5,000 or less) is disclosed separately within this note. However, descriptions of the nature of special payments are only provided for special payments greater than \$5,000 of which there were none.

Cairns and Hinterland Hospital and Health Service

Notes to the financial statements

For the year ended 30 June 2020

SECTION C

NOTES ABOUT OUR FINANCIAL POSITION

C1 CASH AND CASH EQUIVALENTS

C1-1 CASH AND CASH EQUIVALENTS

	2020 \$'000	2019 \$'000
Cash at bank and on hand	8,274	6,568
Call deposits	711	1,705
Cash and cash equivalents	8,985	8,273
Cash and cash equivalents in the Statement of Cash Flows	8,985	8,273

Cash deposited at call with Queensland Treasury Corporation earns interest, calculated on a daily basis reflecting market movements in cash funds. Rates achieved throughout the year range between 0.86% to 2.16%.

Accounting Policy – Cash and cash equivalents

For the purpose of the Statement of Financial Position and the Statement of Cash Flows, cash assets include all cash and cheques received but not banked as at 30 June as well as deposits at call with financial institutions.

In accordance with section 31(2) of the *Statutory Bodies Financial Arrangements Act 1982*, the HHS obtained approval by Queensland Treasury for a bank overdraft facility on its main operating bank account. This arrangement is forming part of the whole-of-government banking arrangements with the Commonwealth Bank of Australia and allows the HHS access to the whole-of-government debit facility up to its approved limit.

C2 RECEIVABLES

C2-1 RECEIVABLES

	2020 \$'000	2019 \$'000
Current		
Trade debtors*	21,088	25,030
Less: Loss allowance	(1,807)	(2,168)
	19,281	22,862
GST input tax credits receivables	1,599	1,697
GST payable	(126)	(61)
	1,473	1,636
Payroll receivables	10	1
Sundry debtors	539	-
Total	21,303	24,499

Accounting Policy – Receivables

Receivables are measured at amortised cost which approximates their fair value at reporting date. Trade debtors are recognised at the amounts due at the time of sale or service delivery. Trade receivables are generally settled within 120 days from invoice date. The collectability of receivables is assessed periodically with provision being made for impairment. All known bad debts are written off when identified.

*Trade debtor balance includes invoices to DoH (\$7.5M) and other hospital and health services.

The closing balance of receivables arising from debtors excluding DoH at 30 June 2020 is \$14.4M (30 June 2019: \$14.0M).

Accounting Policy – Impairment of Receivables

The loss allowance for trade debtors reflects lifetime expected credit losses and incorporates reasonable and supportable forward looking information including forecast economic change expected to impact the HHS's debtors along with relevant industry and statistical data.

The HHS's other receivables are from Queensland Government agencies or Australian Government Agencies. No loss allowance is recorded for these receivables on the basis of materiality refer to Note D1-3 for the HHS's credit risk management policies.

Where the HHS has no reasonable expectation of recovering an amount owed by a debtor, the debt is written off by directly reducing the receivables against the loss allowance. Generally this occurs when the debt is over 120 plus days past due when the HHS has ceased enforcement activity.

The amount of impairment losses recognised for receivables is disclosed in Note B2-4.

No additional impairment of receivables occurred specifically due to the impact of COVID-19.

Cairns and Hinterland Hospital and Health Service

Notes to the financial statements

For the year ended 30 June 2020

C2-1 RECEIVABLES (continued)

Disclosure – Credit risk exposure of receivables

The maximum exposure to credit risk at balance date for receivables is the gross carrying amount of those assets. No collateral is held as security and there are no other credit enhancements relating to the HHS receivables.

The HHS uses a provision matrix to measure the expected credit losses on trade debtors which include patient accounts and other billable services. The HHS has used a historical impairment calculation based on type of revenue, type of customer and debt collection protocol. The credit risk assessment reflects historical observed losses on trade debtors experienced from the assessment that was conducted for the period from 1 July 2018 to 30 April 2019. There have been no changes to these rates for the 2019-20 financial year.

Set out below is the credit risk exposure on the HHS's trade debtors other than the DoH and other HHS debtors broken down by ageing band.

Aging	Trade Debtors \$'000	2020		Trade Debtors \$'000	2019	
		Loss Rate %	Expected Credit Losses \$'000		Loss Rate %	Expected Credit Losses \$'000
Current	2,559	0.40%	32	2,488	0.40%	39
30 to 60 Days	1,389	0.84%	68	1,539	0.84%	82
61 to 90 Days	953	0.78%	63	1,137	0.78%	76
91 to 120 Days	702	1.00%	81	1,058	1.00%	97
Greater than 121 Days	2,487	19.29%	1,504	3,498	19.29%	1,874
Total	8,090		1,748	9,720		2,168

Accounting Policy - Taxation

The HHS 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 taxes accounted for by the HHS.

The Australian Taxation Office (ATO) has recognised the DoH and the sixteen Queensland hospital and health services as a single taxation entity for reporting purposes. All FBT and GST reporting to the Commonwealth is managed centrally by the DoH, with payments/receipts made on behalf of the HHS reimbursed to/from the DoH on a monthly basis. GST credits receivable from, and GST payable to the ATO, are recognised on this basis.

C3 INVENTORIES

C3-1 INVENTORIES

	2020 \$'000	2019 \$'000
Inventories held for distribution		
Drugs	3,027	4,688
Clinical supplies and services	1,876	688
Catering and domestic supplies	249	67
Total	5,152	5,443

Accounting Policy – Inventories

Inventories consist mainly of clinical supplies and pharmaceuticals held for distribution in hospital and health service facilities. Inventories are measured at weighted average cost, adjusted for obsolescence. These supplies are expensed once issued from the HHS.

C4 OTHER ASSETS

C4-1 OTHER ASSETS

	2020 \$'000	2019 \$'000
Current		
Prepayments	1,712	1,566
Total current	1,712	1,566
Total	1,712	1,566

Cairns and Hinterland Hospital and Health Service

Notes to the financial statements

For the year ended 30 June 2020

C5 PROPERTY, PLANT AND EQUIPMENT AND RELATED DEPRECIATION

C5-1 PROPERTY, PLANT AND EQUIPMENT

	2020 \$'000	2019 \$'000
Land: at fair value		
Gross	41,898	41,966
Buildings: at fair value		
Gross	1,107,809	1,083,384
Less: Accumulated depreciation	(468,165)	(415,155)
	639,644	668,229
Plant and equipment: at cost		
Gross	129,870	119,729
Less: Accumulated depreciation	(82,980)	(74,634)
	46,890	45,095
Heritage and cultural: at cost		
Gross	14	-
	14	-
Capital works in progress		
At cost	6,310	10,695
Total	734,756	765,985

Accounting Policy - Property, plant and equipment

Recognition thresholds

Items of property, plant and equipment with a cost or other value equal to more than the following thresholds and with a useful life of more than one year are recognised at acquisition. Items below these values are expensed on acquisition.

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

*Land improvements undertaken by the HHS are included with buildings.

Revaluations of non-current physical assets

Land and buildings are measured at fair value in accordance with AASB 116 *Property, Plant and Equipment*, AASB 13 *Fair Value Measurement* and Queensland Treasury's *Non-Current Asset Policies for the Queensland Public Sector* (NCAPS). These assets are reported at their revalued amounts.

Plant and equipment is measured at amortised cost in accordance with the NCAPS. The carrying amounts for plant and equipment should not materially differ from their fair value.

Land and buildings are measured at fair value each year using independent valuations, market valuations or indexation. Independent valuations are performed with sufficient regularity to ensure assets are carried at fair value.

In accordance with the NCAPS, independent revaluations occur at least every five years. In the off cycle years indexation is applied where there is no evidence of significant market fluctuations in land and building prices. Construction of major health infrastructure is managed by the DoH. Upon practical completion of a project, assets under construction are assessed at fair value by the DoH through the engagement of an independent valuer prior to the transfer of those assets to the HHS, effected via an equity adjustment.

Fair value measurement

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

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

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

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

Cairns and Hinterland Hospital and Health Service

Notes to the financial statements

For the year ended 30 June 2020

C5-1 PROPERTY, PLANT AND EQUIPMENT (continued)

All assets and liabilities of the HHS 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:

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

None of the HHS valuations of assets are eligible for categorisation into level 1 of the fair value hierarchy and there were no transfers of assets between fair value hierarchy levels during the period.

Land

The fair value of land is determined using market based evidence taking into account trends and sales information for each land use category, the land's present use and zoning under the relevant planning scheme, and the physical attributes and constraints on use of the land.

In 2018-19 the HHS engaged State Valuation Services to conduct indexation valuations on land as at 30 June 2019. In 2019-20 State Valuation Services were again engaged to carry out indexation valuations on land as at 30 June 2020.

The revaluation program for 2019-20 resulted in a net decrement of \$0.1M to the carrying value of land.

Buildings

In 2018-19 the HHS engaged State Valuation Services, who subcontracted GRC Quantity Surveyors to conduct comprehensive and indexation valuations to assess the fair value of buildings as at 30 June 2019. In 2019-20 the HHS once again engaged State Valuation Services, who subcontracted GRC Quantity Surveyors to conduct comprehensive valuations on 1% of the HHS's building assets as at 30 June 2020. The last full comprehensive valuation of the HHS's buildings was undertaken in the 2017-18 financial year. From the HHS's overall building assets portfolio, 80% have had indexation valuations applied as at 30 June 2020 by GRC Quantity Surveyors and 19% have not been valued in 2019-20 due to work in progress balances as at 30 June 2020.

For the indexation valuations, the provided building indices are a series of construction industry index figures that are used to monitor the movement in costs associated with building work within particular segments of the industry.

For the comprehensive valuations, due to the specialised nature of health service buildings and on hospital-site residential facilities, fair value is determined using current replacement cost methodology, due to there not being an active market for such facilities. The replacement cost estimates are reflective of the anticipated sum that might be expected from an informed transaction between knowing parties at current market conditions as at the measurement date. The methodology applied by the valuer is a financial simulation in lieu of a market based measurement as these assets cannot be bought and sold on the open market.

The replacement cost estimate of each building was prepared from plans and elevations, together with available schedules and specifications, and information collected from site surveys. The valuer applied a combination of pricing methodologies, all of which were adjusted to reflect the anticipated construction market as at the effective reporting date. Detailed estimates were used to determine the cost of replacing the existing assets with a modern equivalent, taking into account the specific site conditions identified from the site surveys. The replacement cost estimates were benchmarked against a locality index and building price index.

The following key assumptions were made when determining the replacement cost estimate of each building:

- The present use was considered to represent highest and best use;
- The market rates applied were based on tier 1 or tier 2 contractors delivering the replacement equivalent, and having reasonable experience in the design and delivery of hospital and health facilities;
- The documents including site plans and drawings provided by the HHS to the valuer were accurate. (Where possible, the valuer verified this information as part of their site inspections);
- Rates for the project on-costs such as professional fees, statutory charges, contingencies etc are reflective of current market rates;
- The rate of physical wear and tear continues at a normal rate and not affected by natural disasters or extreme events;
- A planned maintenance program continues to be implemented, as was evident in the site surveys and inspections; and
- The replacement equivalent incorporates technical or commercial obsolescence in building services. The inclusions have been limited to current building technologies not for cutting edge systems that are new to the market and are not widely incorporated into new building works.

