Townsville Hospital and Health Service

2019–2020 ANNUAL REPORT

Queensland Government

Information about consultancies, overseas travel, and the Queensland Language Services Policy is available at the Queensland Government Open Data website **www.qld.gov.au/data**.

An electronic copy of this report is available at **www.townsville.health.qld.gov.au** and **www.health.qld.gov.au/townsville/about/annual-report.** Hard copies of the annual report are available by phoning the Public Affairs Manager on (07) 4433 1111. Alternatively, you can request a copy by emailing tsv-public-affairs@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) 4433 1111 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 descriptions of people who have passed away.

Acknowledgement to Traditional Owners

The Townsville Hospital and Health Service respectfully acknowledges the traditional owners and custodians both past and present of the land and sea which we service and declares the Townsville Hospital and Health Service commitment to reducing inequalities between Indigenous and non-Indigenous health outcomes in line with the Australian Government's Closing the Gap initiative.

Recognition of Australian South Sea Islanders

Townsville HHS formally recognises the Australian South Sea Islanders as a distinct cultural group within our geographical boundaries. Townsville 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

2 September 2020

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

Dear Deputy Premier

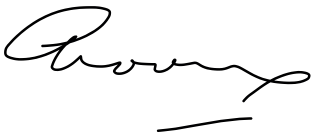
I am pleased to submit for presentation to the Parliament the Annual Report 2019-2020 and financial statements for Townsville Hospital and Health Service.

I certify that this annual report complies with:

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

A checklist outlining the annual reporting requirements can be found on page 90 of this annual report.

Yours sincerely



Tony Mooney AM
Chair
Townsville Hospital and Health Board

CONTENTS

STATEMENT ON GOVERNMENT OBJECTIVES FOR THE COMMUNITY

The Townsville HHS contributed, and is continuing to contribute, to the delivery of the Queensland Government's objectives for the community; to Keep Queenslander's healthy and to Create jobs in a strong economy. We also recognise our role in our future state supporting Queensland's vision and 10-year strategy *My Health, Queensland's Future: Advancing Health 2026* by advancing access to quality and safe healthcare, promoting healthy behaviours, connecting healthcare and pursuing innovation.

As northern Australia's largest tertiary referral centre, we engage in regional strategic planning with our neighbouring hospital and health services and the Department of Health. The aim of this collaboration is to improve the sustainability and quality of services for our communities and help keep Queenslanders healthy. This unified approach enables us to apply a collective focus to the key issues facing our communities and to 'Give all our children a great start.' This includes improving health outcomes for Aboriginal peoples and Torres Strait Islander peoples and people living in rural and remote communities. It also means addressing the challenges of an ageing population. The Townsville HHS continues to build health capacity and capability in our communities and undertake priority initiatives to continually improve the quality of our frontline services and the health of our communities.

Both the Townsville University Hospital Master Plan and Townsville HHS Rural Sites Master Plan were endorsed by the Townsville Hospital and Health Board. Together, the plans define how our infrastructure will grow to meet the demands on our services over the next 10 to 20 years.

The Townsville University Hospital Master Plan reflects the extensive collaborative planning undertaken in partnership with James Cook University and the Townsville City Council, to deliver TropiQ, Townsville's Tropical Intelligence and Health Precinct. TropiQ is a health and knowledge precinct that has a distinct focus on tropical intelligence, health and marine sciences. The development of the TropiQ precinct at the Douglas campus will deliver a new economy to the region, providing a platform for the advancement of new initiatives including innovative healthcare delivery and knowledge creation that benefits the local and broader regional community.

FROM THE CHAIR

I am proud to present the achievements and accomplishments of the Townsville Hospital and Health Service (Townsville HHS/HHS) in 2019-2020 in this annual report.

I would like to acknowledge the efforts of all our staff in responding to the COVID-19 pandemic over the past few months while also continuing to deliver high-quality care to our communities. The Deputy Premier, Minister for Health and Minister for Ambulance Services, the Honourable Steven Miles, visited Townsville in late 2019 to launch TropiQ, a health and knowledge precinct, in partnership with James Cook University and the Townsville City Council, to establish the city as an international leader in tropical medicine. By 2035, it is expected this precinct will create around 5,000 new jobs and generate $4.4 billion in the local economy.

Another component of our ambitious and visionary forward planning was the Townsville Hospital and Health Board's endorsement of the HHS's Master Plan. The Master Plan is an aspirational vision for the future of healthcare delivery over the coming decades charting the large-scale development, significant investment and community support that will be required to meet the growing and changing healthcare needs of North Queenslanders.

This year we continued to engage with our consumers and community, and I commend the dedication of our two Board advisory councils – the Consumer Advisory Council and the Aboriginal and Torres Strait Islander Community Advisory Council – over the past year. I also thank our community advisory networks across the HHS and the many consumers who voluntarily engage with our health service day in, day out; we know that when we involve the people who use our services in their design and delivery, the care we provide is both better and safer.

I would like to thank Health Service Chief Executive Kieran Keyes for his leadership during 2019-2020. His focus on preparation and public communication both during the declaration of the pandemic and the recovery was greatly appreciated by the Board and by our communities.

I would also like to acknowledge and sincerely thank my fellow Board members. I would like to especially like to thank outgoing Board member Dr Eric Guazzo. Dr Guazzo was a foundation Board member and over the past eight years has brought extraordinary wisdom, expertise and advocacy to the table. I thank him for his considerable contribution. I am pleased to welcome new Board member Georgina Whelan. Georgina is a clinical nurse and the manager of the Townsville Icon Cancer Centre. She has strong skills in planning, management and engagement and I am delighted she has joined us on the Board.

This year, more than ever, I would like to thank our staff. Nothing is possible without them and their commitment and dedication to our patients, consumers and communities was unwavering amidst one of our greatest challenges.

Thank you also to our health service communities for your trust in the care we provide to you and those you love. It continues to motivate us to do what we do better and with greater passion each day, month and year.

Tony Mooney AM

Chair
Townsville Hospital and Health Board

FROM THE CHIEF EXECUTIVE

The past year has been one of significant challenges for our health service as we responded to the COVID-19 pandemic. I would like to acknowledge and thank our staff for their efforts in responding these challenges. I would also like to thank them for focussing their energies on delivering outcomes for our patients and consumers and recognise the ongoing high-quality care and behind-the-scenes work that happened every day, across our large and diverse catchment.

There were a number of opportunities in 2019-2020 to celebrate our achievements. In 2019, Townsville University Hospital (TUH) celebrated a milestone with the finalisation of the integrated electronic Medical Record (ieMR) digital hospital solution. The deployment of the medication management module in ieMR saw TUH join other hospitals across the state as a fully digital hospital consigning paper-based medical records to history. The transition to a digital environment has been years in the making and required dedication and commitment, from not only the ieMR team, but clinicians across the board. We also celebrated the openings of our expanded renal and endoscopy units, the expansion of our nurse navigator program, the finalisation of our Master Plan and the official launch of the health and knowledge precinct TropiQ. Our plans for the future are vibrant, ambitious and optimistic, much like the people and communities of our region.

