Mackay Hospital and Health Service

2018–2019 ANNUAL REPORT

ADVANCING Queensland

Queensland Government

Information about consultancies, overseas travel, and the Queensland language services policy is available at the Queensland Government Open Data website (**https://data.qld.gov.au**).

An electronic copy of this report is available at: **http://www.mackay.health.qld.gov.au**. Hard copies of the annual report are available by phoning the Media and Communications Manager on 07 4885 5984. Alternatively, you can request a copy by emailing **mhhs-comms@health.qld.gov.au**.

The Queensland Government is committed to providing accessible services to Queenslanders from all culturally and linguistically diverse backgrounds. If you have difficulty in understanding the annual report, you can contact us on telephone (07) 4885 5984 and we will arrange an interpreter to effectively communicate the report to you.

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

Acknowledgement to Traditional Owners

Mackay Hospital and Health Service (Mackay HHS) acknowledges the Traditional Owners of the land and waters of all areas within our geographical boundaries.

We pay respect to the Aboriginal and Torres Strait Islander Elders past, present and those yet to come on whose land we provide health services as we make tracks towards closing the gap.

Recognition of Australian South Sea Islanders

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



Letter of compliance

4 September 2019

The Honourable Steven Miles MP
Minister for Health and Minister for Ambulance Services
GPO Box 48
Brisbane QLD 4001

Dear Minister

I am pleased to deliver for presentation to the Parliament the Annual Report 2018-2019 and financial statements for Mackay Hospital and Health Service.

I certify that this annual report complies with:

- the prescribed requirements of the *Financial Accountability Act 2009* and the *Financial and Performance Management Standard 2019* (came into effect on 1 September 2019); and
- the detailed requirements set out in the *Annual Report Requirements for Queensland Government agencies*.

A checklist outlining the annual reporting requirements can be found on pages 74-75 of this annual report.

Yours sincerely

Tim Mulherin
Chair
Mackay Hospital and Health Board

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Statement on government objectives for the community

Delivered through our Inspired People strategies

Delivered through our Exceptional Patient Experience strategies

Delivered through our Excellence in Integrated Care strategies

Delivered through our Sustainable Service Delivery strategies

Delivered through our Excellence in Integrated Care strategies

Inspired People

Aboriginal and Torres Strait Islander workforce

Mackay Hospital and Health Service (Mackay HHS) is dedicated to strengthening the number of employees who identify as Aboriginal and Torres Strait Islander. The health service has a target to increase workforce participation from two per cent of staff who identify as Aboriginal people and Torres Strait Islander people to five per cent of staff as this is in line with our population levels. In 2018-19 we welcomed our first Aboriginal and Torres Strait Islander Business Administration Trainee as part of a pilot program and committed to working with the North Queensland Primary Health Network to develop an Education to Employment traineeship model for Aboriginal and Torres Strait Islander students. These programs will complement the health service's current Aboriginal and Torres Strait Islander dental assistant traineeship program. An Aboriginal and Torres Strait Islander Workforce Action Plan has been developed to support these employment goals and targets.

Reward and recognition

Mackay HHS celebrated its values in action by recognising individuals and teams who not only do their job but live our values every day to help improve care for our patients and community. A record 73 nominations were received across six categories. A total of 465 staff were recognised for length of service from five to 50 years. The awards also reflect a commitment from the Mackay Hospital and Health Board (MHHB) and Executive Leadership Team to recognise its skilled and dedicated workforce and to further develop our organisation.

Staff health and wellbeing

The Employee Health and Wellbeing Program supports the physical, emotional, social and financial wellbeing of staff and provides opportunities to build their capacity in these areas. Staff have stepped up their physical activity with the continuing popularity of the Fitness Passport which provides discounted access to multiple gyms and pools. Emotional support is provided through the Peer Support Program which offers compassionate, caring and confidential support for Mackay HHS staff involved in incidents and other potentially distressing events in the workplace. In 2018-19 our volunteer Peer Support Responders provided 942 occasions of support and psychological first aid.

Philip Kemp, Janice Binsier, Alma Hawdon and John Kennell

Birth Centre

Birth Centre midwives Julie Pratt and Allison Davis are the first in Mackay HHS to be able to prescribe medication. The endorsed midwives completed a Graduate Certificate in Midwifery at Flinders University, studying pharmacology and investigations and diagnostics for midwives. Their new qualification allows them to prescribe pregnancy-related medication for women and babies during pregnancy, birth and the postnatal period. Their upskilling follows a change in legislation in November 2018 to authorise midwives with additional qualifications to use them in a Queensland Health facility. Increasing their scope to prescribe medication saves women a trip to the doctor and is part of providing continuity of care by a known midwife.

Julie Minogue, David Mason, Guadalupe Madrid and Cheryl Paul – 40 year service award recipients.

Philip Kemp and Trudi Sebasio

Exceptional Patient Experiences

Step Up Step Down

Mackay's new purpose-built Step Up Step Down residential mental health facility has opened its doors. The $6.1 million facility provides a local recovery service for people with severe and complex mental health conditions. The ten-bed facility is a partnership between Mackay HHS and Mind Australia and was funded by the State Government. Step Up Step Down is a supportive link between community-based care and acute mental health services. The service helps people 'step down' from hospital to community and allows people living in the community to 'step up' and avoid a hospital admission. The service is helping decrease the rate of hospital readmissions and admissions. Residents can take part in group activities as well as individual one-on-one support based on their strengths and goals as identified in their individual recovery plan. Each resident has their own bedroom and ensuite and a choice of dining or recreation areas.

Monthly cultural menu

Pavlova from New Zealand, butter chicken from India and bobotie from South Africa are some of the new menu items served at Mackay HHS as part of the new cultural celebration menu. The hospital is offering a cultural dish one day a month and each is served with an information flyer about the food and the country it comes from. The special menu has been introduced to reflect the diversity of our community, patients and our workforce. Traditional coconut chicken curry was on the menu for NAIDOC Week, chicken adobo to mark Philippines Independence Day and pies with mushy peas for Australia Day.

Expanded community and consumer engagement

Mackay HHS is listening to more of its community and consumers with the creation of new community reference groups in Moranbah/Glenden, Middlemount/Dysart and Mackay. These groups are in addition to established community reference groups in Sarina, Proserpine, Bowen, Collinsville. The new community groups feed into the overarching Consumer Advisory Partners group which meets bi-monthly. Consumer representations have increased from 38 to 58 in 2018-19. The health service has also reviewed the mechanisms to engage consumers, who are now participating in more workshops and surveys in addition to scheduled meetings. A significant step forward has been the creation of the Community Closing The Gap Forum which includes representatives from government, community organisations and consumers to take a combined approach to improving Aboriginal and Torres Strait Islander health outcomes.

Frail Project/Aging in Place

Mackay Base Hospital was one of three Queensland hospitals to trial a project to improve the emergency department experience for people aged 75 and older. The Frail project started in April 2018 and became part of business as usual in June 2019 after it was shown to successfully reduce the overall length of stay for older patients. Thanks to the new screening tools, clinically frail patients are identified when they arrive and are given a rapid geriatric assessment. This allows for a dedicated admission pathways and early discharge planning. The implementation of this pathway aims to improve patient flow and allow best possible outcomes for older patients with shorter hospital stays and improved quality of life. The establishment of the Frailty pathway has also improved the experience of emergency staff who are now more confidently managing the needs of older people.

Proserpine Holter monitors/Cardiac stress testing

Whitsunday people with suspected cardiac problems now have access to more testing at Proserpine Hospital. The introduction of Holter monitors and cardiac stress testing means people no longer have to travel to Mackay, Townsville or Brisbane. A Holter monitor is a portable battery-operated device that measures and records activity for 24 to 48 hours to see if there are any abnormal rhythms. About 20 patients a month are benefitting from the new service which was introduced with support from cardiac scientists at the Royal Brisbane Women's Hospital (RBWH) and Virtual Health staff at Mackay Base Hospital. Data recorded by the Holter monitors is sent electronically to the RBWH's cardiology department to analyse, interpret and report within 24 hours of the recording.

Excellence in Integrated Care

KemKem Yanga

When first time Mackay mum Jessica Ahwang started her pregnancy, her journey was made easier thanks to a new Midwifery Group Practice model for Aboriginal and Torres Strait Islander women. Jessica said having the one familiar face meant she felt comfortable asking questions and knowing she could call with any worries. The new service means Aboriginal and Torres Strait Islander women can now be cared for during pregnancy, birth and postnatally by a known midwife. The new model of care started in May 2019 and is staffed by four additional midwives funded by the State Government. An Aboriginal and Torres Strait Islander health worker is also part of the team which works out of community clinics in Sarina, Mackay city and Andergrove. About 150 women a year are expected to birth through this service, which is an important part of our commitment to close the gap in health outcomes between Indigenous and non-Indigenous women.

Better Health NQ

Improving the health of north Queenslanders and improving access to services is the focus of Better Health NQ. Better Health NQ is a collaboration between Northern Queensland Primary Health Network and the Mackay, Cairns and Hinterland, Western Queensland, North West, Torres and Cape and Townsville hospital and health services. The aim is for northern Queenslanders to be as healthy as other parts of the state through investing in common regional priorities. Initial priority areas are complex chronic disease, social and emotional wellbeing and the first 3000 days of life.

Expanded telehealth in EDs

Aged care residents are saved unnecessary visits to emergency department following the launch of an expanded telehealth service at Mackay Base and Bowen hospitals. Residents at 12 aged care facilities in Mackay, Sarina and Bowen are benefitting from the service, which is the first of its kind in Queensland. Video conferencing technology is used to connect the patient with a doctor after hours and means some residents can stay in their familiar surroundings when their GP is unavailable. The project is a collaboration between Northern Queensland Primary Health Network and the Mackay HHS. The Mackay launch in May 2019 followed the start of the same service in Bowen in February 2019.

Installation of second CT scanner

Mackay Base Hospital has welcomed a second CT scanner to reduce waiting times for patients needing imaging and procedures. A computed tomography (CT) scan shows detailed images of abdominal organs, brain tissue, lungs, bones and blood vessels in 3D. The MHHB invested $444,5000 of retained earnings in the additional scanner. An additional radiographer and nurse have been recruited to support the service.

Rural tele-handover

Going home has never been easier thanks to tele-handover services now offered for patients transferring from Mackay Base to a rural hospital. The introduction of tele-handovers at Mackay HHS enables a video conferenced team-to-team clinical handover for patients who are transferring to a hospital or between healthcare facilities or services where they will continue their rehabilitation or ongoing care. The program is a partnership between Virtual Health and the Rural Services Division.

Nurse Navigators

Mackay HHS's 10 Nurse Navigators are helping patients find their way through the health system. Our Nurse Navigators allow the health service to provide more connected care for people with complex health needs. Nurse Navigators are highly skilled and experienced nurses who act as a central point of communication and coordination for patients who need a high level of care. The Nurse Navigators work in specialties including aged care, palliative care, stroke recovery, adolescent and young adults, mental health, ambulatory, generalist care and frequent presenters to the emergency department.

Digital Hospital

With the click of a mouse diabetes clinical nurses can see every patient in Mackay Base Hospital with diabetes. The diabetes dashboard is part of a suite of dashboards created this year to allow clinicians to see a group of patients at one. The dashboard shows on a single screen every patient with diabetes and it tells us who has had blood sugar level of less than four and over 16 in the past 24 hours and what their current sugar levels are, as well as their medication and when it was last given. The dashboard allows the team to prioritise patients and see the sickest first. Mackay Base Hospital was the first regional hospital to fully implement the digital hospital system and in 2018-19 activated seven dashboards to give clinical staff more oversight and visibility of patient care. There is also a strong focus on data capture to support research and innovation that contributes to evidenced based practice to achieve improved patient outcomes. The digital hospital has also enabled the introduction of patient tracking boards to keep family and carers informed the progress of a patient through their theatre journey.

Sustainable Service Delivery

War on Waste

Food scraps from the Mackay Base Hospital kitchen are being turned into worm food before re-appearing on local shelves as compost. Mackay Base Hospital has entered into a partnership with Auscan, a local worm farm, to collect more than 80kg of food waste every week, either from the hospital kitchen or discarded patient meals. Mackay HHS has declared War on Waste to reduce the amount of waste entering landfill. The health service has introduced recycling initiatives for staff and visitors as part of its commitment to reducing waste and ensuring that available resources are used efficiently and effectively. The health service has adopted five strategies of avoid, reduce, reuse, recycle and disposal which are central to the Department of Health's Waste Reduction and Recycling Plan 2018-2020. There are now waste stations allocated to collect batteries, printer cartridges, clean paper and cardboard. Co-mingle bins in public places and office areas to allow people to opportunity to separate their recycling.

Bowen renal

Bowen residents can now dialyse closer to home thanks to the start of a local renal service in March 2019. Among the residents is Ben Bongers who has spent the past six years travelling up to 1200km a week to access renal dialysis services at Mackay Base Hospital. Aged just 24, Ben says the benefits of local dialysis are countless. "Having treatment in Mackay meant that my whole day was gone. Now I often go for a walk after treatment which is keeping me, my girlfriend and dogs in better health because I simply have more time to live my life. Bowen dialysis means I'm happier, healthier, fitter and I'm even getting back on the transplant list! What can be better than that?" In 2018-19 Mackay HHS received recurrent funding from the Department of Health to establish the three-chair satellite renal dialysis service at Bowen Hospital. The service is temporarily located in a ward within the Bowen Hospital and is operating with two chairs which meets the current demand.

Clermont Aged Care

Clermont's new $8.1 million aged care accommodation opened its doors to residents in November 2018. The spacious 22-room MontCler facility boasts en suites in every room, large community living areas as well as a courtyard and landscaped gardens. The move followed an extensive consultation and planning process with the project funded by the Department of Health and Mackay HHS retained earnings. A grant of $100,000 from Glencore has also meant that professional landscaping surrounds the new facility and provides residents with high-quality areas to spend more time outdoors. Mackay HHS worked closely with the Clermont Health Advisory Network Team, local community members and other key stakeholders including the Isaac Regional Council to ensure the new facility meet the needs of residents.

Rural stepdown

Rural patients are receiving care closer to home thanks to the new nurse manager rural stepdown position created this year. The position was established as a trial in August 2018 and is now business as usual. Evaluation of the new position has shown that the average length of stay in Mackay for rural patients has decreased by two days. The position improves patient flow to rural facilities across the health service by proactively facilitating clinically appropriate step down of rural patients from Mackay Base Hospital to their home/nearest facility for the remainder of their care.

Australian Council of Healthcare Standards reaccreditation

Mackay HHS has received the tick of approval from the Australian Council of Healthcare Standards. The health service received the maximum four-year Certificate of Accreditation following a rigorous week-long visit by a team of surveyors. The health service met 15 standards spanning areas such infection prevention, medication safety, clinical handover and blood product safety. Not only did the health service receive accreditation in all 15 standards, four areas were met with merit. The Mackay Institute of Research and Innovation, workforce planning and management and improvement of energy and water use were highlighted as significant achievements. Mackay HHS was also assessed against the National Standards of Mental Health Services and found to meet all standards.

Clinical trials and research

The Mackay Institute of Research and Innovation (MIRI) vision is to improve health outcomes for our hospital and health service through collaborative partnerships and programs to support translation of evidence into clinical practice. In October 2018 MIRI's Research Support Unit formalised an agreement between Mackay, Townsville, North West and Cairns and Hinterland Hospital and Health Services to deliver drug trials through telehealth as the Northern Teletrial Cluster. A total of five clinical trials were conducted in 2018-19. Mackay HHS recruited the first patient in Queensland to participate in a drug trial via telehealth. The Airlie Beach woman participated by dialling into Townsville from Mackay Base Hospital. Mackay Base Hospital Intensive Care Unit proudly recruited the first two Queensland patients for the FEISTY Junior Trial which is investigating the use of Fibrinogen Concentrate against currently accepted standards of fibrinogen supplementation for blood clotting.

Digital Hospital

KemKem Yanga

Certificate of Accreditation from the Australian Council of Health Care Standards

Monthly cultural menu

Installation of second CT scanner

Nurse Navigators

Step Up Step Down

From the Chair and Chief Executive

It is with great pleasure we present this year's Annual Report for Mackay HHS and reflect on the difference we are making to people's lives as we strive to deliver Queensland's best rural and regional healthcare. Our dedicated and highly skilled staff have once again have worked tirelessly to provide a record amount of care to the community, treating more patients than ever in emergency departments, operating theatres, specialist outpatient departments, dental clinics and in our community-based services.

Our emergency departments were busier than ever, with more than 87,500 presentations and notably more of those who attended emergency departments across the health service needed immediate care. In addition, the health service has performed more elective and emergency surgery and provided more appointments with specialist doctors and nurses in the outpatient setting.

We have a high degree of confidence in the safe and excellent care we are proud to provide by empowered and accountable staff. This care is driven by the health service's values of trust, collaboration, teamwork and respect – these values define how we do our job and ensure we provide a safe and caring place to work. The health service has been accredited once more by the Australia Council of Healthcare Standards. This year we received the council's tick of approval and were awarded the maximum four-year Certificate of Accreditation. Not only did we meet all 15 standards, four were met with merit.

We have done all this within budget and become a more cost-efficient provider of healthcare services.

This year we have been able to leverage off our technology and systems to enhance patient safety and outcomes. At Mackay Base Hospital we have optimised the digital hospital to bring patient information into various central dashboards that give clinicians greater oversight and visibility of the patients they are caring for. This smart use of technology is also benefitting rural patients. In Bowen the new renal service connects closely with the specialist team in Mackay thanks to the integrated electronic medical record.

In 2018-19 we strengthened our partnerships to provide better access to services. Whether it is a vegetable garden built with donated materials and willing hands, the work by the Mackay Hospital Foundation or more formal partnerships with non-government organisations, the health service works closely with others to provide services and care. Mackay HHS does not work in isolation and has a true partnership with our community and colleagues in the private and non-government sector.

Our commitment to responding to community health priorities such as mental health has not wavered. Our Step Up Step Down mental health service has moved into its new purpose-built 10-bed facility as we match our services to meet community needs. This service supports consumers by providing a safe environment to 'step down' after a stay in hospital, before returning home and for other is a place to 'step up' if their mental health is starting to deteriorate. It's all about our commitment to providing the right service, in the right place.

We thank former MHHB members Karla Steen and John Nugent for their years of service and acknowledge the expertise they contributed to planning the strategic direction of the health service. We welcomed Dr Elissa Hatherly to the MHHB and now proudly have our first Aboriginal MHHB member, Adrienne Barnett. The MHHB has once again provided strong leadership, governance and accountability.

Reflecting our community diversity in our organisational leadership and structure has been a strong focus as we take more action to improve health outcomes for our Aboriginal people, Torres Strait Islander people and Australian South Sea Islander population. We launched our Statement of Commitment to Reconciliation with Aboriginal and Torres Strait Islander people as part of NAIDOC week in July 2018. This was followed by the first community Closing the Gap forum to map out a whole of community approach to the healthcare needs of Aboriginal and Torres Strait Islander people. Our Aboriginal and Torres Strait Islander women can now, for the first time, birth in a culturally dedicated service.

The needs of our older community have remained front and centre too as we help patients navigate the healthcare system. Overall, we want people to spend less time in hospital if possible through developing contemporary models of care. Of course, hospital cannot always be avoided, but where we can, we make a difference. The Aging in Place program has expanded the use of telehealth services and virtual consultations to ten local Residential Aged Care Facilities in Mackay, Sarina and Bowen.

We sincerely thank our staff who come to work every day to support our patients and their families; you are at the heart of everything we aim to achieve. With a record intake of graduate nurses and intern doctors we are a leading teaching hospital. The Mackay Institute of Research and Innovation is dedicated to supporting clinicians with their research, which then translates into better outcomes for patients.

Our thanks also go to the Mackay Hospital Foundation volunteers and hospital auxiliaries in Mackay, Proserpine and Bowen, your invaluable service to your communities is appreciated. These collaborative and productive partnerships have at their heart, a better patient journey.

Support for our rural communities has been enhanced with the introduction of renal dialysis at Bowen Hospital as well as creation of a new senior nursing position to help rural residents return to their home hospital and community as soon as possible after treatment in Mackay – we know there is no place like home. Their return is supported by a new tele-handover model, a video-conferenced team-to-team clinical handover for patients transferring into hospital or between healthcare facilities. Through use of technology we can ensure a seamless healthcare system and that our patients are treated as individuals.

