Financial statements

Gold Coast Hospital and Health Service
Financial Statements - 30 June 2020

General information

Gold Coast Hospital and Health Service ("Gold Coast Health") is a Government statutory body established under the *Hospital and Health Boards Act 2011* and its registered trading name is Gold Coast Hospital and Health Service.

The head office and principal place of business of Gold Coast Health is

Gold Coast University Hospital
1 Hospital Boulevard
Southport QLD 4215

A description of the nature of Gold Coast Health's operations and its principal activities is included in the annual report.

For information in relation to Gold Coast Health, please visit the website www.goldcoast.health.qld.gov.au

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Section 1: Basis of financial statement preparation

These policies have been consistently applied to all the years presented, unless otherwise stated.

1.1 The reporting entity

Gold Coast Health is established under the *Hospital and Health Boards Act 2011*. Gold Coast Health is an independent statutory body and a reporting entity, which is domiciled in Australia. Accountable to the Minister for Health and to the Queensland Parliament, it is primarily responsible for providing quality and safe public hospital and health services and for the direct management of the facilities within the Gold Coast region. The ultimate parent entity is the State of Queensland.

The financial statements are authorised for issue by the Board Chair and Chief Executive at the date of signing the management certificate.

1.2 Statement of compliance

Gold Coast Health has prepared these financial statements in compliance with the relevant sections of the *Financial and Performance Management Standard 2019 (QLD)* and other prescribed requirements. In addition, the financial statements comply with Queensland Treasury's Minimum Reporting Requirements for the year ended 30 June 2020, and other authoritative pronouncements.

Gold Coast Health is a not-for-profit entity and these general purpose financial statements are prepared on an accrual basis (except for the statement of cash flows which is prepared on a cash basis) in accordance with Australian Accounting Standards and Interpretations applicable to not-for-profit entities.

Except where stated, the historical cost convention is used.

1.3 Presentation

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

There were no material restatements of the comparative information. Immaterial reclassifications have occurred to ensure consistency with current period disclosures.

Assets and liabilities are classified as either 'current' or 'non-current' in the statement of financial position and associated notes. Assets are classified as 'current' where their carrying amount is expected to be realised within 12 months after the reporting date. Liabilities are classified as 'current' when they are due to be settled within 12 months after the reporting date, or there is no unconditional right to defer settlement to beyond 12 months after the reporting date.

1.4 Basis of preparation

Gold Coast Health has prepared these financial statements on a going concern basis, which assumes that Gold Coast Health will be able to meet the payment terms of its financial obligations as and when they fall due. Gold Coast Health is economically dependent on funding received from its Service Agreement with the Department of Health ("the Department").

A Service Agreement Framework is in place to provide Gold Coast Health with a level of guidance regarding funding commitments and purchase activity for 2019-2020 to 2021-2022. The Board and management believe that the terms and conditions of its funding arrangements under the Service Agreement Framework will provide Gold Coast Health with sufficient cash resources to meet its financial obligations for at least the next year.

In addition to Gold Coast Health's funding arrangements under the Service Agreement Framework, Gold Coast Health has no intention to liquidate or to cease operations; and under section 18 of the *Hospital and Health Boards Act 2011*, Gold Coast Health represents the State of Queensland and has all the privileges and immunities of the State.

1.5 Critical accounting estimates

The preparation of the 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 amount 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.

Estimates and assumptions with the most significant effect on the financial statements are:

- Useful lives assessment – refer Note 2.7
- Land and building valuation assessment – Note 2.13

1.6 Taxation

Gold Coast Health is a State body as defined under the *Income Tax Assessment Act 1936* and is exempt from Commonwealth taxation except for Fringe Benefits Tax (FBT) and Goods and Services Tax (GST). All Queensland Hospital and Health Services and the Department are grouped for the purposes of Section 149-25 *A New Tax System (Goods and Services Tax) Act 1999*.

All transactions made between the entities in the tax group do not attract GST, and all transactions external to the group are required to be accounted for GST where applicable. GST credits receivable from, and GST payable to the Australian Taxation Office are recognised.

Section 2: Financial Statements and Related Notes

Gold Coast Hospital and Health Service
Statement of comprehensive income
For the year ended 30 June 2020

	Note	2020 $'000	2019 $'000
Income			
Funding for public health services	2.1	1,518,297	1,427,785
User charges and fees	2.2	115,820	110,448
Grants and other contributions	2.3	18,958	16,875
Other revenue	2.4	6,469	11,638
Total revenue		1,659,544	1,566,746
Gain on disposal/revaluation of assets		69	85
Total income		1,659,613	1,566,831
Expenses			
Employee expenses	2.5	(1,123,582)	(1,074,234)
Health service employee expenses	2.5	(42,200)	-
Supplies and services	2.6	(407,087)	(393,791)
Grants and subsidies		-	(652)
Depreciation and amortisation	2.7	(77,943)	(80,062)
Impairment loss		(2,579)	(3,003)
Other expenses	2.8	(17,981)	(21,160)
Total expenses		(1,671,374)	(1,572,902)
Operating result for the year		(11,759)	(6,071)
Other comprehensive income			
Items that will not be reclassified to operating result:			
- Increase in revaluation surplus	2.13b	30,532	36,656
Total other comprehensive income		30,532	36,656
Total comprehensive income		18,773	30,585

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

Gold Coast Hospital and Health Service
Statement of financial position
As at 30 June 2020

	Note	2020 $'000	2019 $'000
Current assets			
Cash and cash equivalents	2.9	119,343	92,026
Receivables	2.10	9,897	9,968
Inventories	2.11	11,758	10,324
Other assets	2.12	15,319	16,502
Total current assets		156,317	128,820
Non-current assets			
Property, plant and equipment	2.13	1,677,854	1,705,741
Intangible assets		152	204
Total non-current assets		1,678,006	1,705,945
Total assets		1,834,323	1,834,765
Current liabilities			
Payables	2.15	65,211	45,050
Accrued employee/health service employee benefits	2.16	50,459	44,235
Other liabilities	2.17	28,684	11,306
Total current liabilities		144,354	100,591
Total liabilities		144,354	100,591
Net assets		1,689,969	1,734,174
Equity			
Contributed equity		1,500,417	1,563,395
Accumulated surplus		6,145	17,904
Revaluation surplus	2.13b	183,407	152,875
Total equity		1,689,969	1,734,174

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

Gold Coast Hospital and Health Service
Statement of changes in equity
For the year ended 30 June 2020

	Note	Contributed Equity	Accumulated Surplus	Asset Revaluation Surplus	Total equity
		$'000	$'000	$'000	$'000
Balance at 1 July 2018		1,616,134	23,975	116,219	1,756,328
Deficit for the year		-	(6,071)	-	(6,071)
Other comprehensive income for the year					
- Increase in asset revaluation surplus	2.13	-	-	36,656	36,656
Total comprehensive income for the year		-	(6,071)	36,656	30,585
Transactions with owners as owners:					
Equity injections		21,370	-	-	21,370
Net non-current asset transfers		5,953	-	-	5,953
Equity withdrawals (depreciation funding)	2.1	(80,062)	-	-	(80,062)
Balance at 30 June 2019		1,563,395	17,904	152,875	1,734,174

		Contributed Equity	Accumulated Surplus	Asset Revaluation Surplus	Total equity
		$'000	$'000	$'000	$'000
Balance at 1 July 2019		1,563,395	17,904	152,875	1,734,174
Deficit for the year		-	(11,759)	-	(11,759)
Other comprehensive income for the year					
- Increase in asset revaluation surplus	2.13	-	-	30,532	30,532
Total comprehensive income for the year		-	(11,759)	30,532	18,773
Transactions with owners as owners:					
Equity injections		11,798	-	-	11,798
Net non-current asset transfers		3,167	-	-	3,167
Equity withdrawals (depreciation funding)	2.1	(77,943)	-	-	(77,943)
Balance at 30 June 2020		1,500,417	6,145	183,407	1,689,969

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

Gold Coast Hospital and Health Service
Statement of cash flows
For the year ended 30 June 2020

	Note	2020 $'000	2019 $'000
Cash flows from operating activities			
Inflows			
Funding for public health services		1,457,358	1,364,137
User charges and fees		114,132	109,877
Grants and other contributions		17,079	16,763
GST collected from customers		1,825	1,766
GST input tax credits from Australian Taxation Office		19,262	20,234
Other operating cash inflows		8,555	11,638
Outflows			
Employee expenses		(1,141,488)	(1,069,792)
Supplies and services		(407,390)	(400,004)
Grants and subsidies		-	(898)
GST paid to suppliers		(19,394)	(19,072)
GST remitted to Australian Taxation Office		(1,777)	(1,795)
Other operating cash outflows		(17,841)	(20,348)
Net cash from operating activities	2.9	30,321	12,506
Cash flows from investing activities			
Payments for property, plant and equipment		(14,419)	(18,991)
Sale of property, plant and equipment		73	137
Net cash used in investing activities		(14,346)	(18,854)
Cash flows from financing activities			
Equity injections		11,492	23,995
Lease payments	2.14	(150)	-
Net cash provided by financing activities		11,342	23,995
Net increase in cash and cash equivalents		27,317	17,647
Cash and cash equivalents – opening balance		92,026	74,379
Cash and cash equivalents – closing balance	2.9	119,343	92,026

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

Note 2.1: Funding for public health services

	2020 $'000	2019 $'000
Revenue from contracts with customers		
Activity based funding	1,218,788	1,129,352
Other public health service revenue		
Non-activity based funding	221,566	218,371
Depreciation and amortisation funding	77,943	80,062
Total funding for public health services	1,518,297	1,427,785

Funding for public health services relate to the Service Agreement between the Department and Gold Coast Health. 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.