At our Australia Day Staff Excellence Awards we celebrated those staff who live out our ICARE values of Integrity, Compassion, Accountability, Respect, and Engagement every day, leading to better care and adding to the patient experience.

The HHS allocated $750,000 in local research grants through our Study, Education and Research Trust Account (SERTA) program. These grants extended to diverse areas of research including chronic pelvic pain, opioid treatments, trauma care and referral pathways for patients with lung cancer.

We continued to engage with our consumers and communities through our advisory councils, community networks, steering committees, Yarning Circles, and countless other informal engagement activities to ensure we were listening to those who use our services and whose perspectives are invaluable.

I would like to thank Board Chair Tony Mooney and the Townsville Hospital and Health Board for their strategic leadership of the organisation and my executive colleagues for their strong support this year. The focus going forward, as always, is on what we can do and how we can do it better for the people of our health service who entrust us with their care.

Lastly, I thank the staff of the Townsville HHS who come to work every day with passion and dedication to care for others. They are the very best.

Kieran Keyes

Health Service Chief Executive
Townsville Hospital and Health Service

ABOUT US

The Townsville Hospital and Health Service was established as an independent statutory body on 1 July 2012 under the *Hospital and Health Boards Act 2011* (the Act).

The Townsville HHS covers a geographic expanse extending north to Cardwell, west to Richmond, south to Home Hill, and east to Magnetic and Palm Islands. As northern Australia's only tertiary-level health service, the HHS services an extensive catchment stretching from Mackay in the south, north to the Torres Strait Islands, and west to the Northern Territory border.

The HHS has several rural communities whose population, according to data from the Queensland Government Statistician's Office, live with a high level of relative disadvantage measured by the index of relative socio-economic disadvantage. The Australian Bureau of Statistics estimates that 7.8 per cent of HHS residents are of Aboriginal and Torres Strait Islander descent, almost double the average (four per cent) for Queensland. Around 12.5 per cent of the HHS's resident population identifies as being born outside Australia with 6.9 per cent of HHS residents speaking a language other than English at home.

Strategic direction

The organisation's strategic direction is set by the Townsville Hospital and Health Board and is underpinned by the Townsville HHS Strategic Plan 2018-2022. The strategic plan's four pillars: high-quality, person-centred care for northern Queensland, ensure efficient and sustainable stewardship of resources, work collaboratively, embrace innovation and continuously improve, maintain an exceptional workforce and be a great place to work are the foundations of the HHS's business and objectives.

Provide high-quality, person-centred care for northern Queensland

The Townsville HHS's accreditation under the Australian Council of Healthcare Standards is predicated on compliance with the National Safety and Quality Health Service Standards. Regular self-assessments and audits were conducted in 2019-2020 to ensure compliance with these standards. Assessment and audit findings were reported to relevant HHS committees for oversight and/or treatment actions.

In 2019-2020, in line with our strategic objective to ensure that our services are safe and of the highest quality, the Townsville HHS:

- expanded renal services by growing the number of haemodialysis chairs from 17 to 30
- opened a state-of-the-art endoscopy unit that included two new procedure rooms doubling the previous unit's capacity
- introduced 24-hour diagnostic radiology services
- expanded treatment options for consumers in the Queensland Opioid Treatment Program to include buprenorphine, a long-acting injectable that mitigates the risk of misuse and accidental overdose.

Closing the gap in Indigenous health outcomes, a key strategy of the HHS, was advanced by:

- introducing the first dedicated Indigenous health workers to Townsville University Hospital's Renal Unit, who were integral to creating a welcoming and culturally sensitive environment for Aboriginal peoples and Torres Strait Islander peoples
- decreasing the notifications of congenital syphilis and syphilis in pregnant women.

Our Vision

To be the leader in healthcare, research and education for regional Australia

Our Purpose

To deliver excellent care, research and education to improve the health of the people and communities of northern Queensland

Our Values

Integrity

Being open and transparent in dealing with our community, being honest, just, reasonable and ethical. Having the courage to act ethically in the face of opposition.

Compassion

Taking the time to show we care for our community, each other and those in need by being non-judgemental and responsive. Showing empathy and humility in order to make a difference.

Accountability

Being responsible for our own actions and behaviours. Use and manage resources responsibly, efficiently and effectively. Promoting excellence, innovation and continual improvement.

Respect

Recognising individual needs, listening to others and understanding their differences. Showing tolerance, treating others as equals and acknowledging their worth.

Engagement

Collaborating with patients and their families, healthcare providers, education institutions, research facilities and our community. Listening to and considering ideas and concerns of others.

The HHS's values underpin, and are consistent with, the Queensland Public Service values of customers first, ideas into action, unleash potential, be courageous and empower people.

Service self-sufficiency and reducing North Queenslanders' reliance on Brisbane-based services was achieved by initiatives at Townsville University Hospital including:

- engaging two specialist surgeons to perform breast-reconstruction services for women post breast cancer surgery
- introducing extracorporeal membrane oxygenation, the latest technology in cardiac and respiratory support, for patients suffering complex heart and lung conditions
- commissioning a $10 million MR linear accelerator allowing radiation oncologists to target radiation with pinpoint accuracy, enabling more tailored treatment in higher doses
- providing aged-care residents with the choice to receive emergency care in their home environment, through the Residential Aged Care Support Service, preventing unnecessary and distressing dislocation
- introducing a paediatric CO2 fractional laser which breaks down the collagen in a burn scar making it softer, increasing the skin elasticity, and optimising the scar tissue's ability to grow with the rest of the skin to improve the cosmetic appearance of burns
- creating a Rural Remote Resource Team to promote equitable access to specialist mental health services in outlying communities and to increase the availability of therapeutic interventions facilitating gold-standard mental health care for people living rurally and remotely
- engaging a gerontologist to advance care and strengthen services for elderly residents at Eventide Residential Aged Care Facility in Charters Towers, keeping them close to home and community.

Ensuring safe, quality healthcare services measured by positive engagement via social medial was a key measure of a HHS's strategic objective in 2019-2020. The HHS's organic reach on Facebook was, on average, 14,462 people per post. Audiences watched more than 26,000 hours of in-house- produced video content, a 2,700 per cent increase on the previous year.

Culturally and linguistically diverse patients and consumers were supported through an interpreter program. In 2019-2020, this model provided interpreters for 3,320 patients and consumers either in person or via video or teleconference.

Ensure efficient and sustainable stewardship of resources

The HHS allocated $23.8 million in 2019-2020 towards sustaining and refurbishing buildings and infrastructure across the health service.

Completed works included refurbishments and facility upgrades to:

- Townsville University Hospital
- Parklands Residential Aged Care Facility
- Ayr Health Service.

Building Engineering and Maintenance Services delivered a major high-voltage electrical system upgrade to TUH to provide resilient and reliable critical infrastructure that supports healthcare delivery.