All this care must occur within walls and in 2018-19, Mackay HHS delivered several capital projects including seven water treatment plants, refurbishment of the Clermont Multi-Purpose Health Service (MPHS), Residential Aged Care Facility, refurbishment of the Bowen Dental Clinic, Mackay Step Up Step Down as well as commencing the early design phase for the redevelopment of Sarina Hospital. These works were made possible through the provision of Commonwealth, State and Mackay HHS funding.

Our connection with consumers and community was strengthened with new consumer groups in Dysart and Middlemount and Moranbah and Glenden holding their first meetings. Engagement in Mackay was also strengthened with creation of the new Mackay Community Health Reference group as we listen to our community and consumers. The health service continues to work with our private and public sector partners, strengthening links with tertiary providers, the North Queensland Primary Heath Network and our fellow north Queensland hospital and health services as we strive to deliver outstanding healthcare services to our communities through our people and our partners. We will continue to partner with northern health services through the Better Health NQ collaboration and build on our relationships with the Mackay Mater and Mackay Private hospitals and the Tropical Australian Academic Health Centre.

In 2019-20 we look forward to increasing services according to the Clinical Health Services Plan and to see patients within recommended clinical timeframes. There will be additional theatre sessions, expansion of specialist outpatient services, and a continued focus on care for frail and older people. Redevelopment of Sarina Hospital is an exciting project we look forward to progressing with our staff and community partners.

The Honourable Timothy Mulherin
Board Chair
Mackay Hospital and Health Board

Jo Whitehead
Chief Executive
Mackay Hospital and Health Service

Mackay Hospital and Health Board members
Back row (L to R): Richard Murray, Karla Steen (former), Helen Archibald, John Nugent (former), Darryl Camilleri.
Front row (L to R): David Aprile, Suzanne Brown, Tim Mulherin, Leeanne Heaton.

2018–2019

Highlights

2,478
Emergency
surgeries performed[1]

2,812
Elective
surgeries delivered

2,882
Gastrointestinal endoscopies delivered

209,271
Outpatient occasions of service (specialist and non-specialist)[2]

87,594
People who presented to emergency departments

17,428
Number of breast screens in 2-year participation cycle[3]

8,424
Telehealth consultations

1,659
Babies born[4]

19,808
Patient admissions from emergency department

138,169
Oral health treatments[5]

259
Hospital in the Home admissions[6]

465
Number of staff recognised for 5 to 50 years' service

1. *Emergency surgeries data is preliminary.*
2. *Only includes Activity Based Funding (ABF) facilities.*
3. *Breast screen 2-year participation cycle includes screens from July 2017 to June 2019.*
4. *Perinatal data collection is based on calendar year 2018.*
5. *Oral Health treatments are identified as Weighted Occasions of Service.*
6. *Hospital in the Home admissions data is preliminary.*

About us

Mackay HHS is an independent statutory body overseen by an appointed Hospital and Health Board, established on 1 July 2012. Our responsibilities are set out in the *Hospital and Health Boards Act 2011* (Qld) (HHBA) and the *Financial Accountability Act 2009* (Qld) and subordinate legislation. We operate according to the service agreement with the Department of Health which outlines the services to be provided, the funding arrangements and our performance indicators and targets.

Mackay HHS is responsible for the delivery of public hospital and health services including medical, surgical, emergency, obstetrics, paediatrics, specialist outpatient clinics, mental health, critical care and clinical support services to a population of approximately 172,520 people. The geographical catchment of Mackay HHS spans 90,364 square kilometres, extending from Bowen in the north to St Lawrence in the south, west to Clermont and northwest to Collinsville and includes Proserpine and the Whitsundays.

The Aboriginal and Torres Strait Islander population in Mackay HHS region is 4.9 per cent of the overall population, higher than the 4 per cent Queensland average. There is also a significant Australian South Sea Islander community in the region.

Strategic direction

Mackay HHS is committed to providing services that are efficient, diverse and flexible to changing community and government needs.

Our strategic plan reflects the Queensland Government's priorities regarding frontline services; creating jobs and a diverse economy and building safe, caring and connected communities. More specifically, we have focussed on the following key areas specific to the health context – strengthening our public health system; supporting disadvantaged people; ensuring safe, productive and fair workplaces and achieving better health-related education and training outcomes.

The MHHB sets the organisation's strategic agenda and monitors performance against its delivery. Mackay HHS's Strategic Plan 2016-2020 sets out four inter-related objectives each with their own strategies, to achieve Mackay HHS's vision. These strategic objectives are – Inspired People; Exceptional Patient Experiences; Excellence in Integrated Care; and Sustainable Service Delivery. In 2017-18 a range of services, programs and initiatives were implemented to deliver on our strategic objectives, including those highlighted on the following pages.

Vision, Purpose, Values

Our Vision Delivering Queensland's Best Rural and Regional Health Care.

Our Purpose To deliver outstanding health care services to our communities through our people and partners.

Our Values

Through partnerships and co-operation we drive innovation

- We exercise our curiosity to advance new ways of thinking and working
- We connect, collaborate and build partnerships to be progressive and to achieve our goals
- We involve employees and stakeholders in planning and decision making

Having confidence, and belief in each other to be able to rely and depend on our actions

- We are open to ideas and alternative points of view
- We keep our word and do what we say
- We empower each other and have confidence in people to do the right thing

We show respect and compassion for the people we care for and work with

- We listen to patients, carers and their families and respect their concerns
- We believe that how we interact with each other is as important as the work we do
- We value every voice and consider all feedback and opinions as a positive contribution

We depend on and support one another individually and as a team

- We are one HHS and act as one team across all functions and geographies
- We share knowledge and skills to deliver the best patient care
- Mackay HHS is a family energised by our diversity of skills, knowledge and life experiences.

Priorities

Key priorities in 2018-19 included:

- optimising the Digital Hospital clinical information technology solutions as a key enabler to drive advancements in optimal patient care and outcomes
- continuing to respond to community health priorities, such as mental health
- taking action to improve health outcomes for our Aboriginal and Torres Strait Islander and Australian South Sea Islander population
- further developing contemporary models of care to help patients to spend less time in hospital.

Aboriginal and Torres Strait Islander Health

Mackay HHS is committed to working closely with community members, the Aboriginal and Torres Strait Islander Community Health Service, the Northern Queensland Primary Health Network and all government and non-government agencies and health service providers to improve the health status of our local Aboriginal and Torres Strait Islander communities. *Making Tracks toward closing the gap in health outcomes for Indigenous Queenslanders by 2033* is the commitment and work of all staff and volunteers of Mackay HHS.

The Aboriginal and Torres Strait Islander Health Unit continues to implement the Closing the Gap initiatives to improve better health outcomes for Aboriginal and Torres Strait Islander people in Mackay HHS. These initiatives have been supported by the State through funding of approximately $1.6 million in 2018-19.

The Hospital Liaison Service provides cultural support to patients as well as education and resources to staff to improve engagement and outcomes within the acute hospital services and contributes to Aboriginal and Torres Strait Islander people accessing outpatient appointments with a reduction in the patients who fail to attend outpatient appointments.

Aboriginal and Torres Strait Islander health workers are embedded across Mackay HHS to support access, engagement and outcomes. In 2018-19, Mackay HHS employed 50 FTE Aboriginal peoples and Torres Strait Islander peoples, which equates to 2.1 per cent of the workforce.

Some of the key achievements in 2018-19 towards Closing the Gap included:

- Expansion of the Cultural Practice Program to include online training modules and additional facilitators to deliver face-to-face training in Bowen, Proserpine and Collinsville.
- Establishment of Mackay Base Hospital's second Midwifery Group Practice ('KemKem Yanga') to provide birthing services specifically for Aboriginal and Torres Strait Islander women and babies.
- Establishment of a Potentially Preventable Hospitalisation team in Sarina to improve chronic disease care and coordination.
- Formation of the Mackay Closing the Gap Committee comprising representatives from healthcare, other government and non-government organisations.
- Employment of our first Aboriginal and Torres Strait Islander Business Administration Trainee as part of a pilot program.
- Working with the North Queensland Primary Health Network to develop an Education to Employment traineeship model for Aboriginal and Torres Strait Islander students.

Aboriginal and Torres Strait Islander indicators

Childhood immunisation

95.8%
All children 1 year

93.6%
All children 2 years

95.3%
All children 5 years

1.9%
Discharge against medical advice

1,108
Completed general courses of oral health care

96.7%
Women who gave birth and attended 5 or more antenatal visits[1]

45.7%
Mothers who had >5 antenatal visits, with first visit in the 1st trimester[2]

1. *Data presented as March 2019 financial year to date.*
2. *New data collection commenced in December 2018. Preliminary data is available for the period December 2018 to May 2019. Lag of data due to trimester reporting. Data is only collected after the birth of the baby and is available for reporting two to three months after this event. It is a prerequisite that HHSs must also maintain their performance with respect to the performance standards under this QIP in terms of non-Indigenous mothers.*

Our community based and hospital based services

Mackay HHS provides an integrated approach to service delivery across acute, primary health and other community based services including aged care assessment and Aboriginal and Torres Strait Islander programs. Primary health services include Mental Health, Oral Health, Home and Community Care, Mobile Women's Health, Alcohol and Other Drugs Service, Sexual Health, Aged Care Assessment Team and BreastScreen.

Mackay HHS has available beds and bed alternatives plus aged care beds. Facilities include:

- Mackay Base Hospital and Mackay Community Health Centre
- Whitsunday Health Service comprising Proserpine Hospital and Cannonvale Community Health Centre
- Bowen Hospital
- Sarina Hospital
- Dysart Hospital and Middlemount Community Health Centre
- Moranbah Hospital and Glenden Community Health Centre
- Clermont MPHS comprising of 10 acute beds and 22 aged care beds
- Collinsville MPHS comprising of 8 acute beds and 7 aged care beds.

Mackay HHS can treat most people locally. Those who require more specialist care or treatment are transferred to the Townsville Hospital or Brisbane hospitals.

Targets and challenges

There are many challenges facing Mackay HHS as we deliver and plan future health services in a complex and dynamic environment. These include continued high growth in demand for public services, economic and population demographic changes, the burden of complex and chronic disease, shifts in private market share, workforce challenges and community expectations of service access and delivery. In addition, Mackay HHS residents demonstrate high rates of risky behaviours including smoking, obesity and alcohol consumption. The population also continues to age, with older people having the greatest projected increase over the coming years.

These challenges represent an important opportunity for our communities to share in the responsibility of shaping future health and wellness outcomes. New technology and new ways of doing things must be embraced as part of our service improvement and transformation agenda. Mackay HHS seeks to build on our partnerships to ensure safe and sustainable services for our community. Empowering patients to own their individual health is a priority. There is significant potential to achieve successes in reducing health risk factors in the Mackay HHS by adopting a whole-of-community approach.

Collaboration and partnerships, such as the strong one forged with Northern Queensland Primary Health Network, are crucial if we are to respond to the community's health priorities, such as mental health and chronic disease. By working across government and non-government sectors, business and industry, we have the opportunity to make significant gains in improving the health of our community through continuing initiatives like *Let's Shape Up*, '*Inspire Your Tribe*'.

Looking ahead, we expect to see a continued increase in demand for public health services. We will continue our focus on delivering the core services and responding to the community's health priorities. Moving forward, our priorities are to deliver on key strategies through collaborative and productive partnerships with our private, public and non-government organisation partners to improve access to health services as close to home as possible and deliver financially viable service models.

Mackay HHS strategies shape the future of health care in our region and to achieve positive outcomes for its communities including improving health outcomes for our Aboriginal and Torres Strait Islander and Australian South Sea Islander population. Aboriginal and Torres Strait Islander people represent a higher proportion of the population in Mackay HHS, compared to the State of Queensland and we continue our commitment to closing the gap for Aboriginal and Torres Strait Islander people through implementation of *Making Tracks towards closing the gap in health outcomes for Indigenous Queenslanders by 2033*. Over all we seek to provide better access to services; safe and excellent care; smart use of technology; and sustainable services matched to community health needs.

From a whole of health system perspective, we will deliver local responses to Department of Health and whole of Government priorities and initiatives. These include supporting the realisation of Queensland Health's *My health, Queensland's future: Advancing health 2026*; working with the National Disability Insurance Agency and supporting staff and community members who are affected by family and domestic violence.

Governance

Our people

Providing high quality health care in rural and regional Queensland is a unique and privileged challenge. Mackay HHS is one organisation across eight hospitals and five community health centres. Mackay HHS's capacity to deliver excellent regional health care is supported by an exceptional workforce.

Enabling our workforce to provide the highest level of care to the community we serve requires a proactive approach to workforce planning, development and engagement to create the right capability mix to meet current and future demands.

Board membership

The MHHB is appointed by the Governor in Council on the recommendation of the Minister for Health and Minister for Ambulance Services. The MHHB derives its authority from the HHBA and the *Hospital and Health Boards Regulation 2012* (Qld) (HHBR). Board Members act in accordance with their duties and abide by the Code of Conduct and Values for the Queensland Public Service in accordance with the *Public Sector Ethics Act 1994* (Qld).

The MHHB's functions include:

- Develop strategic direction and priorities for Mackay HHS. The MHHB uses local decision-making to develop plans, strategies and budgets to ensure accountable provision of health services to meet the needs of the community.
- Monitor compliance and performance of Mackay HHS. It oversees the operation of systems for compliance and risk management, and audit reporting to meet legislative requirements and national standards.
- Focus on patient experience and quality outcomes. Meeting the challenges of distance and diversity is essential to providing patient care across Mackay HHS.
- Ensure evidence-based practice education and research. The MHHB encourages partnering with universities and training providers to boost clinical capability.

The Honourable Timothy Mulherin
Board Chair

The Hon. Tim Mulherin was elected to the Queensland Parliament as the Member for Mackay in 1995 until his retirement in 2015. During his time as a Cabinet Minister, he held Ministerial responsibilities for Agriculture, Biosecurity, Fisheries, Forestry Industry Development, Primary Industries Research, Development and Extension, Regional and Rural Communities and Regional Economic Development amongst others. He is also a member of the Australian Institute of Company Directors.

Originally appointed on 18 May 2016, The Hon. Tim Mulherin's current term of office is 18 May 2017 to 17 May 2021.

Mr Darryl Camilleri
Deputy Board Chair

Mr Camilleri is the former Deputy Mayor of the Mackay Regional Council and has served as Chair for a number of community organisations. He is also a Chartered Accountant and has extensive experience in tax planning, finance and audits. He is also a graduate of the Australian Institute of Company Directors.

Originally appointed on 29 June 2012, Mr Camilleri's current term of office is 18 May 2017 to 17 May 2020.

Mr David Aprile
Board Member

Mr Aprile is a pharmacist and a CPA and is a founding partner of a local Mackay Pharmacy and property development group. He has served on community and government based boards in Mackay including the CQU Advisory Board and Mackay Chamber of Commerce.

Originally appointed on 29 June 2012, Mr Aprile's current term of office is 18 May 2017 to 17 May 2020.

Dr Helen Archibald
Board Member

Dr Archibald is a general practitioner at Plaza Medical Mackay as well as an Associate Senior Lecturer at JCU's School of Medicine. She is also the Clinical Director for BreastScreen Queensland Mackay Service. She is also a member of the Australian Institute of Company Directors.

Originally appointed on 7 September 2012, Dr Archibald's current term of office is 18 May 2018 to 17 May 2020.

Professor Richard Murray
Board Member

Professor Murray has over 30 years' experience in medicine, specialising in general practice and with a career focus on Aboriginal health, rural and remote medicine, public health, tropical medicine, health professional education and the needs of disadvantaged populations. He is the Dean of the College of Medicine and Dentistry at JCU, immediate past President of Medical Deans Australia and New Zealand and a past President of the Australian College of Rural and Remote Medicine. He is also a member of the Australian Institute of Company Directors.

Originally appointed on 29 June 2012, Prof Murray's current term of office is 18 May 2019 to 17 May 2021.

Mrs Suzanne Brown
Board Member

Mrs Brown is a Director and leading commercial solicitor at McKays Solicitors (Mackay). She is a Queensland Law Society Business Law Accredited Specialist and has served as a former director of North Queensland Bulk Ports Corporation Limited (and its subsidiaries).

Originally appointed on 18 May 2016, Ms Brown's current term of office is 18 May 2017 to 17 May 2021.

Ms Leeanne Heaton
Board Member

Ms Heaton has a diverse range of experience working in healthcare as a registered nurse, registered midwife, paramedic and flight nurse with the Royal Flying Doctor Service. She is Head of Course for the Bachelor of Nursing at CQU. Ms Heaton is an academic panel member on the Registered Nurse Accreditation Committee for the Australian Nursing and Midwifery Accreditation Council and a member of the Australian College of Nursing.

Originally appointed on 18 May 2016, Ms Heaton's current term of office is 18 May 2017 to 17 May 2021.

Ms Adrienne Barnett
Board Member

Ms Barnett's Aboriginal cultural heritage has always been a strong part of her identity and has worked in many different community roles including as Manager of the Mackay and Region Aboriginal and Islander Development Association. Ms Barnett has been employed with various organisations including the Department of Aboriginal and Torres Strait Islander Partnerships as well as previous governance roles with the Mackay Aboriginal and Islander Community Health Service.

Originally appointed on 18 May 2019, Ms Barnett's current term of office is 18 May 2019 to 31 March 2022.

Dr Elissa Hatherly
Board Member

Dr Hatherly has worked in the Mackay HHS district since 2002 and currently works as a General Practitioner. She also works in the Family Planning and Well Women's clinic and is an enthusiastic advocate for access to specialist women's health services. Dr Hatherly has also spent 12 years at BreastScreen Mackay and Specialist Outpatients clinical roles.

Originally appointed on 18 May 2019, Dr Hatherly's current term of office is 18 May 2019 to 31 March 2022.

Executive management

Miss Jo Whitehead
Health Service Chief Executive

Miss Whitehead is a long-term health professional with more than 30 years of experience in healthcare in the UK and Australia. She has held senior positions working in hospitals of all sizes and for the Department of Health in the UK and is passionate about providing more services for people in their own community. She has a BA (Hons) in History, Post Graduate Diploma in Health Service Management and Post Graduate Certificate in Health Service Economics. She has been recently appointed to the Health and Wellbeing Queensland Board and is a member of the Australian Institute of Company Directors.

Mr Ivan Franettovich
Executive Director Operations Mackay

Mr Franettovich has worked in Queensland Health for over 20 years in primarily rural and regional settings, several of those within the Mackay HHS, including Moranbah, Dysart and Sarina Hospitals. He has worked clinically as a physiotherapist, in addition to director positions in allied health and operations.

Ms Terry Johnson
Executive Director Mental Health, Public Health and Rural Services

Ms Johnson has extensive executive management and leadership experience within Queensland Health across a diverse range of service settings including large tertiary facilities, community services, mental health, aged care and rural health services. Her health career began in Brisbane where she spent many years within the former Prince Charles and Royal Brisbane Hospital Districts. She accepted a secondment to Central Queensland in early 2000 where she developed a passion for rural health and has been working in rural settings ever since.

Ms Julie Rampton
Executive Director Nursing and Midwifery

Ms Rampton has worked for Queensland Health for 40 years, 30 of those in senior nursing roles. She was the Director of Nursing at the Maryborough Base Hospital before moving to Mackay. She trained in midwifery at the Royal Women's Hospital in Brisbane. Ms Rampton is a member of the Queensland Nursing and Midwifery Executive Council and the Nursing and Midwifery Implementation Group for EB10. She is an adjunct professor at CQU and has post graduate qualifications in management and nursing education.

Adjunct Professor Philip Reasbeck
Executive Director Medical Services

Adjunct Professor Reasbeck has a medical degree and a research doctorate from Cambridge University, and specialist qualifications in internal medicine, general and vascular surgery, and medical administration. He has worked as a consultant surgeon in the United Kingdom, New Zealand, Hong Kong and Australia, as medical director of an NHS trust in the UK, and as Executive Director of Medical Services at Ballarat Health Services in Victoria. He is an adjunct professor in the College of Medicine and Dentistry at JCU.

Mr Marc Warner
Executive Director Corporate Services

Mr Warner has held senior and executive roles across the New Zealand public sector over the past 30 years across New Zealand's Ministry of Social Development and Ministry of Health. He has been accountable for a broad range of corporate service functions; including finance, ICT, procurement, support services, people and capability, and resource management. Mr Warner has led significant reform and change agendas to drive new approaches to service delivery; specifically, through the design and implementation of innovative public value business and operating models.