Accounting policy – revenue from contracts with customers

Type of good or service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Activity based funding (ABF)	ABF funding is provided according to the type and number of services purchased by the Department, based on a Queensland price for each type of service. ABF funding is received for inpatients, critical care, sub and non acute, emergency department, mental health and outpatients. The funding from the Department is received in cash fortnightly in advance.	Revenue is recognised based on purchased activity once delivered or as otherwise agreed. Where actual activity exceeds purchased activity, additional funding is negotiated with the Department and accrued as a contract asset on the Statement of Financial Position where funding has been agreed based on performance obligations being met, but not yet received. Where targets are not met, funding is renegotiated with the Department and may result in a deferral or return of revenue recognised as a contract liability on the Statement of Financial Position.

Accounting policy – other public health service revenue

Non-activity based funding is received for other services Gold Coast Health has agreed to provide per the Service Agreement with the Department. This funding has specific conditions attached that are not related to activity covered by ABF. The funding from the Department is received in cash fortnightly in advance. Funding is recognised as received.

The service agreement between the Department and Gold Coast Health specifies that the Department funds Gold Coast Health's depreciation and amortisation charges via non-cash revenue drawn from equity. The Department 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. The revenue is matched to depreciation expense.

Note 2.2: User charges and fees

	2020 $'000	2019 $'000
Revenue from contracts with customers		
Hospital fees and related services/goods	33,036	36,002
Pharmaceutical benefits scheme	63,387	54,060
Private practice revenue	9,714	8,221
Other user charges and fees		
Property rental	2,086	2,079
Other goods and services	7,597	10,086
Total user charges and fees	115,820	110,448

Accounting policy – revenue from contracts with customers

Revenue from contracts with customers is recognised when Gold Coast Health transfers control over a good or service to the customer. The following table provides information about the nature and timing of the satisfaction of performance obligations, significant payment terms, and revenue recognition of Gold Coast Health's user charges that are contracts with customers.

The adoption of AASB 15 *Revenue from Contracts with Customers* in 2019-20 did not change the timing of revenue recognition.

Type of good or service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Hospital fees and related services/goods	Hospital fees arise primarily from private patients and patients' ineligible for Medicare. Cash is collected on presentation where possible or invoiced on discharge.	Hospital fees are recognised as revenue when the services/goods have been provided to the customer. Where inpatients have not been discharged and therefore not invoiced, revenue is accrued on the Statement of Financial Position to the extent of services/goods provided. Revenue is recognised net of discounts provided in accordance with approved policies.
Pharmaceutical Benefits Scheme	Reflects recoveries under the Federal government's Pharmaceutical Benefits Scheme. Cash is received in arrears when a claim is lodged electronically of PBS eligible drugs dispensed from hospital pharmacies.	Revenue is recognised when received or accrued where a reliable estimate can be made for drugs dispensed under the scheme, but the cash has not yet been received.
Private practice revenue	Fees generated by billing private patient services performed by doctors with an assignment private practice arrangement, and service fees charged to doctors with a retention private practice arrangement.	These fees are recognised as revenue when service has been completed and the portion of revenue owing to Gold Coast Health can be calculated. See Note 5.5.

Accounting policy – Other user charges and fees

Property Rental revenue is recognised as income on a periodic straight-line basis over the lease term.

Other goods and services are provided such as hospital run canteens. Revenue from the sale of these goods and services are recognised on receipt or generation of an invoice.

Note 2.3: Grants and contributions

	2020 $'000	2019 $'000
Revenue from contracts with customers		
Commonwealth grants and contributions	13,481	13,470
Other grants and contributions	2,508	2,371
Other grants and contributions		
Donations other	1,089	922
Donations non-current physical assets	1,880	358
Total grants and contributions	18,958	17,121

Grants, contributions and donations are non-reciprocal transactions where Gold Coast Health does not directly give approximately equal value to the grantor.

Where the grant agreement is enforceable and contains sufficiently specific performance obligations, the transaction is accounted for under AASB 15 *Revenue from Contracts with Customers*. In this case, revenue is initially deferred and recognised as or when the performance obligations are satisfied.

Otherwise, the grants and contributions are accounted for under AASB 1058 *Income of Not-for-Profit Entities*, whereby revenue is recognised upon receipt.

Accounting policy – revenue from contracts with customers

Various grants are received from state and commonwealth departments. Grant agreements specify the agreed performance obligations and price for the services to be provided. The funding is recognised progressively as the services are provided. A contract asset is recognised in the Statement of Financial Position where there is a delay in receipt, but the service has been performed.

Accounting policy – Other grants and contributions

Donations are recognised on receipt of the donated asset or when entitlement to receive the donated asset arises. Cash donations are banked into a trust fund. Further information on trust monies are disclosed in Note 5.4

Accounting policy – Services received below 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. Gold Coast Health receives corporate services support from the Department for no cost. Corporate services received include payroll services and accounts payable services. An approximate value provided by the Department has been disclosed in Note 4.2.

Note 2.4: Other revenue

	2020 $'000	2019 $'000
Interest	142	244
Minor capital recoveries	3,070	8,878
Contractor recoveries	724	-
Other	2,533	2,516
Total other revenue	6,469	11,638

Refer note 2.5 for explanation of contractor recoveries.

Note 2.5: Employee Expenses and Health service employee expenses

Employee Expenses

	2020 $'000	2019 $'000
Employee benefits		
Wages and salaries	877,519	847,705
Annual leave levy/expense	109,054	103,105
Employer superannuation contributions	95,788	88,428
Long service leave levy/expense	21,736	18,020
Termination benefits	682	667
Employee related expenses		
Other employee-related expenses	8,434	8,395
Workers compensation premium	10,368	7,912
Payroll tax	1	2
Total employee expenses	1,123,582	1,074,234

Wages and salaries include $5.9m of $1,250 one-off, pro-rata payments for 4,443 full-time equivalent employees (announced in September 2019).

Health service employee expenses

	2020 $'000	2019 $'000
Health service employee expenses	42,200	-

Full-time equivalent (reflecting Minimum Obligatory Human Resource Information)

	As at 30 June 2020	As at 30 June 2019
Numbers of employees	422	8,262
Number of health service employees	8,360	-
Total full time equivalent	8,782	8,262

Legislative change

The *Hospital and Health Boards Act 2011* (HHB Act) was amended through the *Hospital and Health Boards (Changes to Prescribed Services) Amendment Regulation 2019.* This change removes a Hospital and Health Services (HHS) power to directly employ non-executive staff. The removal of this power revokes a HHS from being a prescribed employer under section 20(4). With the change in legislation a prescribed HHS effectively becomes a non-prescribed employer where employees are employed directly by the Director-General in the Department of Health and contracted to the HHS. This change took effect from the 15 June 2020. Payments made under the non-prescribed arrangement are classified as Health service employee expenses. Board, Executive, Senior Medical Officers (SMOs) and Visiting Medical Officers (VMOs) are disclosed as Employee Expenses.

Note 2.5: Employee Expenses and Health service employee expenses continued

Accounting policy – employee expenses

The Director-General, Department of Health, is responsible for setting terms and conditions for employment, including remuneration and classification structures, and for negotiating enterprise agreements.

Recoveries of salaries and wages costs for Gold Coast Health employees working for other agencies are offset against employee expenses.

Due to the legislative change explained above, the following accounting policies apply to all employees from 1 July 2019 to 14 June 2020 and to Board, Executive, SMOs and VMOs only from 15 June to 30 June 2020.

Wages and Salaries
Wages and salaries due but unpaid at reporting date are recognised in the Statement of Financial Position at the current salary rates. Unpaid entitlements are expected to be paid within 12 months and the liabilities are recognised at their undiscounted values.

Sick Leave

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 Leave, Long Service Leave and Other Leave
Gold Coast Health participates in the Queensland Government's Annual Leave Central Scheme and Long Service Leave Scheme. Under the Annual Leave Central Scheme and Long Service Leave Central Scheme, a levy is made on Gold Coast Health to cover the cost of employees' annual leave (including leave loading and on-costs) and long service leave. The levies are expensed in the period in which they are payable. Amounts paid to employees for annual leave and long service leave are claimed from the Schemes quarterly in arrears.

Superannuation
Employer superannuation contributions are paid to the employees' superannuation fund at rates prescribed by the government. Contributions are expensed in the period in which they are paid or payable. Gold Coast Health's obligation is limited to its contributions. The superannuation schemes have defined benefit and 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*.

Accounting policy – health service employee expenses

From the 15 June, all employees other than Board, Executive, SMOs an VMOs are deemed to be employees of the Department of Health. A payment is made to the Department to offset the costs of these expenses. Due to the timing of the adoption of this change, health service employee expenses at 30 June reflects an accrual for the period from 15 to 30 June 2020.

The Director-General, Department of Health, is responsible for setting terms and conditions for employment, including remuneration and classification structures, and for negotiating enterprise agreements.