Awarding contracts locally is key to the HHS's objective of efficient stewardship of resources and supporting a healthy and robust local economy. In 2019-2020, almost $26 million (74 per cent) in contracts were awarded to local (within 125km) Townsville businesses. The value of these contracts will deliver benefits into the Townsville region and to Queensland.

The HHS contributes to the growth and development of surgical, medical and dental services within the region by contracting local providers for home care services, oral health and day surgery. The HHS also has a strong focus on engaging local contractors, engineers, and tradespeople to deliver services. The HHS continues to apply the local benefits test for all significant procurement to ensure that local suppliers and manufacturers have fair and equal opportunity to win HHS tenders.

Work collaboratively, embrace innovation and continuously improve

The HHS invested in innovation and research in 2019-2020 by:

- becoming accredited at TUH for transcatheter aortic valve implantation, a less-invasive option for local patients with significant cardiac valve
- using digital technology to create innovative, consumer-led video content to break the cycle of scabies from community to youth detention
- rolling out digital x-rays and implementing electronic oral health records for school dental vans ensuring quick access to patient records for coordinated

care and efficient appointments, improvements to patient and provider interaction, communication and convenience, and legibility and completion of documentation.

The HHS partnered with stakeholder organisations in 2019-2020 and formalised agreements to lead, innovate and integrate services that included:

- partnering with Australian Red Cross Blood Lifeblood to offer donated breast milk to preterm babies at Townsville University Hospital
- partnering with Gold Coast University Hospital to enable patients presenting with stroke the opportunity to undergo endovascular clot retrieval (the removal of a clot that is blocking the blood flow to the brain) with a view to bringing this highly effective service to TUH
- partnering with the Queensland Police Service to complete a mental health co-responder model trial that successfully prevented avoidable emergency department presentations
- collaborating with GPs, non-government organisations, secondary mental health services (services that support consumers with more serious or complex mental health conditions) and ATODS to provide a stepped-care model for mental health consumers
- partnering with mental health consumers to develop a journal for recovery designed to support consumers to take charge of their recovery through information and self-advocacy resources
- collaborating with corrective services to create a more user-friendly environment in the youth detention medical centre and oral health surgery and promote better health in the youth detention population.

Maintain an exceptional workforce and be a great place to work

Growing the Aboriginal and Torres Strait Islander workforce is a key measure of the HHS's strategic objective for maintaining an exceptional workforce.

In 2019-2020, key achievements included:

- recruiting four administration trainees who identified as Aboriginal or Torres Strait Islander
- establishing a Nursing Academic Merit Award to support nursing undergraduate students with their studies
- creating positions for two oral health trainees who identified as Aboriginal or Torres Strait Islander
- developing and implementing an Indigenous Health Workforce Strategy with a key focus on increasing the Aboriginal and Torres Strait Islander workforce across all disciplines.

Priorities

The Townsville HHS is committed to supporting the health needs of North Queenslanders through prioritised strategic actions including:

- strengthening the tertiary referral role of Townsville University Hospital to ensure equitable access to high-quality, specialised and sustainable health services closer to home
- establishing our organisation as leaders in health research and innovation for regional Australia
- enhancing partnership arrangements with patients, communities, staff and service-delivery organisation both locally and across the region
- working closely with Aboriginal and Torres Strait Islander staff, patients, communities and organisations to improve the cultural capability of our services
- fostering a workplace culture that values, supports and develops our workforce.

Targets and challenges

In meeting the evolving health needs of the North Queensland region, the HHS will face a variety of risks to the delivery of services. These risks have the potential to impact upon all four strategic pillars and are driven primarily by:

- population growth and ageing
- increased prevalence of chronic disease
- industry-wide competition for resources, both human and capital.

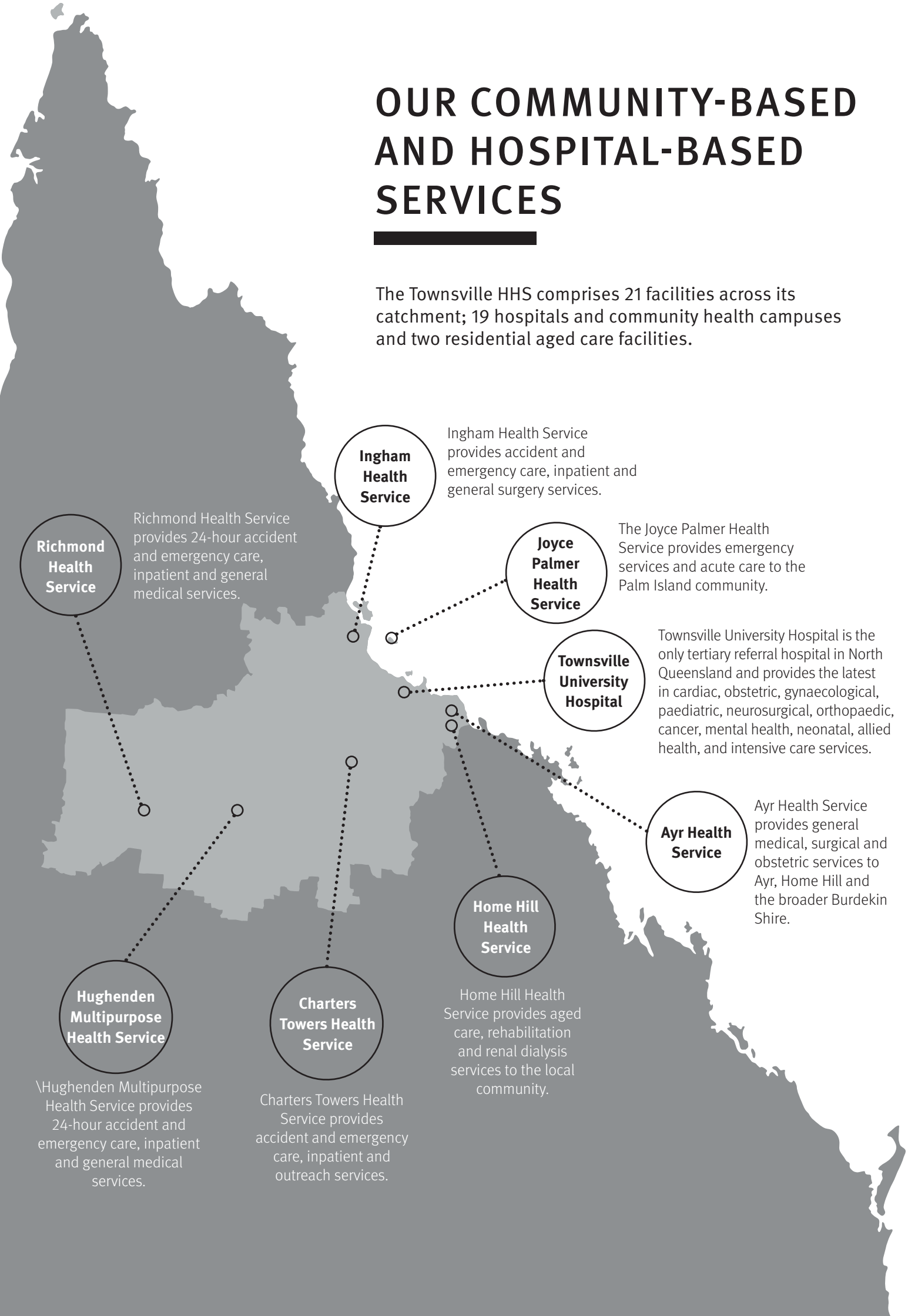
Recent months have forced a significant change to operations in the Townsville Hospital and Health Service in the face of the global COVID-19 pandemic.