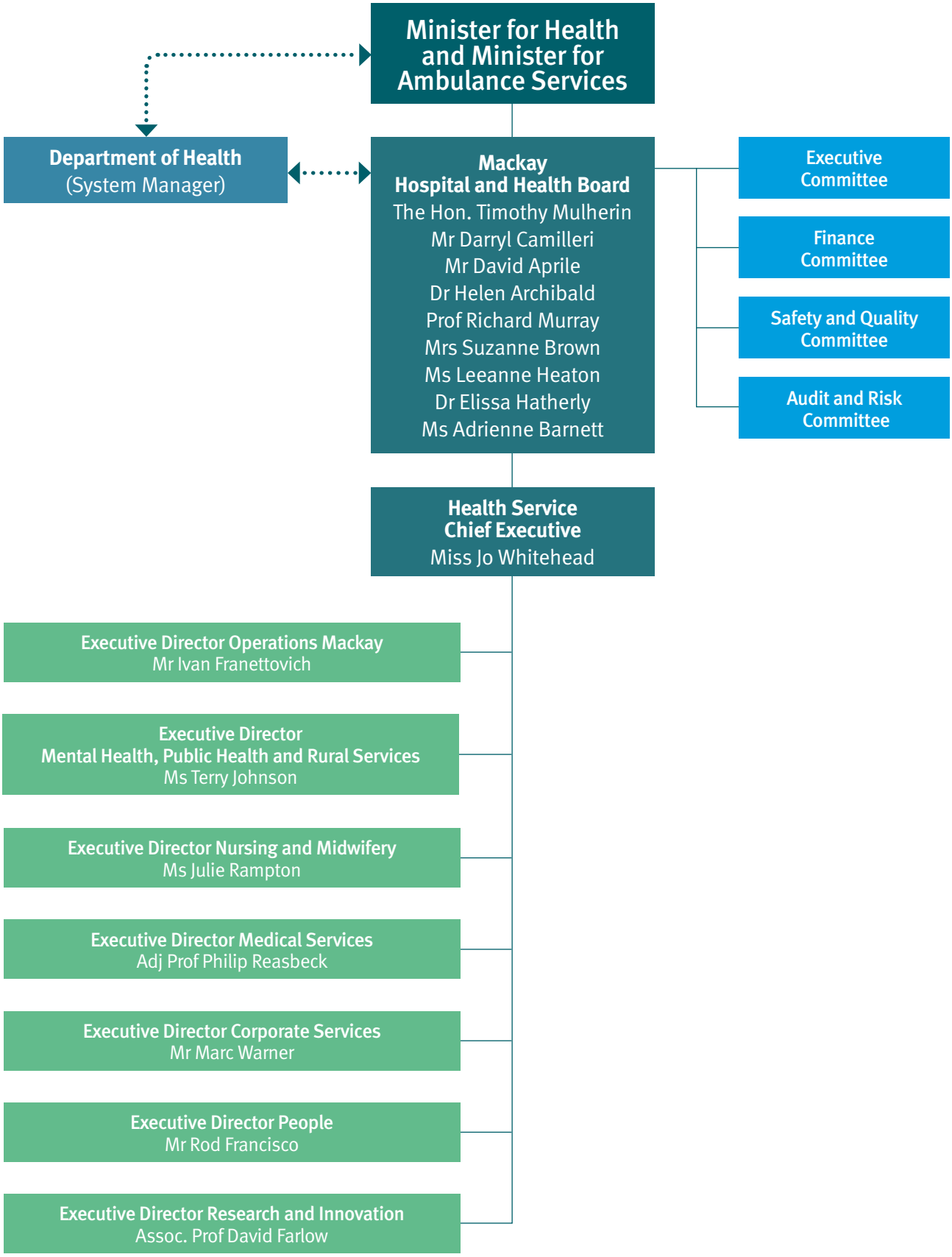
Mr Rod Francisco
Executive Director People

Mr Francisco has held leadership roles in HR, logistics and maintenance in Australia and overseas in the local government, manufacturing, chemicals, resources and defence industries. In the HR industry, he is acknowledged as a senior leader being both a Fellow of the Australian Human Resources Institute (elected to the Queensland State Council) and a Certified Practitioner Human Resources. Mr Francisco was one of the first 100 leaders in Australia to successfully achieve the internationally accredited Chartered Manager status through the Institute of Managers and Leaders. He also lectures and tutors in HR subjects at CQU.

Associate Professor David Farlow
Executive Director Research and Innovation

Associate Professor Farlow first arrived in the Mackay HHS in 1984. Prior to his current role, he provided a broad range clinical services (rural generalist) and executive leadership roles within the Whitsunday Health Service and Mackay HHS. His expertise and experience include undertaking a range of investigations, service reviews and consultancies for Queensland Health. He is currently building the MIRI. He is also the Clinical Dean of JCU's School of Medicine and Dentistry (Mackay campus).

Organisational structure and workforce profile



Awards and recognition

Mackay HHS celebrated its values in action on 30 April 2019 by recognising individuals and teams who not only do their job but live our values every day to help improve care for our patients and community.

Non-Clinical Excellence Award – Billy Nel

Billy has developed and supported the implementation of the Cultural Celebration Menu which offers our patients a special meal each month to recognises the different cultures that make up the Mackay community.

Clinical Excellence Award – Dr Sunday Adebiyi

Dr Sunday has been an integral member of the Dysart Hospital team for 15 years. He is passionate about educating medical and nursing students and providing exceptional care to his patients.

Performance and Development Award – Mixed Ward G2

The enthusiastic nature of G2 staff to be involved in improvement initiatives allowed for the development of early discharge and rapid round initiatives to better plan for patients to go home and decrease the average length of patient stay.

People's Choice Award – Linda Grima

Linda received the most votes for the 2019 People's Choice Award. Linda is hardworking, dedicated, goes above and beyond, and is always willing to help others.

Golden Boot Award – Kirsten Hansen

Kirsten work tirelessly to ensure that the operating theatres are perfect and ready to go. She happily mentors new Operational Officers when they come through theatres and she does this with the utmost respect at all times.

Volunteer's Award – Beryl Metcalfe

This is a new award to honour the volunteer who makes a significant difference to our workplace for staff and patients. Beryl has volunteered at the Mackay Base Hospital since 2004.

Chief Executive Values Champion Award – Kaylene Chetham

This award is for an individual or team who consistently lives our vales every day. Kaylene is responsible for getting our rural patients from Mackay Base Hospital back to their local hospital when it is clinically appropriate. Kaylene has developed collaborative and respectful relationships with staff, Queensland Ambulance Service, families and patients.

Jo Whitehead presenting Kaylene Chetham with the Chief Executive Values Champion Award.

Philip Kemp delivering the 'Welcome to Country' address.

Performance and Development Award recipients – Mixed Ward G2.

Golden Boot Award recipient – Kirsten Hansen.

Strategic workforce planning and performance

Mackay HHS employs health professionals and support service staff. Medical, nursing, clinical and non-clinical support staff and volunteers work together to deliver quality care and service to the community. As at 30 June 2019, Mackay HHS had 2,388 full-time equivalent staff.

Mackay HHS permanent FTE separation rate for 2018-19 was 8.6 per cent compared to a permanent FTE separation rate for 2017-18 of 7.5 per cent.

Table 1: More doctors, nurses and allied health practitioners*

	2014-15	2015-16	2016-17	2017-18	2018-19
Medical staff	209	239	267	276	306
Nursing staff	750	803	848	917	962
Allied Health staff	221	238	250	278	288

Table 2: Greater diversity in our workforce*

	2014-15	2015-16	2016-17	2017-18	2018-19
Aboriginal and/or Torres Strait Islander staff	33	37	41	40	50

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

Attract, recruit and retain

During 2018-19, Mackay HHS moved the Talent Acquisition Project to business as usual enabling a modern approach to recruitment by utilising the full functionality of the Queensland Health Springboard system.

Mackay HHS's Our People Plan was strongly focussed on:

- attracting and retaining the best people to be part of our team;
- embedding our values of collaboration, trust, respect and teamwork;
- ensuring our people across Mackay HHS are safe, healthy and engaged; and
- employee performance.

Moving forward, Mackay HHS will focus on developing initiatives to attract, retain, engage and perform.

Employee Health and Wellbeing Program

The Employee Health and Wellbeing Program supports staff to be healthy and active within the workplace and beyond. The program ensures that a holistic framework is adopted with the consideration of workforce health needs in mind. Providing a platform around healthy lifestyle ensures employees are provided with opportunities to engage in various programs that address their physical, emotional, financial and social health and wellbeing.

The Peer Support Program has 37 trained responders who regularly reach out to peers and engage in psychological first aid. In 2018-19, there were 616 colleagues provided with psychological first aid and links to other supports.

Flexible working arrangements

Mackay HHS is committed to the provision of flexible work arrangements such as part time work. At 30 June 2019, 41.1 per cent of staff had part-time working arrangements. Mackay HHS regularly promotes flexible working arrangements and supports both line managers and employees to understand what options are available.

Diversity

The health service is committed to supporting people with a disability to have equal access to employment opportunities by aiming to have two per cent of our workforce consisting of people with a disability by 2022.

Mackay HHS is also committed to gender diversity with:

- 44.4 per cent – Women employed in executive management roles; and
- 55.6 per cent – Women on the Board.

Performance management and development

The Performance and Development plan process assists employees to have meaningful and productive career discussions. Through these discussions Mackay HHS began working with Clinical Excellence Queensland to develop leadership training for clinical and non-clinical staff. The training courses began in May 2019.

Industrial and Employee Relations Framework

Mackay HHS respects and values its relationships with local unions. A series of regular consultative forums are held to facilitate productive partnerships with industrial representatives. These include the Hospital and Health Service Consultative Forum, local consultative forums and Nursing and Midwifery Consultative Forum.

Early retirement, redundancy and retrenchment

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

Our committees

The following committees support the functions of the MHHB. Each operates with terms of reference describing the purpose, duties and responsibilities, composition and membership.

The Governor-in-Council approves the remuneration arrangements for Board Members. The annual fees paid to Board Members are consistent with the Remuneration Procedures for Part-Time Chairs and Members of Queensland Government Bodies and are reported on page 65.

Executive Committee

The Executive Committee provides support to the MHHB in its role of controlling Mackay HHS by:

a. working with Mackay HHS's Chief Executive to progress strategic issues identified by the MHHB;

b. monitoring strategic human resources and work health and safety matters; and

c. strengthening the relationship between the MHHB and the Chief Executive to ensure accountability in the delivery of services by Mackay HHS.

Meetings are held quarterly or as directed by the Chair.

Committee membership:

- Timothy Mulherin *(Chair)*
- Darryl Camilleri
- David Aprile
- Helen Archibald
- Karla Steen

Safety and Quality Committee

The Safety and Quality Committee provides strategic advice and recommendations to the MHHB regarding patient safety and quality assurance.

Meetings are held quarterly or as directed by the Chair.

Committee membership:

- Helen Archibald *(Chair)*
- Leeanne Heaton
- Richard Murray
- Karla Steen

Audit and Risk Committee

The Audit and Risk Committee provides support to the MHHB in its responsibility for audit and risk oversight and management and operates in accordance with Queensland Treasury's Audit Committee Guidelines.

Meetings are held quarterly or as directed by the Chair.

Committee membership:

- Darryl Camilleri *(Chair)*
- Helen Archibald
- John Nugent
- Suzanne Brown

Finance Committee

The Finance Committee provides advice to the MHHB on matters relating to the financial and operational performance of Mackay HHS.

Meetings are held monthly or as directed by the Chair.

Committee membership:

- David Aprile *(Chair)*
- Timothy Mulherin
- Darryl Camilleri
- John Nugent

Board members	MHHB	Executive Committee	Audit and Risk Committee	Finance Committee	Safety and Quality Committee
Total meetings	11	4	6	11	4
Timothy Mulherin	10	4		11	
Darryl Camilleri	11	4	6	11	
David Aprile[1]	7	3		9	
Helen Archibald[1]	9	4	6		4
Richard Murray[1]	8				3
John Nugent[2]	9		4	7	
Suzanne Brown	9		6		
Karla Steen[2]	10	2			4
Leeanne Heaton	10				4
Adrienne Barnett[3]	1				
Elissa Hatherly[1, 3]	1				

1. *Board Members who satisfy the Clinical Expertise requirement under section 23(4) of the HHB Act.*
2. *Board Membership ceased on 17 May 2019.*
3. *Board Membership commenced on 18 May 2019.*

Total out of pocket expenses claimed during the reporting period totalled $2,211.32.

Our risk management

Mackay HHS is committed to managing risk in a proactive, integrated and accountable manner. Mackay HHS's risk management practices recognise and manage risks and opportunities in a balanced manner. Risk is an inherent part of Mackay HHS's operating environment. Risk management activities are incorporated into strategic planning, governance reporting and operational processes.

Mackay HHS has a risk management policy and integrated Risk Management Framework based on the Australian/New Zealand ISO Standard 31000:2009 for risk management. The policy and framework outline Mackay HHS's intent, roles, responsibilities and implementation requirements. Mackay HHS's Risk Management Framework defines the processes for risk identification, recording, rating, key controls identification, determination of risk treatment required and regular monitoring and reporting of risks.

Risks are controlled within the financial and management accountabilities of each position. Significant risks are reported to the MHHB and the Audit and Risk Committee on a regular basis.

Internal audit

Internal audit is an integrated component of corporate governance, promoting efficient management and assisting in risk management.

The function operates under the Internal Audit Charter, consistent with the internal auditors' standards and Audit Committee Guidelines. Internal audit is an independent and objective assurance activity designed to improve the governance of Mackay HHS providing reports to the Audit and Risk Committee for the effective, efficient and economical operation of the health service. The internal audit function operates with due regard to Queensland Treasury Audit Committee Guidelines.

The Internal Audit Unit has a central role in improving operational processes and financial practices by:

- assessing the effectiveness and efficiency of Mackay HHS's financial and operating systems, reporting processes and activities
- identifying operational deficiencies and non-compliance with legislation or prescribed requirements
- assisting in risk management and identifying deficiencies in risk management
- bringing a broad range of issues to management's attention, including performance, efficiency and economy
- monitoring whether agreed remedial actions have been undertaken.

The annual audit plan, endorsed by the Audit and Risk Committee and approved by the MHHB, directs the unit's activities and provides a framework for its effective operation. A risk-based planning approach is used to develop audit plans, including considering risk registers and consulting with internal stakeholders and the Queensland Audit Office (QAO). Audit reports include recommendations to address deficiencies in risk treatment and all audit reports are reviewed by the Audit and Risk Committee.

External scrutiny, Information systems and recordkeeping

Mackay HHS's operations are subject to regular scrutiny from external oversight bodies. These include QAO, National Association of Testing Authorities, National Quality Management Committee, Specialist Advisory Committee in General and Acute Care Medicine, Australasian College of Emergency Medicine and Emergo Training Disaster Exercise.

Patient feedback

Mackay HHS received 2,357 pieces of feedback from consumers with 1,323 compliments, 831 complaints and 203 general feedback. The top issues for complaints received were access and timing, treatment, humanness/caring and communication. Of these 831 complaints, 739 required further responses and 92 were resolved frontline at the health service level. Feedback from consumers helped shape service delivery and changed the hospital environment and equipment used.

Queensland Health Patient Experience Survey

A repeat of the statewide Maternity Patient Experience Survey was undertaken from February to April 2019 and included a random selection of mothers who gave birth, or received care after birth, at Queensland public hospitals and birthing centres between October and December 2018. The results of this survey were not released by 30 June 2019. Once released, Mackay HHS will review all the results and develop action plans to address the recommendations of this survey.

QAO Report – 2017-18 Results of Financial Audits

As a public sector entity, Mackay HHS is subject to an annual audit by the QAO. The QAO Final Management Report provided to Mackay HHS for 2017-18 financial year contained no high risks. Lower risk item is being managed through appropriate action plans or additional investigation.

Information systems and recordkeeping

Management of health records and clinical information is the responsibility of the Health Information Service. Patient clinical records are managed through strict procedures including health records documentation standards, health records management and tracking, health record transportation, security and procedures for accessing health records for research and clinical audits. Health record documentation standard audits are conducted regularly with the criteria based on the standards procedure.

All employees are made aware of their responsibilities regarding security and confidentiality to ensure that management of clinical and non-clinical documentation is undertaken appropriately. Continual improvement to processes ensures that all staff meet record management requirements.

There are procedures in place to ensure that all medical records are archived, retained and destroyed appropriately meeting all legislative requirements pertaining to the Queensland State Archives – Health Sector Retention and Disposal Schedule (Clinical) and the General Retention and Disposal Schedule for Administrative Records (Non-Clinical).

Mackay Base Hospital has successfully transitioned to a fully ieMR site with direct entry into patient records. Key performance indicators are met routinely for the scanning of paper documentation into records. A quality assurance process is being maintained which will enable the authorised destruction of the Mackay Base Hospital original (source) paper medical records after digitisation in accordance with the Digitisation and Disposal Plan of Scanned Medical Records.

The Business Classification Scheme is a records management tool used to categorise information resources in a consistent and organised manner. Mackay HHS adheres to the Business Classification Scheme and the General Retention and Disposal Schedule for Administrative Records.

Queensland Public Service ethics

The Public Sector Ethics Act 1994 (Qld) defines Mackay HHS as a public service agency. Therefore, the Code of Conduct for the Queensland Public Service is applicable to employees.

Mackay HHS is committed to upholding the values and standards of conduct outlined in the Code of Conduct for the Queensland Public Service, which came into effect on 1 January 2011. The code of conduct consists of four core aspirational principles:

- integrity and impartiality
- promoting the public good
- commitment to the system of government
- accountability and transparency.

Each principle is strengthened by a set of values and standards of conduct describing the behaviour that will demonstrate that principle. All Mackay HHS employees are required to undertake training in the Code of Conduct for the Queensland Public Service during their induction and in orientation sessions. Staff are required to refresh their understanding of the Code of Conduct annually and following any changes (via on-line training).

Mackay HHS is committed to upholding the Queensland Public Service Values. Queensland's public sector has five organisational values to support this goal. The values are the building blocks for our workplace culture and our own HHS specific values and related behaviours.

Customers first

- Know your customers
- Deliver what matters
- Make decisions with empathy

Ideas into action

- Challenge the norm and suggest solutions
- Encourage and embrace new ideas
- Work across boundaries

Unleash potential

- Expect greatness
- Lead and set clear expectations
- Seek, provide and act on feedback

Be courageous

- Own your actions, successes and mistakes
- Take calculated risks
- Act with transparency

Empower people

- Lead, empower and trust
- Play to everyone's strengths
- Develop yourself and those around you

Confidential information

The HHBA requires annual reports to state the nature and purpose of confidential information disclosed in the public interest during the financial year. The chief executive did not authorise the disclosure of confidential information during the reporting period.

Performance

Mackay HHS provided a record amount of services in 2018-19 and delivered these within the operating budget. The health service treated 5,263 more patients in the Emergency Department, delivered an extra 81 babies, performed 871 additional surgeries, saw an additional 13,023 outpatients (specialist and non-specialist), and facilitated 1,045 more telehealth services compared to last year.

Waiting times to see a specialist will vary for different reasons, including the volume of patients referred for a particular speciality or whether the service is provided by a local or visiting medical officer. For these services there may be longer waits because it limits how many clinics can be held and the frequency may vary.

The ability to treat elective surgery patients within clinically recommended times is dependent on the number of emergency surgery cases. In 2018-19, Mackay HHS saw an increase in the number of emergency patients requiring surgery from last year. Mackay HHS must prioritise the most urgent, life threatening surgical cases which means that in some instances elective surgical cases are delayed.