Recoveries of salaries and wages costs for health service employees working for other agencies are recorded as revenue. Refer note 2.4 Other Revenue.

Note 2.6: Supplies and services

	2020 $'000	2019 $'000
Building services	1,884	1,845
Catering and domestic supplies	11,778	10,282
Clinical supplies and services	122,436	115,594
Communications	17,891	15,504
Computer services	17,333	19,864
Consultants	374	1,043
Contractors and external labour	18,405	22,122
Drugs	81,257	70,054
Expenses relating to capital works	3,478	6,144
Interstate patient expenses	49,240	49,246
Lease expenses	55	-
Motor vehicles	1,148	1,138
Outsourced service delivery	27,177	19,703
Property and fleet rental	5,085	5,205
Repairs and maintenance	29,412	28,245
Travel - patients	1,130	4,559
Travel - staff	1,050	1,202
Utilities	12,520	12,160
Other	5,434	9,881
Total supplies and services	407,087	393,791

Accounting policy – distinction between grants and procurement

For a transaction to be classified as supplies and services, the value of goods and services received by Gold Coast Health must be of approximately equal value to the value of the consideration exchanged for those goods or services. Where this is not the substance of the arrangement, the transaction is classified as a grant.

Lease expenses

Lease expenses disclosure for 2019-2020 has been amended to comply with the classification requirements of AASB 16 *Leases*. Refer to Note 2.14 for further details.

Note 2.7: Depreciation and amortisation

	2020 $'000	2019 $'000
Depreciation	77,741	79,328
Amortisation	202	734
Total depreciation and amortisation	77,943	80,062

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 any estimated residual value, progressively over its estimated useful life. Intangibles are also amortised on a straight-line basis.

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

Assets under construction (work-in-progress) are not depreciated until they are ready for use as intended by management.

Any expenditure that increases the originally assessed capacity or service potential of an asset is capitalised and the new depreciable amount is depreciated over the remaining useful life of the asset.

Where assets have separately identifiable components that are subject to regular replacement and these components have useful lives distinct from the asset to which they relate, they are separated into components and depreciated accordingly to the extent the impact on depreciation is material.

Note 2.7: Depreciation and amortisation continued

The estimated useful lives of assets are reviewed annually and where necessary, are adjusted to better reflect the pattern of future economic benefits. The useful lives could change significantly because of events such as the asset is technically obsolete, or non-strategic assets have been abandoned or sold.

For each class of depreciable asset, the following depreciation and amortisation rates are used:

Buildings	2.5% - 4.5%
Plant and equipment	
Computer hardware	10.0% - 20%
Engineering	8.3% - 10%
Medical equipment	6.70% - 20%
Office, furniture and fittings	6.70% - 16.7%
Vehicle	7.7% - 20%
Intangible assets	9.1% - 20%

Note 2.8: Other expenses

	2020 $'000	2019 $'000
Advertising	394	252
Ex-gratia payments	36	258
External audit fees	246	240
Insurance premiums (Queensland Government Insurance Fund)	14,460	13,227
Insurance - other	190	289
Internal audit fees	219	330
Interpreter fees	988	1,083
Inventory written off/(on)	(137)	495
Legal fees	850	1,297
Losses from the disposal of non-current assets	140	812
Other expenses	595	2,877
Total other expenses	17,981	21,160

Special payments

Ex-gratia payments are special payments that Gold Coast Health is not contractually or legally obligated to make to other parties and include payments to patients and staff for damaged or lost property. In compliance with the *Financial and Performance Management Standard 2019*, Gold Coast Health maintains a register setting out details of all special payments greater than $5,000. One patient related matter and one employee related matter exceeded the $5,000 threshold in 2019-2020.

External audit fees

Total audit fees quoted by the Queensland Audit Office relating to the 2019-2020 financial statements are $281,000 (2018-2019: $240,000). There are no non-audit services included in this amount.

Insurance (QGIF)

Gold Coast Health is covered by the Department's insurance policy with the Queensland Government Insurance Fund (QGIF). Gold Coast Health pays a fee to the Department as part of a fee-for-service arrangement.

Note 2.9: Cash and cash equivalents

	2020 $'000	2019 $'000
Cash on hand	25	24
Cash at bank	111,525	84,330
QTC Cash Fund	7,793	7,672
Total cash	119,343	92,026

For the purposes of the statement of financial position and the statement of cash flows, cash assets include all cash and cheques receipted but not banked at 30 June as well as deposits at call with financial institutions.

a) Restricted Cash

Gold Coast Health receives cash contributions from private practice arrangements (refer to Note 5.5) for education, study and research in clinical areas, and from external parties in the form of gifts, donations and bequests for stipulated purposes. This money is retained separately, and payments are only made from the General Trust Fund for the specific purposes upon which contributions were received. The value as at 30 June 2020 was $9.6m (2018-2019: $9.9m).

b) Effective Interest Rate

Cash deposited with the Queensland Treasury Corporation earns interest at a rate of 1.44% per annum (2018-2019: 2.55%). No interest is earned on Gold Coast Health bank accounts.

c) Reconciliation of surplus to net cash from operating activities

	2020 $'000	2019 $'000
(Deficit) for the year	(11,759)	(6,071)
Non-cash items included in operating result:		
Depreciation and amortisation expense	77,943	80,062
Depreciation and amortisation funding	(77,943)	(80,062)
Donated/Contributed assets received	(1,880)	(358)
Net losses on disposal of property, plant and equipment	140	814
Net gains on disposal of property plant and equipment	(69)	(85)
Change in operating assets and liabilities:		
Decrease in receivables	71	30,154
(Increase) in inventories	(1,434)	(1,236)
Decrease/(Increase) in other assets	1,489	(13,796)
Increase/(decrease) in payables	20,161	(10,123)
Increase in other employee benefits	6,224	4,442
Increase in other liabilities	17,378	8,765
Net cash from operating activities	30,321	12,506

Note 2.9: Cash and cash equivalents continued

d) Changes in liabilities arising from financing activities

There were no lease liabilities recorded on the balance sheet as at 30 June 2019. One lease met the definition of the accounting standard in 2019-20 but it was disposed of by 30 June 2020. Payments related to this lease totalled $0.15m.

e) Non-cash investing and financing activities

Assets and liabilities received or donated/transferred are recognised as revenues or expenses as applicable.

Note 2.10: Receivables

	2020 $'000	2019 $'000
Trade debtors	12,000	11,337
Less: Loss allowance	(3,913)	(3,084)
	8,087	8,253
GST receivable	1,982	1,850
GST payable	(182)	(135)
	1,800	1,715
Other receivables	10	-
Total receivables	9,897	9,968

Receivables comprise trade debtors and GST net receivables.

Accounting policy – trade debtors

Trade debtors are recognised at the amounts due at the time of sale or service delivery. Settlement of these amounts is required within 30 days from the invoice date.

Loss Allowance
The loss allowance for trade debtors reflects lifetime expected credit losses. Economic changes impacting debtors and relevant industry data form part of the impairment assessment.

Where there is no reasonable expectation of recovering an amount owed by a debtor, the debt is written-off by directly reducing the receivable against the loss allowance. If the amount of debt written off exceeds the loss allowance, the excess is recognised as an impairment loss.

a) Impaired trade 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 receivables. Based on the materiality of the debtor balance, Gold Coast Health has considered the trade debtor balance in total when measuring expected credit losses.

Note 2.10: Receivables continued

The calculations reflect historical observed default rates calculated using credit losses experienced on past sales transactions. The historical default rates have not been adjusted for forward-looking information that may affect the future recovery of those receivables as there are no material adjustments expected based on reasonable judgement.

Set out below is the credit risk exposure on Gold Coast Health's trade debtors.

	2020			2019		
	Gross receivables	Loss Rate	Expected credit losses	Gross receivables	Loss Rate	Expected credit losses
	$'000	%	$'000	$'000	%	$'000
1-30 days	3,311	3%	(113)	3,115	4%	(112)
31-60 days	2,032	9%	(181)	2,438	13%	(317)
61-90 days	1,523	19%	(289)	1,533	19%	(293)
More than 90 days	5,134	65%	(3,330)	4,251	56%	(2,362)
Total	12,000		(3,913)	11,337		(3,084)

Movements in loss allowance for trade receivables:

	2020 $'000	2019 $'000
Loss allowance as at 1 July	3,084	3,036
Increase in allowance recognised in operating result	2,106	2,768
Amounts written off during the year	(1,277)	(2,720)
Loss allowance as at 30 June	3,913	3,084

Note 2.11: Inventories

	2020 $'000	2019 $'000
Pharmaceutical supplies	4,618	4,139
Less: Provision for impairment	(81)	(282)
Clinical and other supplies	7,221	6,467
Total inventories	11,758	10,324

Inventories consist mainly of pharmaceutical supplies and clinical supplies held in wards for use throughout the hospitals. Inventories are measured at cost adjusted for periodic assessments for obsolescence. Where damaged or expired items have been identified, provisions are made for impairment.

Consignment stock is held but is not recognised as inventory as it remains the property of the supplier until consumption. Upon consumption, it is expensed as clinical supplies.