Staff in the HHS contributed to the COVID-19 pandemic response in a range of ways including:

- standing up the Health Emergency Operations Centre to lead preparedness, response and recovery
- establishing a nurse-led COVID-19 assessment clinic to support testing for the local community
- engaging with local stakeholders including GPs and the business, education and aged care sectors
- re-booking patients whose surgeries and planned procedures were cancelled due to the lock-down
- conducting appointments via telephone or videoconference for patients whose face-to-face appointment were cancelled due to the lock-down
- undertaking social media messaging
- designing collateral for use across the HHS to promote changes to visiting hours and social distancing.

OUR COMMUNITY-BASED AND HOSPITAL-BASED SERVICES

The Townsville HHS comprises 21 facilities across its catchment; 19 hospitals and community health campuses and two residential aged care facilities.



Ingham Health Service

Ingham Health Service provides accident and emergency care, inpatient and general surgery services.

Richmond Health Service

Richmond Health Service provides 24-hour accident and emergency care, inpatient and general medical services.

Joyce Palmer Health Service

The Joyce Palmer Health Service provides emergency services and acute care to the Palm Island community.

Townsville University Hospital

Townsville University Hospital is the only tertiary referral hospital in North Queensland and provides the latest in cardiac, obstetric, gynaecological, paediatric, neurosurgical, orthopaedic, cancer, mental health, neonatal, allied health, and intensive care services.

Ayr Health Service

Ayr Health Service provides general medical, surgical and obstetric services to Ayr, Home Hill and the broader Burdekin Shire.

Home Hill Health Service

Home Hill Health Service provides aged care, rehabilitation and renal dialysis services to the local community.

Hughenden Multipurpose Health Service

\Hughenden Multipurpose Health Service provides 24-hour accident and emergency care, inpatient and general medical services.

Charters Towers Health Service

Charters Towers Health Service provides accident and emergency care, inpatient and outreach services.

The Townsville HHS continues to support patients and carers through car parking concessions.

The Townsville HHS owns and operates the public car parking infrastructure at Townsville University Hospital and offers concessions to eligible patients, carers, immediate family members and volunteers in the following circumstances:

- patients and carers experiencing financial hardship
- patients admitted to Townsville University Hospital for an extended period
- patients and carers who frequently attend Townsville University Hospital
- patients and carers with special needs and who require assistance
- Australia Red Cross Lifeblood donors and other volunteers.

The concessional car parking program offers daily, weekly and monthly concessional parking.

In 2019-2020, the HHS approved an average of 162 concessional car parking applications per month. Concessional car parking remains an important and enduring initiative to ensure TUH continues to provide access to high-quality care for our patients and communities. There were 1,972 concessional car parking applications approved in 2019-2020 at a cost of $51,350.

ABORIGINAL AND TORRES STRAIT ISLANDER HEALTH

The Townsville HHS remains committed to improving the health and wellbeing of Aboriginal peoples and Torres Strait Islander peoples.

Over the 2019-2020 period, there has been several achievements to improve services and outcomes for Aboriginal and Torres Strait Islander people. While we acknowledge and celebrate some of these achievements, we also recognise that we must continue to challenge, innovate and improve systems and services in order achieve meaningful changes in health outcomes for Aboriginal peoples and Torres Strait Islander peoples.

In 2019-2020, the HHS received Making Tracks funding of $3.95 million to support a range of initiatives to Close the Gap in health outcomes. These included providing cultural support at TUH, sexual health services, alcohol, tobacco and other drug services, support to the ongoing delivery of primary healthcare services on Palm Island, mental health co-ordination, young people health and wellbeing, maternity services, young parent support and rheumatic heart disease. This funding also included the North Queensland Aboriginal and Torres Strait Islander STI Action Plan 2016-2021 and the North Queensland Syphilis in Pregnancy Guideline Implementation.

The inaugural Townsville HHS Reconciliation Action Plan (RAP) 2019-2021 was launched in July 2019. The RAP outlines the HHS's commitment to achieve health equity through the design and development of services, programs and culturally appropriate models of care for Aboriginal peoples and Torres Strait Islander peoples. Designated staff champions and other groups were engaged throughout the development process. An analysis of the progress against the plan has identified that 63 per cent of deliverables have been commenced and/or completed, 25 per cent are expected to be completed in the coming year and 12 per cent have been affected by COVID-19. Given the impact of the COVID-19 pandemic, Reconciliation Australia has provided a six-month extension to the Townsville HHS RAP.

The Palm Island Primary Health Care Centre (PIPHCC) has continued to deliver primary health care services to the Palm Island community. A range of local and visiting services are delivered from the service; these include GP appointments, sexual health services, oral health, and other visiting specialist services. The HHS has continued to work closely with the Palm Island Community Company (PICC) to plan the transition of primary healthcare services. The Transition to Community Control approach will see the HHS transition funding and responsibility for primary health care services to PICC, the local community-controlled service provider.

The Cultural Practice Program continues to be delivered to enhance the cultural competency of HHS staff and support the delivery of services to Aboriginal and Torres Strait Islander consumers. The program has undergone a review and the Indigenous Health Services Division will work with service groups and divisions to implement the revised program. The program revisions have been based on staff and management feedback and aim to promote and facilitate more regular and practical conversations about Indigenous health. The Indigenous Hospital Liaison Officer team continues to provide much-valued advocacy support for consumers and operational support for clinical and administrative teams.

The Aboriginal and Torres Strait Islander Community Advisory Council (ATSICAC) ensures that community perspectives and advice are provided on a range of strategic and service-delivery matters. Alongside ATSICAC, the HHS continues to operate the Aboriginal and Torres Strait Islander Health Leaders Advisory Committee (ATSIHLAC) to advocate and drive internal development and change. Together, the two groups ensure the HHS applies a cultural lens to achieve equity in service access and health outcomes.

The Townsville HHS Master Planning process was completed with engagement and input from the Bindal Traditional Owner group, as well as broader Aboriginal and Torres Strait input. This plan highlights how the HHS can incorporate Aboriginal and Torres Strait Islander content concepts within the built infrastructure, across all elements of the master planning process.