The revaluation program for 2019-20 resulted in a net decrement of \$8.5M to the carrying amount of buildings.

There was no significant effect on building valuations for the 2019-20 financial year, contributable to the impact of COVID-19. Impacts on the value of buildings as a result of COVID-19 may occur in future financial years.

Accounting Policy – Depreciation of property, plant and equipment

Land is not depreciated as it has an unlimited useful life.

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

Cairns and Hinterland Hospital and Health Service

Notes to the financial statements

For the year ended 30 June 2020

C5-1 PROPERTY, PLANT AND EQUIPMENT (continued)

Assets under construction (work-in-progress) are not depreciated until they reach service delivery capacity. Service delivery capacity relates to when construction is complete and the asset is first put to use or is installed ready for use in accordance with its intended application. These assets are then reclassified to the relevant classes within property, plant and equipment.

The estimated useful lives of the assets are reviewed annually and where necessary, are adjusted to better reflect the pattern of consumption of the asset. In reviewing the useful life of each asset factors such as asset usage and the rate of technical obsolescence are considered.

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

Class	Rate
Buildings	2.5% - 20.0%*
Plant and equipment	5.0% - 33.3%

*Rate of 20% adopted for specific demountable buildings, which by nature of their design, have a limited life span.

The standard life of a health facility is generally 30 to 40 years and is adjusted for those assets in extreme climatic conditions that have historically shorter lives.

Estimates of remaining life are based on the assumption that the asset remains in its current function and will be maintained. No allowance has been provided for significant refurbishment works in the estimate of remaining life as any refurbishment should extend the life of the asset. Buildings have been valued on the basis that there is no residual value. Existing condition of the building is also taken into account when assessing the remaining useful life of the assets.

Accounting Policy – Impairment of non-current assets

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

Revaluation increments are credited to the asset revaluation surplus of the appropriate class, except to the extent they reverse a revaluation decrement for the class previously recognised as an expense. A decrease in the carrying amount on revaluation is charged as an expense, to the extent it exceeds the balance, if any, in the revaluation surplus relating to that asset class.

A review is conducted annually in order to isolate indicators of impairment in accordance with AASB 136 *Impairment of Assets*. If an indicator of impairment exists, the HHS determines the asset's recoverable amount (the higher of value in use or fair value less costs of disposal). Any amount by which the asset's carrying amount exceeds the recoverable amount is considered an impairment loss.

Significant judgement is also used to assess the remaining service potential of the facility, given local climatic and environmental conditions and records of the current condition of the facility.

Cairns and Hinterland Hospital and Health Service

Notes to the financial statements

For the year ended 30 June 2020

C5-2 PROPERTY, PLANT AND EQUIPMENT (CURRENT YEAR)

	Land** Level 2 \$'000	Buildings*** Level 2 \$'000	Plant and equipment \$'000	Heritage and cultural assets \$'000	Work in progress \$'000	Total \$'000
	Level 2 \$'000	Level 2 \$'000	Level 3 \$'000			
Carrying amount at 1 July 2019	41,966	961	667,267	45,096	-	10,695
Acquisitions	-	-	82	11,923	-	22,749
Donations received	-	-	-	515	-	-
Disposals	-	-	(32)	(138)	-	(170)
Transfers between asset classes	-	-	26,920	199	14	(27,133)
Net revaluation increments	(68)	15	(8,551)	-	-	(8,604)
Depreciation	-	(49)	(46,970)	(10,705)	-	(57,724)
Carrying amount at 30 June 2020	41,898	927	638,716	46,890	14	6,311

C5-2 PROPERTY, PLANT AND EQUIPMENT (PREVIOUS YEAR)

	Land** Level 2 \$'000	Buildings*** Level 2 \$'000	Plant and equipment \$'000	Heritage and cultural assets \$'000	Work in progress \$'000	Total \$'000
	Level 2 \$'000	Level 2 \$'000	Level 3 \$'000			
Carrying amount at 1 July 2018	38,481	982	699,065	47,987	-	2,458
Acquisitions	-	-	425	5,330	-	14,828
Transfers in / (out) from other Queensland Government entities****	-	-	-	19	-	-
Asset stocktake write on	-	-	19	-	-	19
Donations received	-	-	-	1,346	-	-
Disposals	-	-	(13)	(506)	-	(519)
Transfers between asset classes	-	-	4,240	2,351	-	(6,591)
Net revaluation increments	3,485	28	5,976	-	-	9,489
Depreciation	-	(49)	(42,445)	(11,431)	-	(53,925)
Balance at 30 June 2019	41,966	961	667,267	45,096	-	10,695

** Land level 2 assets represent land valued using observable inputs.

*** Buildings level 2 assets represent offsite residential dwellings in an active market whereas level 3 are special purpose built buildings with no active market.

**** Net assets transferred pursuant to the *Hospital and Health Boards Act 2011* to the HHS from the DoH.

C6 INTANGIBLES

C6-1 INTANGIBLE ASSETS

	2020 \$'000	2019 \$'000
Software purchased: at cost		
Gross	2,622	2,622
Less: Accumulated depreciation	(1,887)	(1,803)
Total	735	819

Cairns and Hinterland Hospital and Health Service

Notes to the financial statements

For the year ended 30 June 2020

C6-2 INTANGIBLES RECONCILIATION (CURRENT YEAR)

	Software purchased \$'000	Total \$'000
Carrying amount at 1 July 2019	819	819
Amortisation	(84)	(84)
Carrying amount at 30 June 2020	735	735

C6-2 INTANGIBLES RECONCILIATION (PREVIOUS YEAR)

	Software purchased \$'000	Total \$'000
Carrying amount at 1 July 2018	1,380	1,380
Acquisitions	54	54
Amortisation	(615)	(615)
Carrying amount at 30 June 2019	819	819

Accounting Policy - Intangible assets

Actual cost is used for the initial recording of all intangible asset acquisitions. Cost is determined as the value given as consideration plus costs incidental to the acquisition, including all other costs incurred in getting the assets ready for use. However, any training costs are expensed as incurred. Items or components that form an integral part of an asset are recognised as a single (functional) asset.

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

Assets acquired at no cost or for nominal consideration, other than from an involuntary transfer from another Queensland Government entity, are recognised at their fair value at the date of acquisition in accordance with AASB 138 *Intangible Assets*.

Intangible assets with a cost or other value equal to or greater than \$100,000 are recognised in the Statement of Financial Position. Items with a lesser value are expensed. Each intangible asset is amortised over its estimated useful life to the HHS.

It has been determined that there is not an active market for any of the HHS intangible assets. As such, the assets are recognised and carried at cost less accumulated amortisation and accumulated impairment losses.

Costs associated with the development of computer software have been capitalised and are amortised on a straight-line basis over the period of expected benefit to the HHS. The amortisation rates for the HHS software are between 10 percent and 20 percent. Expenditure on research activities relating to internally-generated intangible assets is recognised as an expense in the period in which it is incurred.

C7 PAYABLES

C7-1 PAYABLES

	2020 \$'000	2019 \$'000
Current		
Trade creditors	8,001	5,640
Accrued expenses	15,500	17,358
Department of Health payables*	31,188	25,728
Total	54,689	48,726

* Department of Health payables are due to outstanding payments for payroll and other fee for service charges.

Accounting Policy – Payables

Trade creditors are recognised upon receipt of the goods or services ordered and are measured at the nominal amount i.e. agreed purchase/contract price, gross of applicable trade and other discounts. Amounts owing are unsecured and generally settled on 30 day terms.

C8 ACCRUED EMPLOYEE BENEFITS

C8-1 ACCRUED EMPLOYEE BENEFITS

	2020 \$'000	2019 \$'000
Salaries and wages accrued	1,444	1,620
Other employee entitlements payable	73	49
Total	1,517	1,669

Cairns and Hinterland Hospital and Health Service

Notes to the financial statements

For the year ended 30 June 2020

C9 OTHER LIABILITIES

C9-1 OTHER LIABILITIES

	2020	2019
	\$'000	\$'000
Current		
Contract Liabilities	1,732	630
Total current	1,732	630
Total	1,732	630

C10 EQUITY

C10-1 ASSET REVALUATION SURPLUS BY CLASS

	2020	2019
	\$'000	\$'000
Land		
Balance at the beginning of the financial year	14,168	10,683
Revaluation (decrement)/increment	(68)	3,485
Balance at the end of the financial year	14,100	14,168
Buildings		
Balance at the beginning of the financial year	192,198	186,194
Revaluation (decrement)/increment	(8,536)	6,004
Balance at the end of the financial year	183,662	192,198
Total	197,762	206,366

Accounting Policy - Asset revaluation surplus

The asset revaluation surplus represents the net effects of revaluation movements in assets.

Cairns and Hinterland Hospital and Health Service

Notes to the financial statements

For the year ended 30 June 2020

C11 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

A new accounting standard AASB 16 *Leases* came into effect in 2019-20, resulting in significant changes to the HHS's accounting for leases for which it is a lessee. The transitional impacts of the new standard are disclosed in G4-3.

C11-1 LEASES AS A LESSEE

Right-of-use assets

	Buildings \$'000	Plant and Equipment \$'000	Total \$'000
Carrying amount at 1 July 2019	229	795	1,024
Depreciation	(99)	(207)	(306)
Carrying amount at 30 June 2020	130	588	718

	2020 \$'000	2019 \$'000
Current		
Lease liabilities (2019: financial lease liabilities)	713	-
Total	713	-

Accounting policies – Leases as lessee

The HHS measures right-of-use assets from concessionary leases at cost on initial recognition, and measures all right-of-use assets at cost subsequent to initial recognition.

The HHS has elected not to recognise right-of-use assets and lease liabilities arising from short-term leases and leases of low value assets. The lease payments are recognised as expenses on a straight-line basis over the lease term. An asset is considered low value where it is expected to cost less than \$10,000 when new.

Where a contract contains both a lease and non-lease components such as asset maintenance services, the HHS allocates the contractual payments to each component on the basis of their stand-alone prices. However, for leases of plant and equipment, the HHS has elected not to separate lease and non-lease components and instead accounts for them as a single lease component.

When measuring the lease liability, the HHS uses its incremental borrowing rate as the discount rate where the interest rate implicit in the lease cannot be readily determined, which is the case for all of the HHS's leases. To determine the incremental borrowing rate, the HHS uses loan rates provided by Queensland Treasury Corporation that correspond to the commencement date and term of the lease.

Disclosures – Leases as a lessee

(i) Details of leasing arrangements as lessee

Category/Class of Lease Arrangement	Description of Arrangement
Plant and equipment leases	<p>The HHS routinely enters into leases for plant and equipment including office equipment, IT and pharmacy dispensing equipment. The majority of these leases are short-term leases or leases of low value assets. Lease terms for plant and equipment leases that are recognised on balance sheet can range from 1 to 10 years. A small number of leases have renewal or extension options. The options are generally exercisable at market prices and are not included in the right-of-use asset or lease liability unless the department is reasonably certain it will renew the lease.</p>
Building leases	<p>The HHS has entered into a small number of leases for employee housing outside of the agreement with the Department of Housing and Public Works (DHPW). Due to the value, term and likelihood of renewal or extension options, these leases have been recognised in the HHS's right-of-use assets and lease liabilities.</p>

Cairns and Hinterland Hospital and Health Service

Notes to the financial statements

For the year ended 30 June 2020

C11-1 LEASES AS A LESSEE (continued)

(ii) Office accommodation, employee housing and motor vehicles

The Department of Housing and Public Works (DHPW) provides the HHS with access to office accommodation, employee housing and motor vehicles under government-wide frameworks. These arrangements are categorised as procurement of services rather than as leases because DHPW has substantive substitution rights over the assets. The related service expenses are included in Note B2-3.