Note 2.12: Other assets

	2020 $'000	2019 $'000
Contract assets		
Funding for public health services	5,863	4,499
User charges and fees	5,691	9,374
Other assets		
Prepayments	3,765	2,629
Total other assets	15,319	16,502

Accounting Policy – contract asset

Contract assets arise from contracts with customers and are transferred to receivables when Gold Coast Health's right to payment becomes unconditional. In the case of public health service funding, this usually occurs when the service agreement is signed by both parties to the agreement. In the case of user charges and fees this usually occurs when an invoice is issued to a customer.

Comparatives have been moved for disclosure purposes and were previously recognised in the receivables note.

Note 2.13: Property, plant and equipment

Items of property, plant and equipment with a cost or other value equal to or more than the following thresholds are recognised for financial reporting purposes in the year of acquisition:

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

Property, plant and equipment are initially recorded at consideration plus any other costs directly incurred in ensuring the asset is ready for use.

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 date of acquisition in accordance with AASB 116 *Property, Plant and Equipment*.

Note 2.13: Property, plant and equipment continued

a) Closing Balances and reconciliation of carrying amount

30 June 2020

	Land (fair value)	Buildings (fair value)	Plant and Equipment (cost)	Work-in-Progress (cost)	**Total**
	$'000	$'000	$'000	$'000	**$'000**
Gross	95,644	2,010,157	195,087	2,803	**2,303,691**
Less accumulated depreciation	-	(501,463)	(124,374)	-	**(625,837)**
Carrying amount as at 30 June 2020	95,644	1,508,694	70,713	2,803	1,677,854
Represented by movements in carrying amount:					
Carrying amount at 1 July 2019	94,423	1,526,183	75,289	9,846	**1,705,741**
Acquisitions	-	-	10,342	4,077	**14,419**
Disposals	-	-	(144)	-	**(144)**
Net revaluation increments/(decrements)	1,221	29,311	-	-	**30,532**
Donations/Contributed assets received	-	-	1,880	-	**1,880**
Net transfers from the Department/Other HHS	-	3,246	(79)	-	**3,167**
Transfers from Work-in-Progress	-	10,950	170	(11,120)	**-**
Depreciation expense	-	(60,996)	(16,745)	-	**(77,741)**
Carrying amount at 30 June 2020	95,644	1,508,694	70,713	2,803	**1,677,854**

30 June 2019

	Land (fair value)	Buildings (fair value)	Plant and Equipment (cost)	Work-in-Progress (cost)	**Total**
	$'000	$'000	$'000	$'000	**$'000**
Gross	94,423	1,956,826	189,519	9,846	**2,186,163**
Less accumulated depreciation	-	(430,643)	(114,230)	-	**(544,873)**
Carrying amount as at 30 June 2019	94,423	1,526,183	75,289	9,846	**1,705,741**
Represented by movements in carrying amount:					
Carrying amount at 30 June 2018	89,416	1,546,546	85,046	2,968	**1,723,976**
Acquisitions	-	-	9,553	9,438	**18,991**
Disposals	-	-	(865)	-	**(865)**
Net revaluation increments/(decrements)	(900)	37,556	-	-	**36,656**
Donations received/made	-	-	358	-	**358**
Net transfers from the Department/Other HHS	5,907	-	46	-	**5,953**
Transfers between asset classes	-	313	(313)	-	**-**
Transfers from Work-in-Progress	-	1,360	1,200	(2,560)	**-**
Depreciation expense	-	(59,592)	(19,736)	-	**(79,328)**
Carrying amount at 30 June 2019	94,423	1,526,183	75,289	9,846	**1,705,741**

Note 2.13: Property, plant and equipment continued

b) Valuations of land and buildings

Land and buildings are measured at fair value in accordance with AASB 116 *Property, Plant and Equipment*, AASB 13 *Fair Value Measurement* as well as Queensland Treasury's Non-Current Asset Policies for the Queensland Public Sector.

The cost of items acquired during the financial year has been judged by management to materially represent their fair value at the end of the reporting period.

Property, plant and equipment classes measured at fair value are revalued on an annual basis either by appraisals undertaken by an independent professional valuer, or by the use of appropriate and relevant indices.

Gold Coast Health engage external valuers to determine fair value through either comprehensive revaluations and/or the indexation of the assets not subject to comprehensive revaluations. Comprehensive revaluations are undertaken at least once every five years. However, if a particular asset class experiences significant volatile changes in fair value, that class is subject to specific appraisal in the reporting period, where practicable, regardless of the timing of the last specific appraisal.

The fair values reported by the department are based on appropriate valuation techniques that maximise the use of available and relevant observable inputs and minimise the use of unobservable inputs. Materiality is considered in determining whether the difference between the carrying amount and the fair value of an asset is material (in which case revaluation is warranted).

Where indices are used, these are either publicly available, or are derived from market information available to the valuer. The valuer provides assurance of their robustness, validity and appropriateness for application to the relevant assets. Indices used are also tested for reasonableness by applying the indices to a sample of assets, comparing the results to similar assets that have been comprehensively valued by the valuer, and analysing the trend of changes in values over time.

At 30 June 2020 the COVID-19 pandemic has not materially altered valuations of land and buildings.

Land

The State Valuation Service provided an index for land in 2019-2020. The indexation for land is 1 except for three properties at Robina due to market movements in that region. The land indexation is based on market conditions for commercial property on the Gold Coast.

Previously, the State Valuation Service performed a comprehensive valuation of all land holdings, with an effective valuation date of 30 June 2017. The valuation was based on a market approach. Key inputs into the valuation include publicly available data on sales of similar land in nearby localities in the 12 months prior to the date of revaluation. Adjustments were made to the sales data to take into account the location, size, street/road frontage and access, and any significant restrictions for each individual parcel of land.

Buildings

AECOM Australia Pty Ltd provided an index for buildings in 2019-2020. The indexation for buildings was 2% based on cost escalations evidenced in the market.

Previously, AECOM Australia Pty Ltd performed a comprehensive valuation of all buildings measured on a current replacement cost basis (effective valuation date of 30 June 2017), except one building held at market value which was not revalued due to immateriality in 2016-2017. Key inputs into the valuation on replacement cost basis included internal records of the original cost of the specialised fit out and more contemporary design/construction costs published for various standard components of buildings. Significant judgement was also used to assess the remaining service potential of the buildings given local environmental conditions and the records of the current condition of the building.

The asset revaluation surplus in the statement of financial position as at 30 June 2020 ($183.4m) relates to land ($2.9m) and building ($180.5m) revaluation increments. (2018-2019: $152.8m including $1.6m land and $151m building revaluation increments).

Note 2.13: Property, plant and equipment continued

Revaluation increment reconciliation:

	2020 $'000	2019 $'000
Recognised in operating result:		
Land revaluation increment	-	-
Building revaluation increment	-	-
Total net revaluation increment in operating result	-	-
Recognised in other comprehensive income:		
Net land revaluation increment/(decrement)	1,221	(900)
Net building revaluation increment	29,311	37,556
Net revaluation increment in other comprehensive income	30,532	36,656
Total net revaluation increment	30,532	36,656

Any revaluation increment arising on the revaluation of an asset is credited to the asset revaluation surplus of the appropriate class, except to the extent it reverses a revaluation decrement for the class previously recognised as an expense. A decrease in the carrying amount on revaluation is charged as an expense, to the extent it exceeds the balance, if any, in the revaluation surplus relating to that asset class. On revaluation, for assets valued using a cost valuation approach, accumulated depreciation is restated proportionately with the change in the carrying amount of the asset and any change in the estimate of remaining useful life. On revaluation, for assets valued using a market approach, accumulated depreciation is eliminated against the gross amount of the asset prior to restating for valuation.

c) Fair value hierarchy classification

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.

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

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 include, but are not limited to, subjective adjustments made to observable data to take account of the characteristics of the assets/liabilities, internal records of recent construction costs (and/or estimates of such costs), assets' characteristics/functionality, 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 considers a market participant's ability to generate economic benefits by using the asset in its highest and best use.

All assets and liabilities 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 within level 1) that are observable, either directly or indirectly; and
- Level 3: represents fair value measurements that are substantially derived from unobservable inputs.

Note 2.13: Property, plant and equipment continued

Land and buildings valued with reference to an active market is classified as Level 2. Purpose-built hospital and health service buildings valued without reference to an active market are valued using the replacement cost methodology and classified as Level 3.

2020	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Land		95,644		95,644
Buildings		4,788	1,503,906	1,508,694
Total assets		100,432	1,503,906	1,604,338

2019	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Land	-	94,423	-	94,423
Buildings	-	5,005	1,521,178	1,526,183
Total assets	-	99,428	1,521,178	1,620,606

The movements associated with Level 3 assets are shown below:

	2020 $'000	**2019 $'000**
Balance at 1 July	1,521,178	1,544,684
Transfers out of Level 3 into Level 2	-	(3,201)
Disposals	-	-
Revaluation increments	29,217	36,888
Transfers from Work-in-Progress	10,950	1,360
Transfers in	3,246	313
Depreciation	(60,685)	(58,866)
Balance at 30 June	1,503,906	1,521,178

Note 2.14: Leases

A new accounting standing AASB 16 *Leases* came into effect in 2019-20 Gold Coast Health has assessed all rental agreements and determined that none meet the classification requirements under AASB 16 *Leases* as at 30 June 2020.

Gold Coast Health measures right-of-use assets at cost subsequent to initial recognition. Gold Coast Health 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.