GOVERNANCE

The Townsville Hospital and Health Board (THHB) is comprised of a Chair and members appointed by the Governor of Queensland, acting by, and with the advice of, the Executive Council, and under the provisions of the *Hospital and Health Board Act 2011*. The Board, through the Chair, reports to the Deputy Premier, Minister for Health and Minister for Ambulance Services.

The Board sets the strategic direction for the HHS, delivering on key priorities for our communities.

OUR PEOPLE

Board membership

TONY MOONEY AM, CHAIR

Current: THHB Chair, THHB Executive Committee Chair. Professional Experience (Present): Tropical Australian Academic Health Centre (Director). (Past) Townsville City Council Councillor, Deputy Mayor and Mayor; various Board roles for Willows Stadium; Ergon Energy, LG Super, Townsville Entertainment Centre Board of Management, Great Barrier Reef Marine Park Authority Associations/Awards/Edu: Order of Australia (AM), AICD (Fellow), BEd-BA (Hons).

MICHELLE MORTON, DEPUTY CHAIR

Current: THHB Deputy Chair, THHB Finance Committee Chair, THHB Executive Committee Deputy Chair Professional Experience (Present): Law firm Managing Partner, Queensland Health and Hospital Board Audit and Finance Committee (Chair), Townsville Fire Women's National Basketball League (Chair), Salvation Army Advisory Board (Member), National Injury Insurance Scheme Queensland Board (Member) Associations/Awards/Edu: AICD (Fellow); Queensland Law Society (Accredited Specialist).

DEBRA BURDEN

Current: THHB Audit and Risk Committee Chair Professional Experience (Present): selectability CEO, North and West Remote Health (Deputy Chair), North Queensland Primary Health Network (Director). (Past): Various Executive management positions with Queensland Country Credit Union, 1300SMILES and Canegrowers Burdekin, Tooth Booth Ltd (Director). Associations/Awards/Edu: AICD (Fellow); Institute of Leaders and Managers (Fellow); Qld Business Review and Qld Telstra Businesswomen's Industry Awards.

CHRIS CASTLES

Current: THHB Finance Deputy Chair Professional Experience (Present): Managing Director Coscer Partners Pty Ltd, Northern Australia Primary Health Ltd Board (Member) (Past): Royal Australian Air Force Member, various Board positions on listed and unlisted companies. Associations/Awards/Edu: AICD (Fellow), Certified Practising Accountant, Certified Financial Planner.

NICOLE HAYES

Current: THHB Stakeholder Engagement Committee Deputy Chair Professional Experience (Present): Townsville Legacy CEO. (Past): Managing Director - Education and Training Hospital School, Manager - Ronald McDonald House Charities North Qld education program, Lead - Higher Education Participation Program for James Cook University, Marketing and Business Development leader - AECOM Nth Qld and NT Associations/Awards/Edu: AICD (Graduate); BEd, Dip Management, IAP2 Certificate of Engagement.

DANETTE HOCKING

Current: THHB Audit and Risk Committee Deputy Chair. Professional Experience (Present): Dept of Education, Wellbeing Manager; OT, Occupational Therapy Aus (Board member) (Past): Management, Safety and Wellness – Director Allied Health – NAPHL; Strategic Program consultant, Safety/risk and wellness consulting and training, Disability sector and NDIS expertise, ATSI health program expert. Associations/Awards/Edu: AICD (Graduate), BSc in OT; Grad Dip. Business Management; Certified Practising Risk Manager.

PROFESSOR AJAY RANE OAM

Current: THHB Safety and Quality Committee Chair Professional Experience: Director of Urogynaecology – TUH, Director of Mater Pelvic Health and Research, Head of Obstetrics and Gynaecology (O&G) JCU, Fistula Committee for the International Federation of O&G (Chair). Associations/Awards/Edu: Order of Australia (OAM), Australian of the Year (Finalist), Mahatma Gandhi Pravasi Award for Humanitarian Work in Women's Health, American College of Obstetricians and Gynaecologist (Honorary Fellowship), MBBS, PhD.

DONALD WHALEBOAT

Current: THHB Stakeholder Engagement Committee Chair, THHB Safety and Quality Committee Deputy Chair. Professional Experience (Present): JCU College of Medicine and Dentistry – Senior Lecturer, JCU Division of Tropical Health and Medicine - Associate Dean Indigenous Health, Northern Australia Primary Health Limited (Board member). Past: Townsville Aboriginal and Torres Strait Islander Corporation for Health Services (Board member) Associations/Awards/Edu: AICD (Graduate); Master of Public Health.

GEORGINA WHELAN

Current: Icon Cancer Centre Townsville - Site Manager. Past: Various frontline clinical roles in medical, surgical and oncology wards in Australia and abroad. Associations/Awards/Edu: Bachelor of Nursing, MBA.

During the year, the Board held 11 ordinary meetings and four extraordinary meetings for COVID-19 oversight. The table below shows the attendance record of the number of meetings Board members were eligible to attend. The Finance, Audit and Risk, Executive, and Safety and Quality committees are prescribed committees.

For period 1 July 2019 to 30 June 2020			Board Meeting	Finance Committee	Audit and Risk Committee	Executive Committee	Stakeholder Engagement Committee	Safety and Quality Committee
Number of meetings held			15	11	5	11	4	6
Name	**Position**	**Current Term**	**Attendance**					
Tony Mooney AM	Chair and member (18/05/2016)	18/05/2020 to 31/03/2024	15 of 15	11 of 11	N/A	10 of 11*	3 of 4	6 of 6
Michelle Morton	Deputy Chair and member (29/06/2012)	18/05/2019 to 17/05/2021	15 of 15	10 of 11*	N/A	11 of 11	N/A	N/A
Debra Burden	Member (18/05/2016)	18/05/2020 to 31/03/2024	15 of 15	11 of 11	5 of 5*	11 of 11	N/A	N/A
Christopher Castles	Member (18/05/2016)	18/05/2019 to 31/03/2022	15 of 15	11 of 11	N/A	N/A	4 of 4	1 of 1
Dr Eric Guazzo OAM	Member (29/06/2012)	18/05/2018 to 17/05/2020	14 of 14	N/A	3 of 5	8 of 10	N/A	5 of 5*
Nicole Hayes	Member (18/05/2019)	18/05/2020 to 31/03/2024	15 of 15	N/A	N/A	N/A	3 of 4	6 of 6
Danette Hocking	Member (18/05/2019)	18/05/2019 to 31/03/2022	14 of 15	N/A	4 of 5	N/A	4 of 4	N/A
Professor Ajay Rane OAM	Member (18/05/2017)	18/05/2020 to 31/03/2024	12 of 15	10 of 11	N/A	9 of 11	4 of 4*	1 of 1
Robert 'Donald' Whaleboat	Member (27/07/2012)	18/05/2019 to 31/03/2022	13 of 15	N/A	4 of 5	1 of 1	N/A	6 of 6
Georgina Whelan	Member (18/05/2020)	18/05/2020 to 31/03/2024	1 of 1	1 of 1	0 of 0	N/A	N/A	N/A
Professor Ian Wronski	Board Advisor (15/05/2017)	16/08/2019 to 15/08/2020	12 of 13	N/A	N/A	N/A	N/A	N/A

** indicates Board Committee chair roles- either in part or for the whole reporting period*

Board Committee membership changes were effective 1 June 2020

In total, $5,760.45 in out-of-pocket expenses were paid to Board members during the reporting period.