(iii) Total cash outflow for leases

See note B2-3 for lease expenses currently classified as rental expenses for 2019-20 disclosure.

2018-19 disclosures under AASB 117

	2019
	\$'000
<i>Operating lease commitments at 30 June 2019</i>	
Not later than one year	4,186
Later than one year and not later than five years	12,481
Total	16,667

Accounting Policy – Expenditure commitments

The HHS has non-cancellable operating leases relating predominantly to office and clinical services accommodation. Lease payments are generally fixed, but with escalation clauses on which contingent rentals are determined. No lease arrangements contain restrictions on financing or other leasing activities.

Cairns and Hinterland Hospital and Health Service

Notes to the financial statements

For the year ended 30 June 2020

SECTION D

NOTES ABOUT RISKS AND OTHER ACCOUNTING UNCERTAINTIES

D1 FINANCIAL RISK MANAGEMENT

The HHS holds the following financial instruments by category:

Category	Note	2020 \$'000	2019 \$'000
Financial assets			
Cash and cash equivalents	C1-1	8,985	8,273
Financial assets at amortised cost:			
Receivables	C2-1	21,303	24,499
Total		30,288	32,772
Financial liabilities			
Payables	C7-1	54,689	48,726
Lease liabilities	C11-1	713	-
Total		55,402	48,726

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

D1-1 LIQUIDITY RISK

Liquidity risk is the risk that the HHS will not have the resources required at a particular time to meet its obligations to settle its financial liabilities.

The HHS is exposed to liquidity risk through its trading in the normal course of business. The HHS aims to reduce the exposure to liquidity risk by ensuring that sufficient funds are available to meet employee and supplier obligations at all times.

Under the whole-of-government banking arrangements, the HHS has an approved working debt facility of \$13.5M to manage any short term-cash shortfalls. This facility has not been drawn down as at 30 June 2020.

Due to the short-term nature (less than 12 months) of the current payables, their carrying amount is assumed to approximate the total contractual cash flow.

D1-2 MARKET RISK

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

The HHS is exposed to interest rate risk on its cash deposited in interest bearing accounts with Queensland Treasury Corporation.

Changes in interest rate have minimal effect on the operating result of the HHS.

D1-3 CREDIT RISK

Credit risk is the potential for financial loss arising from a counterparty defaulting on its obligations. The maximum exposure to credit risk at balance date is equal to the gross carrying amount of the financial asset, inclusive of any allowance for impairment.

No financial assets have had their terms renegotiated so as to prevent them from being past due or impaired and are stated at the carrying amounts as indicated.

There are no significant concentrations of credit risk.

Overall credit risk for the HHS is considered minimal.

Ageing of receivables is disclosed in the following tables:

Cairns and Hinterland Hospital and Health Service

Notes to the financial statements

For the year ended 30 June 2020

D1-3 CREDIT RISK (continued)

	Not Past Due Less than 30 days \$'000	Past Due 30 - 60 days \$'000	61 - 90 days \$'000	More than 90 days \$'000	Total \$'000
2020					
Receivables	14,722	1,745	1,052	3,784	21,303
Total	14,722	1,745	1,052	3,784	21,303
2019					
Receivables	18,941	1,662	1,368	2,528	24,499
Total	18,941	1,662	1,368	2,528	24,499
<i>2020 individually impaired financial assets</i>					
Receivables (gross)	32	68	63	1,585	1,748
Allowance for impairment	(32)	(68)	(63)	(1,585)	(1,748)
Carrying amount	-	-	-	-	-
<i>2019 individually impaired financial assets</i>					
Receivables (gross)	39	82	76	1,971	2,168
Allowance for impairment	(39)	(82)	(76)	(1,971)	(2,168)
Carrying amount	-	-	-	-	-
Movements in the allowance for impairment loss					
Balance at 1 July				\$'000	\$'000
Amounts written off during the year				2,168	4,275
Increase in allowance recognised in operating result				(1,626)	(2,571)
Total				1,206	464
				1,748	2,168

D1-4 FAIR VALUE MEASUREMENTS

Cash and cash equivalents are measured at fair value. All other financial assets or liabilities are measured at cost less any allowance for impairment, which given the short term nature of these assets, is assumed to represent fair value.

Cairns and Hinterland Hospital and Health Service

Notes to the financial statements

For the year ended 30 June 2020

D2 CONTINGENCIES

D2-1 LITIGATION IN PROGRESS

As at 30 June 2020, the following cases were filed in the courts naming the State of Queensland acting through the HHS as defendant:

D2-1 CONTINGENCIES

	2020 Number of cases	2019 Number of cases
Supreme Court	2	2
District Court	1	1
Tribunals, commissions and boards	3	1
Total	6	4

Health litigation is underwritten by the Queensland Government Insurance Fund (QGIF). The HHS liability in this area is limited to an excess per insurance event.

As of 30 June 2020, there were 39 claims (2019: 42 claims) managed by QGIF, some of which may never be litigated or result in payments to claims. Tribunals, commissions and board figures represent the matters that have been referred to QGIF for management. The maximum exposure to the HHS under this policy is up to \$20,000 for each insurable event.

D3 COMMITMENTS

D3-1 CAPITAL AND RELATED EXPENDITURE COMMITMENTS

Material classes of capital expenditure commitments inclusive of non-recoverable GST, contracted for at reporting date but not recognised in the accounts are payable as follows:

	2020 \$'000	2019 \$'000
Capital works	64,514	19,717
Repairs and maintenance	329	282
Total	64,843	19,999
No later than one year	64,843	19,999
Total	64,843	19,999

D4 EVENTS AFTER THE BALANCE DATE

COVID-19 programs are expected to continue beyond 30 June 2020; however, as at the reporting date, are not estimated to significantly affect the operations of the HHS in future financial years.

Cairns and Hinterland Hospital and Health Service

Notes to the financial statements

For the year ended 30 June 2020

SECTION E

NOTES ON OUR PERFORMANCE COMPARED TO BUDGET

E1 BUDGETARY REPORTING DISCLOSURES

E1-1 BUDGETARY REPORTING DISCLOSURES

Budget to actual comparison and explanation of major variances has not been included for the Statement of Changes in Equity. Major variances relating to the Statement of Changes in Equity have been addressed in explanation notes of major variances for the other statements.

E2 BUDGET TO ACTUAL COMPARISON – STATEMENT OF COMPREHENSIVE INCOME

	Variance Notes	Original Budget 2020 \$'000	Actual 2020 \$'000	Variance \$'000	Variance % of Budget
Income					
User charges and fees	E2.1	74,965	95,843	20,878	28%
Funding for public health services	E2.2	906,951	935,775	28,824	3%
Grants and other contributions		12,197	15,145	2,948	24%
Interest		42	47	5	12%
Other revenue		6,200	9,957	3,757	61%
Total revenue		1,000,355	1,056,767	56,412	
Total income		1,000,355	1,056,767	56,412	
Expenses					
Employee expenses	E2.3	(108,050)	(117,403)	(9,353)	9%
Health service employee expenses	E2.3	(572,762)	(625,037)	(52,275)	9%
Supplies and services	E2.4	(256,139)	(236,584)	19,555	(8%)
Grants and subsidies		(46)	-	46	(100%)
Depreciation and amortisation		(56,643)	(58,114)	(1,471)	3%
Impairment losses		(2,354)	(1,206)	1,148	(49%)
Other expenses	E2.5	(4,361)	(18,368)	(14,007)	321%
Total expenses		(1,000,355)	(1,056,712)	(56,357)	
Operating result for the year			-	55	55

EXPLANATION OF MAJOR VARIANCES - STATEMENT OF COMPREHENSIVE INCOME

Major variations between the 2019-2020 budget and 2019-2020 actual include:

E2.1. User charges and fees

The increase in user charges and fees relates to an increase in the Pharmaceutical Benefits Scheme reimbursements throughout 2019-20 (\$13.1M). Other increases can be attributed to general growth.

E2.2. Funding for public health services

The increase in funding for public health services relates to additional funding provided through amendments to the Service Agreement with the DoH for the delivery of public hospital and health services such as COVID-19 response (\$8.9M), care closer to home programs (\$2.7M), HIV response (\$1.0M) and specialist outpatient reduction plan (\$0.6M). Other increases can be attributed to enterprise bargaining (\$5.7M) and depreciation funding (\$1.5M), with the remainder of the balance relating to various smaller funded programs.

E2.3. Employee expenses and health service employee expenses

The increase relates to additional frontline staff, including staff contracted from the DoH, required to service the growth in demand for healthcare services. The overall increase in staff from 2019-2020 was 206 MOHRI, with nursing and medical streams accounting for more than half of the increase.

E2.4. Supplies and services

The reduction in supplies and services relates to a misalignment between the budget and the actual recognition for insurance. Queensland Government Insurance Fund (QGIF) is budgeted for under supplies and services (\$9.1M); however, are recorded under other expenses in the financial statements. The remainder of the decrease in supplies and services relates to a reduction in clinical supplies (\$4.9M) and travel (\$1.8M) relating to the postponement of elective surgery and patient travel respectively, which is directly attributable to the COVID-19 response.

E2.5. Other expenses

The increase in other expenses mainly relates to the budget misalignment for insurance – please refer to the previous note E2.4.

Cairns and Hinterland Hospital and Health Service

Notes to the financial statements

For the year ended 30 June 2020

E3 BUDGET TO ACTUAL COMPARISON – STATEMENT OF FINANCIAL POSITION

	Variance Notes	Original Budget 2020 \$'000	Actual 2020 \$'000	Variance \$'000	Variance % of Budget
Assets					
Current assets					
Cash and cash equivalents	E3.1	804	8,985	8,181	1018%
Receivables	E3.2	34,048	21,303	(12,745)	(37%)
Inventories		4,225	5,152	927	22%
Other assets		1,439	1,712	273	19%
Total current assets		40,516	37,152	(3,364)	
Non-current assets					
Property, plant and equipment	E3.3	756,724	734,756	(21,968)	(3%)
Right-of-use assets		-	718	718	-%
Intangible assets	E3.4	18,200	735	(17,465)	(96%)
Total non-current assets		774,924	736,209	(38,715)	
Total assets		815,440	773,361	(42,079)	
Current liabilities					
Payables		53,426	54,689	1,263	2%
Lease liabilities		827	713	(114)	(14%)
Accrued employees benefits		1,655	1,517	(138)	(8%)
Other liabilities		-	1,732	1,732	-%
Total current liabilities		55,908	58,651	2,743	
Total liabilities		55,908	58,651	2,743	
Net assets		759,532	714,710	(44,822)	
EQUITY					
Contributed equity	E3.5	622,447	583,617	(38,830)	(6%)
Accumulated deficit		(66,610)	(66,669)	(59)	0%
Asset revaluation surplus		203,695	197,762	(5,933)	(3%)
Total equity		759,532	714,710	(44,822)	

EXPLANATION OF MAJOR VARIANCES - STATEMENT OF FINANCIAL POSITION

Major variations between the 2019-20 budget and 2019-20 actual include:

E3.1. Cash and cash equivalents

The favourable variance relates to both the timing of Service Level Agreement funding received and payments to suppliers, as well as receiving additional cash relating to COVID-19 funding (\$8.9M).