One asset met the classification requirements during the year, but the lease was disposed of prior to 30 June 2020.

(i) Property and fleet rentals

The Department of Housing and Public Works (DHPW) provides Gold Coast Health with access to accommodation and fleet vehicles under government-wide frameworks. This includes the Varsity Lakes Day Hospital. These arrangements are categorised as procurement of services rather than as leases because DHPW has substantive substitution rights over the assets. They are called property and fleet rental and are disclosed in the supplies and services note 2.6.

(ii) Amounts recognised in profit or loss

Lease expenses in 2019-20 amounted to $0.05m and related to one lease that was disposed of in the financial year.

(iii) Total cash outflow for leases

Lease payments in 2019-20 amounted to $0.15m and related to one lease that was disposed of in the financial year.

2018-19 disclosures under AASB 117

Non-cancellable operating leases

	2019 $'000
Operating lease commitments at 30 June 2019	
Within one year	4,906
One to five years	5,239
Total commitment	10,145

$9.3m of the commitment related to property and fleet rentals that are not leases under the new accounting standard. Refer to section (i) above. The remaining lease was disposed of in the financial year.

Note 2.14: Leases continued

Leases as lessor

Gold Coast Health recognises lease payments from operating leases as income on a straight-line basis over the lease term.

Gold Coast Health sub-leases space for clinical and retail purposes. Lease income from operating leases is reported as 'Property Rental' in Note 2.2. No amounts were recognised in respect of variable lease payments other than CPI-based or market rent reviews.

The following table sets out a maturity analysis of future undiscounted lease payments receivable under operating leases.

Lessor commitments

	2020 $'000
Less than one year	1,744
One to two years	1,728
Two to three years	1,596
Three to four years	30
Four to five years	-
More than five years	-
Total	5,098

2018-19 disclosures under AASB 117

	2019 $'000
Within one year	1,867
One to five years	5,937
Total commitment	7,804

Note 2.15: Payables

	2020 $'000	2019 $'000
Trade and other payables	16,546	15,235
Payables to the Department	18,101	2,570
Accrued expenses	30,564	27,245
Total payables	65,211	45,050

Trade creditors are recognised on receipt of the goods or services ordered and are measured at the agreed purchase or contract price, net of applicable trade and other discounts. Amounts owing are unsecured and are generally settled on 30 to 60 day terms.

Payables to the Department represent amounts owing for supplies and services provided by the Department but not yet settled. Funding related payables are disclosed under other liabilities at note 2.17.

Note 2.16: Accrued employee and health service employee benefits

	2020 $'000	2019 $'000
Accrued employee benefits		
Wages and salaries payable	7,560	33,022
Superannuation payable	699	4,137
Other leave	-	7,076
Total accrued employee benefits	8,259	44,235
Health service employee benefits	42,200	-
Total accrued employee and health service employee benefits	50,459	44,235

Accounting policy – accrued employee benefits

No provision for annual leave or long service leave is recognised as the 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*.

Other leave relates to Rostered Days Off, Nurses Professional Development and Purchased leave entitlements. These liabilities are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are measured at the amounts expected to be paid when the liabilities are settled and recognised at undiscounted values.

Accounting policy – accrued health service employee benefits

With the change to the prescribed employer arrangements as detailed in Note 2.5, this balance represents the accrual for the period from the date of the legislative change to 30 June 2020.

Other leave relating to accrued health service employees has been transferred back to the Department of Health as employer.

Note 2.17: Other liabilities

	2020 $'000	2019 $'000
Contract liabilities		
Funding for public health services deferred	15,800	7,028
User charges and fees	194	876
Non-contract liabilities		
Funding for public health services to be returned	12,690	3,402
Total other liabilities	28,684	11,306

Funding for public health services deferred is an amount of funding received under the Service Agreement with the Department where the agreed activity or service could not be completed by the end of the financial year and agreement has been reached to defer the revenue to the next financial year when the services will be delivered.

Funding for public health services to be returned reflects the portion of the funding received under the service agreement to be repaid to the Department of Health in the next financial year.

Section 3: Budgetary Reporting Disclosures

Budget vs Actual Comparison

This section provides an explanation for major variances between the original budget and actual performance for 2019-2020.

The original budget is the budget in the Queensland Health Service Delivery Statement which was published prior to the completion of negotiations on the service agreement with the Department of Health.

Statement of comprehensive income

	Note	Original Budget $'000	Actual $'000	Variance $'000
Revenue				
Funding for public health services		1,460,291	1,518,297	58,006
User charges and fees	3.1	96,941	115,820	18,879
Grants and other contributions		15,258	18,958	3,700
Other revenue		2,183	6,469	4,286
Total revenue		1,574,673	1,659,544	84,871
Gain on disposal/revaluation of assets		-	69	69
Total income		1,574,673	1,659,613	84,940
Expenses				
Employee expenses		(1,107,677)	(1,123,582)	(15,905)
Health service employee expenses		-	(42,200)	(42,200)
Supplies and services	3.2	(367,699)	(407,087)	(39,388)
Grants and subsidies		(1,323)	-	1,323
Depreciation and amortisation		(80,739)	(77,943)	2,796
Impairment loss		(1,185)	(2,579)	(1,394)
Other expenses		(16,050)	(17,981)	(1,931)
Total expenses		(1,574,673)	(1,671,372)	(96,699)
Operating result for the financial year		-	(11,759)	(11,759)
Other comprehensive income for the year				
Items that will not be reclassified subsequently to operating result:				
- Increase in asset revaluation surplus		-	30,532	30,532
Total other comprehensive income		-	30,532	30,532
Total comprehensive income for the year		-	18,773	18,773

Budget vs Actual Comparison (continued)

Statement of financial position

	Note	Original Budget $'000	Actual $'000	Variance $'000
Assets				
Current assets				
Cash and cash equivalents	3.3	77,686	119,343	41,657
Receivables	3.4	43,623	9,897	(33,726)
Inventories	3.5	9,266	11,758	2,492
Other assets	3.6	3,240	15,319	12,079
Total current assets		133,815	156,317	22,502
Non-current assets				
Property, plant and equipment		1,680,014	1,677,854	(2,160)
Intangibles		34	152	118
Total non-current assets		1,680,048	1,678,006	(2,042)
Total assets		1,813,863	1,834,323	20,460
Liabilities				
Current liabilities				
Payables		60,402	65,211	4,809
Accrued employee and health service employee benefits		46,633	50,459	3,826
Other liabilities	3.7	2,541	28,684	26,143
Total current liabilities		109,576	144,354	34,778
Total liabilities		109,576	144,354	34,778
Net assets		1,704,287	1,689,969	(14,318)
Equity				
Contributed equity		1,499,447	1,500,417	970
Accumulated surplus		17,975	6,145	(11,830)
Asset revaluation surplus		186,865	183,407	(3,458)
Total equity		1,704,287	1,689,969	(14,318)

Budget vs Actual Comparison (continued)

Statement of cash flows

	Note	Original Budget $'000	Actual $'000	Variance $'000
Cash flows from operating activities				
Funding for public health services		1,379,552	1,457,358	77,806
User charges and fees	3.1	95,640	114,132	18,492
Grants and contributions		15,258	17,079	1,821
GST collected from customers	3.9	-	1,825	1,825
GST input tax credits from Australian Taxation Office	3.9	8,050	19,262	11,212
Other operating cash inflows		2,183	8,555	6,372
Employee expenses		(1,100,853)	(1,141,488)	(40,635)
Supplies and services	3.2	(365,667)	(407,390)	(41,723)
Grants and subsidies		(1,323)	-	1,323
GST paid to suppliers	3.9	(8,055)	(19,394)	(11,339)
GST remitted to Australian Taxation Office	3.9	-	(1,777)	(1,777)
Other operating cash outflows		(16,050)	(17,841)	(1,791)
Net cash from operating activities		8,735	30,321	21,641
Cash flows from investing activities				
Payments for property, plant and equipment	3.8	(11,515)	(14,419)	(2,904)
Proceeds from sale of property, plant and equipment		(85)	73	158
Net cash used in investing activities		(11,600)	(14,346)	(2,746)
Cash flows from financing activities				
Equity injections		11,515	11,492	(23)
Lease payments		-	(150)	(150)
Net cash from financing activities		11,515	11,342	(173)
Net increase in cash and cash equivalents		8,650	27,317	18,667
Cash and cash equivalents at the beginning of the financial year		69,036	92,026	22,990
Cash and cash equivalents at the end of the financial year		77,686	119,343	41,657

Budget vs Actual Comparison (continued)

Explanations of major variances

3.1. User charges and fees variance

User charges revenue is higher than budget by $18.9m. This is due to additional revenue from chargeable services of which $4.1m related to higher volume of patient fees and $12.1m related to higher volume of PBS charges due to increased patient activity levels. These factors caused the corresponding increase in the statement of cash flows of $18.5m.

3.2. Supplies and services variance

Supplies and services is $39.4m higher than original budget. Contributing to the variance is additional funding received during the year that was not reflected in the original budget to fund outsourced service delivery ($6.9m) and PBS drugs ($10.3m). Other factors contributing to the variance are increased use of external contractors (mainly nursing staff) ($15.9m) and increased repairs and maintenance costs ($6.9m) to meet service demand. This also caused the corresponding increase in statement of cash flows of $41.3m.