Demand on services

Table 3: Delivering more care

	2018-19	Change since last year
Babies born	1,657*	81*
Oral health treatments[1]	138,169	1,282
Emergency Department presentations	87,594	5,263
Emergency Department 'Seen in time'	69,080	6,039
Patient admissions (from ED)	19,808	750
Emergency surgeries[2]	2,478	135
Outpatient occasions of service (specialist and non-specialist)[3]	209,271	13,023
Specialist outpatient first appointments delivered in time[4]	15,947	575
Gastrointestinal endoscopies delivered	2,882	481
Gastrointestinal endoscopies delivered in time	1,739	605
Elective surgeries, from a waiting list, delivered	2,812	255
Elective surgeries, from a waiting list, delivered in time	2,425	37
Number of telehealth services	8,424	1,045
Hospital in the Home admissions[5]	259	46

1. *Oral Health treatments are identified as Weighted Occasions of Service.*
2. *Emergency surgeries data is preliminary.*
3. *Only includes Activity Based Funding (ABF) facilities.*
4. *Specialist outpatient services are a subset of outpatient services where the clinic is led by a specialist health practitioner.*
5. *Hospital in the Home admissions data is preliminary.*

** Perinatal data collection is based on calendar year 2018.*

Service Delivery Statement

Table 4: Service Standards – Performance 2018-19		
Service Standards	**Target**	**Actual**
Effectiveness measures		
Percentage of patients attending emergency departments seen within recommended timeframes:		
• Category 1 (within 2 minutes)	100%	99.1%
• Category 2 (within 10 minutes)	80%	92.0%
• Category 3 (within 30 minutes)	75%	72.9%
• Category 4 (within 60 minutes)	70%	86.0%
• Category 5 (within 120 minutes)	70%	98.6%
Percentage of emergency department attendances who depart within four hours of their arrival in the department	›80%	76.5%
Percentage of elective surgery patients treated within clinically recommended times:		
• Category 1 (30 days)	›98%	84.9%
• Category 2 (90 days)	›95%	87.0%
• Category 3 (365 days)	›95%	88.0%
Rate of healthcare associated Staphylococcus aureus (including MRSA) bloodstream (SAB) infections/10,000 acute public hospital patient days	‹2	0.4[1]
Rate of community follow-up within 1-7 days following discharge from an acute mental health inpatient unit	›65%	63.81%
Proportion of readmissions to an acute mental health inpatient unit within 28 days of discharge	‹12%	13.9%[2]
Percentage of specialist outpatients waiting within clinically recommended times:		
• Category 1 (30 days)	70%	63.1%
• Category 2 (90 days)	70%	65.1%
• Category 3 (365 days)	90%	87.8%
Percentage of specialist outpatients seen within clinically recommended times:		
• Category 1 (30 days)	81%	61.4%
• Category 2 (90 days)	75%	54.5%
• Category 3 (365 days)	97%	88.7%
Median wait time for treatment in emergency departments (minutes)	..	10
Median wait time for elective surgery (days)	..	43
Efficiency measure		
Average cost per weighted activity unit for Activity Based Funding facilities	$4,615	$4,927[3]

Table 4: Service Standards – Performance 2018-19		
Service Standards	**Target**	**Actual**
Other measures		
Number of elective surgery patients treated within clinically recommended times:		
• Category 1 (30 days)	1,077	1,023
• Category 2 (90 days)	1,166	1,034
• Category 3 (365 days)	330	368
Number of Telehealth outpatient occasions of service events	9,366	8,424
Total weighted activity units (WAU's)		
• Acute Inpatient	39,074	41,732[4]
• Outpatients	12,660	10,770
• Sub-acute	2,187	2,820
• Emergency Department	10,030	10,880
• Mental Health	4,462	3,252
• Prevention and Primary Care	1,704	1,806
Ambulatory mental health service contact duration (hours)	›27,854	33,203
Staffing	2,312	2,388

1. *SAB data presented is preliminary.*
2. *Readmission to acute Mental Health inpatient unit data presented as May 2019 financial year to date.*
3. *Cost per WAU data presented as March 2019 financial year to date.*
4. *As extracted on 19 August 2019.*

Table 5: Additional measures	2018-19	Change since last year
Childhood Immunisation		
• All children 1 year	95.8%	0.7 p.p.
• All children 2 years	93.6%	0.0 p.p.
• All children 5 years	95.3%	0.4 p.p.
Discharge against medical advice	**1.3%**	**0.1 p.p.**
• Non-Aboriginal and Torres Strait Islander	1.2%	0.1 p.p.
• Aboriginal and Torres Strait Islander	1.9%	0.0 p.p.
Women who gave birth and attended 5 or more antenatal visits [1]	**98.2%**	**1.2 p.p.**
• Non-Aboriginal and Torres Strait Islander	98.4%	1.0 p.p.
• Aboriginal and Torres Strait Islander	96.7%	4.2 p.p.
Completed general courses of oral health care	**13,094**	**-1,467**
• Non-Aboriginal and Torres Strait Islander	11,986	-1,411
• Aboriginal and Torres Strait Islander	1,108	-56
Mothers who had >5 antenatal visits, with first visit in the 1st trimester [2]	**46.3%**	**N/A**
• Non-Aboriginal and Torres Strait Islander	46.3%	N/A
• Aboriginal and Torres Strait Islander	45.7%	N/A

1. *Data presented as March 2019 financial year to date.*
2. *New data collection commenced in December 2018. Preliminary data is available for the period December 2018 to May 2019. Lag of data due to trimester reporting. Data is only collected after the birth of the baby and is available for reporting two to three months after this event. It is a prerequisite that HHSs must also maintain their performance with respect to the performance standards under this QIP in terms of non-Indigenous mothers.*

Financial summary

Mackay HHS has incurred a planned financial deficit of $4.12 million for the year ending 30 June 2019. This is compared to the financial deficit in 2017-18 of $15.6 million incurred by Mackay HHS.

Strong financial stewardship in previous years has led to funds being built up by Mackay HHS in Retained Earnings.

The MHHB resolved in the 2018-19 financial year that it would invest a significant amount of retained earnings in initiatives to improve health services delivery to its community. These initiatives included the following:

- enhanced clinical information technology systems – the Digital Hospital;
- assistance with Research and Innovation, primarily through the Mackay Institute of Research and Innovation;
- expansion of the Frail Project to support our elderly patients;
- supporting clinicians and GPs by way of Health Pathways to better navigate the local health system for assessment, management and referral of patients; and
- Let's Shape Up! Project.

If the reported deficit is adjusted for the MHHB approved spend from retained earnings ($4.43 million), Mackay HHS has achieved a small operating surplus of $0.31 million which exceeds the budgeted breakeven objective committed to in its Service Delivery Statement.

Mackay HHS will continue to focus on robust financial stewardship to ensure the best value for the State's investment.

Income

Mackay HHS's income is sourced from three major areas:

- Public health services funding
- Own source revenue including user charges
- Australian Government funding.

Mackay HHS total income was $460.1 million which includes:

- Activity Based Funding (ABF) for hospital services was 58.8 per cent or $270.7 million
- Non-ABF funding was 29.0 per cent or $133.5 million
- User charges comprising patient and non-patient funding was 7.2 per cent or $33.2 million
- Australian Government grant funding was 2.1 per cent or $9.6 million
- Other revenue was 1.7 per cent or $7.8 million
- Other grant funding was 1.2 per cent or $5.6 million.

Expenses

The total expenses were $464.3 million, an average of $1.3 million a day for providing health services.

Labour costs within Mackay HHS make up approximately 69 per cent of expenditure with the remaining 31 per cent being non-labour costs such as supplies, services, and depreciation charges.

These services include clinical supplies, electricity, pathology services, prosthetics, repairs and maintenance, outsourced medical services, communications, patient travel costs and medication.

The following table shows the allocations to services within Mackay HHS.

Allocations to services within Mackay HHS	
Where the money goes	**%**
Admitted patient services in acute care institutions	42.8
Non-admitted patient services in acute care institutions	13.9
Mental health includes community services	6.4
Nursing homes for the aged	2.4
Patient transport	2.6
Public health services	2.9
Other community health services	21.6
Health administration	7.4

Anticipated maintenance

Anticipated maintenance is a common building maintenance strategy utilised by public and private sector industries. All Queensland Health entities comply with the Queensland Government Maintenance Management Framework which requires the reporting of anticipated maintenance.

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

As of 30 June 2019, Mackay HHS had reported total anticipated maintenance of $9,409,875.

Mackay HHS continues to analyse the backlog maintenance items to prioritise the most urgent backlog items. The health service is also considering other funding options (including submissions to the Priority Capital Program) to reduce this unfunded backlog.

Car parking concessions

Mackay HHS provides free car parking for patients, families, visitors and staff. Consequently, there was no requirement to issue car parking concessions throughout 2018-19.


RACQ CQ RESCUE
1300 SAVING LIVES
RACQ

Mackay Hospital and Health Service

ABN 8742 789 6923

Annual Financial Statements

For the year ended 30 June 2019

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Mackay Hospital and Health Service
Statement of Comprehensive Income
For the year ended 30 June 2019

OPERATING RESULT	Notes	2019 $'000	2018 $'000
Income			
User charges and fees	B1-1	33,169	29,848
Funding public health services	B1-2	404,201	371,208
Grants and other contributions	B1-3	14,952	11,496
Other revenue	B1-4	7,806	6,572
Revaluation increment	B1-5	54	522
Total Income		**460,182**	**419,646**
Expenses			
Employee expenses	B2-1	43,698	41,950
Health service employee expenses	B2-2	256,779	238,713
Supplies and services	B2-3	127,166	119,324
Depreciation and amortisation	C4-2	27,387	26,253
Other expenses	B2-4	9,270	9,486
Total Expenses		**464,300**	**435,726**
Operating Surplus/(Deficit)		**(4,118)**	**(16,080)**
Other Comprehensive Income			
Items Not Reclassified to Operating Result			
Increase/(decrease) in Asset Revaluation Surplus	C4-2	22,673	529
Other Comprehensive Income		**22,673**	**529**
Total Comprehensive Income		**18,555**	**(15,551)**

The accompanying notes form part of these statements

Mackay Hospital and Health Service
Statement of Financial Position
As at 30 June 2019

	Note	2019 $'000	2018 $'000
Current Assets			
Cash and cash equivalents	C1	32,445	39,873
Receivables	C2	12,448	10,935
Inventories	C3	4,187	3,892
Total Current Assets		**49,080**	**54,700**
Non-Current Assets			
Property, plant and equipment	C4-2	394,319	388,077
Total Non-Current Assets		**394,319**	**388,077**
Total Assets		**443,399**	**442,777**
Current Liabilities			
Payables	C5	22,233	19,588
Accrued employee benefits	C6	1,599	1,445
Total Current Liabilities		**23,832**	**21,033**
Total Liabilities		**23,832**	**21,033**
Net Assets		**419,567**	**421,744**
Equity			
Contributed equity	C7-1	345,958	366,690
Accumulated surplus		30,297	34,415
Asset revaluation surplus	C7-2	43,312	20,639
Total Equity		**419,567**	**421,744**

The accompanying notes form part of these statements

Mackay Hospital and Health Service
Statement of Changes in Equity
For the year ended 30 June 2019

	Contributed equity Note C6-1 $'000	Accumulated surplus $'000	Asset revaluation surplus Note C6-2 $'000	Total equity $'000
Balance as at 1 July 2017	380,352	50,495	20,110	450,957
Operating Result	-	(16,080)	-	(16,080)
Other Comprehensive Income				
Increase/(decrease) in asset revaluation surplus	-	-	529	529
Total Comprehensive Income for the Year	-	(16,080)	529	(15,551)
Transactions with Owners as Owners:				
Net assets transferred	1,251	-	-	1,251
Equity injections - minor capital works	11,340	-	-	11,340
Equity withdrawals - Depreciation funding	(26,253)	-	-	(26,253)
Net Transactions with Owners as Owners	(13,662)	-	-	(13,662)
Balance at 30 June 2018	**366,690**	**34,415**	**20,639**	**421,744**
Balance as at 1 July 2018	366,690	34,415	20,639	421,744
Operating Result	-	(4,118)	-	(4,118)
Other Comprehensive Income				
Increase/(decrease) in asset revaluation surplus	-	-	22,673	22,673
Total Comprehensive Income for the Year	-	(4,118)	22,673	18,555
Transactions with Owners as Owners:				
Net assets transferred	423	-	-	423
Equity injections - minor capital works	6,232	-	-	6,232
Equity withdrawals - Depreciation funding	(27,387)	-	-	(27,387)
Net Transactions with Owners as Owners	(20,732)	-	-	(20,732)
Balance at 30 June 2019	**345,958**	**30,297**	**43,312**	**419,567**

The accompanying notes form part of these statements

Mackay Hospital and Health Service
Statement of Cash Flows
For the year ended 30 June 2019

	Note	2019 $'000	2018 $'000
Cash flows from operating activities			
Inflows			
User charges and fees		30,253	30,794
Funding public health services		378,956	349,017
Grants and other contributions		11,124	11,705
GST input tax credits from ATO		8,013	8,708
GST collected from customers		646	571
Other receipts		6,271	6,229
		435,263	**407,024**
Outflows			
Employee expenses		(43,543)	(41,782)
Health service employee expenses		(255,326)	(238,127)
Supplies and services		(125,629)	(126,486)
GST paid to suppliers		(8,236)	(8,264)
GST remitted to ATO		(636)	(603)
Other payments		(4,863)	(4,825)
		(438,233)	**(420,087)**
Net cash from/(used by) operating activities	CF-1	**(2,970)**	**(13,063)**
Cash flows from investing activities	CF-2		
Inflows			
Sales of property, plant and equipment		74	194
Outflows			
Payments for property, plant and equipment		(10,764)	(13,095)
Net cash from/(used by) investing activities		**(10,690)**	**(12,901)**
Cash flows from financing activities			
Inflows			
Equity injections		6,232	11,340
Net cash from/(used by) financing activities		**6,232**	**11,340**
Net increase/(decrease) in cash and cash equivalents		**(7,428)**	**(14,624)**
Cash and cash equivalents at the beginning of the financial year		39,873	54,497
Cash and cash equivalents at the end of the financial year	C1	**32,445**	**39,873**

NOTES TO THE STATEMENT OF CASH FLOWS

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

	2019	*2018*
	$'000	*$'000*
Operating Result	(4,118)	(16,080)
Non-cash movements:		
Depreciation and amortisation	27,387	26,253
Depreciation funding	(27,387)	(26,253)
Revaluation increment	(54)	(522)
Net (gain)/loss on disposal	243	269
Impairment losses	355	624
Donated assets	(32)	(91)
Changes in assets and liabilities:		
(Increase)/decrease in receivables	(3,933)	309
(Increase)/decrease in funding receivables	3,008	3,307
(Increase)/decrease in GST receivables	(223)	444
(Increase)/decrease in inventories	(416)	(92)
(Increase)/decrease in other receivables	(609)	208
Increase/(decrease) in accounts payable	1,192	(2,162)
Increase/(decrease) in accrued contract labour	1,453	586
Increase/(decrease) in accrued employee benefits	154	169
Increase/(decrease) in GST payable	10	(32)
Net cash from/(used by) operating activities	**(2,970)**	**(13,063)**

CF-2 NON-CASH INVESTING AND FINANCING ACTIVITIES

Assets received or liabilities donated/transferred by the Hospital and Health Service to agencies outside of the State Health portfolio agencies are recognised as revenues (refer Note B1-3) or expenses as applicable.

Assets received or liabilities transferred by the Hospital and Health Service as a result of machinery-of-Government or administrative arrangements are set out in the Statement of Changes in Equity and Note 7-1.

PREPARATION INFORMATION

GENERAL INFORMATION

The Mackay Hospital and Health Service (MHHS) was established on 1st July 2012 as a statutory body under the *Hospital and Health Boards Act 2011* and is controlled by the State of Queensland which is the ultimate parent.

The head office and principal place of business of MHHS is Mackay Base Hospital, 475 Bridge Road, MACKAY QLD 4740.

For information in relation to the Hospital and Health Service's financial statements, please visit the website www.health.qld.gov.au/mackay.

COMPLIANCE WITH PRESCRIBED REQUIREMENTS

The Hospital and Health Service has prepared these financial statements in compliance with section 62 (1) of the *Financial Accountability Act 2009* and section 43 of the *Financial and Performance Management Standard 2009*. The financial statements comply with Queensland Treasury's Minimum Reporting Requirements for reporting periods beginning on or after 1 July 2018.

The Hospital and Health Service is a not-for-profit statutory body and these general purpose financial statements are prepared on an accrual basis (except for the Statement of Cash Flow which is prepared on a cash basis) in accordance with Australian Accounting Standards and Interpretations applicable to not-for-profit entities.

New accounting standards early adopted and/or applied for the first time in these financial statements are outlined in Note G3.

PRESENTATION

Currency and Rounding

Amounts included in the financial statements are in Australian dollars and rounded to the nearest $1,000 or, where that amount is $500 or less, to zero, unless disclosure of the full amount is specifically required.

Comparatives

Comparative information has been reclassified where required for consistency with the current year's presentation.

Current/Non-Current Classification

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 MHHS does not have an unconditional right to defer settlement to beyond 12 months after the reporting date.

All other assets and liabilities are classified as non-current.

AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements are authorised for issue by the Chair of the Hospital and Health Service, the Chief Executive and the Executive Director, Corporate Services at the date of signing the Management Certificate.

BASIS OF MEASUREMENT

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

- Land and buildings which are measured at fair value; and
- Inventories which are measured at cost, adjusted when applicable for any loss in service potential.

Historical Cost

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

Fair Value

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

- The market approach uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets, liabilities or a group of assets and liabilities, or
- The cost approach reflects the amount that would be required currently to replace the service capacity of an asset. This method includes the current replacement cost methodology.

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

Present Value

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

THE REPORTING ENTITY

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

SECTION A

HOW WE OPERATE – OUR OBJECTIVES AND ACTIVITIES

A1 OBJECTIVES OF MHHS

The HHS is responsible for providing primary health, community and public health services in the area assigned under the *Hospital and Health Boards Regulation 2012*. This includes responsibility for the direct management of hospitals in Mackay, Proserpine, Bowen, Moranbah, Dysart, Collinsville, Clermont and Sarina including outpatient and primary care clinics.

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

A2 CONTROLLED ENTITIES

The Hospital and Health Service has no wholly-owned controlled entities nor indirectly controlled entities.

A2-1 DISCLOSURES ABOUT NON WHOLLY-OWNED CONTROLLED ENTITIES

North Queensland Primary Health Network Limited

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

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

As each member has the same voting entitlement (9%), it is considered that none of the individual members has power or significant influence over NQPHNL (as defined by AASB 10 *Consolidated Financial Statements and AASB 128 Investments in Associates and Joint Ventures*). Each member's liability to NQPHNL is limited to $10. NQPHNL is legally prevented from paying dividends to its members and its constitution also prevents any income or property of the Company being transferred directly or indirectly to or amongst the Members.

As NQPNHL is not controlled by Mackay HHS and is not considered a joint operation or an associate of Mackay HHS, financial results of NQPHNL are not required to be disclosed in these statements.

Tropical Australia Academic Health Centre Limited

Tropical Australia Academic Health Centre Limited (TAAHC) was established as a public company limited by guarantee on 3 June 2019. Mackay Hospital and Health Service is one of seven members along with Cairns and Hinterland Hospital and Health Service, James Cook University, Northern Queensland Primary Health Network, North West Hospital and Health Service, Torres and Cape Hospital and Health Service, and Townsville Hospital and Health Service, with each member holding two voting rights in the company.

The principal place of business of TAAHC is James Cook University, Queensland. The Company's principal purpose is the advancement of health through the promotion of the study and research of health topics of special importance to people living in the tropics.

As each member has the same voting entitlement (14%), it is considered that none of the individual members has power or significant influence over TAAHC (as defined by AASB 10 *Consolidated Financial Statements and AASB 128 Investments in Associates and Joint Ventures*). Each member's liability to TAAHC is limited to $10. NQPHNL is legally prevented from paying dividends to its members and its constitution also prevents any income or property of the Company being transferred directly or indirectly to or amongst the Members.

As TAAHC is not controlled by Mackay HHS and is not considered a joint operation or an associate of Mackay HHS, financial results of TAAHC are not required to be disclosed in these statements.

SECTION B
NOTES ABOUT OUR FINANCIAL PERFORMANCE

B1 REVENUE

B1-1 USER CHARGES AND FEES

	2019 $'000	2018 $'000
Pharmaceutical Benefit Scheme	11,097	8,790
Sales of goods and services	1,839	2,130
Hospital fees	20,233	18,928
	33,169	**29,848**

Accounting Policy – User charges and fees

User charges and fees are recognised as revenues when earned and can be measured reliably with sufficient degree of certainty. This occurs upon delivery of the goods to the customer or completion of the requested services at which time the invoice is raised. Accrued revenue is recognised if the revenue has been earned but not yet invoiced. Revenue in this category primarily consists of hospital fees (private patients), reimbursements of pharmaceutical benefits, and sales of goods and services.