E3.2. Receivables

The decrease in receivables is due to the timing of Service Level Agreement funding received (\$7.4M), as well as lower than expected inpatient revenue (\$5.3M) as a result of less usage of single rooms due to changes in private health coverages and lower conversion rates.

E3.3. Property, plant and equipment

The decrease mainly relates to changes in the expected commissioning dates of some capital projects (\$16.9M) and the increase in depreciation (\$2.7M) attributable to the review of useful lives of building assets, subject to be affected by current ongoing capital projects.

E3.4. Intangible assets

The variance in intangible assets is attributable to costs related to the Regional eHealth Project (ReHP), which was expected to be capitalised in the 2019-20 financial year. It has since been determined that the costs relating to ReHP are not considered to be capital in nature to the HHS. Actual costs have been expensed as supplies and services, however the actual costs were well below budget therefore did not make a material impact on supplies and services.

E3.5. Contributed equity

The decrease relates mainly to the delay in the expected commissioning dates and capital reimbursements for various projects (\$16.9M), as well as additional non-appropriated equity withdrawals (\$2.7M) due to a review of useful lives of building assets. Additionally, the determination of the treatment of ReHP has resulted in a reduction to the expected capital reimbursement for the HHS (\$17.5M).

Cairns and Hinterland Hospital and Health Service

Notes to the financial statements

For the year ended 30 June 2020

E4 BUDGET TO ACTUAL COMPARISON – STATEMENT OF CASH FLOWS

	Variance Notes	Original Budget 2020	Variance		Variance % of Budget			
			\$'000	\$'000				
Cash flows from operating activities								
<i>Inflows:</i>								
User charges and fees		978,899	976,561	(2,338)	(0%)			
Grants and other contributions		12,036	14,631	2,595	22%			
Interest receipts		42	47	5	12%			
GST input tax credits from Australian Tax Office		15,770	17,229	1,459	9%			
GST collected from customers		-	994	994	-%			
Other receipts		6,200	9,932	3,732	60%			
<i>Outflows:</i>								
Employee expenses		(108,003)	(120,330)	(12,327)	11%			
Health service employee expenses		(572,762)	(615,070)	(42,308)	7%			
Supplies and services		(254,861)	(237,999)	16,862	(7%)			
Grants and subsidies		(46)	-	46	(100%)			
GST paid to suppliers		(15,782)	(17,131)	(1,349)	9%			
GST remitted to Australian Tax Office		-	(929)	(929)	-%			
Interest payments on lease liabilities		-	(16)	(16)	-%			
Other expenses		(4,361)	(17,955)	(13,594)	312%			
Net cash provided by (used in) operating activities		57,132	9,964	(47,168)				
Cash flows from investing activities								
<i>Outflows:</i>								
Payments for property, plant and equipment		(8,785)	(34,754)	(25,969)	296%			
Net cash provided by (used in) investing activities		(8,785)	(34,754)	(25,969)				
Cash flows from financing activities								
<i>Inflows:</i>								
Equity injections		7,885	25,813	17,928	227%			
Equity withdrawals		(56,643)	-	56,643	(100%)			
<i>Outflows:</i>								
Lease payments		-	(311)	(311)	-%			
Net cash provided by (used in) financing activities		(48,758)	25,502	74,260				
Net increase / (decrease) in cash and cash equivalents		(411)	712	1,123	(273%)			
Cash and cash equivalents at the beginning of the financial year		1,215	8,273	7,058	581%			
Cash and cash equivalents at the end of the financial year		804	8,985	8,181				

EXPLANATION OF MAJOR VARIANCES - STATEMENT OF CASH FLOWS

The explanation of major variances as reported in the Statement of Comprehensive Income and Statement of Financial Position, reflect the variances between budget and actual in the Statement of Cash Flows.

Cairns and Hinterland Hospital and Health Service

Notes to the financial statements

For the year ended 30 June 2020

SECTION F

WHAT WE LOOK AFTER ON BEHALF OF THIRD PARTIES

F1 TRUST TRANSACTIONS AND BALANCES

F1-1 PATIENT TRUST RECEIPTS AND PAYMENTS

	2020 \$'000	2019 \$'000
Trust receipts and payments		
Receipts	353	412
Payments	(342)	(454)
Increase in patient funds	11	(42)
Trust assets and liabilities		
<i>Current assets</i>		
Cash held and bank deposits*	96	85
Total current assets	96	85

* Represents patient trust funds and refundable deposits

Accounting Policy – Patient fiduciary fund transactions

The HHS undertakes patient fiduciary fund account transactions as trustee. These funds are received and held on behalf of patients with the HHS having no discretion over the use of monies. As such they are not part of the HHS's assets recognised in the financial statements. Patient funds are not controlled by the HHS but trust activities are included in the annual audit performed by the Auditor-General of Queensland.

F1-2 GRANTED RIGHT OF PRIVATE PRACTICE RECEIPTS AND PAYMENTS

Receipts		
Private practice receipts	18,682	17,762
Total receipts	18,682	17,762
 Payments		
Payments to doctors	3,791	3,506
Payments to HHS for recoverable costs	15,626	13,606
Total payments	19,417	17,112
 Increase/(decrease) in net right of private practice assets	(735)	650
 Right of private practice assets		
<i>Current assets</i>		
Cash	1,907	2,689
Total current assets	1,907	2,689

Accounting Policy – Granted Right of Private Practice arrangement

The HHS has a Granted Right of Private Practice (ROPP) arrangement in place.

Hospital and health services now hold the prerogative to grant a clinician limited rights to conduct private practice on the terms and conditions of the private practice schedule within the employment contract (granted private practice). These arrangements include options for revenue assignment or revenue retention. Revenue assignment allows 100% of private patient billings to be assigned to the HHS and the clinician has full access to Attraction and Retention allowances. Revenue retention allows the clinician to access professional services revenue after the payment of service fees, GST and any service retention amount to the HHS. For senior medical officers, this retention arrangement provides partial access to the Attraction and Retention allowance.

There are no amounts payable for right of private practice.

The Private Practice Trust Fund has been established to fund various educational, study and research programmes for HHS staff. A Study, Education, Research, Training and Administration (SERTA) committee approves the expenditure of this Fund.

Recoverables (service costs etc.) in respect of the retained revenue, which the HHS is entitled to, are recorded in the Statement of Comprehensive Income.

The only asset of the arrangement is cash, the balance of which is held in the Private Practice bank account. This account does not form part of the cash and cash equivalents of the HHS but the activities are included in the annual audit performed by the Auditor-General of Queensland. As at 30 June 2020 the balance was \$1.9M (2019: \$2.7M).

Cairns and Hinterland Hospital and Health Service

Notes to the financial statements

For the year ended 30 June 2020

SECTION G

OTHER INFORMATION

G1 KEY MANAGEMENT PERSONNEL AND REMUNERATION EXPENSES

G1-1 KEY MANAGEMENT PERSONNEL

The CHHHS's responsible Minister is identified as part of its key management personnel. This is consistent with additional guidance included in AASB 124 *Related Party Disclosures*. The Deputy Premier, Minister for Health and Minister for Ambulance Services is the Honourable Dr Steven Miles.

The following details for key management personnel include those positions that had authority and responsibility for planning, directing and controlling the activities of the HHS during 2019-2020. Further information on these positions can be found in the body of the annual report under the section relating to Executive Management.

Position	Responsibilities	Contract classification and appointment authority	Date appointed to position (Date resigned from position, if applicable)
Cairns and Hinterland Hospital and Health Board			
Chair Clive Skarott			18/5/2017
Deputy Chair Luckbir Singh			15/05/2017
Christopher Boland			15/05/2017
Dr Sean McManus			15/05/2017 (17/5/2020)
Professor Lee Stewart			15/05/2017 (17/5/2020)
Tracey Wilson			18/5/2019
Jodi Peters			15/05/2017
Nancy Long			15/05/2017
Greg Nucifora			18/5/2020
Dr Amanda Roberts			18/5/2020
Julieanne Boneham			18/05/2019
A/ Chief Executive, Executive Director Cairns Services** Tina Chinery	Responsible to the Board for the efficient overall operational management of the HHS and the achievement of its strategic objectives, as determined by the Board. Acts as principal advisor to the Board and provides the leadership of and guidance to the Executive Management Team of the HHS.	s24 & s70 appointed by Board under Hospital and Health Board Act 2011 (Section 7 (3)).	21/03/2020
Chief Executive** Clare Douglas	Responsible to the Board for the efficient overall operational management of the HHS and the achievement of its strategic objectives, as determined by the Board. Acts as principal advisor to the Board and provides the leadership of and guidance to the Executive Management Team of the HHS.	s24 & s70 appointed by Board under Hospital and Health Board Act 2011 (Section 7 (3)).	06/06/2016 (24/03/2020)
Chief Finance Officer** Stephen Thacker	Responsible to the Chief Executive to ensure the financial and fiscal responsibility of the HHS are met. Provides governance arrangements to meet financial performance targets and imperatives. Provides strategic financial advice in all aspects of finance management and performance.	HES3.1 01 appointed by Chief Executive under Hospital and Health Board Act 2011.	07/12/2015

Cairns and Hinterland Hospital and Health Service

Notes to the financial statements

For the year ended 30 June 2020

Position	Responsibilities	Contract classification and appointment authority	Date appointed to position (Date resigned from position, if applicable)
Executive Director Medical Services** Donald Mackie	Responsible to the Chief Executive as the single point of accountability for clinical governance and professional leadership and direction of medical services across the HHS. Provides medical executive leadership, strategic focus, managerial direction, authoritative counsel and expert advice on a wide range of professional and policy issues that meet safe professional practice standards.	L18 to L27 appointed by Chief Executive under <i>Medical Officers (Queensland Health) Certified Agreement (No. 5) 2018</i>	17/06/2019
Executive Director Allied Health** Donna Goodman	Responsible to the Chief Executive as the single point of accountability for clinical governance and professional leadership and direction of allied health services across the HHS. Provides allied health executive leadership, strategic focus and authoritative counsel on professional and policy issues that meet safe professional practice standards.	HP8.4 01 appointed by Chief Executive under <i>Hospital and Health Board Act 2011</i> .	19/06/2013
A/Executive Director Allied Health** A/Executive Director Cairns Services** Linda Bailey	Responsible to the Chief Executive as the single point of accountability for clinical governance and professional leadership and direction of allied health services across the HHS. Provides allied health executive leadership, strategic focus and authoritative counsel on professional and policy issues that meet safe professional practice standards.	HP8.4 01 appointed by Chief Executive under <i>Hospital and Health Board Act 2011</i> .	20/5/2019
Executive Director People and Engagement** Jenny Thornton	Responsible to the Chief Executive for the management and resolution of people and cultural issues within the HHS. Provides strategic development and strategies to achieve maximum employee engagement, safety and productivity and to ensure the HHS's capacity to attract and retain the skilled resources required.	HES2.5.01 appointed by Chief Executive under <i>Hospital and Health Board Act 2011</i> .	05/08/2018 (22/6/2020)
Executive Director Nursing, Midwifery and eHealth** Debra Cutler	Responsible to the Chief Executive as the single point of accountability for clinical governance and professional leadership and direction of nursing and midwifery services across the HHS. Provides nursing and midwifery executive leadership, strategic focus, managerial direction, authoritative counsel and expert advice on a wide range of professional and policy issues that meet safe professional practice standards.	Nurse Grade 13 (2) Nurses and Midwives (Queensland Health) Award – State 2015 in conjunction with Nurses and Midwives (Queensland Health and Department of Education and Training) Certified agreement (EB9) 2016	29/04/2019
Executive Director of Rural and Remote Services** Gabrielle Honeywood	Accountable to the Health Service Chief Executive (HSCE), the Executive Director Rural and Remote Services has the primary responsibility for delivering effective and efficient services of all clinical and non-clinical services and resources within the portfolio.	HES2.3 01 appointed by Chief Executive under PSC 2008 Directive 03/14 Senior Executive Service – Employment Conditions (SES)	30/05/2017 (28/02/2020)