3.3. Cash and cash equivalents variance

The cash balance fluctuates due to the timing of receivables and payables. Refer to cash flow notes for more information.

3.4 Receivables variance

Receivables is lower than budget by $33.7m. $11.5m is due to the reclassification of contract asset accruals from receivables to other assets. The remaining balance of $22.2m is due to differences in the assumed impact of timing of payments from customers at the time of preparing the budget.

3.5 Inventories variance

Inventories is higher than budget by $2.5m. This is predominantly due to increased holdings arising from COVID-19 protective equipment requirements.

3.6 Other assets variance

The other assets balance is higher than budget by $12.1m. This is predominantly due to the reclassification of contract asset accruals from receivables to other assets.

3.7. Other liabilities variance

The other liabilities balance is higher than budget by $26.1m. This is due to the reclassification of final amendments to funding in the Service Agreement with the Department from payables to other liabilities.

3.8. Payments for property plant and equipment variance

Payments for property, plant and equipment ($14.4m) predominantly reflects the expenditure of the equity injection funding of $11.5m. The equity injection includes funding to purchase equipment under the Health Technology Equipment Replacement program ($6.2m). Payments can vary from budget due to the timing of reimbursements from the Department.

3.9. GST variance

Per Queensland Treasury Financial Reporting Requirements, GST inflows and outflows are reported separately in the financial statements. The net impact of the GST in the cash flow is only $0.08m and reflects the GST value on actual transactions.

Section 4: Key Management Personnel and Related Parties

4.1 Key Management Personnel

The following details for key management personnel include those positions that had the authority and responsibility for planning, directing and controlling the major activities of the Gold Coast Health.

Minister

The responsible minister is identified as part of Gold Coast Health Key Management Personnel. The Honourable Dr Steven Miles was appointed the Minister for Health and the Minister for Ambulance Services on 12 December 2017 and the Deputy Premier on 10 May 2020. No associated remuneration figures will be disclosed for the Minister, as Gold Coast Health does not provide the Minister's remuneration.

Board

The Board members of Gold Coast Health as at 30 June 2020 and their positions are outlined below.

Name and position of current incumbents	Appointment authority	Appointment date
Board Chair – Mr Ian Langdon	Section 25(1)(a), HHB Act	01/07/2012 (Reappointed 18/05/2020)
Board Member – Professor Judy Searle	Section 23, HHB Act	18/05/2016 (Reappointed 17/05/2017)
Board Member – Mr Robert Buker	Section 23, HHB Act	18/05/2016 (Reappointed 17/05/2017)
Board Member – Professor Helen Chenery	Section 23, HHB Act	18/05/2016 (Reappointed 17/05/2017)
Board Member – Dr Cherrell Hirst	Section 23, HHB Act	17/05/2014 (Reappointed 18/05/2018)
Board Member – Ms Colette McCool	Section 23, HHB Act	01/07/2012 (Reappointed 18/05/2018)
Board Member – Dr Andrew Weissenberger	Section 23, HHB Act	01/09/2012 (Reappointed 18/05/2018)
Board Member – Ms Teresa Dyson	Section 23, HHB Act	18/05/2016 (Reappointed 18/05/2019)
Board Member – Michael Kinnane	Section 23, HHB Act	18/05/2018 (Reappointed 18/05/2019)
Board Member – Professor Cindy Shannon	Section 23, HHB Act	18/05/2020

Further information about these positions can be found in the body of the Annual Report under the section relating to Executive Management.

4.1 Key Management Personnel continued

Executives

The Key Management Personnel – Executive level includes those positions that have responsibility for planning, directing and controlling the agency as a whole. Each member holds responsibility for their division's financial, operational and clinical (if applicable) performance as reflected in the position title in table below

Name and position of current incumbents	Contract classification and appointment authority	Appointment date
Chief Executive – Mr Ron Calvert	SESL Contract - Section 33, HHB Act.	01/10/2012 (reappointed 16/09/2019)
Chief Operations Officer – Ms Kimberley Pierce	HES3 Contract - Section 67, HHB Act.	15/08/2016
Chief Finance Officer – Mr Ian Moody	HES3 Contract - Section 67, HHB Act.	04/12/2013 (reappointed 04/12/2016)
Executive Director, Clinical Governance, Education and Research – Dr Jeremy Wellwood	Medical Officer (Queensland Health) Certified Agreement (No. 5) 2019	06/08/2018
Executive Director, Digital Transformation and Chief Information Officer – Mr Mark Luchs	HES2 Contract - Section 67, HHB Act.	23/09/2019
Executive Director, People and Corporate Services – Ms Hannah Bloch	HES3 Contract - Section 67, HHB Act.	19/09/2016 (reappointed 20/12/2019)
Executive Director, Strategic Planning and Assets – Ms Toni Peggrem	HES3 Contract - Section 67, HHB Act.	29/09/2014
Executive Director, Strategic Communication and Engagement – Ms Sarah Dixon	HES2 Contract – Section 67, HHB Act	06/08/2018
Executive Director, Governance, Risk and Commercial Services – Not currently filled	HES2 Contract - Section 67, HHB Act.	vacant

Remuneration

Remuneration policy for the Gold Coast Health Board are approved by the Governor in Council and the Chair, Deputy Chair and members are paid an annual fee consistent with the government procedures titled 'Remuneration procedures for part-time chairs and members of Queensland Government bodies.

Remuneration policy for Gold Coast Health Executive is set by the Director-General of the Department as provided for under the HHB Act. The remuneration and other terms of employment are specified in employment contracts. Remuneration expenses for key management personnel comprise the following components:

- Short term employee expenses including 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 consist of provision of vehicle together with fringe benefits tax applicable to the benefit.
- Long term employee benefits include amounts expensed in respect of long service leave entitlements earned.
- Post-employment benefits 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 of notice on termination, regardless of the reason for termination.
- Performance bonuses are not paid under the contracts in place.

4.1 Key Management Personnel continued

2020

	Short-term employee expenses		Post-employment expenses	Long-term employee expenses	Termination benefits	Total Expenses
	Monetary	Non-monetary				
	$'000	$'000	$'000	$'000	$'000	$'000
Board						
Board Chair – Mr Ian Langdon	102	-	8	-	-	110
Board Member – Professor Judy Searle	52	-	5	-	-	57
Board Member – Mr Robert Buker	52	-	5	-	-	57
Board Member – Professor Helen Chenery	47	-	4	-	-	51
Board Member – Dr Cherrell Hirst	55	-	5	-	-	60
Board Member – Ms Colette McCool	51	-	5	-	-	56
Board Member – Dr Andrew Weissenberger	51	-	5	-	-	56
Board Member – Ms Teresa Dyson	51	-	5	-	-	56
Board Member – Michael Kinnane	54	-	5	-	-	59
Board Member – Professor Cindy Shannon	5	-	1	-	-	6
Executive						
Chief Executive – Mr Ron Calvert	408	23	34	9	-	474
Chief Operations Officer – Kimberley Pierce	235	-	24	5	-	264
Chief Finance Officer – Mr Ian Moody	258	-	26	5	-	289
Executive Director, Clinical Governance, Education and Research – Dr Jeremy Wellwood	480	-	36	10	-	526
Executive Director, Robina Hospital, Digital Transformation Service and Chief Information Officer – Mr Damian Green (end date 22/09/2019)	49	-	4	1	-	54
Executive Director, Digital Transformation and Chief Information Officer – Mark Luchs (start date 23/09/2019)	159	-	15	3	-	177
Executive Director, People and Corporate Services – Ms Hannah Bloch	228	-	23	5	-	256
Executive Director, Strategic Planning and Assets – Ms Toni Peggrem	222	-	22	5	-	249
Executive Director, Strategic Communication and Engagement – Ms Sarah Dixon	208	-	21	4	-	233

4.1 Key Management Personnel continued

2019

	Short-term employee expenses		Post-employment expenses	Long-term employee expenses	Termination benefits	Total Expenses
	Monetary	Non-monetary				
	$'000	$'000	$'000	$'000	$'000	$'000
Board						
Board Chair – Mr Ian Langdon	103	-	9	-	-	112
Deputy Board Chair – Ms Teresa Dyson	51	-	5	-	-	56
Board Member – Ms Colette McCool	50	-	5	-	-	55
Board Member – Dr Andrew Weissenberger	50	-	5	-	-	55
Board Member – Dr Cherrell Hirst	51	-	5	-	-	56
Board Member – Mr Robert Buker	51	-	5	-	-	56
Board Member – Professor Helen Chenery	50	-	5	-	-	55
Board Member – Professor Judy Searle	51	-	5	-	-	56
Board Member – Michael Kinnane	50	-	5	-	-	55
Executive						
Chief Executive – Mr Ron Calvert	406	17	33	8	-	464
Chief Operations Officer – Kimberley Pierce	235	-	24	5	-	264
Chief Finance Officer – Mr Ian Moody	245	-	25	5	-	275
Executive Director, Clinical Governance, Education and Research – Dr Jeremy Wellwood (from 06/08/2018)	425	-	32	8	-	465
Executive Director, Clinical Governance, Education and Research – Professor Marianne Vonau (end date 05/08/2018)	36	-	2	1	-	39
Executive Director, Robina Hospital, Digital Transformation Service and Chief Information Officer – Mr Damian Green	231	-	17	4	-	252
Executive Director, People and Corporate Services – Ms Hannah Bloch	206	-	21	4	-	231
Executive Director, Strategic Planning and Assets – Ms Toni Peggrem	201	-	20	4	-	225
Executive Director, Strategic Communication and Engagement – Ms Sarah Dixon	183	-	19	4	-	206
Executive Director, Governance Risk and Commercial Services – Ms Rebecca Freath (end date 10/05/2019)	182	-	17	3	-	202