B1-2 FUNDING PUBLIC HEALTH SERVICES

	2019 $'000	2018 $'000
Activity based funding	270,735	241,775
Block funding	59,619	49,418
Teacher training funding	11,417	10,474
Depreciation funding	27,387	26,253
General purpose funding	35,043	43,288
	404,201	**371,208**

Disclosure about funding received to deliver public health services

The National Health Reform Funding (NHRF) comprises of Activity Based Funding (ABF), Block Funding (Non-ABF), Teaching, Training and Research (TTR) and Public Health Funding (PHF). All federal funding for NHRF is deposited in the State Pool Account along with the State's contribution to activity base hospital funding. The service agreement is an annual formal agreement between the Department of Health and the MHHS. It defines the health services, teaching, research and other services that are to be provided by the MHHS and the funding to be provided to the MHHS for the delivery of these services (both ABF and Non-ABF). It also sets out the outcomes that are to be met by MHHS and how its performance will be measured.

The Department of Health's purchasing model determines the volume of services that is agreed to purchase from HHSs and any efficiency adjustments applied to the ABF determination. The Funding model determines the price at which services are purchased from the MHHS under ABF.

Cash funding is received fortnightly for State payments and monthly for federal government payments and is recognised as revenue on receipt. At the end of the financial year, an agreed technical adjustment between Department of Health and MHHS may be required for the level of services performed above or below the agreed levels.

The service agreement dictates that depreciation charges incurred by MHHS are funded by the Department of Health via non-cash revenue. This is achieved through a withdrawal of funds from equity refer Note C7-1.

B1-3 GRANTS AND OTHER CONTRIBUTIONS

	2019 $'000	2018 $'000
Australian Government grants		
Home and community care grants	3,880	3,673
Specific purpose payments	5,721	2,803
Total Australian Government grants	9,601	6,476
Other grants		
Other grants	1,555	1,263
Services received below fair value	3,796	3,757
	5,351	5,020
	14,952	**11,496**

Accounting Policy – Grants, contributions, donations and gifts

Grants, contributions, donations and gifts that are non-reciprocal in nature (do not require any goods or services to be provided in return) are recognised in the year in which the Hospital and Health Service obtains control over the funds.

Contributed assets are recognised at their fair value.

Accounting Policy – Services received below fair value

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

MHHS receives corporate services support from the Department of Health at no cost. Corporate services received include payroll services, financial transactions services (including accounts payable and banking services), administrative services and information technology services.

B1-4 OTHER REVENUE

	2019 $'000	2018 $'000
Recoveries	7,486	6,092
Other	320	480
	7,806	**6,572**

Accounting Policy – Other revenue

Other revenue primarily reflects recoveries of payments for contracted staff from third parties such as universities and other government agencies. Other revenue is recognised based on either invoicing for related goods, services and/or the recognition of accrued revenue based on estimated volumes of goods or services delivered.

B1-5 LAND REVALUATION INCREMENT

	2019 $'000	2018 $'000
Revaluation increments - land	54	522
	54	**522**

Accounting Policy - Revaluations

Land is measured at fair value using independent revaluations, desktop market revaluations or indexation by the State Valuation Service (SVS) within the Department of Natural Resources and Mines.

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.

Decrements in land values in prior years were reflected as an expense in the operating statement, resulting in accumulated losses carried forward of $5.748 million at 30 June 2019 (2018: $5.802 million).

B2 EXPENSES

B2-1 EMPLOYEE BENEFIT EXPENSE

	2019 $'000	2018 $'000
Employee benefits		
Wages and salaries	37,357	35,863
Annual leave levy	2,408	2,317
Employer superannuation contributions	2,697	2,610
Long service leave levy	778	735
Employee related expenses		
Workers compensation premium	86	76
Other employee related expenses	372	349
	43,698	**41,950**
	No.	No.
Full-Time Equivalent Employees*	94	93

*reflecting Minimum Obligatory Human Resource Information (MOHRI)

Accounting Policy – Superannuation

Post-employment benefits for superannuation are provided through defined contribution (accumulation) plans or the Queensland Government's QSuper defined benefit plan as determined by employee's conditions of employment.

Defined Contributions Plans – Contributions are made to eligible complying superannuation funds based on the rates specified in the relevant EBA or other conditions of employment. Contributions are expensed when they are paid or become payable following completion of the employee's service each pay period.

Defined Benefit Plan – 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.* The amount of contributions for defined benefit plan obligations is based upon the rates determined by the Treasurer on the advice of the State Actuary. Contributions are paid by MHHS at the specified rate following completion of the employee's service each pay period. MHHS's obligations are limited to those contributions paid.

Key management personnel and remuneration disclosures are detailed in Note G1.

Accounting Policy – Employee benefits

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

Accounting Policy – Workers' compensation premiums

Mackay Hospital and Health Service pays premiums to WorkCover Queensland in respect of its obligations for employee compensation. Workers' compensation insurance is a consequence of employing employees, but it is not counted in an employee's total remuneration package. It is not an employee benefit and is recognised separately as employee related expense.

Accounting Policy – 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.

Accounting Policy – Annual leave and long service leave

Under the Queensland Government's Central Schemes for Annual Leave (ALCS) and Long Service Leave (LSLS), levies are made throughout the year by MHHS to cover the cost of employee's accruing annual leave and long service leave entitlements (including leave loading and on-costs).

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 scheme quarterly in arrears.

B2-2 HEALTH SERVICE EMPLOYEE EXPENSES

	2019 $'000	2018 $'000
Department of Health	256,779	238,713
	256,779	**238,713**

The Hospital and Health Service through service arrangements with the Department of Health has engaged 2,294 (2018: 2,191) full time equivalent persons at 30 June 2019. As well as direct payments to the department, premium payments made to WorkCover Queensland representing compensation obligations are included in this category 2019: $1.997 million (2018: $1.958 million).

Accounting Policy – Health service employee expense

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

- The Department of Health provides employees to perform work for MHHS, acknowledges and accepts its obligations as the employer of these employees.
- MHHS is responsible for the day to day management of these departmental employees.
- MHHS reimburses the Department of Health for the salaries and on-costs of these employees. This is disclosed as Health service employee expense.

B2-3 SUPPLIES AND SERVICES

	2019 $'000	2018 $'000
Contractors and consultants		
Medical	18,556	13,845
Other	1,688	2,517
Electricity and other energy	5,422	5,297
Patient travel	10,580	10,481
Other travel	1,879	2,189
Building services	1,909	1,800
Computer services	2,240	2,683
Communications	4,706	4,269
Repairs and maintenance	10,131	11,367
Operating lease rentals	1,289	1,163
Outsourced medical services	14,334	12,773
Inventories consumed		
Drugs	15,171	13,162
Clinical supplies and services	17,448	16,599
Catering and domestic supplies	2,197	2,026
Pathology, blood and parts	10,816	10,357
Other	8,800	8,796
	127,166	**119,324**

Accounting Policy – Inventories consumed

All inventories held for distribution in hospital and health facilities are expensed at the time of issue. Stock held and available for use in the wards and other facilities, at 30 June is recorded as inventory in the Statement of Financial Position where material.

Disclosure – Operating leases

MHHS enters into operating leases as means of acquiring access to office accommodation, motor vehicles, carpark and storage facilities, and to provide rural and remote housing assistance for employees. Lease terms can range between 1 to 10 years. The HHS has no option to purchase the leased item at the conclusion of the lease, although in the majority of cases, the lease provides for a right of renewal at which time lease terms are renegotiated.

Operating lease rental expenses comprise the minimum lease payments payable under operating lease contracts. Lease payments are generally fixed, but with annual inflation escalation or market review clauses upon which future year rentals are determined.

B2-4 OTHER EXPENSES

	2019 $'000	2018 $'000
Insurance premiums - QGIF	4,022	3,856
Insurance premiums - Other	24	97
Services received free of charge	3,796	3,757
Losses from the disposal of non-current assets	243	276
Special payments		
Ex-gratia payments	4	4
Other legal costs	22	87
Other	1,159	1,409
	9,270	**9,486**

Accounting Policy – Insurance

The Department of Health insures property and general losses above a $10,000 threshold through the Queensland Government Insurance Fund (QGIF). Health litigation payments above a $20,000 threshold and associated legal fees are also insured through QGIF. QGIF collects from insured agencies an annual premium intended to cover the cost of claims occurring in the premium year.

The Insurance Arrangements for Public Health Entities Health Service enables Hospital and Health Services to be named insured parties under the department's policy. For the 2018-19 policy year, the premium was allocated to each HHS according to the underlying risk of an individual insured party.

Disclosure – Special payments and services received free of charge

Special payments represent ex gratia expenditure and other expenditure that the HHS is not contractually or legally obligated to make to other parties. MHHS maintains a register of all special payments greater than $5,000.

MHHS receives corporate services support from the Department of Health at no cost. Further information on services provided and their treatment is available at Note B1-3.

B2-5 AUDITOR REMUNERATION

	2019 $	2018 $
Audit services - Queensland Audit Office		
Audit of financial statements	**160,000**	**163,000**

There are no non-audit services included in this amount.

SECTION C

NOTES ABOUT OUR FINANCIAL POSITION

C1 CASH AND CASH EQUIVALENTS

	2019 $'000	2018 $'000
Imprest accounts	7	7
Cash at bank*	31,018	38,481
QTC cash funds*	1,420	1,385
	32,445	**39,873**

Cash deposited with Queensland Treasury Corporation earns interest, calculated on a daily basis reflecting market movements in cash funds. The annual effective interest rate was 2.38% (2018: 2.41%).

Accounting Policy – Cash and cash equivalents

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 and cash debit facility. MHHS operational bank accounts form part of the Whole-of-Government banking arrangement with the Commonwealth Bank of Australia and does not earn interest on surplus funds nor is it charged interest or fees for accessing its approved cash debit facility. Any interest earned on the WoG fund accrues to the Consolidated Fund.

General trust bank and term deposits do not form part of the WoG banking arrangement and incur fees as well as earn interest.

*MHHS receives cash contributions primarily from private practice clinicians and external entities to provide for education, study and research in clinical areas. Contributions are also received from benefactors in the form of gifts, donations and bequests for stipulated purposes. At 30 June 2019, amounts of $2.087 million (2018: $1.785 million) in General Trust, including $1.352 million (2018: $1.086 million) for excess earnings under Granted Private Practice, set aside for the specified purposes underlying the contribution.

C2 RECEIVABLES

	2019 $'000	2018 $'000
Trade debtors	9,891	6,104
Less: Loss allowance	(590)	(502)
	9,301	5,602
GST receivable	883	660
GST payable	(62)	(52)
	821	608
Funding public health services	1,218	4,226
Other	1,108	499
	12,448	**10,935**

Trade debtors includes receivables of $4.886 million (2018: $3.257 million) from health funds (reimbursement of patient fees), $1.500 million (2018: $1.677 million) from Department of Health (recovery of costs), $1.276 million (2018: $270 thousand) from the federal government, $848 thousand (2018: $116 thousand) from WorkCover, and $1.381 million (2018: $820 thousand) other debtors.

Accounting Policy – Receivables

Receivables are measured at amortised cost which approximates their fair value at reporting date. Trade debtors are recognised at the amounts due at the time of sale or service delivery i.e. the agreed purchase/contract price. The recoverability of trade debtors is reviewed on an ongoing basis at an operating unit level. Trade receivables are generally settled within 120 days. No interest is charged and no security is obtained.

C2-1 IMPAIRMENT OF RECEIVABLES

Accounting Policy – Impairment of receivables

The loss allowance for trade debtors reflect lifetime expected credit losses, incorporating reasonable and supportable forward-looking information. This includes economic changes that impact MHHS's debtors and relevant industry data, to form part of the impairment assessment.

Other categories of receivables represent monies owing by Queensland or federal government agencies. No loss allowance is recorded for these receivables due to low credit risk exposure i.e. high credit rating. Prepaid expense is included in other receivables, on the basis of materiality, and is not subject to impairment.

Where there is no reasonable expectation of recovery of monies owing by a debtor, the debt is written-off by directly reducing the receivable against the loss allowance. This occurs when a third default notice has been issued (normally after 120 days) and debt enforcement activity has ceased. If the amount of debt written off exceeds the loss allowance, the excess is recognised as an impairment loss. The amount of impairment losses recognised for trade debtors is disclosed in Note C2-1 below.

C2 RECEIVABLES (continued)

Disclosure – Credit risk exposure of receivables

The maximum exposure to credit risk for receivables at balance date is the gross carrying amount of those assets. No collateral is held as security and no credit enhancements relate to receivables held by MHHS.

The HHS uses a provision matrix to measure expected credit losses based on observed historical default rates over the past five years, adjusted for changes in macroeconomic indicators (used to assess the impact on the future collectability of receivables). Loss rates are calculated for customer profiles with similar loss patterns with the following two major groups identified:

- Private patient's ineligible for health assistance under Medicare arrangements with the federal government; and
- Other trade receivables.

MHHS's patient activity is heavily influenced by movements in regional population. Depending on the status of the tourism, agricultural and mining sectors the region experiences significant fluctuations in population, with a large proportion of the workforce transient in nature and includes overseas/interstate visitors requiring treatment. Economic growth has been determined as the most relevant forward-looking indictor for both groups of receivables. Where economic growth is strong, historical default rates are adjusted upwards to reflect the change in the population base i.e. higher proportion of visitors/transient workforce. Set out below is the credit risk exposure on MHHS's trade debtors broken down by aging band.

Impairment group - Trade debtors:

	2019			2018		
	Gross receivables	*Loss rate*	*Expected credit losses*	*Gross receivables*	*Impairment allowance*	*Carrying amount*
Aging	*$'000*	*%*	*$'000*	*$'000*	*$'000*	*$'000*
Current	6,222	0.8%	(49)	3,985	(4)	3,981
31 to 60 days	928	2.5%	(23)	893	(86)	807
61 to 90 days	985	7.5%	(74)	462	(35)	427
> 90 days	1,756	25.3%	(444)	764	(377)	387
Total	**9,891**		**(590)**	**6,104**	**(502)**	**5,602**

Disclosure - Movement in loss allowance for trade debtors

	2019	*2018*
	$'000	*$'000*
Balance at beginning of the year	502	383
Amounts written off during the year	(146)	(352)
Increase/(decrease) in allowance recognised in operating result	234	471
Balance at the end of the year	**590**	**502**

Disclosure - Ageing of past due but not individually impaired receivables

	2019	*2018*
	$'000	*$'000*
Not overdue	6,236	7,034
Overdue		
Current	2,448	1,685
31 to 60 days	928	893
61 to 90 days	985	463
> 90 days	1,851	859
Total	**12,448**	**10,935**

C3 INVENTORIES

	2019 $'000	2018 $'000
Inventories held for distribution - at cost		
Pharmaceutical drugs	1,685	1,665
Clinical supplies	2,492	2,219
Catering and domestic	10	8
	4,187	**3,892**

Accounting Policy – Inventories

Inventories consist mainly of clinical supplies and pharmaceuticals held for use and distribution in MHHS facilities and are provided to public admitted patients free of charge except for pharmaceuticals which are provided at a subsidised rate. Inventories are valued at the cost, adjusted where applicable, for any loss of service potential. Cost is assigned on a weighted average cost.

C4 PROPERTY, PLANT AND EQUIPMENT AND RELATED DEPRECIATION

C4-1 ACCOUNTING POLICIES

Property, Plant and Equipment

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

Class	Threshold
Buildings	$10,000
Land	$1
Plant and Equipment	$5,000

Items below these values are expensed. Land improvements undertaken by MHHS are included in the building class.

MHHS has an annual maintenance program for its buildings. Expenditure is only added to an asset's carrying amount if it increases the service potential or useful life of the existing asset. Maintenance expenditure that merely restores the original service potential (lost through ordinary wear and tear) is expensed.

Componentisation of Complex Assets

Complex assets comprise separately identifiable components (or groups of components) of significant value, that require replacement at regular intervals and at different times to other components comprising the complex asset. On initial recognition, the asset recognition thresholds outlined above apply to the complex asset as a single item. Specialised health service buildings with a gross replacement value of $3 million or more are complex in nature and componentised. Components are separately recorded and valued on the same basis as the asset class to which they relate.

Acquisition of Assets

Historical cost is used for the initial recording of all property, plant and equipment acquisitions. Historical cost is determined as the value given as consideration plus costs incidental to the acquisition (such as architects' fees and engineering design fees), plus all other costs incurred in getting the assets ready for use.

Where assets are received free of charge from another Queensland government entity (whether as a result of a machinery-of-Government change or other involuntary transfer), the acquisition cost is recognised as the carrying amount in the books of the other agency immediately prior to the transfer. Assets acquired at no cost or for nominal consideration, other than from another Queensland Government entity, are recognised at their fair value at the date of acquisition.

Measurement using historical cost

Plant and equipment, is measured at historical cost net of accumulated depreciation and accumulated impairment losses in accordance with Queensland Treasury's *Non-Current Asset Policies for the Queensland Public Sector* (NCAP). The carrying amounts for plant and equipment at cost are not materially different from their fair value.

Measurement using fair value

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

These assets are reported at their revalued amounts, being the fair value at the date of valuation, less any subsequent accumulated depreciation and accumulated impairment losses where applicable. Separately identified components of assets are measured on the same basis as the assets to which they relate. In respect of the abovementioned asset classes, 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.

C4 PROPERTY, PLANT AND EQUIPMENT AND RELATED DEPRECIATION (continued)

Revaluation of property measured at fair value

Land and building classes measured at fair value, are assessed on an annual basis either by comprehensive valuations or by the use of appropriate and relevant indices undertaken by independent professional valuers/quantity surveyors. For financial reporting purposes, the revaluation process for MHHS is managed by the finance unit with input from the infrastructure branch and Chief Finance Officer. The appointment of the independent valuer was undertaken as part of a market tender process.

Comprehensive revaluations are undertaken as part of a rolling valuation spanning a maximum of four years. However, if a particular asset class experiences significant and volatile changes in fair value, that class is subject to specific appraisal in the reporting period, where practical, regardless of the timing of the last specific appraisal. Where assets have not been specifically appraised in the reporting period, their previous valuations are materially kept up-to-date via the application of relevant indices. MHHS uses indices to provide a valid estimation of the assets' fair values at reporting date.

Materiality is considered in determining whether the differences between the carrying amount and the fair value of an asset warrant revaluation.

The fair values reported by MHHS are based on appropriate valuation techniques that maximises the use of available and relevant observable inputs and minimise the use of unobservable inputs (refer to Note D1-1).

Reflecting the specialised nature of health service buildings for which there is not an active market, fair value is determined using current replacement cost. Current replacement cost is determined as the replacement cost of a modern equivalent asset adjusted for functional and economic obsolescence. Buildings are measured at fair value by applying either, a revised estimate of individual asset's current replacement cost, or an interim index which approximates movement in market prices for labour and other key resource inputs, as well as changes in design standards as at reporting date. These estimates are developed by independent quantity surveyors.

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 valued by an independent professional valuer or quantity surveyor, and analysing the trend of changes in values over time. Through this process, which is undertaken annually, management assesses and confirms the relevance and suitability of indices provided based on MHHS's own particular circumstances.

For buildings, accumulated depreciation is adjusted to equal the difference between the gross amount and the carrying amount, after taking into account accumulated impairment losses and changes in remaining useful life. This is generally referred to as the 'gross method'.

Depreciation

Property, plant and equipment are depreciated on a straight-line basis. Annual depreciation is based on fair values and MHHS's assessments of the useful remaining life of individual assets. Land is not depreciated as it has an unlimited useful life.

Key judgement: Straight line depreciation is used reflecting the progressive, and even, consumption of service potential of these assets over their useful life to MHHS.

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

Where assets have separately identifiable components, subject to regular replacement, components are assigned useful lives distinct from the asset to which they relate and depreciated accordingly, as doing so results in a material impact on the depreciation expense reported.

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.

The depreciable amount of improvements to or on leasehold land is allocated progressively over the shorter of the estimated useful lives of the improvements or the unexpired period of the lease. The unexpired period of leases includes any option period where exercise of the option is probable.