Cairns and Hinterland Hospital and Health Service

Notes to the financial statements

For the year ended 30 June 2020

Position	Responsibilities	Contract classification and appointment authority	Date appointed to position (Date resigned from position, if applicable)
Executive Director of Aboriginal and Torres Strait Islander Health** Joy Savage	The Executive Director Aboriginal and Torres Strait Islander Health reports to the Chief Executive and will contribute to better outcomes for Aboriginal and Torres Strait Islander healthcare by developing and implementing strategies aimed at effectively managing the health and wellbeing of the Aboriginal and Torres Strait Islander Community.	HES2.3 01 appointed by Chief Executive under <i>Hospital and Health Board Act 2011</i> .	01/05/2018

**Denotes directly employed by HHS

***Denotes an external contract arrangement

Gregory Nucifora was appointed as an Independent Advisor to the CHHHS Board to 17 May 2020 and appointed as a Board member from the 18 May 2020.

G1-2 REMUNERATION EXPENSES

Key management personnel – Executive management

Remuneration policy for the HHS key executive management personnel is set by the following legislation:

- *Hospital and Health Boards Act 2011*
- Industrial awards and agreements

Section 74 of the *Hospital and Health Boards Act 2011* provides that the contract of employment for health executive staff must state the term of employment, the person's functions and any performance criteria as well as the person's classification level and remuneration package.

Remuneration policy for the HHS key executive management personnel is set by direct engagement common law employment contracts. The remuneration and other terms of employment for the key executive management personnel are also addressed by these common law employment contracts. The contracts provide for other benefits including motor vehicles and expense payments such as rental or loan repayments.

The following disclosures focus on the expenses incurred by the HHS during the respective reporting periods that are attributable to key management positions. Therefore, the amounts disclosed reflect expenses recognised in the Statement of Comprehensive Income.

Remuneration expenses for key management personnel comprise the following components:

- Short-term employee benefits include:
 - salaries, allowances and leave entitlements earned and expensed for the entire year or for that part of the year during which the employee occupied the specified position.
 - non-monetary benefits – consisting of provision of vehicle and other expenses together with fringe benefits tax applicable to the benefit.
- Long term employee expenses include amounts expensed in respect of long service leave entitlements earned.
- Post-employment expenses include amounts expensed in respect of employer superannuation obligations.
- Termination benefits are not provided for within individual contracts of employment. Contracts of employment provide only for notice periods or payment in lieu on termination, regardless of the reason for termination.

Key management personnel do not receive performance payments as part of their remuneration package.

Cairns and Hinterland Hospital and Health Service

Notes to the financial statements

For the year ended 30 June 2020

G1-2 REMUNERATION EXPENSES (continued)

Key management personnel – Minister

The Legislative Assembly of Queensland's Members' Remuneration Handbook outlines the ministerial remuneration entitlements. The HHS does not incur any remuneration costs for the Minister for Health and Minister for Ambulance, but rather ministerial entitlements are paid primarily by the Legislative Assembly with some remaining entitlements provided by the Ministerial Services Branch with the Department of Premier and Cabinet.

All ministers are reported as key management personnel of the Queensland Government. As such, the aggregate remuneration expenses for all Ministers are disclosed in the Queensland Government and Whole of Government consolidated financial statements, which are published as part of the Queensland Treasury Report on State finances.

Key management personnel – Board

The HHS appoints and controls the Board. Remuneration arrangements of the Board are approved by the Governor in Council and the Board members are paid annual fees consistent with the government titled "Remuneration procedures for part-time chairs and members of Queensland Government bodies".

G1-3 KEY MANAGEMENT PERSONNEL AND REMUNERATION EXPENSES

1 July 2019 - 30 June 2020						
Position	Short Term Benefits		Long Term Employee Benefits \$'000	Post Employment Benefits \$'000	Termination Benefits \$'000	Total Remuneration \$'000
	Monetary Expenses \$'000	Non-Monetary Benefits \$'000				
Current						
Chair Clive Skarott AM	87	-	-	8	-	95
Deputy Chair Luckybir Singh	45	-	-	4	-	49
Board Member Christopher Boland	51	-	-	5	-	56
Board Member Dr Sean McManus	41	-	-	4	-	45
Board Member Professor Lee Stewart	40	-	-	4	-	44
Board Member Tracey Wilson	46	-	-	4	-	50
Board Member Jodi Peters	49	-	-	4	-	53
Board Member Nancy Long	48	-	-	5	-	53
Board Member Julieanne Boneham	43	-	-	4	-	47
Board Member Gregory Nucifora	41	-	-	4	-	45
Board Member Amanda Roberts	6	-	-	1	-	7
Chief Executive Clare Douglas	300	17	6	21	3	347
Chief Finance Officer Stephen Thacker	209	16	4	22	-	251
A/Chief Finance Officer Tiaan Grobbelaar	35	-	1	2	-	38

Cairns and Hinterland Hospital and Health Service

Notes to the financial statements

For the year ended 30 June 2020

1 July 2019 - 30 June 2020						
Position	Short Term Benefits		Long Term Employee Benefits \$'000	Post Employment Benefits \$'000	Termination Benefits \$'000	Total Remuneration \$'000
	Monetary Expenses \$'000	Non-Monetary Benefits \$'000				
Current						
Executive Director Cairns Services, & A/Health Service Chief Executive Tina Chinery	255	16	6	25	-	302
A/Executive Director Cairns Services Marie Kelly	66	17	1	5	-	89
Executive Director Medical Services Don Mackie	479	17	11	38	-	545
Executive Director Allied Health Donna Goodman	150	17	3	19	-	189
A/Executive Director Allied Health, & A/Executive Director Cairns Services Linda Bailey	34	17	1	3	-	55
A/Executive Director Allied Health Tania Cavanagh	79	17	2	7	-	105
Executive Director People and Engagement Jenny Thornton	229	17	5	23	-	274
A/Executive Director Nursing, Midwifery and eHealth Andrea O'Shea	20	17	-	1	-	38
A/Executive Director Nursing, Midwifery and eHealth Debra Cutler	267	17	6	27	-	317
A/Executive Director Nursing, Midwifery and eHealth Susan Henderson	42	17	1	3	-	63
Executive Director Rural and Remote Services Gabrielle Honeywood	123	17	3	12	-	155
A/Executive Director Nursing Midwifery & eHealth, A/Executive Director Rural & Remote Services Tracey Morgan	21	13	-	2	-	36
A/Executive Director People and Engagement Erica Gallagher	6	1	-	2	-	9
Executive Director Aboriginal and Torres Strait Islander Health Joy Savage	205	1	4	22	-	232

Gregory Nucifora has been paid \$45K for services as a Board Advisor and as a Board member between 1 July 2019 – 30 June 2020.

Refer to Notes G1-1 for appointment and resignation dates of Key Management Personnel.

Cairns and Hinterland Hospital and Health Service

Notes to the financial statements

For the year ended 30 June 2020

1 July 2018 - 30 June 2019						
Position	Short Term Benefits		Long Term Employee Benefits \$'000	Post Employment Benefits \$'000	Termination Benefits \$'000	Total Remuneration \$'000
	Monetary Expenses \$'000	Non-Monetary Benefits \$'000				
Current						
Chair Clive Skarott AM	90	-	-	6	-	96
Deputy Chair Luckbir Singh	46	-	-	4	-	50
Board Member Christopher Boland	52	-	-	5	-	57
Board Member Dr Sean McManus	48	-	-	5	-	53
Board Member Professor Lee Stewart	48	-	-	5	-	53
Board Member Tracey Wilson	48	-	-	5	-	53
Board Member Jodi Peters	50	-	-	5	-	55
Board Member Nancy Long	48	-	-	5	-	53
Board Member Julieanne Boneham	5	-	-	1	-	6
Chief Executive Clare Douglas	442	20	9	39	-	510
Chief Finance Officer Stephen Thacker	218	16	4	23	-	261
A/Chief Executive; Executive Director Cairns Services Tina Chinery	263	-	5	27	-	295
Executive Director Medical Services Nicola Murdock	271	14	6	19	-	310
A/Executive Director Medical Services Donald Martin	57	4	1	4	-	66
A/Executive Director Medical Services Colin Feekery	231	-	-	-	-	231
Executive Director Medical Services Don Mackie	17	-	-	1	-	18
Executive Director Allied Health Donna Goodman	202	17	4	23	-	246
A/Executive Director Allied Health Linda Bailey	117	17	2	10	-	146

Cairns and Hinterland Hospital and Health Service

Notes to the financial statements

For the year ended 30 June 2020

1 July 2018 - 30 June 2019						
Position	Short Term Benefits		Long Term Employee Benefits \$'000	Post Employment Benefits \$'000	Termination Benefits \$'000	Total Remuneration \$'000
	Monetary Expenses \$'000	Non-Monetary Benefits \$'000				
A/Executive Director People and Engagement Terri-Ann Watson	23	13	-	2	-	38
Executive Director People and Engagement Jenny Thornton	257	16	3	18	-	294
Executive Director Nursing, Midwifery and eHealth Denise Patterson	214	17	5	21	4	261
A/Executive Director Nursing, Midwifery and eHealth Debra Cutler	42	-	1	5	-	48
Executive Director Rural and Remote Services Gabrielle Honeywood	209	17	4	21	-	251
Executive Director Aboriginal and Torres Strait Islander Health Joy Savage	214	5	4	22	-	245

Gregory Nucifora has been paid \$77K for services as a Board Advisor between 1 July 2018 – 30 June 2019.

Cairns and Hinterland Hospital and Health Service

Notes to the financial statements

For the year ended 30 June 2020

G2 RELATED PARTY TRANSACTIONS

The HHS does not have any subsidiaries, associates or joint ventures with other parties, other than its investment in Tropical Australia Academic Health Centre and a primary health network (refer to note A4) and therefore no related parties of this kind to declare. The HHS does not make loans to or receive loans from related parties.