4.2 Related Parties

Transactions with other Queensland Government-controlled entities

Gold Coast Health is controlled by its ultimate parent entity, the State of Queensland. All State of Queensland controlled entities meet the definition of a related party in AASB 124 *Related Party Disclosures.*

The following table summarises significant transactions with Queensland Government controlled entities:

Entity	Note	For the year ending 30 June 2020		At 30 June 2020	
		Revenue $'000	Expenditure $'000	Asset $'000	Liability $'000
Department of Health	(a)	1,531,110	84,652	5,738	101,644
Queensland Treasury Corporation	(b)	121	12	7.793	-
Department of Housing and Public Works	(c)	-	5,085	-	235
Other Hospital and Health Services	(d)	2,653	2,029	2	193
Gold Coast Hospital Foundation	(e)	161	-	161	-

Entity	Note	For the year ending 30 June 2019		At 30 June 2019	
		Revenue $'000	Expenditure $'000	Asset $'000	Liability $'000
Department of Health	(a)	1,427,784	82,475	5,491	20,766
Queensland Treasury Corporation	(b)	204	11	7,672	-
Department of Housing and Public Works	(c)	-	5,205	-	107
Other Hospital and Health Services	(d)	2,547	1,740	347	140
Gold Coast Hospital Foundation	(e)	285	-	285	-

(a) Department of Health
Gold Coast Health receives funding in accordance with a service agreement with the Department. The Department receives its revenue from the Queensland Government (majority of funding) and the Commonwealth. The signed service agreements are published on the Queensland Government website and publicly available.

The Department of Health provides support services on a fee basis such as ambulance, pathology, linen, medical equipment maintenance, information technology, communications, procurement and insurance.

In addition to the expenditure disclosed above, the Department provides several services free of charge including accounts payable, payroll and other support services. The Department has estimated the value of these services to be $12.5m (2019: $11.6m).

The increase in the liability from the prior year is due to the end of month payroll accrual of $42.2m and funding deferrals and payables of $28.5m.

(b) Queensland Treasury Corporation
Gold Coast Health has accounts with the Queensland Treasury Corporation (QTC) for general trust monies and receive interest and incur bank fees on these bank accounts.

(c) Department of Housing and Public Works
Gold Coast Health pays rent to the Department of Housing and Public Works (DHPW) for a number of clinical and non-clinical properties. In addition, the Department of Housing and Public Works provides fleet management services (Qfleet) to Gold Coast Health.

(d) Other Hospital and Health Service entities
Payments to and receipts from other Hospital and Health service entities in Queensland occur to facilitate the transfer of patients, drugs, staff and other services shared.

4.2 Related Parties continued

(e) Gold Coast Hospital Foundation
Gold Coast Hospital Foundation provides free equipment, resources and services to Gold Coast Health in accordance with their objectives identified in the *Hospitals Foundations Act 2018 (Qld)*. Where quantifiable, the value of these resources is disclosed above. The Foundation leases space in the foyer of Gold Coast University Hospital for a nominal value.

Transactions with people/entities related to Key Management Personnel

All transactions between Gold Coast Health and key management personnel, including their related parties were on normal commercial terms and conditions and were immaterial in nature.

Section 5: Other Financial Information

5.1 Financial Instruments

a) Recognition

Financial assets and financial liabilities are recognised in the Statement of Financial Position when Gold Coast Health becomes party to the contractual provisions of the financial instrument.

b) Classification

Financial instruments are classified and measured as follows:

- Cash and cash equivalents - held at amortised cost
- Receivables - held at amortised cost
- Payables - held at amortised cost

Gold Coast Health does not enter into derivative and other financial instrument transactions for speculative purposes nor for hedging. Apart from cash and cash equivalents, Gold Coast Health holds no financial assets classified at fair value through profit and loss.

c) Risks

Gold Coast Health's activities expose it to a variety of financial risks – interest risk, credit risk and liquidity risk.

Financial risk management is implemented pursuant to Gold Coast Health's Financial Management Practice Manual. Overall financial risk is managed in accordance with written principles of Gold Coast Health for overall risk management, as well as policies covering specific areas.

The carrying amounts of cash, trade and other receivables and trade and other payables are assumed to approximate their fair values as disclosed on the Statement of Financial Position due to their short-term nature.

Interest Risk
Gold Coast Health is exposed to interest rate risk through its cash deposited in interest bearing accounts. Changes in interest rates have had a minimal impact on the operating result.

Credit risk
Credit risk exposure refers to the situation where Gold Coast Health may incur financial loss because of another party to a financial instrument failing to discharge their obligation.

The maximum exposure to credit risk at balance date is equal to the gross carrying amount of the financial asset, inclusive of any allowances for impairment. As such, the gross carrying amount of cash and cash equivalents as well as receivables represents the maximum exposure to credit risk.

See Note 2.10 for further information on impairment of receivables.

Liquidity risk
Liquidity risk refers to the situation where Gold Coast Health may encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Gold Coast Health is exposed to liquidity risk in respect of its payables. Exposure to liquidity risk is reduced by ensuring that sufficient funds are available to meet employee and supplier obligations as they fall due. This is achieved by ensuring that minimum levels of cash are held within the various bank accounts to match the expected incidence and duration of the various employee and supplier liabilities.

Gold Coast Health has an approved overdraft facility of $21m under whole-of-Government banking arrangements to manage any unexpected short-term cash shortfalls. This facility has not been drawn down as at 30 June 2020.

Gold Coast Health's trade and other payables are expected to be settled within 30-60 days.

5.2 Contingent liabilities

The following cases were filed in the courts naming the State of Queensland acting through Gold Coast Health as the defendant:

	2020 $'000	2019 $'000
Supreme Court	6	7
District Court	4	3
Magistrates Court	-	1
Tribunals, commissions and boards	-	-
Total cases	10	11

It is not possible to make a reliable estimate of the final amount payable, if any, in respect of litigations before the courts at this time. Any amount payable would be covered by the Queensland Government Insurance Fund (QGIF). Gold Coast Health's maximum exposure under the QGIF policy is an excess of $20,000 for each insurable event. Tribunals, commissions and boards include matters that may never be litigated or result in payments to claims.

5.3 Commitments

There were no non-cancellable capital commitments as at 30 June 2020. Lease related commitments are disclosed in note 2.14.

5.4 Trust transactions and balances

Gold Coast Health manages patient trust accounts transactions (fiduciary funds) as trustee. As Gold Coast Health acts only in a custodial role in respect of these transactions and balances, they are not recognised in the financial statements. Trust activities are included in the annual audit performed by the Auditor-General of Queensland.

Patient trust receipts and payments

	2020 $'000	2019 $'000
Receipts		
Amounts receipted on behalf of patients	248	174
Payments		
Amounts paid to or on behalf of patients	240	176
Assets		
Cash held and bank deposits on behalf of patients	24	16

5.5 Granted private practice arrangements

Gold Coast Health administers the Private Practice arrangements. As Gold Coast Health acts only in an agency role in respect of these transactions and balances, they are not recognised in the financial statements. Fees collected under the scheme must be deposited initially into the private practice bank accounts and later distributed in accordance with the policy governing the private practice scheme. Private Practice funds are not controlled but the activities are included in the annual audit performed by the Auditor-General.

Payments to Gold Coast Health indicated below relate to revenue that has been recognised by Gold Coast Health.

	2020 $'000	2019 $'000
Receipts		
Private practice revenue	17,098	14,029
Private practice interest revenue	17	35
Total receipts	17,115	14,064
Payments		
Payments to private practice doctors under retention arrangements	5,369	4,502
Payments to Gold Coast Health for service fees	8,295	7,028
Payments to Gold Coast Health for assignment arrangements	1,784	2,512
Payments to Gold Coast Health Private Practice Trust Fund*	1,193	1,056
Total payments	16,641	15,098
Assets		
Cash held and bank deposits for private practice	1,269	795

The cash balance above represents timing differences between cash receipts and payments in relation to the private practice arrangements.

* Private Practice Trust funds are generated by doctors reaching the ceiling allowable under the retention option arrangements. These funds are included in the General Trust Fund and the allocation of these funds is managed by an advisory committee.

5.6. Events after the reporting period

No events have occurred after the reporting period that have an impact on the financial statements.

5.7 Other matter

On 1 August 2019, Gold Coast HHS implemented S4/HANA, a new statewide enterprise resource planning (ERP) system, which replaced FAMMIS ERP. The system is used to prepare the general purpose financial statements, and it interfaces with other software that manages revenue, payroll and certain expenditure streams. Its modules are used for inventory and accounts payable management. IT and application level controls were required to be redesigned and new workflows implemented. Extensive reconciliations were completed on implementation to ensure the accuracy of the data migrated.