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

Class	Depreciation rates
Buildings and Improvements	
- Structural fabric of building	0.9 to 16.7%
- External fabric	0.9 to 16.7%
- Internal fabric	0.9 to 10.0%
- Internal finishes	2.4 to 20.0%
- Fittings	2.0 to 9.1%
- Building services	1.7 to 16.7%
- Land improvements	1.5 to 3.3%
- Other buildings including residential	0.9 to 33.3%
Plant and equipment including artworks	1.0 – 33.3%

C4 PROPERTY, PLANT AND EQUIPMENT AND RELATED DEPRECIATION (continued)

Indicators of impairment and determining recoverable amount

Key judgement and estimate: All property, plant and equipment are assessed for indicators of impairment on an annual basis or, where the asset is measured at fair value, for indicators of a change in fair value/service potential since the last valuation was completed. Where indicators of a material change in fair value or service potential since the last valuation arise, the asset is revalued at the reporting date under AASB *13 Fair Value Measurement*. If an indicator of possible impairment exists, management determines the asset's recoverable amount under AASB 136 *Impairment of Assets*. Recoverable amount is equal to the higher of the fair value less costs of disposal and the asset's value in use subject to the following:

- As a not-for profit entity, certain property, plant and equipment of MHHS is held for the continuing use of its service capacity and not for the generation of cashflows. Such assets are typically specialised in nature. In accordance with AASB 136, where such assets measured at fair value under AASB 13, that fair value (with no adjustment for disposal costs) is effectively deemed to be the recoverable amount. As a consequence, AASB136 does not apply to such assets unless they are measured at cost;

- For other non-specialised property, plant and equipment measured at fair value, where indicators of impairment exist, the only difference between the asset's fair value and its fair value less costs of disposal, is the incremental costs attributable to the disposal of the asset. Consequently, the fair value of the asset determined under AASB 13 will materially approximate its recoverable amount where the disposal costs attributable to the asset are negligible. After the revaluation requirements of AASB 13 are first applied to these assets, applicable disposal costs are assessed and, in the circumstances where such costs are not negligible, further adjustments to the recoverable amount are made in accordance with AASB 136.

For all other remaining assets measured at cost, and assets held for the generation of cash flows, recoverable amount is equal to the higher of the fair value less costs of disposal and the asset's value in use.

Value in use is equal to the present value of the future cash flows expected to be derived from the asset, or where MHHS no longer uses an asset and has made a formal decision not to reuse or replace the asset, the value in use is the present value of net disposal proceeds.

Any amount by which the asset's carrying amount exceeds the recoverable amount is considered an impairment loss. An impairment loss is recognised immediately in the Statement of Comprehensive Income, unless the asset is carried at a revalued amount, in which case the impairment loss is offset against the asset revaluation surplus of the relevant class to the extent available. Where no asset revaluation surplus is available in respect of the class of asset, the loss is expensed in the Statements of Comprehensive Income as a revaluation decrement.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

For assets measured at cost, impairment losses are reversed through income. For assets measured at fair value, to the extent the original decrease was expensed through the Statement of Comprehensive Income, the reversal is recognised as income; otherwise the reversal is treated as a revaluation increase for the class of asset through asset revaluation surplus. When an asset is revalued using a market valuation approach, any accumulated impairment losses at that date are eliminated against the gross amount of the asset prior to restating for the revaluation.

C4 PROPERTY, PLANT AND EQUIPMENT AND RELATED DEPRECIATION (continued)

C4-2 PROPERTY, PLANT AND EQUIPMENT - BALANCES AND RECONCILIATIONS OF CARRYING AMOUNT

2019	Land (Level 2) $'000	Buildings (Level 3) $'000	Plant and equipment (at cost) $'000	Capital works in progress (at cost) $'000	Total $'000
Gross	13,735	562,587	52,759	7,369	636,450
Less: Accumulated depreciation	-	(213,413)	(28,718)	-	(242,131)
Carrying amount at 30 June 2019	**13,735**	**349,174**	**24,041**	**7,369**	**394,319**
Represented by movements in carrying amount:					
Carrying amount at 1 July 2018	13,681	341,778	23,754	8,864	388,077
Transfers in - practical completion projects from the Department of Health	-	349	-	-	349
Transfers in from other Queensland Government entities	-	-	74	-	74
Acquisitions	-	653	4,654	5,457	10,764
Donated assets	-	-	32	-	32
Disposals	-	(10)	(307)	-	(317)
Transfers between classes	-	6,947	5	(6,952)	-
Net revaluation increments/(decrements)	54	22,673	-	-	22,727
Depreciation expense	-	(23,216)	(4,171)	-	(27,387)
Carrying amount at 30 June 2019	**13,735**	**349,174**	**24,041**	**7,369**	**394,319**

2018	Land (Level 2) $'000	Buildings (Level 3) $'000	Plant and equipment (at cost) $'000	Capital works in progress (at cost) $'000	Total $'000
Gross	13,681	527,263	50,518	8,864	600,326
Less: Accumulated depreciation	-	(185,485)	(26,764)	-	(212,249)
Carrying amount at 30 June 2018	**13,681**	**341,778**	**23,754**	**8,864**	**388,077**
Represented by movements in carrying amount:					
Carrying amount at 1 July 2017	13,159	358,289	24,008	3,849	399,305
Transfers in - practical completion projects from the Department	-	1,221	-	-	1,221
Transfers in from other Queensland Government entities	-	-	30	-	30
Acquisitions	-	180	3,783	9,132	13,095
Donated assets	-	-	91	-	91
Disposals	-	(124)	(339)	-	(463)
Transfers between classes	-	4,079	38	(4,117)	-
Net revaluation increments/(decrements)	522	529	-	-	1,051
Depreciation expense	-	(22,396)	(3,857)	-	(26,253)
Carrying amount at 30 June 2018	**13,681**	**341,778**	**23,754**	**8,864**	**388,077**

C4 PROPERTY, PLANT AND EQUIPMENT AND RELATED DEPRECIATION (continued)

C4-3 VALUATION OF PROPERTY, PLANT AND EQUIPMENT INCLUDING KEY ESTIMATES AND JUDGEMENTS

Land

Land is measured at fair value using independent revaluations, desktop market revaluations or indexation by the State Valuation Service (SVS) within the Department of Natural Resources and Mines.

MHHS completed its rolling comprehensive revaluation program for all land holdings in 2019, with State Valuation Service engaged in the current year to comprehensively revalue six parcels of land. Desktop valuations and indices were applied to the balance of properties. The State Valuation Service provided appropriate indices derived from data on land sales in the respective areas during the previous year.

Fair value of land was based on publicly available data on sales of similar land in nearby localities in the twelve months prior to the date of the valuation. In determining the values, adjustments were made to the sales data to take into account the location of MHHS's land, its size, street/road frontage and access, and any significant restrictions. The extent of the adjustments made varies in significance for each parcel of land. Subjective adjustments are made to observable data for land classified as reserve (by the Minister for a community purpose). Reserve land parcels are not sold and therefore there are no directly observable inputs. This land can only be sold when un-gazetted and converted to freehold by the State.

The revaluation program resulted in an increment of $54 thousand (2018: increment $522 thousand) to the carrying amount of land.

Buildings

MHHS engaged independent quantity surveyors, AECOM Pty Ltd in 2017 to comprehensively revalue all buildings with a replacement cost exceeding $3 million, over the next four years as part of MHHS's rolling valuation program and calculate an annual index for all other assets. To date AECOM has comprehensively revalued 90% of buildings (by value) at 30 June 2019 under the current rolling valuation program. Refer to Note D1-2 for further details on the revaluation methodology applied.

The revaluation program resulted in an increment of $22.673 million or 6% increase (2018: increment $529 thousand) to the carrying amount of buildings.

C5 PAYABLES

	2019	*2018*
	$'000	*$'000*
Trade creditors	12,587	10,891
Accrued labour - Department of Health	9,312	7,859
Other	334	838
	22,233	**19,588**

Payables of $12.557 million (2018: $11.761 million) were owing to the Department of Health at 30 June including trade creditors $3.120 million (2018: $2.911 million), accrued labour $9.312 million (2018: $7.859 million) and $125 thousand (2018: $991 thousand) in repayable or unearned funding.

Accounting Policy – Payables

Payables are recognised for amounts to be paid in the future for goods and services received. Trade creditors are measured at the agreed purchase/contract price, net of applicable trade and other discounts. The amounts are unsecured and normally settled within 30 - 60 days.

C6 ACCRUED EMPLOYEE BENEFITS

	2019	*2018*
	$'000	*$'000*
Wages outstanding	1,459	1,320
Superannuation accrued	140	125
	1,599	**1,445**

Accounting Policy – Accrued employee benefits

No provision for annual leave or long service leave is recognised in MHHS's financial statements 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*.

Under the Queensland Government's Central Schemes for Annual Leave (ALCS) and Long Service Leave (LSLS), levies are made throughout the year by MHHS to cover the cost of employee's accruing annual leave and long service leave entitlements (including leave loading and on-costs).

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 scheme quarterly in arrears.

C7 EQUITY

C7-1 CONTRIBUTED EQUITY

Interpretation *1038 Contributions by Owners Made to Wholly-Owned Public Sector Entities* specifies the principles for recognising contributed equity by MHHS. The following items are recognised as contributed equity by MHHS during the reporting and comparative years:

- Cash equity contributions fund purchases of equipment, furniture and fittings associated with capital work projects managed by MHHS. In 2019 MHHS received $6.2 million (2018 $11.3 million) funding from the State as equity injections throughout the year. These outlays are paid by the Department of Health on behalf of the State;

- Non-reciprocal transfers of assets between Hospital and Health Services. In 2014, the Minister for Health signed an enduring designation of transfer for property, plant and equipment between Hospital & Health Services (HHS) and the Department of Health. This transfer is recognised through equity when the Chief Finance Officers of both entities agree in writing to the transfer;

- Equity withdrawal of funds by the Department of Health on behalf of the State, MHHS recognised $27.4 million funding in 2019 (2018 $26.3 million) from the Department of Health to account for the cost of depreciation. However, as depreciation is a non-cash expenditure item, the Health Minister has approved a withdrawal of equity by the State for the same amount, resulting in a non-cash revenue and non-cash equity withdrawal.

During this year a number of assets have been transferred under this arrangement.	*2019* *$'000*	*2018* *$'000*
Transfer in - practical completion of projects from the Department of Health*	349	1,219
Net transfer of property, plant and equipment from/(to) the Department of Health	-	34
Net transfers equipment between HHS	74	(2)
	423	**1,251**

*Construction of major health infrastructure is managed and funded by the Department of Health. Upon practical completion of a project, assets are transferred from the Department of Health to MHHS.

C7-2 ASSET REVALUATION SURPLUS BY ASSET CLASS

	2019 *$'000*	*2018* *$'000*
Buildings		
Balance at the beginning of the financial year	20,639	20,110
Revaluation increments/(decrements)	22,673	529
Total	**43,312**	**20,639**

Accounting Policy - Asset revaluation surplus

The asset revaluation surplus represents the net effect of upward and downward revaluations of assets to fair value.

SECTION D

NOTES ABOUT RISKS AND OTHER ACCOUNTING UNCERTAINTIES

D1 FAIR VALUE MEASUREMENT

D1-1 ACCOUNTING POLICIES AND BASIS FOR FAIR VALUE MEASUREMENT

What is fair value?

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

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

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

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

Fair value measurement hierarchy

MHHS does not recognise any financial assets or financial liabilities at fair value (except at initial recognition).

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

Level 1 represents fair value measurements that reflect unadjusted quoted market prices in active markets for identical assets and liabilities;

Level 2 represents fair value measurements that are substantially derived from inputs (other than quoted prices included within level 1) that are observable, either directly or indirectly; and

Level 3 represents fair value measurements that are substantially derived from unobservable inputs.

None of MHHS's valuations of assets or liabilities are eligible for categorisation into level 1 of the fair value hierarchy. There were no transfers of assets between fair value hierarchy levels during the period.

Refer to Note **C4-2** for disclosure of categories for assets measured at fair value.

D1-2 LEVEL 3 FAIR VALUE MEASUREMENT - SIGNIFICANT VALUATION INPUTS AND IMPACT ON FAIR VALUE

The fair value of health service buildings is computed by quantity surveyors, AECOM. The methodology is known as the Current Replacement Cost (CRC) valuation technique. CRC is the price that would be received for the asset, based on the estimated cost to a market participant buyer to acquire or construct a substitute asset of comparable utility, adjusted for obsolescence.

AECOM determines the replacement cost of an asset by utilising a cost model which has been developed, providing a twenty-two element cost plan (cost estimate) of the asset through the determination of key cost drivers such as;

- Asset type (clinical building, administration, clinic etc.)
- Gross floor area (GFA) or building footprint
- Number and height of staircases
- Girth of the building
- Height of the building
- Number of lifts and number of 'stops'
- Location

The estimate has been compiled by measuring quantities using drawings obtained from Mackay Hospital and Health Service and verified on site or by completing a site measurement. This is done using CAD measurement software (CostX) and compared against previous valuations.

In determining the replacement cost of each building, the estimated replacement cost of the asset, or the likely cost of construction including fees and on costs if tendered on the valuation date is assessed. This is based on internal records of the original cost, adjusted for more contemporary design/construction approaches and current construction contracts. Assets are priced using Brisbane rates with published industry benchmark location indices applied. Revaluations are then compared and assessed against current construction contracts for reasonableness.

AECOM adjusts the replacement cost for both functional and economic obsolescence. This is assessed through determining whether the asset contains the same functionality or utility of a modern equivalent asset in terms of its components (e.g. does the current building have air conditioning expected in a modern equivalent asset); and does the asset contain materially significant components required under the National Construction Code (NCC).

D1 FAIR VALUE MEASUREMENT (continued)

Significant judgement was used to assess the remaining service potential of a facility, given local climatic and environmental conditions. Physical site inspections by AECOM, combined with refurbishment history, local knowledge of asset performance and future planned asset replacement programs were used to inform these assumptions.

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

Valuations assume a nil residual value. Significant capital works, such as a refurbishment across multiple floors of a building, will result in an improved condition assessment, however the cost of refurbishing a building includes a premium, especially in functioning facilities. For example, it can include costs related to demolition and dismantling of the old building, asbestos removal, additional Health and Safety costs, impacts from continuing to provide services during construction and slower construction timeframes. The valuation removes these "premium" costs and calculates values based on efficient construction practices. The removal of 'premium costs' will typically result in a decline in building values.

D2 FINANCIAL RISK DISCLOSURES

D2-1 FINANCIAL INSTRUMENT CATEGORIES

Financial assets and financial liabilities are recognised in the Statement of Financial Position when MHHS becomes party to the contractual provisions of the financial instrument. The MHHS has the following categories of financial assets and financial liabilities:

Category	Note	2019 $'000	2018 $'000
Financial assets			
Cash and cash equivalents	C1	32,445	39,873
Receivables	C2	12,448	10,935
Total		**44,893**	**50,808**
Financial liabilities			
Financial liabilities - comprising:			
Payables	C5	22,233	19,588
Total		**22,233**	**19,588**

No financial assets and financial liabilities have been offset and presented net in the Statement of Financial Position.

D2-2 FINANCIAL RISK MANAGEMENT

MHHS's activities expose it to a variety of financial risks - credit risk, liquidity risk and interest rate risk. Financial risk management is implemented pursuant to Government and MHHS's policy. These policies focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the financial performance of MHHS.

MHHS measures risk exposure using a variety of methods as follows:

Risk exposure	*Measurement method*
Credit risk	Ageing analysis, cash inflows at risk
Liquidity risk	Monitoring of cash flows by employee and supplier obligations as they fall due
Interest risk	Interest rate sensitivity analysis

Credit risk is further discussed in Note C2 Receivables.

Liquidity risk

Liquidity risk is the risk that MHHS will not have the resources required at a particular time to meet its obligations to settle its financial liabilities. MHHS is exposed to liquidity risk through its trading in the normal course of business and aims to reduce the exposure to liquidity risk by ensuring that sufficient funds are available to meet employee and supplier obligations at all times. An approved debt facility of $3 million (2018: $3 million) under whole-of-Government banking arrangements to manage any short-term cash shortfalls has been established. No funds have been withdrawn against this debt facility as at 30 June 2019 (2018: Nil).

All financial liabilities are current in nature and will be due and payable within twelve months. As such no discounting has been applied.

Interest risk

MHHS is exposed to interest rate risk on its 24-hour call deposits, however there is no significant interest risk on its cash deposits. The HHS does not undertake any hedging in relation to interest rate risk. Changes in interest rate have a minimal effect on the operating result of MHHS.

D3 CONTINGENCIES

(a) Litigation in progress

As at 30 June 2019, the following cases were filed in the courts naming the State of Queensland acting through the Mackay Hospital and Health Service as defendant:

	2019 Number of cases	2018 Number of cases
Supreme Court	3	3
District Court	1	2
Tribunals, commissions and boards	2	-
	6	**5**

Health litigation is underwritten by the Queensland Government Insurance Fund (QGIF). MHHS's liability in this area is limited to an excess per insurance event of $20,000 - refer Note B2-5. As at 30 June 2019, MHHS has 31 claims currently managed by QGIF, some of which may never be litigated or result in payments to claims (excluding initial notices under Personal Injuries Proceedings Act).

Tribunals, commissions and board figures represent the matters that have been referred to QGIF for management. MHHS's legal advisers and management believe it would be misleading to estimate the final amounts payable (if any) in respect of the litigation before the courts at this time.

D4 COMMITMENTS

(a) Non-cancellable operating lease commitments

	2019 $'000	*2018 $'000*
Commitments under operating leases at reporting date (inclusive of non-recoverable GST input tax credits) are payable:		
No later than 1 year	259	134
Later than 1 year but no later than 5 years	57	-
Total	**316**	**134**

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

(b) Capital expenditure commitments

	2019 $'000	*2018 $'000*
Commitments for capital expenditure at reporting date (inclusive of non-recoverable GST input tax credits) are payable:		
Building		
No later than 1 year	-	3,228
Total	**-**	**3,228**
Plant and Equipment		
No later than 1 year	387	-
Total	**387**	**-**

D5 EVENTS AFTER THE BALANCE DATE

No matters or circumstances has arisen since 30 June 2019 that has significantly affected, or may significantly affect MHHS's operations, the results of those operations, or MHHS's state of affairs in future financial years.

D6 FUTURE IMPACT OF ACCOUNTING STANDARDS NOT YET EFFECTIVE

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

AASB 16 Leases

This standard will first apply to MHHS's financial statements for 2019-20. When applied, the standard supersedes AASB 117 *Leases*, AASB Interpretation 4 *Determining whether an Arrangement contains a Lease,* AASB Interpretation 115 *Operating Leases – Incentives* and AASB Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*

Impact for lessees

Under AASB 16, the majority of operating leases (as defined by the current AASB 117 and shown at Note D4) will be reported on the Statement of Financial Position as right-of-use assets and lease liabilities.

The right-of-use asset will be initially recognised at cost, consisting of the initial amount of the associated lease liability, plus any lease payments made to the lessor at or before the effective date, less any lease incentive received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. The right-of-use asset will give rise to a depreciation expense.

The lease liability will be initially recognised at an amount equal to the present value of the lease payments during the lease term that are not yet paid. Current operating lease rental payments will no longer be expensed in the Statement of Comprehensive Income. They will be apportioned between a reduction in the recognised lease liability and the implicit finance charge (the effective rate of interest) in the lease. The finance cost will also be recognised as an expense.

AASB 16 allows a 'cumulative approach' rather than full retrospective application to recognising existing operating leases. In accordance with Queensland Treasury's policy, the HHS will apply the 'cumulative approach', and will not restate comparative information. Instead, the cumulative effect of applying the standard is recognised as an adjustment to the opening balance of accumulated surplus at the date of initial application.

Outcome of review as lessee

Mackay Hospital and Health Service has completed its review of the impact of adoption of AASB 16 on the Statement of Financial Position and Statement of Comprehensive Income and has identified the following major impacts which are outlined below.

The HHS has been advised by Queensland Treasury and DHPW that, effective 1 July 2019, motor vehicles provided under DHPW's Q-Fleet program will be exempt from lease accounting under AASB16. This is due to DHPW having substantive substitution rights for vehicles provided under the scheme. From 2019-20 onward, costs for these services will continue to be expensed as supplies and services when incurred. Existing Q-Fleet leases were not previously included as part of non-cancellable operating lease commitments in Note D4.

MHHS has quantified the transitional impact on the Statement of Financial Position and Statement of Comprehensive Income of all qualifying lease arrangements that will be recognised on-balance sheet under AASB 16, as follows:

Statement of Financial Position impact on 1 July 2019:

- $624 thousand increase in lease liabilities;
- $650 thousand increase in right-of-use assets; and
- $26 thousand increase in opening accumulated surplus

Statement of Comprehensive Income impact expected for the 2019-20 financial year, as compared to 2018-19:

- $428 thousand increase in depreciation expense;
- $8 thousand increase in interest expense; and
- $436 thousand decrease in supplies and services;

This results in no net change to total expenses.