G2-1 PARENT ENTITY AND OTHER HHSS

The HHS is controlled by the State of Queensland which is the ultimate parent entity. All State of Queensland controlled entities meet the definition of a related party under AASB 124 *Related Party Disclosures*.

Department of Health

The HHS receives funding from the DoH in return for specific public health services, purchased by the DoH in accordance with a service agreement between the DoH and the HHS. The service agreement is periodically reviewed and updated for changes in activities and prices of services delivered by the HHS.

The signed service agreements are published and are publicly available on the Queensland Government website.

As outlined in Note B2-2, the HHS is not a prescribed employer and the HHS health service employees are employed by the DoH and contracted to work for the HHS. The cost of contracted wages for 2019-20 is \$648.6M (2019: \$586.8M).

In addition to the provision of corporate services support (refer to Note B1-2), the DoH centrally manages, on behalf of the HHS, a range of services including pathology testing, pharmaceutical drugs, clinical supplies, patient transport, telecommunications and technology services. These services are provided on a cost recovery basis. In 2019-20, these services totalled \$162.1M (2019: \$156.5M).

Refer to note B1-1 user charges and fees for DoH funding.

Refer to note C2-1 receivables for DoH debtor balance as at 30 June 2020.

Refer to note C7 payables for DoH creditor balance as at 30 June 2020.

Other Hospital and Health Services

Payments to and receipts from other Hospital and Health Services occur to facilitate the transfer of patients, staff and other incidentals.

Refer to note C2-1 receivables for other inter hospital and health services debtor balance as at 30 June 2020.

G2-2 KEY MANAGEMENT PERSONNEL

Disclosures relating to key management personnel are set out in G1.

Far North Queensland Hospital Foundation

The HHS had transactions with Far North Queensland Hospital Foundation (FNQHF) and received \$2,713,180 for the reimbursement of capital and non-capital expenditure, purchased by the HHS, and agreed to be funded by the FNQHF.

The HHS has paid \$1,325,120 to the FNQHF, which includes \$76,745 for other supplies and services provided by the FNQHF to the HHS, and \$1,248,375 for trust funds transferred from the HHS to the FNQHF for management and usage on behalf of the HHS, as outlined in a Memorandum of Understanding between the HHS and the FNQHF. The trust funds transferred to the FNQHF are being carried as a Sundry Debtor item on the Statement of Financial Position. The balance of the FNQHF Sundry Debtor totalled \$538,585 as at 30 June 2020.

These transactions were conducted on an arms-length basis.

Identified Close Family Members

The HHS employs and contracts 6,362 (MOHRI head count) staff through an arms-length process, none of which have been identified as close family members of key management personnel.

G2-3 OTHER GOVERNMENT ENTITIES

CHHHS transactions with other government entities are on normal terms and conditions and were immaterial in nature.

The other government entities include:

Department of Housing and Public Works

CHHHS pays rent to Department of Housing and Public Works for government employee housing and property leases. Vehicle leasing and strategic fleet management services are provided by the Department of Housing and Public Works via Qfleet.

Queensland Treasury Corporation

CHHHS has an investment bank account with the Queensland Treasury Corporation for general trust monies.

G3 RESTRICTED ASSETS

The HHS receives cash contributions primarily from private practice clinicians and external entities to provide for education, study and research in clinical areas. Contributions are also received from benefactors in the form of gifts, donations and bequests for stipulated purposes. At 30 June 2020, amounts of \$0.7M (2019: \$1.8M) in General Trust and \$0.9M (2019: \$1M) for research projects are set aside for the specified purpose underlying the contribution.

Cairns and Hinterland Hospital and Health Service

Notes to the financial statements

For the year ended 30 June 2020

G4 FIRST YEAR APPLICATION OF NEW ACCOUNTING STANDARDS OR CHANGE IN POLICY

Changes in accounting policy

CHHHS did not voluntarily change any of its accounting policies during 2019-20.

Accounting standards early adopted for 2019-20

No Australian Accounting Standards have been early adopted for the 2019-20 financial year.

Accounting Standards Applied for the First Time in 2019-20

Three new accounting standards with material impact were applied for the first time in 2019-20:

- AASB 15 *Revenue from Contracts with Customers*
- AASB 1058 *Income of Not-for-Profit Entities*
- AASB 16 *Leases*

The effect of adopting these new standards are detailed in notes G4-1 to G4-3. No other accounting standards or interpretations that apply to the HHS for the first time in 2019-20 have any material impact on the financial statements.

G4-1 AASB 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

CHHHS applied AASB 15 *Revenue from Contracts with Customers* for the first time in 2019-20. The nature and effect of changes resulting from the adoption of AASB 15 are described below.

New revenue recognition model

Not-for-profit entities must first apply the principles of AASB 15 to revenue transactions in order to determine which revenue standard to apply. The core principles of AASB 15 are as follows:

- identify the obligations in contracts with customers;
- ascertain the explicit and implicit promises in the contract to deliver goods and/or services to a customer;
- determine the transaction price payable;
- allocate the transaction price to the goods and/or services according to sufficiently specific performance obligations; and
- recognise revenue based on when 'control' over the goods and/or services transfers to the customer and the performance obligations are satisfied.

Impact on the HHS arising from AASB 15

Health Service Funding

The HHS's funding is predominantly provided by the DoH for specific public health services purchased by the department in accordance with a Service Level Agreement. The HHS's historical practices regarding the timing of recognition of revenue received through this Agreement were consistent with the requirements of AASB 15, therefore the introduction of the standard has had no further impact on this category of revenue.

Other User Charges

The HHS's revenue in this category primarily consists of hospital fees (private patients, WorkCover and Medicare-ineligible patients) and reimbursements of pharmaceutical benefits. The HHS's historical practices regarding the timing of recognition for this category of revenue were consistent with the requirements of AASB 15, therefore the introduction of the standard has had no further impact on this category of revenue.

Grants and Other Contributions

The HHS's revenue in this category primarily consists of Australian Government and State Government Grants, and non-current asset and other donations. The HHS's historical practices regarding the timing of recognition for this category of revenue were consistent with the requirements of AASB 15, therefore the introduction of the standard has had no impact on this category of revenue.

G4-2 AASB 1058 INCOME OF NOT-FOR-PROFIT ENTITIES

CHHHS applied AASB 1058 *Income of Not-for-Profit Entities* for the first time in 2019-20. The nature and effect of changes resulting from the adoption of AASB 1058 are described below.

Scope and revenue recognition under AASB 1058

AASB 1058 applies to transactions where the HHS acquires an asset for significantly less than fair value principally to enable the HHS to further its objective, and to the receipt of volunteer services.

The HHS's revenue line item recognised under this standard from 1 July 2019 is Other revenue. For 2019-20, there are no acquisitions of assets for significantly less than fair value.

Cairns and Hinterland Hospital and Health Service

Notes to the financial statements

For the year ended 30 June 2020

G4-2 AASB 1058 INCOME OF NOT-FOR-PROFIT ENTITIES (continued)

Volunteer services

Under AASB 1058, the HHS will recognise volunteer services only when the services would have been purchased if they had not been donated, and the fair value of the services can be measured reliably.

CHHHS receives volunteer services from the Far North Queensland Hospital Foundation (FNQHF) and also receives Chaplaincy services from volunteers. These volunteer services are not recognised on the face of the financial statements as the fair value of the services cannot be measured reliably.

AASB 1058 optionally permits the recognition of a broader range of volunteer services; however, the HHS has elected not to do so.

G4-3 AASB 16 LEASES

The HHS applied AASB 16 *Leases* for the first time in 2019-20. The HHS applied the modified retrospective transition method and has not restated comparative information for 2018-19, which continue to be reported under AASB 117 *Leases* and related interpretations.

The nature and effect of changes resulting from the adoption of AASB 16 are described below.

Definition of a lease

AASB 16 introduced new guidance on the definition of a lease.

For leases and lease-like arrangements existing at 30 June 2019, the HHS elected to apply the practical expedient to grandfather the previous assessments made under AASB 117 and Interpretation 4 *Determining whether an Arrangement contains a Lease* about whether those contracts contained leases. However, arrangements were reassessed under AASB 16 where no formal assessment had been done in the past or where lease agreements were modified on 1 July 2019.

Amendments to former operating leases for office accommodation and employee housing

In 2018-19, the HHS held operating leases under AASB 117 from the Department of Housing and Public Works (DHPW) for non-specialised commercial office accommodation through the Queensland Government Accommodation Office (QGAO) and residential accommodation through the Government Employee Housing (GEH) program.

Effective 1 July 2019, the framework agreements that govern QGAO and GEH were amended with the result that these arrangements would not meet the definition of a lease under AASB 16 and therefore are exempt from lease accounting.

From 2019-20 onward, the costs for these services are expensed as supplies and services expenses when incurred. The new accounting treatment is due to a change in the contractual arrangements rather than a change in accounting policy.

Changes to lessee accounting

Previously, the HHS classified its leases as operating or finance leases based on whether the lease transferred significantly all of the risks and rewards incidental to ownership of the asset to the lessee.

This distinction between operating and finance leases no longer exist for lessee accounting under AASB 16. From 1 July 2019, all leases, other than short-term leases and leases of low value assets, are now recognised on the balance sheet as lease liabilities and right-of-use assets.

Lease liabilities

Lease liabilities are initially recognised at the present value of lease payments over the lease term that are not yet paid. The lease term includes any extension or renewal options that the HHS is reasonably certain to exercise. The future lease payments included in the calculation of the lease liability comprise the following:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that depend on an index or rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the HHS under residual value guarantees
- the exercise price of a purchase option that the HHS is reasonably certain to exercise
- payments for termination penalties, if the lease term reflects the early termination

The discount rate used is the interest rate implicit in the lease, or the HHS's incremental borrowing rate if the implicit rate cannot be readily determined.

Subsequently, the lease liabilities are increased by the interest charge and reduced by the amount of lease payments. Lease liabilities are also remeasured in certain situations such as a change in variable lease payments that depend on an index or rate (e.g. a market rent review), or a change in the lease term.

Cairns and Hinterland Hospital and Health Service

Notes to the financial statements

For the year ended 30 June 2020

G4-3 AASB 16 LEASES (continued)

Right-of-use assets

Right-of-use assets are initially recognised at cost comprising the following:

- the amount of the initial measurement of the lease liability
- lease payments made at or before the commencement date, less any lease incentives received
- initial direct costs incurred, and
- the initial estimate of restoration costs

Right-of-use assets will subsequently give rise to a depreciation expense and be subject to impairment.

Right-of-use assets differ in substance from leased assets previously recognised under finance leases in that the asset represents the intangible right to use the underlying asset rather than the underlying asset itself.

Short-term leases and leases of low value assets

The HHS has elected to recognise lease payments for short-term leases and leases of low value assets as expenses on a straight-line basis over the lease term, rather than accounting for them on balance sheet. This accounting treatment is similar to that used for operating leases under AASB 117.

Changes to lessor accounting

Lessor accounting remains largely unchanged under AASB 16. Leases are still classified as either operating or finance leases. However, the classification of subleases now references the right-of-use asset arising from the head lease, instead of the underlying asset.