During 2019-2020 the Board was expertly assisted by non-Board Members: Board Audit and Risk Committee: Mr Luke Guazzo and Ms Pamela Stronach; Board Safety and Quality Committee: Dr Michael Corkeron, Mr Ted Winterbottom, Mr Adriel Burley and Dr Sarah Wilkinson; Board Finance Committee: Ms Patricia Brand; Board Advisor, Professor Ian Wronski.

Executive

The Executive Committee is established pursuant to Section 32A of the *Hospital and Health Boards Act 2011*. In accordance with Section 32B of the Act, the committee works with the HSCE to progress strategic issues, including those identified by the Board, and to strengthen the Board's relationship with the HSCE to ensure accountability in the delivery of services by the Townsville Health and Hospital Service.

In the reporting period the committee:

- worked closely with the HSCE on the response to COVID-19
- monitored the broader operational implementation of ieMR
- oversaw the implementation of Person-Centred Care Project
- supported the HHS-hosted Clinical Summit and will maintain oversight of the improvement initiatives arising from the event
- endorsed the Energy Management Strategy 2020-2030
- provided governance to the HealthWorks program.

Safety and Quality

The Safety and Quality Committee is a prescribed committee under Section 31(1)(a) of the Hospital and Health Boards Regulation 2012. The committee functions in accordance with Section 32 of the Regulation. Accordingly, the committee advises the Board on matters relating to, and promotes improvements in, the safety and quality of health services by monitoring the Townsville HHS's governance arrangements relating to the safety and quality of health services, monitoring the safety and quality of care provided by the Townsville HHS, and collaborating with other safety and quality committees.

In the reporting period the committee:

- maintained oversight of the ieMR implementation from a safety and quality perspective, facilitating clinical feedback directly to the Board
- monitored the service's transition to the new Aged Care Quality Standards effective 1 July 2019
- maintained oversight of the National Safety and Quality Health Service (NSQHS) Standards
- shared committee practices and processes with the Queensland Health Clinical Senate to help inform state-wide reporting standardisation.

Finance

The Finance Committee is a prescribed committee under Section 31(1)(b) of the Hospital and Health Boards Regulation 2012. The committee functions in accordance with Section 33 of the Regulation. Accordingly, the committee advises the Board on matters relating to financial performance and the monitoring of financial systems, financial strategy and policies, capital expenditure, cash flow, revenue and budgeting to ensure alignment with key strategic priorities and performance objectives.

In the reporting period the committee:

- focussed on ensuring a balanced budget despite the activity disruptions as a result of the global pandemic
- identified, and continues to develop, key financial sustainability initiatives for inclusion in all future budgets
- monitored the local adoption of the state-wide procurement system S4/HANA.

Audit and Risk

The Audit and Risk Committee is a prescribed committee under Section 31(1)(c), and Section 35 of the *Financial and Performance Management Standard 2019*. The committee functions in accordance with Section 34 of the Hospital and Health Boards Regulation 2012.

The terms of reference, and committee operations, have due regard to Queensland Treasury's Audit Committee Guidelines: Improving Accountability and Performance. The committee meets bi-monthly, providing the Board with advice and recommendations on matters relating to the health service's assurance frameworks, incorporating enterprise risk, internal control and legislative compliance,

the internal and external audit functions, as well as the health service's external accountability responsibilities prescribed in the *Financial Accountability Act 2009*, the Financial Accountability Regulation 2009, and the *Financial and Performance Management Standard 2019*. The committee regularly engages with the Queensland Audit Office and considers all performance reporting and insights released by the Queensland Audit Office to enhance its effectiveness.

In the reporting period the committee:

- maintained its focus and oversight of organisational risk advising on key changes to the enterprise risk-management framework, and associated risk reporting to enhance the effectiveness of risk management and risk-governance practices across the health service
- identified internal audit findings that could present opportunities for improved clinical and corporate governance
- provided governance of the emergent risks resulting from the operational response to COVID-19.

Stakeholder Engagement

The Stakeholder Engagement Committee is a non-prescribed committee established in 2016 to monitor and promote the service's reputation by ensuring there is clear and meaningful communication and engagement with staff, community and other stakeholders. The committee oversees the implementation of activities relating to key engagement strategies:

- Clinician Engagement Strategy 2018-2022 to promote consultation with health professionals working in the service
- Consumer and Community Engagement Strategy 2018-2022 to promote consultation with health consumers and members of the community about the provision of health services by the service.

The committee also monitors the development and implementation of activities relating to the protocol with primary healthcare organisations that is required under Section 42 of the *Hospital and Health Boards Act 2011* to promote cooperation between the service and primary healthcare organisations.

The Committee oversaw the establishment of three Advisory Councils to the Board. The Councils are represented at the committee by their respective Council Chairs. The Townsville Hospital Foundation Board Chair is an ex-officio attendee.

Executive management

The Townsville HHS executive was led in 2019-2020 by HSCE Kieran Keyes. The HSCE is responsible and accountable for the day-to-day management of the HHS and for operationalising the Board's strategic vision and direction. The HSCE is appointed by, and reports to, the Board.

The HSCE was supported by an executive team comprised of: Chief Operating Officer Stephen Eaton, Chief Finance Officer Mr Rod Margetts and Mr Matthew Rooney, and Executive Directors: Executive Director/s Medical Services Dr Andrew Johnson and Dr Niall Small, Executive Director Nursing and Midwifery Services Ms Judy Morton, Executive Director Clinical Governance Dr Tracey Bessell and Marina Daly (acting), Executive Director Human Resources Mr Sam Galluccio, Executive Director Aboriginal and Torres Strait Islander Health Mr Dallas Leon, Executive Director Digital Health and Knowledge Management Ms Louise Hayes, Executive Director Allied Health Ms Danielle Hornsby, and Executive Director Corporate and Strategic Governance Ms Sharon Kelly.

The business of the HHS is operationalised through five clinical service groups: Health and Wellbeing, Medical, Mental Health, Rural Hospitals, and Surgical, two clinical services divisions, Allied Health Service Division and Indigenous Health Service Division, and one non-clinical directorate, Facilities, Infrastructure and Support Services. The service groups, directorates and divisions are supported by a corporate services function. The Townsville Public Health Unit (TPHU) is responsible for population health, disease prevention and health promotion. The TPHU Director reports to the Chief Operating Officer.

Facilities, Infrastructure and Support Services

Facilities, Infrastructure and Support Services deliver and maintain the essential infrastructure, functions and services that underpin the delivery of health services at all Townsville HHS facilities and sites. FISS is based at Townsville University Hospital.