Leases with below fair value terms and conditions

Under the existing AASB 16 *Leases* and AASB 1058 *Income of not-for-profit entities*, leases with significantly below-market terms and conditions (principally to enable a not-for-profit entity to further its objectives and commonly referred to as 'peppercorn leases') are to be measured on initial recognition at fair value. In December 2018, the Australian Accounting Standards Board (AASB) issued AASB 2018-8 *Amendments to Australian Accounting Standards – Right-of-Use Assets of Not-for-Profit Entities* to provide a temporary option for not-for-profit lessees to elect to measure concessionary leases at initial recognition either at cost or at fair value, until certain interpretative issues are addressed in the AASB's Fair Value Measurement for Public Sector Entities project. Queensland Treasury intends to mandate that not-for-profit agencies consolidated within whole-of-Government will measure all right-of-use assets from concessionary leases at cost on initial recognition until the AASB issues further pronouncements on this matter.

Mackay HHS is not dependent on the use of concessionary leases in the delivery of its services. At 1 July 2019, Mackay HHS has one contract lease with below-market terms and conditions. This contract covers a five-year term, with the lease providing the right-to-use a helipad for emergency transportation. Payment for the use of the helipad is $1 for the term of the lease.

Impact for Lessors

Lessor accounting under AASB 16 remains largely unchanged from AASB 117. For finance leases, the lessor recognises a receivable equal to the net investment in the lease. Lease receipts from operating leases are recognised as income either on a straight-line basis or another systematic basis where appropriate.

D6 FUTURE IMPACT OF ACCOUNTING STANDARDS NOT YET EFFECTIVE (continued)

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

The transition date for both AASB 15 and AASB 1058 is 1 July 2019. Consequently, these standards will first apply to the HHS when preparing the financial statements for 2019-20. Mackay Hospital and Health Service has reviewed the impact of AASB 15 and AASB 1058 on current revenue contracts and has assessed no material impact to revenue recognition. Contracts entered into post 1 July 2019 will be assessed in light of the new accounting standards.

A range of new disclosures will also be required by the new standards in respect of health service revenue.

SECTION E

NOTES ON OUR PERFORMANCE COMPARED TO BUDGET

E1 BUDGETARY REPORTING DISCLOSURES

This section discloses MHHS's original published budgeted figures for 2018-19 compared to actual results, with explanations of major variances, in respect of MHHS's Statement of Comprehensive Income, Statement of Financial Position and Statement of Cash Flows. Note original published budget from the Service Delivery Statement (SDS) has been reclassified to improve transparency and analysis by remapping particular budgeted transactions on the same basis as reported in actual financial statements.

A budget to actual comparison, and explanations of major variances, has not been included for the Statement of Changes in Equity, as major variances relating to that statement have been addressed in explanations of major variances for other statements.

E2 BUDGET TO ACTUAL COMPARISON – STATEMENT OF COMPREHENSIVE INCOME

E2-1 BUDGET TO ACTUAL COMPARISON - STATEMENT OF COMPREHENSIVE INCOME

	Variance Notes	Actual 2019 $'000	Original SDS Budget 2019 $'000	SDS Budget V Actual Variance $'000
OPERATING RESULT				
Income				
User charges and fees	V1.	33,169	30,110	3,059
Funding public health services		404,201	394,471	9,730
Grants and other contributions	V2.	14,952	6,484	8,468
Other revenue	V3.	7,806	4,173	3,633
Revaluation increment		54	-	54
Total Income		**460,182**	**435,238**	**24,944**
Expenses				
Employee expenses*	V4.	43,698	47,522	(3,824)
Health service employee expenses**	V5.	256,779	236,446	20,333
Supplies and services		127,166	124,821	2,345
Depreciation and amortisation		27,387	27,315	72
Other expenses	V6.	9,270	5,634	3,636
Total Expenses		**464,300**	**441,738**	**22,562**
Operating Results		**(4,118)**	**(6,500)**	**2,382**
Other Comprehensive Income				
Items Not Reclassified to Operating Result				
Increase/(decrease) in Asset Revaluation Surplus		22,673	-	22,673
Total Comprehensive Income		**18,555**	**(6,500)**	**25,055**

* Persons directly employed by Mackay Hospital and Health Service. ** Persons employed directly by the Department of Health working in MHHS facilities see Note B2-2 for further details.

In analysing the financial statements, it should be noted that while the Statement of Comprehensive Income and the Statement of Financial Position are prepared based on accrual concepts, the Statement of Cash Flows discloses cash inflows and outflows of MHHS. This will cause some differences in amounts recorded under each line on the different statements.

E2-2 EXPLANATION OF MAJOR VARIANCES - STATEMENT OF COMPREHENSIVE INCOME

V1. User charges and fees

User charges exceeded budget by $3.059 million for the year ended 30 June 2019 primarily reflecting higher Pharmaceutical Benefit Scheme Reimbursements (PBS) $2.670 million, than forecast at the time of the budget. Variations to PBS income reflected a combination of increased patient activity and changes to drugs prescribed with different treatments applied to allow better outcomes for patients. These drugs had improved rebate rates. Home and community support services provided during 2019 also exceed the budget, adding a further $572 thousand to the variance in 2019.

E2-2 EXPLANATION OF MAJOR VARIANCES - STATEMENT OF COMPREHENSIVE INCOME - CONTINUED

V2. Grants and other contributions

Grants and other contributions exceeded SDS original budget by $8.468 million at 30 June 2019. The increase is primarily attributable to a number of factors:

- the Department of Health provides corporate services support to MHHS at no cost, the fair value of these services is estimated at $3.796 million in 2019. Service contributions below fair value are recognised equally in both revenue and expenses refer V6. Services received below fair value were not captured at the time of the budget;

- federal funding to support the training of specialists in rural areas varies annually depending on the number of colleges purchasing training placements at Mackay HHS each year. The number of placements and retention of specialist training positions throughout the year was higher than forecast in the budget resulting in an extra $1.524 million in funding;

- higher patient activity in home support programs and aged care services during 2019, above that forecast at the time of the budget, has resulted in increased federal grant funding of $815 thousand;

- introduction of Medicare billing for patients presenting at the Proserpine hospital emergency department resulted in $849 thousand additional federal funding in 2019. This funding arrangement approved by the Council of Australian Government (COAG) seeks to improve access to primary care in rural and remote areas. Funds generated under this arrangement are restricted and must be used for community maintenance programs. Delays in the implementation of billing, reflect the complex nature and wide community consultation attached to these arrangements. Budget forecasts did not include the introduction of this arrangement in Proserpine;

- joint funding of $842 thousand from the state and federal governments under Natural Disaster Relief and Recovery Arrangements (NDRAA) Category C was received in 2019 to assist with mental health recovery from severe tropical Cyclone Debbie and the recent bushfires across MHHS regions. This funding was not captured at the time of the budget; and

- donations from the Mackay Foundation ($280 thousand) and grants from other private sector organisations ($132 thousand), to fund asset purchases and rural health care projects were received in 2019 and not anticipated at the time of the budget.

Cash inflows for grants and other contributions exceeded the SDS budget by $4.640 million. The key contributors to this are largely consistent with the reasons set out above adjusted for the value of non-cash services provided by the Department of Health.

V3. Other revenue

Other revenue was $7.806 million at 30 June 2019 compared to $4.173 million per the SDS budget, primarily reflecting reimbursements of $3.383 million for project costs incurred during 2019. Reimbursements for projects costs were not captured in the budget.

Construction of major health infrastructure is managed and funded by the Department of Health. Where costs are borne by the Hospital and Health Service on departmental funded projects, the Department of Health reimburses MHHS for those costs. In addition, the development and rollout of new clinical and financial information systems, managed by either the Department of Health or Metro North Hospital and Health Service, resulted in reimbursement of wages for staff engaged in these projects.

Cash inflows for other receipts exceeded the SDS budget by $2.098 million. The key contributors to this are largely consistent with the reasons set out above adjusted for a variance in accrued revenue not anticipated at the time of the budget.

V4. Employee expenses*

Employee expenses were $43.698 million at 30 June 2019, a decline of $3.824 million compared to $47.522 million per the SDS budget. The budget included $6.5 million of initiatives, approved by the Board, to improve health service delivery to the community through investing in research/innovation in patient care and continued implementation of enhanced clinical information systems – the Digital Hospital. These services were funded out of retained earnings and included employment of additional staff. During 2019, labour was primarily engaged through the Department of Health. This resulted in a reclassification of costs between Health Service Employee Expenses and Employee Expenses. Partially offsetting this decline, the HHS incurred higher costs for senior medical officer's wages with Enterprise Bargaining (EB) and associated increases in allowances $1.150 million certified in May 2019. Patient activity also exceeded budget targets by 2.4% in 2019, with wages increasing 3.3% over forecast budget, reflecting overtime and penalty payments. Funding was approved by the Department of Health post the budget for increased activity and EB costs.

V5. Health service employee expenses**

Health service employee expenses were $256.779 million at 30 June 2019 compared to $236.446 million per the SDS budget.

This increase primarily reflects higher than anticipated demand for hospital services, employment of staff through the Department of Health for board approved initiatives (refer V2) and settlement of employee wage bargaining negotiations funded after the 2019 budget was finalised. These costs were partially offset by vacancies in clinical and clerical positions due to recruitment difficulties in rural communities, estimated at $4.3 million. Clinical vacancies were filled using agency staff and increased overtime.

Labour costs were 6.4% higher than forecast at budget, reflecting increased overtime, penalty rates etc incurred to meet higher patient demand. Patient activity targets (QWAU) increased 1,643 QWAU or 2.4% over budget. In addition, $4.4 million of funding to deliver new initiatives/services was approved post the budget. The cost of settlement of enterprise bargaining agreements for junior medical officers, nurse entitlements and award payments approximated $1 million.

V6. Other expenses

Other expenses exceeded budget by $3.636 million for the year ended 30 June 2019. Mackay Hospital and Health Service receives corporate services support from the Department of Health at no cost refer V2. The fair value of these services ($3.796 million) was not captured at the time of the budget.

E3 BUDGET TO ACTUAL COMPARISON – STATEMENT OF FINANCIAL POSITION

E3-1 BUDGET TO ACTUAL COMPARISON - STATEMENT OF FINANCIAL POSITION

	Variance Notes	Actual 2019 $'000	Original SDS Budget 2019 $'000	SDS Budget V Actual Variance $'000
Current Assets				
Cash and cash equivalents		32,445	32,837	(392)
Receivables		12,448	12,039	409
Inventories		4,187	4,105	82
Total Current Assets		**49,080**	**48,981**	**99**
Non-Current Assets				
Property, plant and equipment		394,319	396,433	(2,114)
Total Non-Current Assets		**394,319**	**396,433**	**(2,114)**
Total Assets		**443,399**	**445,414**	**(2,015)**
Current Liabilities				
Payables		22,233	23,278	(1,045)
Accrued employee benefits		**1,599**	1,528	71
Total Current Liabilities		**23,832**	**24,806**	**(974)**
Total Liabilities		**23,832**	**24,806**	**(974)**
Net Assets		**419,567**	**420,608**	**(1,041)**
Equity		**419,567**	**420,608**	**(1,041)**

E3-2 EXPLANATION OF MAJOR VARIANCES - STATEMENT OF FINANCIAL POSITION

No major variances were noted between MHHS's original published budgeted figures for 2018-19 and actual results in the Statement of Financial Position.

E4 BUDGET TO ACTUAL COMPARISON – STATEMENT OF CASH FLOWS

E4-1 BUDGET TO ACTUAL COMPARISON - STATEMENT OF CASH FLOWS

	Variance Notes	Actual 2019 $'000	Original SDS Budget 2019 $'000	SDS Budget V Actual Variance $'000
Cash flows from operating activities				
Inflows				
User charges and fees		30,253	29,943	310
Funding public health services		378,956	370,807	8,149
Grants and other contributions	V2.	11,124	6,484	4,640
GST input tax credits from ATO		8,013	8,397	(384)
GST collected from customers		646	592	54
Other receipts	V3.	6,271	4,173	2,098
		435,263	**420,396**	**14,867**
Outflows				
Employee expenses		(43,543)	(47,393)	3,850
Health service employee expenses		(255,326)	(235,451)	(19,875)
Supplies and services		(125,629)	(124,993)	(636)
GST paid to suppliers		(8,236)	(8,915)	679
GST remitted to ATO		(636)	(552)	(84)
Other payments		(4,863)	(5,015)	152
		(438,233)	**(422,319)**	**(15,914)**
Net cash from/(used by) operating activities		**(2,970)**	**(1,923)**	**(1,047)**
Cash flows from investing activities				
Inflows				
Sales of property, plant and equipment		74	(26)	100
Outflows				
Payments for property, plant and equipment	V7.	(10,764)	(6,530)	(4,234)
Net cash from/(used by) investing activities		**(10,690)**	**(6,556)**	**(4,134)**
Cash flows from financing activities				
Inflows				
Equity injections	V8.	6,232	2,773	3,459
Net cash from/(used by) financing activities		**6,232**	**2,773**	**3,459**
Net increase/(decrease) in cash and cash equivalents		**(7,428)**	**(5,706)**	**(1,722)**
Cash and cash equivalents at the beginning of the financial year		39,873	38,543	1,330
Cash and cash equivalents at the end of the financial year		**32,445**	**32,837**	**(392)**

E4-2 EXPLANATION OF MAJOR VARIANCES - STATEMENT OF CASH FLOWS

V7. Cash flows - Payments for property, plant and equipment

Payments for property, plant and equipment in 2019 were higher by $4.234 million than budgeted. This was a result of additional infrastructure construction and medical equipment purchases approved post budget. A change in the funding arrangements for Priority Capital Projects (PCP) by the Department of Health during 2019 also increased cash outflows.

In 2019 $2.421 million of additional infrastructure construction was funding provided by the Department of Health. This included the completion of redevelopment projects (Clermont aged care facilities and fire hydrant upgrades at Dysart and Moranbah) and capitalisation of works undertaken on facilities in Mackay, Proserpine and the Clermont nurse's quarters. In addition, purchases of health technology equipment in 2019 were $708 thousand higher than forecast in the budget.

SDS budget included $12.8 million of infrastructure projects to be managed by the department and transferred to MHHS on project completion. During 2019, management of projects totalling $1.374 million were transferred to MHHS, along with associated cash funding from the department. MHHS paid for these construction works during the year, increasing payments for property, plant and equipment.

V8. Cash flows – Equity injections

Cash flows from equity injections increased $3.459 million, from $2.773 million per the SDS budget, to $6.232 million for the year ended 30 June 2019. Post budget estimates, the department approved additional funding for infrastructure projects, purchases of medical equipment and changes in the funding arrangements for PCP projects refer V4. Cash funding is provided one month in arrears of capital purchases. This was not included at the time of budget estimates.

SECTION F

WHAT WE LOOK AFTER ON BEHALF OF THIRD PARTIES

F1 TRUST TRANSACTIONS AND BALANCES

The Hospital and Health Service acts in a fiduciary trust capacity in relation to patient trust accounts. Consequently, these transactions are not recognised in the financial statements. Trust activities are included in the audit performed annually by the Auditor-General of Queensland. The cumulative value of transactions and balances in patient fiduciary trust accounts were less than $1,000 in 2019 and 2018.

F2 GRANTED PRIVATE PRACTICE

Granted Private Practice permits Senior Medical Officers (SMOs) employed in the public health system to treat individuals who elect to be treated as private patients. SMOs receive a private practice allowance and assign practice revenue generated to the Hospital (Assignment arrangement). Alternatively, SMOs pay a facility charge and administration fee to the Hospital and retain an agreed proportion of the private practice revenue (Retention arrangement) with the balance of revenue deposited into a trust account to fund research and education of medical staff. In addition, all SMOs engaged in private practice receive an incentive on top of their regular remuneration. The private practice fund activities are included in the annual audit performed by the Auditor-General of Queensland. Receipts and payments relating to both the granted private practice arrangements and right of private practice system during the financial year are as follows:

	2019 $'000	2018 $'000
Receipts		
Billings - (Doctors and Visiting Medical Officers)	6,963	7,082
Interest	11	11
Total receipts	**6,974**	**7,093**
Payments		
Payments	5,764	5,923
Hospital and Health Service recoverable administrative costs	1,308	1,228
Hospital and Health Service - Education/travel/research fund	11	26
Total payments	**7,083**	**7,177**
Closing balance of bank account under a trust fund arrangement not yet disbursed and not restricted cash	**535**	**644**

SECTION G
OTHER INFORMATION

G1 KEY MANAGEMENT PERSONNEL DISCLOSURES

Details of Key Management Personnel

In accordance with *AASB 124 Related Party Disclosures,* MHHS's responsible Minister (Minister of Health and Minister for Ambulance Services) and persons in positions with authority and responsibility for planning, directing and controlling the activities of MHHS during the year are identified as MHHS's Key Management Personnel (KMP). This includes Board members of MHHS. Details on non-ministerial KMP positions, responsibilities and KMP remuneration policies are detailed below. Further information on these positions can be found in the body of the Annual Report under the section relating to Executive Management and the Board.

Position	Responsibilities
Health Service Chief Executive	Responsible for the overall leadership and management of the Mackay Hospital and Health Service to ensure that MHHS meets its strategic and operational objectives. This position is the single point of accountability for ensuring patient safety through the effective executive leadership and management of all hospital and health services. This position is accountable to the Hospital and Health Board for ensuring that the HHS achieves a balance between efficient service delivery and high quality health outcomes
Executive Director, Operations Mackay	Responsible to the Chief Executive for the strategic and operational management of the service divisions within Mackay
Executive Officer, Corporate Services	Responsible to the Chief Executive to ensure the financial and fiscal responsibilities of the HHS are met. Provides governance arrangements to meet financial performance targets and imperatives. Provides strategic and financial advice in all aspects of finance management and activity performance.
Executive Director, Mental Health, Public Health & Rural Services	Responsible to the Chief Executive for delivering effective and efficient services of all clinical and non-clinical services and resources within the portfolio of Mental Health, Public Health and Rural Services within the Mackay Hospital and Health Service.
Executive Director, People	Responsible to the Chief Executive for the management of people and cultural issues within the MHHS. Provides strategic development and strategies to achieve maximum employee engagement, safety and productivity and to ensure the HHS's capacity to attract and retain the skilled resources required.
Executive Director, Medical Services	Responsible to the Chief Executive for clinical governance and leadership and direction of clinical services across the HHS. Provides executive leadership, strategic focus, authoritative counsel and expert advice on a wide range of professional and policy issues that meet safe clinical practice standards.
Executive Director, Research & Innovation	Responsible to the Chief Executive for the delivery of a sustainable medical workforce for Mackay Hospital and Health Service by developing the organisation as a preferred training location and employer of choice. There are two parts to the role: The Clinical Dean role is to support the development of MHHS (together with Townsville and Cairns HHSs) as a provider of postgraduate medical specialty training and research and the Northern Clinical Training Network (NCTN) with James Cook University as the hub. The position holder is the specialist advisor to the Executive Director, Medical Services, Chief Executive and Board on medical workforce matters, particularly in relation to the innovation and research elements of clinical practices at Mackay Hospital and Health Service.
Executive Director, Nursing & Midwifery	Responsible to the Chief Executive for strategic and professional leadership of nursing workforce across MHHS.

G1 KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

Remuneration Policies

Ministerial remuneration entitlements are outlined in the Legislative Assembly of Queensland's Members' Remuneration Handbook. MHHS does not bear any cost of remuneration of Ministers. The majority of Ministerial entitlements are paid by the Legislative Assembly, with the remaining entitlements being provided by Ministerial Services Branch within the Department of the Premier and Cabinet. As all Ministers are reported as KMP of the Queensland Government, aggregate remuneration expenses for all Ministers is disclosed in the Queensland General Government and Whole of Government Consolidated Financial Statements, which are published as part of Queensland Treasury's Report on State Finances.

Section 74 of the *Hospital and Health Board Act 2011* provides the contract of employment for health executive staff must state the term of employment, the person's functions and any performance criteria as well as the person's classification level and remuneration package. Section 74 of the Act also provides the Chief Executive authority to fix the remuneration packages for health executives, classification levels and terms and conditions having regard to remuneration packages for public sector employees in Queensland or other States and remuneration arrangements for employees employed privately in Queensland.