Transitional impact

Former operating leases as lessee

- The HHS's former operating leases, other than the exempt QGAO and GEH arrangements, and short-term leases and leases for low value assets, are now recognised on-balance sheet as right-of-use assets and lease liabilities.
- On transition, lease liabilities were measured at the present value of the remaining lease payments discounted at the HHS's incremental borrowing rate.
- The HHS's average incremental borrowing rate applied on the transition of AASB 16 was 1.83%.
- The right-of-use assets were measured at either:
 - their carrying amount as if AASB 16 had always been applied since lease commencement, discounted using the HHS's incremental borrowing rate; or
 - an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.
- New right-of-use assets were tested for impairment on transition and none were found to be impaired.
- On transition, the HHS used practical expedients to:
 - not recognise right-of-use assets and lease liabilities for leases that end within 12 months of the date of initial application and leases of low value assets;
 - exclude initial direct costs from the measurement of right-of-use assets; and
 - use hindsight when determining the lease term.

The following table summarises the on-transition adjustments to asset and liability balances at 1 July 2019 in relation to former operating leases.

	\$'000
Right-of-use assets – Buildings	229
Right-of-use assets – Plant and equipment	795
Lease liabilities	1,024
Reconciliation of operating lease commitments at 30 June 2019 to the lease liabilities at 1 July 2019	

	\$'000
Total undiscounted operating lease commitments at 30 June 2019	16,667
- less internal-to-government arrangements that are no longer leases	(15,377)
- less arrangements incorrectly recognised as leases at 30 June 2019	(269)
- add arrangements not previously recognised as leases at 30 June 2019	36
Lease liabilities before discounting	1,057
- discounted using the incremental borrowing rate at 1 July 2019 (1.83%)	(33)
Lease liabilities at 1 July 2019	1,024

Cairns and Hinterland Hospital and Health Service

Notes to the financial statements

For the year ended 30 June 2020

G5 FUTURE IMPACT OF ACCOUNTING STANDARDS NOT YET EFFECTIVE

At the date of authorisation of the financial report, the expected impacts of new or amended Australian Accounting Standards issued but with future effective dates are set out below:

AASB 1059 Service Concession Arrangements: Grantors

AASB 1059 will first apply to the HHS's financial statements in 2020-21. This standard defines service concession arrangements and applies a new control concept to the recognition of service concession assets and related liabilities.

Following the HHS's initial assessments, a contractual arrangement with MIND Australia Limited, for the provision of mental health support services at two HHS owned and controlled facilities (21 Upward Street and 12 Wallace Street) aimed at avoiding admissions and developing skills to live independently, has been identified as meeting the requirements of a service concession arrangement under AASB 1059.

Under existing accounting standards and Queensland Treasury policies, the facilities have not been recognised on balance sheet as it is an economic infrastructure arrangement.

Upon transitioning to AASB 1059, the HHS will need to recognise the facilities as service concession assets. At the same time, the HHS will recognise a financial liability (representing the expected future compensation payments under the contract) and an unearned revenue liability. The asset and liabilities will be first recognised in the HHS's 2020-21 financial statements as an adjustment to opening comparative balances at 1 July 2019.

	Amount	Measurement basis
Service concession asset	\$12.2M	Current replacement cost as at 1 July 2019 – The HHS has had a valuation carried out on the respective facilities.

Other than the contract with MIND Australia Limited, the HHS does not currently have any other arrangements that would fall within the scope of AASB 1059.

All other Australian accounting standards and interpretations with future effective dates are either not applicable to the HHS's activities or have no material impact on the HHS.

Cairns and Hinterland Hospital and Health Service
Management Certificate
For the year ended 30 June 2020

These general purpose financial statements have been prepared pursuant to section 62(1) of the *Financial Accountability Act 2009* (the Act), section 39 of the *Financial and Performance Management Standard 2019* 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 financial statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of Cairns and Hinterland Hospital and Health Service for the financial year ended 30 June 2020 and of the financial position of the Cairns and Hinterland Hospital and Health Service at the end of that year; and
- c) these assertions are based on an appropriate system of internal controls and risk management processes being effective, in all material respects, with respect to financial reporting throughout the reporting period.

Dr Clive Skarott AM
HonDUniv
FAICD
FAMI

Tina Chinery
EMPA
DipEd
BAppSc (Nursing)
GAICD

Steve Thacker
BA
Grad Dip (Mus Studies)
MA
ACCA
CIPFA
MAPM
IoD



Chair

27/8/2020



A/Chief Executive

27/8/2020



Chief Finance Officer

27/8/2020

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● ● **Audit Office**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Cairns and Hinterland Hospital and Health Service

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of Cairns and Hinterland Hospital and Health Service.

In my opinion, the financial report:

- a) gives a true and fair view of the entity's financial position as at 30 June 2020, and its financial performance and cash flows for the year then ended
- b) complies with the *Financial Accountability Act 2009*, the *Financial and Performance Management Standard 2019* and Australian Accounting Standards.

The financial report comprises the statement of financial position as at 30 June 2020, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements including summaries of significant accounting policies and other explanatory information, and the management certificate.

Basis for opinion

I conducted my audit in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report.

I am independent of the entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code and the *Auditor-General of Queensland Auditing Standards*.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key audit matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial report of the current period. I addressed these matters in the context of my audit of the financial report as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

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Specialised buildings valuation (\$639m)

Refer to Note C5 in the financial report.

Key audit matter	How my audit addressed the key audit matter
Buildings were material to Cairns and Hinterland Hospital and Health Service at balance date, and were measured at fair value using the current replacement cost method. Cairns and Hinterland Hospital and Health Service performed a comprehensive revaluation of approximately 1% of its building assets this year with 80% of the remaining balance being revalued using indexation.	<p>My procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • Assessing the adequacy of management's review of the valuation process. • Assessing the appropriateness of the components of buildings used for measuring gross replacement cost with reference to common industry practices. • Assessing the competence, capabilities and objectivity of the experts used to develop the models. • Reviewing the scope and instructions provided to the value, and obtaining an understanding of the methodology used and assessing its appropriateness with reference to common industry practices. • For unit rates associated with buildings that were comprehensively revalued this year: <ul style="list-style-type: none"> ○ On a sample basis, evaluating the relevance, completeness and accuracy of source data used to derive the unit rate of the: <ul style="list-style-type: none"> ▪ modern substitute (including locality factors and oncosts) ▪ adjustment for excess quality or obsolescence. • For unit rates associated with the remaining specialised buildings: <ul style="list-style-type: none"> ○ Evaluating the relevance and appropriateness of the indices used for changes in cost inputs by comparing to other relevant external indices; and ○ Recalculating the application of the indices to asset balances. • Evaluating useful life estimates for reasonableness by: <ul style="list-style-type: none"> ○ Reviewing management's annual assessment of useful lives; ○ At an aggregate level, review asset management plans for consistency between renewal budgets and the gross replacement cost of assets (consideration of backlog maintenance); ○ Testing that no asset still in use has reached or exceeded its useful life; ○ Enquiring of management about their plans for assets that are nearing the end of their useful life; and ○ Reviewing assets with an inconsistent relationship between condition and remaining useful life.
The current replacement cost method comprises: <ul style="list-style-type: none"> • Gross replacement cost, less • Accumulated depreciation <p>Cairns and Hinterland Hospital and Health Service derived the gross replacement cost of its buildings at balance date using unit prices that required significant judgements for:</p> <ul style="list-style-type: none"> • identifying the components of buildings with separately identifiable replacement costs; and • developing a unit rate for each of these components, including: <ul style="list-style-type: none"> ○ estimating the current cost for a modern substitute (including locality factors and oncosts), expressed as a rate per unit (e.g. \$/square metre) ○ identifying whether the existing building contains obsolescence or less utility compared to the modern substitute, and if so estimating the adjustment to the unit rate required to reflect this difference. <p>The measurement of accumulated depreciation involved significant judgements for forecasting the remaining useful lives of building components.</p> <p>The significant judgements required for gross replacement cost and useful lives are also significant for calculating annual depreciation expense.</p>	

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Key audit matter	How my audit addressed the key audit matter
	<ul style="list-style-type: none">• Where changes in useful lives were identified, evaluating whether they were supported by appropriate evidence.• Reviewing the results of the indexation revaluation and performing the following procedures:<ul style="list-style-type: none">○ Assessing the reasonableness of the indexation percentage by benchmarking it to other Queensland hospitals and government buildings.○ Assessing the appropriateness of the components of buildings used for measuring gross replacement cost with reference to common industry practices.○ Assessing the competence, capabilities and objectivity of the experts used to perform the indexation.○ Reviewing the scope and instructions provided to the valuer and obtaining an understanding of the methodology used and assessing its appropriateness with reference to common industry practices.

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Shared Services

Key audit matter	How my audit addressed the key audit matter
<p>The Department of Health (the Department) is the shared service provider to Cairns and Hinterland Hospital and Health Service for the management of the financial management information system, and processing of accounts payable transactions in the system.</p> <p>The Department replaced its primary financial management information system on 1 August 2019.</p> <p>The financial management system is used to prepare the general purpose financial statements. It is also the general ledger and it interfaces with other software that manages revenue, payroll and certain expenditure streams. Its modules are used for inventory and accounts payable management.</p> <p>The replacement of the financial management system increased the risk of fraud and error in the control environment of the Department and Cairns and Hinterland Hospital and Health Service.</p> <p>The implementation of the financial management system was a significant business and IT project for the Department and Cairns and Hinterland Hospital and Health Service. It included:</p> <ul style="list-style-type: none"> • designing and implementing IT general controls and application controls • cleansing and migrating of vendor and open purchase order master data • ensuring accuracy and completeness of closing balances transferred from the old system to the new system • establishing system interfaces with other key software programs • establishing and implementing new workflow processes. 	<p>I have reported issues relating to internal control weaknesses identified during the course of my audit to those charged with governance.</p> <p>My procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • assessing the appropriateness of the IT general and application level controls including system configuration of the financial management system by: <ul style="list-style-type: none"> ○ reviewing the access profiles of users with system wide access ○ reviewing the delegations and segregation of duties ○ reviewing the design, implementation and effectiveness of the key general information technology controls. • validating account balances from the old system to the new system to verify the accuracy and completeness of data migrated. • documenting and understanding the change in process and controls for how material transactions are processed, and balances are recorded. • assessing and reviewing controls temporarily put in place due to changing system and procedural updates. • Undertaking significant volume of sample testing to obtain sufficient appropriate audit evidence, including: <ul style="list-style-type: none"> ○ verifying the validity of journals processed pre and post go-live ○ verifying the accuracy and occurrence of changes to bank account details ○ comparing vendor and payroll bank account details ○ verifying the completeness and accuracy of vendor payments, including testing for potential duplicate payments. • Assessing the reasonableness of: <ul style="list-style-type: none"> ○ the inventory stocktakes for completeness and accuracy ○ the mapping of the general ledger to the financial statement line item.

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Responsibilities of the Board for the financial report

The Board is responsible for the preparation of the financial report that gives a true and fair view in accordance with the *Financial Accountability Act 2009*, the *Financial and Performance Management Standard 2019* and Australian Accounting Standards, and for such internal control as the Board determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

The Board is also responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless it is intended to abolish the entity or to otherwise cease operations.