Areas of responsibility include capital works, asset and space management, redevelopment, building, engineering and maintenance services. FISS is also responsible for food services, environmental cleaning, waste and linen.

Townsville University Hospital campus operations department is responsible for the emergency preparedness and continuity unit, health security, travel office, switchboard and interpreter services, mailroom and staff/public car parking at Townsville University Hospital campus.

Health and Wellbeing Service Group

The Health and Wellbeing Service Group is comprised of a diverse collection of health services from primary health care in community settings including prisoner health, aged care, BreastScreen and oral health through to tertiary gynaecology, maternity, newborn and children's services. The age spectrum is from pre-conception to aged care.

The Health and Wellbeing Service Group workforce is characterised by specialist workforces including maternity, maternal fetal medicine, newborn, children's, child protection, community health, aged care, oral health, prisoner health, BreastScreen, mobile women's health, urogynaecology, gynaecology, clinical forensic medical unit and sexual health. These clinical staff are supported by a team of administration and support professionals across multiple sites to ensure efficient and effective services are provided to our community.

The service group focuses on supporting care closer to home and to improve the patient experience.

Medical Service Group

The Medical Service Group provides services across several clinical units including emergency medicine, internal medicine, neurology, gerontology, infectious diseases, endocrinology and diabetes, respiratory, gastroenterology, renal, rheumatology, rehabilitation, sub-acute care and comprehensive cancer services including medical oncology, palliative care, haematology and bone marrow transplantation and radiation oncology. Townsville University Hospital pharmacy department also sits within the Medical Service Group.

MSG units see patients at Townsville University Hospital and provide outreach services to Mackay, Cairns and Mount Isa. Clinical services are also provided via telehealth to regional hospitals. These services include consultations as well as treatments such as chemotherapy in a shared-care model.

Mental Health Service Group

The Mental Health Service Group (MHSG) comprises six clinical program areas and one non-clinical program area with 27 teams responsible for the provision of comprehensive, specialised mental health assessment and treatment services across the age spectrum. MHSG's goal is to deliver consumer-focused, recovery-oriented services in a variety of settings.

Services include acute inpatient care, crisis intervention, homeless outreach, specialist community teams, community integration and health rehabilitation, case management, ATODS, forensic mental health, court liaison, older persons mental health, disaster recovery and culturally appropriate mental health services.

The clinical programs include adult services, child adolescent and young adult services, rehabilitation services, rural and remote services, alcohol, tobacco and other drugs services (ATODS) and Aboriginal and Torres Strait Islander Wellbeing Assessment and Engagement Services.

Rural Hospitals Service Group

The Rural Hospitals Service Group provides access to public health services to the people of the Burdekin Shire, Charters Towers Regional Council, Flinders Shire, Hinchinbrook Shire and Richmond Shire.

RHSG facilities deliver a range of services including, emergency, general medicine, general surgery, obstetrics, inpatient, outpatient, primary health, community and aged care services.

The RHSG is committed to strengthening healthcare and planning for continued delivery of sustainable services to residents living in rural and remote communities. Rural hospitals are pivotal to the delivery of healthcare to people in our rural and remote communities, as well as within the public aged-care sector.

Surgical Service Group

The Surgical Service Group provides secondary care combined with a range of tertiary services across various specialities.

The SSG workforce delivers perioperative services including elective surgery, anaesthetics, and theatre care as well as medical Imaging and other diagnostic care.

The SSG provides critical care for both adults and children and offers a full range of surgical specialities including cardiology and hyperbaric medicine. The paediatric intensive care unit is the only one of its kind north of the south-east corner.

Allied Health Service Division

The Allied Health Service Division provides clinical services across service groups, as part of multidisciplinary teams, to patients and their families in acute and outpatient settings.

Professional services include physiotherapy, occupational therapy, speech pathology, dietetics, social work, psychology, prosthetics and orthotics, and podiatry.

Indigenous Health Service Division

The Indigenous Health Service Division supports the delivery of high-quality services to Aboriginal peoples and Torres Strait Islander peoples across the Townsville HHS. The Division provides operational oversight for Palm Island health service delivery as well as the Indigenous Hospital Liaison Officer functions at Townsville University Hospital. IHLOs continue to provide a critical support service for Indigenous consumers, working as part of a multi-disciplinary team to provide cultural support and advocacy for consumers. A range of locally-based and visiting services continue to be provided at the Joyce Palmer Health Service and the Palm Island Primary Health Care Centre for the Palm Island community. The division also works with a range of other Palm Island stakeholders to support healthcare delivery.

In addition to the services provided directly to consumers, the division works collaboratively with others to provide system leadership to improve Indigenous health outcomes across the broader HHS.

Consumer and Community Engagement

The Townsville HHS understands that healthcare belongs to the people and communities it serves. An important part of delivering this care is understanding, listening to, and responding to the patients, consumers, and families who use our services.

The Townsville HHS has two consumer and community advisory councils advising the Board – the Consumer Advisory Council (CAC) and the Aboriginal and Torres Strait Islander Community Advisory Council (ATSICAC). The CAC's membership comprises representatives of the Community Advisory Networks in Ingham, Charters Towers and Richmond, the Mental Health Lived Experience Group, and the Townsville Community Partner Advisory Group. The ATSICAC is made up of community members from across Townsville and regional areas.

Among the issues raised and discussed by the councils in 2019-2020 included:

- health literacy
- infrastructure and wayfinding
- Indigenous mental health first-aid training
- decision-making tools for Aboriginal and Torres Strait Islander patients and consumers
- out-of-town in-home care
- patient feedback
- preparation for surgery and hospital procedures
- patient consent.

The CAC and ATSICAC are key to achieving the objectives of the Townsville HHS Consumer and Community Engagement Strategy 2018-2022. Both councils meet bi-monthly and the lived experience, cultural perspective, passion and commitment of members are helping to drive a robust consumer engagement agenda for the organisation.

Person-centred care

The Townsville HHS has continued to prioritise a partnership with patients, carers and community members in 2019-2020 through the delivery of person-centred healthcare.

The Ask Me 4: BRAN initiative was introduced to encourage patients to ask questions in healthcare. Question-asking has been shown to improve patient satisfaction with health outcomes and increase patient safety, but feedback indicated patients could feel intimidated or overwhelmed about asking questions of health practitioners. The Ask Me 4: BRAN initiative was a call to action for patients, encouraging them to ask four key questions based on the acronym BRAN:

- what are the expected benefits?
- what are the potential risks?
- what are the alternative options?
- what happens if I do nothing?

The initiative was well-received by patients and staff and has encouraged a more effective communication culture between patients and clinicians.

Communication with patients at Townsville University Hospital was also improved with the introduction of three new patient information channels on bedside televisions. The channels have provided the HHS with the capacity

to give local information and health messages directly to patients in our care. A series of videos and slides present a range of topics including patient safety, facility information, healthcare rights and effective partnering in healthcare.