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

Remuneration expenses for key executive management personnel comprise the following components:

Short-term employee expenses which include:

- salary, allowances and leave entitlements earned and expensed for the entire year or for that part of the year during which the employee was a key management person.
- non-monetary benefits – consisting of provision of vehicle and expense payments together with fringe benefits tax applicable to the benefit.

Long term employee expenses include amounts expensed in respect of long service leave entitlements earned.
Post-employment expenses include amounts expensed in respect of employer superannuation obligations.
Termination benefits include payments in lieu of notice on termination and other lump sum separation entitlements (excluding annual and long service leave entitlements) payable of termination of employment or acceptance of an offer of termination of employment.

Performance bonuses are not paid under the contracts in place.

Board remuneration

The Mackay Hospital and Health Service is independently and locally controlled by the Hospital and Health Board (Board). The Board appoints the health service chief executive and exercises significant responsibilities at a local level, including controlling (a) the financial management of the Service and the management of the Service's land and buildings (section 7 *Hospital and Health Board Act 2011*).

In accordance with the *Hospital and Health Boards Act 2011*, the Governor in Council appoints Board members, on the recommendation of the Minister, for a period not exceeding 4 years. Board members are paid an annual salary based on their position as well as fees for membership on sub-committees. Remuneration is calculated in accordance with the guidance statement issued by the Department of Premier and Cabinet, titled *"Remuneration procedures for part-time chairs and member of Queensland Government bodies*". Under the procedure, Hospital and Health Services are assessed as 'Governance' entities and grouped into different levels of a remuneration matrix based on a range of indicators including: revenue/budget, net and total assets, independence, risk and complexity.

Board Position	Date of appointment	Date of resignation
Deputy Chair	29 June 2012	-
Board member	29 June 2012	-
Board member	29 June 2012	-
Board member	7 September 2012	-
Board member	23 August 2013	17 May 2019
Chairperson	18 May 2016	-
Board member	18 May 2016	-
Board member	18 May 2016	17 May 2019
Board member	18 May 2016	-
Board member	18 May 2019	-
Board member	18 May 2019	-

G1 KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

KMP Remuneration Expense

The following disclosures focus on the expenses incurred by MHHS attributable to non-Ministerial KMP during the respective reporting periods. Therefore, the amounts disclosed reflect expenses recognised in the Statement of Comprehensive Income.

2019

Position (date resigned if applicable)	*Short Term Employee Expenses*		*Long term Employee Expenses*	*Post Employment Expenses*	*Total Expenses*
	Monetary Expenses	*Non-monetary Benefits*			
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Health Service Chief Executive	302	12	6	27	347
Executive Director, Corporate Services (previously Finance, Procurement & Infrastructure)	186	-	4	18	208
Executive Director Operations Mackay (1 July - 5 October 2018)	53	-	1	5	59
Executive Director Operations Mackay (8 October - 30 June 2019)	145	-	3	14	162
Executive Director, Mental Health, Public Health & Rural Services (previously Rural Services)	197	-	4	20	221
A/Executive Director, People (previously HR & Engagement) (1 July to 31 January 2019)	170	-	-	-	170
Executive Director, People (previously HR & Engagement) (13 May - 30 June 2019)	20	-	-	2	22
Executive Director, Medical Services (previously Medical Services & Chief Medical Officer)	473	-	9	37	519
Executive Director, Research & Innovation (previously Research & Innovation & Clinical Dean)	502	3	10	37	552
Executive Director Nursing & Midwifery	212	-	4	19	235

2018

Position (date resigned if applicable)	*Short Term Employee Expenses*		*Long term Employee Expenses*	*Post Employment Expenses*	*Total Expenses*
	Monetary Expenses	*Non-monetary Benefits*			
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Health Service Chief Executive	284	10	6	25	325
Executive Director Operations Mackay	201	-	4	20	225
Executive Director, Finance, Procurement & Infrastructure (1 July 2017 to 28 February 2018)	116	-	2	10	127
Executive Director, Finance, Procurement & Infrastructure (16 April 2018-30 June 2018)	41	9	1	4	55
A/Executive Director, Finance, Procurement & Infrastructure (15 January 2018 -25 May 2018)	68	-	1	7	76
Executive Director, Rural Services	205	-	4	20	229
A/Executive Director, Rural Services	53	-	1	4	58
Executive Director, HR & Engagement (1 July 2017 to 7 May 2018)	162	-	3	16	182
Executive Director, Medical Services & Chief Medical Officer	463	-	9	35	508
Executive Director, Research & Innovation & Clinical Dean	488	-	10	36	534
Executive Director Nursing & Midwifery, Education & Support Services	187	-	4	18	209

G1 KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

Remuneration paid or owing to board members during 2018-19 was as follows:

Board Member	*Short Term Employee Expenses*		*Post Employment Expenses*	*Total Expenses*
	Monetary Expenses	*Non-monetary Benefits*		
	$'000	*$'000*	*$'000*	*$'000*
Chairperson	83	-	8	91
Deputy Chair	50	-	5	55
Board Member	44	-	4	48
Board Member	43	-	4	47
Board Member*	50	-	5	55
Board Member resigned 17/5/2019	42	-	4	46
Board Member	43	-	4	47
Board Member resigned 17/5/2019	43	-	4	47
Board Member	43	-	4	47
Board Member appointed 18/5/2019	4	-	-	4
Board Member appointed 18/5/2019	3	-	-	3

Remuneration paid or owing to board members during 2017-18 was as follows:

Board Member	*Short Term Employee Expenses*		*Post Employment Expenses*	*Total Expenses*
	Monetary Expenses	*Non-monetary Benefits*		
	$'000	*$'000*	*$'000*	*$'000*
Chairperson	83	-	8	91
Deputy Chair	50	-	5	55
Board Member	44	-	4	48
Board Member	43	-	4	47
Board Member*	50	-	5	55
Board Member	46	-	4	50
Board Member	43	-	4	47
Board Member	46	-	4	50
Board Member	43	-	4	47

*Occupant is employed as a Visiting Medical Officer (VMO) in addition to their role as a Board member by MHHS. These duties are not aligned in any way with Board activities. Remuneration paid does not include wages received as a VMO.

G2 RELATED PARTY TRANSACTIONS

Transactions with other Queensland Government-controlled entities

Mackay Hospital and Health Service 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 – Department of Health	2019 $'000	2018 $'000
Revenue	412,306	378,721
Expenditure	295,018	274,779
Asset	2,717	5,903
Liability	12,557	11,761

Department of Health

MHHS's primary source of funding is provided by the Department of Health, with payments made in accordance with a service agreement. The signed service agreements are published on the Queensland Government website and are publicly available. Revenue under the service arrangement was $404.2 million for the year ended 30 June 2019 (2018: $371.2 million). For further details on the purchase of health services by the Department of Health refer to Note B1-2.

The Hospital and Health Service, through service arrangements with the Department of Health, has engaged 2,293 (2018: 2,192) full time equivalent persons. In accordance with the Hospital and Health Boards Act 2011, the employees of the Department of Health are referred to as health service employees. In 2019, $254.8 million (2018: $236.8 million) was paid to the department for health service employees. The terms of this arrangement are fully explained in Note B2-2.

The Department of Health centrally manages, on behalf of Hospital and Health Services, a range of services including pathology testing, pharmaceutical drugs, clinical supplies, patient transport, telecommunications and technology services. These services are provided on a cost recovery basis. In 2019, these services totalled $36.4 million (2018: $34.2 million). In addition, MHHS receives corporate services support from the Department at no cost refer to Note B1-3. Corporate services received include payroll services, financial transactions services (including accounts payable and banking services), administrative services and information technology services. In 2019, the fair value of these services was $3.8 million (2018: $3.7 million).

Any associated receivables or payables owing to the Department of Health at 30 June 2019 are separately disclosed in Note C2 and Note C5. No impairment has been applied to these balances.

The Department of Health also provides funding from the State as equity injections to purchase property, plant and equipment. All construction of major health infrastructure is managed and funded by the Department of Health. Upon practical completion of a project, assets are transferred from the Department of Health to MHHS. Where costs are borne by the Hospital and Health Service on departmental funded projects, the Department of Health reimburses MHHS for those costs. In 2019, $3.1 million (2018: $3.3 million) in recoveries was recognised.

Throughout the year, funding recognised to cover the cost of depreciation is offset by a withdrawal of equity by the State for the same amount. For further details on equity transactions with the Department of Health refer to Note C7-1.

There are no other material transactions with other Queensland Government controlled entities.

Transactions with other related parties

All transactions in the year ended 30 June 2019 between Mackay Hospital and Health Service and key management personnel, including their related parties were on normal commercial terms and conditions and were immaterial in nature and dollar.

G3 FIRST YEAR APPLICATION OF NEW ACCOUNTING STANDARDS OR CHANGES IN POLICY

Changes in Accounting Policy

Mackay Hospital and Health Service did not voluntarily change any of its accounting policies during 2018-19.

Accounting standards early adopted

No Australian Accounting Standards have been early adopted for 2018-19.

MHHS applied *AASB 9 Financial Instruments* for the first time in 2018-19. Comparative information for 2017-18 has not been restated and continues to be reported under AASB 139 *Financial Instruments: Recognition and Measurement.* The standard introduced different criteria for recognition and measurement of financial assets depending on whether the financial asset's contractual cash flows represent 'solely payments of principal and interest' and the business model for managing the assets. MHHS's debt instruments comprise receivables disclosed in Note C2. They were classified as receivables as at 30 June 2018 (under AASB139) and were measured at amortised cost. These receivables are held for collection of contractual cash flows that are solely payments of principal and interest. As such, they continue to be measured at amortised cost beginning 1 July 2018.

AASB 9 requires the loss allowance to be measured using a forward-looking expected credit loss approach, replacing AASB 139's incurred loss approach. AASB 9 also requires a loss allowance to be recognised for all debt instruments other than those held at fair value through profit or loss. On adoption of AASB 9's new impairment model, an increase of $55 thousand impairment loss (decrease in net trade receivables) would have applied at 1 July 2018. As this is not material, no adjustment has been recorded against opening accumulated surplus on adoption of this standard.

No other accounting standards applied for the first time in 2018-19 had any effect on MHHS.

G4 TAXATION

MHHS is a State body as defined under the Income *Tax Assessment Act 1936* and is exempt from federal government taxation with the exception of Fringe Benefits Tax (FBT) and Goods and Services Tax (GST). The Australian Taxation Office has recognised the Department of Health and the sixteen Hospital and Health Services as a single taxation entity for reporting purposes.

All FBT and GST reporting to the federal government is managed centrally by the Department of Health, with payments/ receipts made on behalf of the MHHS reimbursed monthly. GST credits receivable from, and GST payable to the ATO, are recognised on this basis. Refer to Note C2.

Mackay Hospital and Health Service
Management Certificate
For the year ended 30 June 2017

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

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

b) the financial statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of Mackay Hospital and Health Service for the financial year ended 30 June 2019 and of the financial position of the Hospital and Health Service at the end of that year.

We acknowledge responsibility under sections 8 and 15 of the *Financial and Performance Management Standard 2009* 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 through-out the reporting period.

The Honourable Timothy Mulherin	Ms Jo Whitehead	Mr Marc Warner
Chair, MHH Board	Chief Executive Officer	Executive Director, Corporate Services
27/08/2019	27/08/2019	27/08/2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Mackay Hospital and Health Service

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of Mackay 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 2019, 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 2009* and Australian Accounting Standards.

The financial report comprises the statement of financial position as at 30 June 2019, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements including summaries of significant accounting policies and other explanatory information, and the management certificate.

Basis for opinion

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

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

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

Key audit matters

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

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Valuation of specialised buildings ($349.2 million)

Refer to note C4 in the financial report.

Key audit matter	How my audit addressed the key audit matter

Buildings were material to Mackay Hospital and Health Service at balance date, and were measured at fair value using the current replacement cost method. Mackay Hospital and Health Service performed comprehensive revaluation of 12 buildings and 11 site improvements this year, with the remaining assets being subject to desktop revaluation or indexation.
The current replacement cost method comprises:
• Gross replacement cost, less
• Accumulated depreciation
Mackay Hospital and Health Service derived the gross replacement cost of its buildings at balance date using unit prices that required significant judgements for:
• identifying the components of buildings with separately identifiable replacement costs
• developing a unit rate for each of these components, including:
  ○ estimating the current cost for a modern substitute (including locality factors and on-costs), expressed as a rate per unit (e.g. $/square metre);
  ○ identifying whether the existing building contains obsolescence or less utility compared to the modern substitute, and if so estimating the adjustment to the unit rate required to reflect this difference.
The measurement of accumulated depreciation involved significant judgements for forecasting the remaining useful lives of building components.
The values used for indexation purposes are based on estimates of labour and material cost inflation adjusted for specific market conditions and as such also require judgement to appropriately determine.
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
	• 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 independence of management's valuation expert as well as the reasonableness of the valuer's assumptions and methodology.
	• For unit rates associated with buildings that were comprehensively revalued this year, 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.
	• For unit rates associated with the remaining buildings:
	  ○ Evaluating the relevance and appropriateness of the indices used for changes in cost inputs by comparing to other relevant external indices.
	  ○ Recalculating the application of the indices to asset balances.
	• Assessing the adequacy of management's assessment of the useful lives of assets.
	• Evaluating useful life estimates by:
	  ○ At an aggregated level, reviewing asset management plans for consistency between renewal budgets and the gross replacement cost of assets.
	  ○ Testing that no asset still in use has reached or exceeded its useful life.
	  ○ Enquiring of management about their plans for assets that are nearing the end of their useful life.
	  ○ Reviewing assets with an inconsistent relationship between condition and remaining useful life.

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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 2009* 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 management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

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, but not for expressing an opinion on the effectiveness of the entity's internal control.
- 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

In accordance with s.40 of the Auditor-General Act 2009, for the year ended 30 June 2019:

a) I received all the information and explanations I required.

b) In my opinion, the prescribed requirements in relation to the establishment and keeping of accounts were complied with in all material respects.

30 August 2019

C G Strickland
as delegate of the Auditor-General

Queensland Audit Office
Brisbane

Glossary

Terms

Activity based funding A management tool with the potential to enhance public accountability and drive technical efficiency in the delivery of health services by:

- capturing consistent and detailed information on hospital sector activity and accurately measuring the costs of delivery
- creating an explicit relationship between funds allocated and services provided
- strengthening management's focus on outputs, outcomes and quality
- encouraging clinicians and managers to identify variations in costs and practices so they can be managed at a local level in the context of improving efficiency and effectiveness
- providing mechanisms to reward good practice and support quality initiatives.

Acute care Care in which the clinical intent or treatment goal is to:

- manage labour (obstetric)
- cure illness or provide definitive treatment of injury
- perform surgery
- relieve symptoms of illness or injury (excluding palliative care)
- reduce severity of an illness or injury
- protect against exacerbation and/or complication of an illness and/or injury that could threaten life or normal function.

Chronic A long-term or persistent condition.

Full-Time Equivalent Refers to full-time equivalent staff currently working in a position.

Health outcome Change in the health of an individual, group of people or population attributable to an intervention or series of interventions.

Hospital Healthcare facility established under Commonwealth, state or territory legislation as a hospital or a free-standing day-procedure unit and authorised to provide treatment and/or care to patients.

Hospital and Health Boards The Hospital and Health Boards are made up of a mix of members with expert skills and knowledge relevant to managing a complex health care organisation.

Hospital and Health Service HHS is a separate legal entity established by Queensland Government to deliver public hospital services.

Non-admitted patient services An examination, consultation, treatment or other service provided to a non-admitted patient (does not undergo a hospital's formal admission process) in a functional unit of a health service facility.

Outpatient Non-admitted health service provided or accessed by an individual at a hospital or health service facility.

Patient flow Optimal patient flow means the patient's journey through the hospital system, be it planned or unplanned, happens in the safest, most streamlined and timely way to deliver good patient care.

Performance indicator A measure that provides an 'indication' of progress towards achieving the organisation's objectives usually has targets that define the level of performance expected against the performance indicator.

Private hospital A private hospital or free standing day hospital and either a hospital owned by a for-profit company or a non-profit organisation and privately funded through payment for medical services by patients or insurers patients admitted to private hospitals are treated by a doctor of their choice.

Public hospital Public hospitals offer free diagnostic services, treatment, care and accommodation to eligible patients.

Registered nurse An individual registered under national law to practice in the nursing profession as a nurse, other than as a student.

Statutory bodies A non-department government body, established under an Act of Parliament. Statutory bodies can include corporations, regulatory authorities and advisory committees/councils.

Sustainable A health system that provides infrastructure, such as workforce, facilities and equipment and is innovative and responsive to emerging needs, for example, research and monitoring within available resources.

Sub-Acute Somewhat acute; between acute and chronic.

Telehealth Delivery of health-related services and information via telecommunication technologies, including:

- Live, audio and/or video interactive links for clinical consultations and educational purposes
- Store and forward Telehealth, including digital images, video, audio and clinical (stored) on a client computer, then transmitted securely (forwarded) to a clinic at another location where they are studied by relevant specialists
- Teleradiology for remote reporting and clinical advice for diagnostic images
- Telehealth services and equipment to monitor people's health in their home.

Acronyms

ABF	Activity based funding
CQU	Central Queensland University
FTE	Full-Time Equivalent
HHS	Hospital and Health Service
HHBA	*Hospital and Health Boards Act 2011* (Qld)
HHBR	*Hospital and Health Boards Regulation 2012* (Qld)
ieMR	Integrated Electronic Medical Record
JCU	James Cook University
Mackay	HHS Mackay Hospital and Health Service
MHHB	Mackay Hospital and Health Board
MIRI	Mackay Institute of Research and Innovation
MPHS	Multi-Purpose Health Service
QAO	Queensland Audit Office

Checklist

Summary of requirement	Basis for requirement	Annual report reference
Letter of compliance		
A letter of compliance from the accountable officer or statutory body to the relevant Minister/s	ARRs – section 7	2
Accessibility		
Table of contents	ARRs – section 9.1	3
Glossary		73
Public availability	ARRs – section 9.2	i
Interpreter service statement	*Queensland Government Language Services Policy* ARRs – section 9.3	i
Copyright notice	*Copyright Act 1968* ARRs – section 9.4	i
Information Licensing	*QGEA – Information Licensing* ARRs – section 9.5	i
General information		
Introductory Information	ARRs – section 10.1	10-11
Machinery of Government changes	ARRs – section 10.2, 31 and 32	Not applicable
Agency role and main functions	ARRs – section 10.2	13
Operating environment	ARRs – section 10.3	13-15
Non-financial performance		
Government's objectives for the community	ARRs – section 11.1	4
Other whole-of-government plans / specific initiatives	ARRs – section 11.2	15
Agency objectives and performance indicators	ARRs – section 11.3	5-8, 14
Agency service areas and service standards	ARRs – section 11.4	26-27
Financial performance		
Summary of financial performance	ARRs – section 12.1	29
Governance – management and structure		
Organisational structure	ARRs – section 13.1	19
Executive management	ARRs – section 13.2	18
Government bodies (statutory bodies and other entities)	ARRs – section 13.3	Not applicable
Public Sector Ethics Act 1994	*Public Sector Ethics Act 1994* ARRs – section 13.4	24
Queensland public service values	ARRs – section 13.5	24

Summary of requirement	Basis for requirement	Annual report reference
Governance – risk management and accountability		
Risk management	ARRs – section 14.1	23
Audit committee	ARRs – section 14.2	22
Internal audit	ARRs – section 14.3	23
External scrutiny	ARRs – section 14.4	23
Information systems and recordkeeping	ARRs – section 14.5	24
Governance – human resources		
Strategic workforce planning and performance	ARRs – section 15.1	21
Early retirement, redundancy and retrenchment	Directive No.04/18 *Early Retirement, Redundancy and Retrenchment* ARRs – section 15.2	21
Open Data		
Statement advising publication of information	ARRs – section 16	i
Consultancies	ARRs – section 33.1	https://data.qld.gov.au
Overseas travel	ARRs – section 33.2	
Queensland Language Services Policy	ARRs – section 33.3	
Financial statements		
Certification of financial statements	FAA – section 62 FPMS – sections 42, 43 and 50 ARRs – section 17.1	68
Independent Auditor's Report	FAA – section 62 FPMS – section 50 ARRs – section 17.2	69-72

FAA *Financial Accountability Act 2009*

FPMS *Financial and Performance Management Standard 2019*

ARRs Annual report requirements for Queensland Government agencies