Section 6: New Accounting Standards

6.1 New, revised or amending Accounting Standards and Interpretations adopted

The below summarises the relevant Australian Accounting Standards amendments which have been adopted for the 2019-2020 year.

AASB 16 Leases

Gold Coast Health applied AASB 16 Leases for the first time in 2019-20. The department 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.

Previously, Gold Coast Health 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 exists 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 balance sheet as lease liabilities and right-of-use assets.

In 2018-19, Gold Coast Health held operating leases under AASB 117 from the Department of Housing and Public Works (DHPW) for commercial accommodation through the Queensland Government Accommodation Office (QGAO). Effective 1 July 2019, the framework agreements that govern QGAO 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.

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 Gold Coast Health 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 department under residual value guarantees
- the exercise price of a purchase option that the department 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 Gold Coast Health'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.

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

Gold Coast Health 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.

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.

AASB 1058 Income of Not-for-Profit Entities and AASB 15 Revenue from Contracts with Customers

AASB 15 *Revenue from Contracts with Customers*

Gold Coast Health applied AASB 15 *Revenue from Contracts with Customers* for the first time in 2019-20. AASB 15 establishes a new five-step model for determining how much and when revenue from contracts with customers is recognised. The five-step model and significant judgments at each step are detailed below.

Step 1 – Identify the contract with the customer	Funding that Gold Coast Health receives may contain a contract with a customer and thus fall within the scope of AASB 15. This is the case where the funding agreement requires Gold Coast Health to transfer goods or services to third parties on behalf of the grantor, it is enforceable, and it contains sufficiently specific performance obligations.
Step 2 – Identify the performance obligations in the contract	This step involves firstly identifying all the activities Gold Coast Health is required to perform under the contract, and determining which activities transfer goods or services to the customer. Where there are multiple goods or services transferred, Gold Coast Health must assess whether each good or service is a distinct performance obligation or should be combined with other goods or services to form a single performance obligation. To be within the scope of AASB 15, the performance obligations must be 'sufficiently specific', such that Gold Coast Health is able to measure how far along it is in meeting the performance obligations.
Step 3 – Determine the transaction price	When the consideration in the contract includes a variable amount, Gold Coast Health needs to estimate the variable consideration to which it is entitled and only recognise revenue to the extent that it is highly probable a significant reversal of the revenue will not occur. This includes sales with a right of return, where the amount expected to be refunded is estimated and recognised as a refund liability instead of revenue.
Step 4 – Allocate the transaction price to the performance obligations	When there is more than one performance obligation in a contract, the transaction price must be allocated to each performance obligation, generally this needs to be done on a relative stand-alone selling price basis.
Step 5 – Recognise revenue when or as the department satisfies performance obligation	Revenue is recognised when Gold Coast Health transfers control of the goods or services to the customer. A key judgement is whether a performance obligation is satisfied over time or at a point in time. And where it is satisfied over time, Gold Coast Health must also develop a method for measuring progress towards satisfying the obligation.

Gold Coast Health applied the modified retrospective transition method and has not restated comparative information for 2018-19, which continue to be reported under AASB 118 *Revenue*, AASB 111 *Construction Contracts*, and related interpretations.

The standard requires contract assets (accrued revenue) and contract liabilities (unearned revenue) to be shown separately and requires contract assets to be distinguished from receivables. For easier comparison, accrued revenue and deferred revenue have been reclassified to the other current asset/liabilities note.

AASB 1058 Income of Not-for-Profit Entities

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

Gold Coast Health's revenue line items recognised under this standard from 1 July 2019 include some grants and contributions and other revenue.

General revenue recognition framework
The revenue recognition framework for in scope transactions, other than specific-purpose capital grants, is as follows.
1. Recognise the asset – e.g. cash, receivables, PP&E, a right-of-use asset or an intangible asset
2. Recognise related amounts – e.g. contributed equity, a financial liability, a lease liability, a contract liability or a provision; (grants and donations in many cases can have nil related amounts)
3. Recognise the difference as income upfront

Volunteer services
Under AASB 1058, Gold Coast Health will continue to 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 reliability. This treatment is the same as in prior years.

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

Transitional policies adopted are as follows:
- Gold Coast Health applied the modified retrospective transition method and has not restated comparative information for 2018-19. They continue to be reported under relevant standards applicable in 2018-19, such as AASB 1004.

Most of Gold Coast Health's revenue will fall within the scope of AASB 15 *Revenue from Contracts with Customers*, the transitional impacts are disclosed above.

Revenue recognition for grants and contributions that were recognised under AASB 1004, will not change under AASB 1058. Revenue will continue to be recognised when Gold Coast Health gains control of the asset (e.g. cash or receivable) in most instances.

6.2 New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by Gold Coast Health. Gold Coast Health's assessment of the impact of these new or amended Accounting Standards and Interpretations where applicable, are set out below.

AASB 1059 Service Concession Arrangements: Grantors

AASB 1059 will first apply to Gold Coast Health's financial statements in 2020-2021. This standard defines service concession arrangements and applies a new control concept to the recognition of service concession assets and related liabilities.

Gold Coast Health have arrangements with the operators of the GCUH secure carpark and co-located private hospital which were assessed in accordance with this new standard. The impact of this new standard is still being determined.

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

Management Certificate

Section 7: Management Certificate

GOLD COAST HOSPITAL AND HEALTH SERVICE
Management Certificate
for the year ended 30 June 2020

These general purpose financial statements have been prepared pursuant to s.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 s.62(1)(b) of the Act we certify that in our opinion:

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

(b) the financial statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of the Gold Coast Hospital and Health Service for the financial year ended 30 June 2020 and of the financial position of the Gold Coast Hospital and Health Service at the end of that year; and

We acknowledge responsibility under s.7 and s.23 of the *Financial and Performance Management Standard 2019* for the establishment and maintenance, in all material respects, of an appropriate and effective system of internal controls and risk management processes with respect to financial reporting throughout the reporting period.

Ian Langdon
Board Chair

18 August 2020

Ron Calvert
Chief Executive

18 August 2020

Independent Auditor’s Report

Queensland Audit Office
Better public services

INDEPENDENT AUDITOR'S REPORT

To the Board of Gold Coast Hospital and Health Service

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of Gold Coast 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 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 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.

Queensland Audit Office
Better public services

Fair value of buildings ($1,508.694 million)

Refer to Note 2.13 in the financial report.

Key audit matter	How my audit addressed the key audit matter

Buildings were material to Gold Coast HHS at balance date and were measured at fair value using the current replacement cost method.
 	
Gold Coast HHS performed an indexation of its buildings this year. The last comprehensive revaluation was in 2016–17.
 	
The current replacement cost method comprises:
• gross replacement cost, less
• accumulated depreciation.
 	
Using indexation required:
• significant judgement in determining changes in cost and design factors for each asset type since the previous comprehensive valuation
• reviewing previous assumptions and judgements used in the last comprehensive valuation to ensure ongoing validity of assumptions and judgements used.
 	
The measurement of accumulated depreciation involved significant judgements for determining condition and forecasting the remaining useful lives of building components.
 	
The significant judgements required for gross replacement cost and useful lives are also significant for calculating annual depreciation expense.
	My procedures included, but were not limited to:
	• assessing the adequacy of management's review of the valuation process and results.
	• reviewing the scope and instructions provided to the valuer.
	• assessing the appropriateness of the valuation methodology and the underlying assumptions with reference to common industry practices.
	• 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
	• for unit rates:
	  ○ on a sample basis, evaluating the relevance, completeness and accuracy of source data used to derive the unit rate of the:
	  ○ modern substitute (including locality factors and oncosts)
	  ○ adjustment for excess quality or obsolescence.
	• evaluating the relevance and appropriateness of the indices used for changes in cost inputs by comparing to other relevant external indices
	• evaluating useful life estimates for reasonableness by:
	  ○ reviewing management's annual assessment of useful lives
	  ○ at an aggregated level, reviewing asset management plans for consistency between renewal budgets and the gross replacement cost of assets
	  ○ ensuring that no building 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
	  ○ reviewing assets with an inconsistent relationship between condition and remaining useful life.
	• Where changes in useful lives were identified, evaluating whether the effective dates of the changes applied for depreciation expense were supported by appropriate evidence.

Queensland Audit Office
Better public services

Implementation of new finance system

Refer to Note 5.7 in the financial report.

Key audit matter	How my audit addressed the key audit matter

The Department of Health (the department) is the shared service provider to Gold Coast HHS for the management of the financial management information system, and processing of accounts payable transactions in the system.
 	
The Department replaced its primary financial management information system on 1 August 2019.
 	
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.
 	
The replacement of the financial management system increased the risk of fraud and error in the control environment of the Department and Gold Coast HHS.
 	
The implementation of the financial management system was a significant business and IT project for the Department and Gold Coast HHS. It included:
• 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.
	I have reported issues relating to internal control weaknesses identified during the course of my audit to those charged with governance.
	
	My procedures included, but were not limited to:
	• assessing the appropriateness of the IT general and application level controls including system configuration of the financial management system by:
	  ○ 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:
	  ○ 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:
	  ○ the inventory stocktakes for completeness and accuracy
	  ○ The mapping of the general ledger to the financial statement line items.

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Responsibilities of the entity 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.

- 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.

C. G. Strickland

21 August 2020

C G Strickland
as delegate of the Auditor-General

Queensland Audit Office
Brisbane