Auditor's responsibilities for the audit of the financial report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. This is not done for the purpose of expressing an opinion on the effectiveness of the entity's internal control, but allows me to express an opinion on compliance with prescribed requirements.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the entity.
- Conclude on the appropriateness of the entity's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

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- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

From the matters communicated with the Board, I determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Statement

In accordance with s.40 of the *Auditor-General Act 2009*, for the year ended 30 June 2020:

- a) I received all the information and explanations I required.
- b) I consider that, the prescribed requirements in relation to the establishment and keeping of accounts were complied with in all material respects.

Prescribed requirements scope

The prescribed requirements for the establishment and keeping of accounts are contained in the *Financial Accountability Act 2009*, any other Act, and the Financial and Performance Management Standard 2019. The applicable requirements include those for keeping financial records that correctly record and explain the entity's transactions and account balances to enable the preparation of a true and fair financial report.

28 August 2020

C G Strickland
as delegate of the Auditor-General

Queensland Audit Office
Brisbane

APPENDIX B - GLOSSARY

Aboriginal and Torres Strait Islander health worker	An Aboriginal and/or Torres Strait Islander person who holds the specified qualification and works within a primary healthcare framework to improve health outcomes for Aboriginal and Torres Strait Islander Australians.
Activity based funding (ABF)	A management tool with the potential to enhance public accountability and drive technical efficiency in the delivery of health services by: capturing consistent and detailed information on hospital sector activity and accurately measuring the costs of delivery creating an explicit relationship between funds allocated and services provided strengthening management's focus on outputs, outcomes and quality encouraging clinicians and managers to identify variations in costs and practices so they can be managed at a local level in the context of improving efficiency and effectiveness providing mechanisms to reward good practice and support quality initiatives.
Acute	Having a short and relatively severe course of care in which the clinical intent or treatment goal is to: <ul style="list-style-type: none">▪ manage labour (obstetric)▪ cure illness or provide definitive treatment of injury▪ perform surgery▪ relieve symptoms of illness or injury (excluding palliative care)▪ reduce severity of an illness or injury▪ protect against exacerbation and/or complication of an illness and/or injury that could threaten life or normal function▪ perform diagnostic or therapeutic procedures.
Admission	A patient who undergoes a hospital's formal admission process as an overnight-stay patient or a same-day patient.
Allied health staff	Professional staff who meet mandatory qualifications and regulatory requirements in the following areas: audiology; clinical measurement sciences; dietetics and nutrition; exercise physiology; leisure therapy; medical imaging; music therapy; nuclear medicine technology; occupational therapy; orthopaedics; pharmacy; physiotherapy; podiatry; prosthetics and orthotics; psychology; radiation therapy; sonography; speech pathology and social work.
Clinical governance	A framework by which health organisations are accountable for continuously improving the quality of their services and safeguarding high standards of care by creating an environment in which excellence in clinical care will flourish.
Clinical workforce or staff	Employees who are, or who support, health professionals working in clinical practice, have healthcare specific knowledge/experience and provide clinical services to health consumers, either directly and/or indirectly, that have a direct impact on clinical outcomes.
Full-time equivalent (FTE)	Refers to full-time equivalent staff currently working in a position.
Hospital	Healthcare facility established under Commonwealth, state or territory legislation as a hospital or a free-standing day-procedure unit and authorised to provide treatment and/or care to patients.
Hospital and Health Boards	Hospital and Health Boards are made up of a mix of members with expert skills and knowledge relevant to governing a complex healthcare organisation.
Hospital and Health Service	Hospital and Health Services are separate legal entities established by the Queensland Government to deliver public hospital services. Hospital and Health Services commenced in Queensland on 1 July 2012, replacing existing health service districts.

Individual Development Plan (IDP)	Measures performance, identifies goals and development opportunities for employees. A conversation between managers and permanent employees or temporary on contracts longer than three months.
ieMR	Integrated Electronic Medical Record
Long wait	A 'long wait' elective surgery patient is one who has waited longer than the clinically recommended time for surgery, according to the clinical urgency category assigned. That is, more than 30 days for a category 1 patient, more than 90 days for a category 2 patient and more than 365 days for a category 3 patient.
Non-admitted patient	A patient who does not undergo a hospital's formal admission process.
Nurse practitioner	A registered nurse educated and authorised to function autonomously and collaboratively in an advanced and extended clinical role. The nurse practitioner role includes assessing and managing clients using nursing knowledge and skills and may include, but is not limited to, direct referral of clients to other healthcare professionals, prescribing medications, and ordering diagnostic investigations.
Outpatient	Non-admitted individual accessing health service provided at a hospital or health service facility.
Outpatient service	Examination, consultation, treatment or other service provided to non-admitted, non-emergency patients in a speciality unit or under an organisational arrangement administered by a hospital.
Overnight-stay patient (also known as inpatient)	A patient who is admitted to, and separated from, the hospital on different dates (not same-day patients).
Patient flow	Optimal patient flow means the patient's journey through the hospital system, be it planned or unplanned, happens in the safest, most streamlined and timely way to deliver good patient care.
Private hospital	A private hospital or free-standing day hospital and either a hospital owned by a for-profit company or a non-profit organisation and privately funded through payment for medical services by patients or insurers. Patients admitted to private hospitals are treated by a doctor of their choice.
Public patient	A public patient is one who elects to be treated as a public patient, so cannot choose the doctor who treats them, or is receiving treatment in a private hospital under a contract arrangement with a public hospital or health authority.
Public hospital	Public hospitals offer free diagnostic services, treatment, care and accommodation to eligible patients.
QDAN	Queensland Disposal Authority Number
Registered nurse	An individual registered under national law to practice in the nursing profession as a nurse, other than as a student.
Statutory bodies	A non-departmental government body established under an Act of Parliament. Statutory bodies can include corporations, regulatory authorities and advisory committees/councils.
Sub-acute care	Care for people who are not severely ill but need support to regain their ability to carry out activities of daily life after an episode of illness and /or changing health conditions.
Telehealth	Delivery of health-related services and information via telecommunication technologies, including: live audio and/or video interactive links for clinical consultations and educational purposes

	<p>store and forward Telehealth, including digital images, video, audio and clinical notes (stored) on a client computer, then transmitted securely (forwarded) to a clinic at another location where they are studied by relevant specialists</p> <p>tele-radiology for remote reporting and clinical advice for diagnostic images</p> <p>Telehealth services and equipment to monitor patients' health in their homes.</p>
Weighted Activity Unit	A standard unit used to measure all patient care activity consistently. The more resource intensive an activity is, the higher the weighted activity unit. This is multiplied by the standard unit cost to create the 'price' for the episode of care.

APPENDIX C - CHECKLIST

Summary of requirement		Basis for requirement	Annual report reference
Letter of compliance	<ul style="list-style-type: none"> ▪ A letter of compliance from the accountable officer or statutory body to the relevant Minister/s 	ARRs – section 7	Page 4
Accessibility	<ul style="list-style-type: none"> ▪ Table of contents ▪ Glossary 	ARRs – section 9.1	Page 5-6 Appendix B
	<ul style="list-style-type: none"> ▪ Public availability 	ARRs – section 9.2	Page 2
	<ul style="list-style-type: none"> ▪ Interpreter service statement 	Queensland Government Language Services Policy ARRs – section 9.3	Page 2
	<ul style="list-style-type: none"> ▪ Copyright notice 	<i>Copyright Act 1968</i> ARRs – section 9.4	Page 2
	<ul style="list-style-type: none"> ▪ Information Licensing 	QGEA – Information Licensing ARRs – section 9.5	Page 2
General information	<ul style="list-style-type: none"> ▪ Introductory Information 	ARRs – section 10.1	Page 9
	<ul style="list-style-type: none"> ▪ Machinery of Government changes 	ARRs – section 10.2, 31 and 32	Not Applicable
	<ul style="list-style-type: none"> ▪ Agency role and main functions 	ARRs – section 10.2	Page 12
	<ul style="list-style-type: none"> ▪ Operating environment 	ARRs – section 10.3	Page 12
Non-financial performance	<ul style="list-style-type: none"> ▪ Government's objectives for the community 	ARRs – section 11.1	Page 7
	<ul style="list-style-type: none"> ▪ Other whole-of-government plans / specific initiatives 	ARRs – section 11.2	
	<ul style="list-style-type: none"> ▪ Agency objectives and performance indicators 	ARRs – section 11.3	Page 34
	<ul style="list-style-type: none"> ▪ Agency service areas and service standards 	ARRs – section 11.4	Page 35
Financial performance	<ul style="list-style-type: none"> ▪ Summary of financial performance 	ARRs – section 12.1	Page 36
Governance – management and structure	<ul style="list-style-type: none"> ▪ Organisational structure 	ARRs – section 13.1	Page 28
	<ul style="list-style-type: none"> ▪ Executive management 	ARRs – section 13.2	Page 25
	<ul style="list-style-type: none"> ▪ Government bodies (statutory bodies and other entities) 	ARRs – section 13.3	Not Applicable
	<ul style="list-style-type: none"> ▪ Public sector ethics 	<i>Public Sector Ethics Act 1994</i> ARRs – section 13.4	Page 32
	<ul style="list-style-type: none"> ▪ Human Rights 	<i>Human Rights Act 2019</i> ARRs – section 13.5	Page 33

Summary of requirement		Basis for requirement	Annual report reference
	<ul style="list-style-type: none"> ▪ Queensland Public Service values 	ARRs – section 13.6	Page 12
Governance – risk management and accountability	<ul style="list-style-type: none"> ▪ Risk management 	ARRs – section 14.1	Page 31
	<ul style="list-style-type: none"> ▪ Audit committee 	ARRs – section 14.2	Page 24
	<ul style="list-style-type: none"> ▪ Internal audit 	ARRs – section 14.3	Page 32
	<ul style="list-style-type: none"> ▪ External scrutiny 	ARRs – section 14.4	Page 32
	<ul style="list-style-type: none"> ▪ Information systems and recordkeeping 	ARRs – section 14.5	Page 33
Governance – human resources	<ul style="list-style-type: none"> ▪ Strategic workforce planning and performance 	ARRs – section 15.1	Page 29
	<ul style="list-style-type: none"> ▪ Early retirement, redundancy and retrenchment 	Directive No.04/18 Early Retirement, Redundancy and Retrenchment ARRs – section 15.2	Page 31
Open Data	<ul style="list-style-type: none"> ▪ Statement advising publication of information 	ARRs – section 16	Page 2
	<ul style="list-style-type: none"> ▪ Consultancies 	ARRs – section 33.1	https://data.qld.gov.au
	<ul style="list-style-type: none"> ▪ Overseas travel 	ARRs – section 33.2	https://data.qld.gov.au
	<ul style="list-style-type: none"> ▪ Queensland Language Services Policy 	ARRs – section 33.3	https://data.qld.gov.au
Financial statements	<ul style="list-style-type: none"> ▪ Certification of financial statements 	FAA – section 62 FPMS – sections 38, 39 and 46 ARRs – section 17.1	Appendix A
	<ul style="list-style-type: none"> ▪ Independent Auditor's Report 	FAA – section 62 FPMS – section 46 ARRs – section 17.2	Appendix A

FAA *Financial Accountability Act 2009*

FPMS Financial and Performance Management Standard 2019

ARRs Annual report requirements for Queensland Government agencies