In addition to new patient information channels, a series of relaxation channels have also been introduced at the patient bedside televisions at TUH. A series of nature videos is available with soft nature sounds or relaxation music. These channels have provided patients with an escape from the busy ward environment, and helped them to more effectively manage pain and anxiety and be able to rest while in hospital.

Health literacy has remained a strong focus for the HHS over the last 12 months. Health literacy refers to the ability of people to understand and appropriately use health information. Up to 60 per cent of Australians have what is considered a low level of health literacy, leading to potential misunderstandings and mistakes when it comes to their healthcare. All patient information produced by the HHS goes through a rigorous process, including a review by health consumers, to ensure that it is easy for people of all abilities in the community to read and understand. Health literacy is also highlighted in staff orientation and training processes.

Consumer input into health planning, design and evaluation at the HHS continues to increase. Staff have access to online training and support to more effectively partner with consumer in co-design of health services. A range of consumer advisory groups and representative programs have supported the HHS to better understand the consumer perspective and areas of potential improvement. Areas identified by consumers that are currently being reviewed are signage and maps at the TUH and better out-of-hours access to food options for families.

The HHS tracks and evaluates progress when engaging consumers in healthcare design to ensure this is an area that continually grows and improves.

Research

Research at Townsville Hospital and Health Service continues to go from strength to strength, building on a collaborative model both nationally and internationally. The organisation is a leading partner in the Tropical Australian Academic Health Centre (TAAHC), which has now received accreditation by the National Health and Medical Research Council (NHMRC) as a Centre for Innovation in Regional Health. Centres for Innovation in Regional Health are collaborations between research organisations, health care providers, and educational institutions, developed to improve health care in their communities by delivering innovative, research-based healthcare and training. TAAHC is only one of three centres accredited by the NHMRC.

In 2019-2020 a record number of Study, Education and Research Trust Account (SERTA) research grant applications were received from HHS staff, with 20 grants totally $753,158 being awarded. Research grants were awarded across all healthcare disciplines and included:

- Implementation and evaluation of referral pathway for people with lung cancer in Townsville Hospital and Health Service
- Townsville Indigenous Mothers Thoughts About Milk-Bank
- Exploring the Long-Term Effects of Probiotic Supplementation in Premature Infants
- Planning for the worst: The Opioid Treatment Program and a person-centred approach to disaster preparedness, response and recovery.

Organisational structure and workforce profile

At 30 June 2020, the HHS employed 6,499 staff, equating to 5,470 FTE and a permanent separation rate 6.12 per cent.

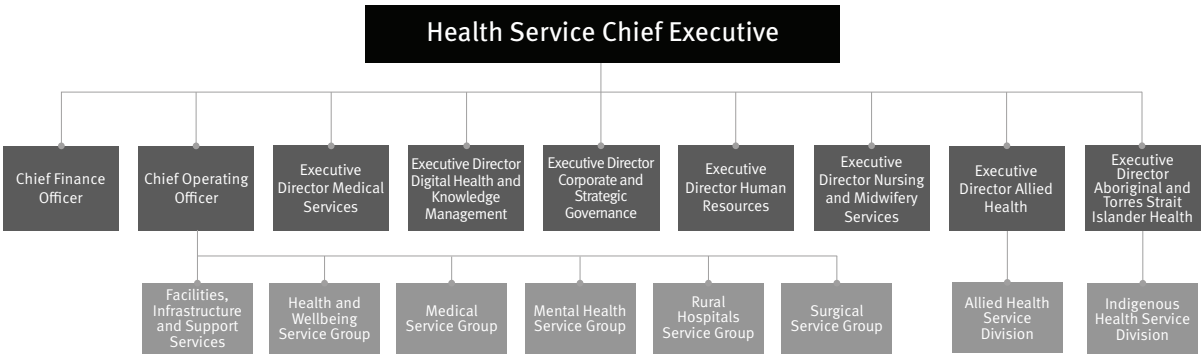


Table 1: More doctors and nurses*

	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020
Medical staff [a]	630	648	693	720	729
Nursing staff [a]	2,250	2,235	2,268	2,310	2,355
Allied Health staff [a]	645	624	646	661	678

Table 2: Greater diversity in our workforce*

	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020
Persons identifying as being First Nations [b]	159	154	186	208	206

Note: * Workforce is measured in MOHRI – Full-Time Equivalent (FTE). Data presented reflects the most recent pay cycle at year's end. Data presented is to Jun-20. **Source:** [a] DSS Employee Analysis, [b] Queensland Health MOHRI, DSS Employee Analysis

Strategic workforce planning and performance

There are a range of metrics are monitored to support workforce planning. In 2019-2020 the HHS's permanent separation rate was 6.1 per cent, and the time taken to fill a vacancy was 55 days. Strategic planning related to our workforce is critical in positioning and empowering staff to achieve the Townsville HHS's strategic goals and objectives. The Townsville HHS Strategic Workforce Plan 2018-2022 identifies the longer-term strategies needed to best attract, retain and sustainably strengthen the workforce. Strategies include developing and implementing innovative and responsive models of care through workforce redesign and evidence-based workforce planning, developing our rural and remote workforce, investing in, and supporting, the development of our workforce with a key focus online managers and ensuring that our workforce frameworks facilitate workforce agility, flexibility and responsiveness.

Key achievements for 2019-2020 include:

- implementation of the first Townsville HHS-led Employee Engagement Survey, achieving a participation rate of 46 per cent
- a stronger focus on 'Working Together Better' as an outcome of the 2019 Employee Engagement Survey to include work to strengthen workplace engagement and culture, building a more holistic learning and development model, and improving flexible work arrangements
- successfully piloting a People with Disabilities (PWD) work program, partnering with a local disability employment services provider
- implementation of a consistent set of workforce dashboards to assist with performance monitoring and informed decision-making and action planning
- Workforce modelling and scenario planning in response to COVID-19.

Leadership essentials

This program equips service leaders with the knowledge and skills to model desired leadership behaviours and is underpinned by the Australian Health Leadership Framework. At 30 June 2020, 112 leaders across the Townsville HHS had attended the program, with mentoring sessions led by an executive director or director. Individual leadership coaching sessions have been provided to ensure learned capabilities are embedded and sustained in the long term.

Moving on from this iteration of the program, and in partnership with Clinical Excellence Queensland, leadership development will evolve into a six-month program following a learn-and-apply format providing a more robust learning format and allowing the Townsville HHS to develop these behaviours in more service leaders.

Leadership fundamentals

In partnership with Clinical Excellence Queensland, a series of modules have been created to support key leadership accountabilities and responsibilities for line managers. These include finance and human resources fundamentals, leading teams, and connecting conversations. These accountabilities and responsibilities are also supported by the newly created 'Line Manager Reference Guide', a resource to develop the knowledge of aspiring, current, and newly appointed line managers within the Townsville HHS.

Working Together Better

The 'Working Together, Better' program is delivered as part of the orientation process when new employees join the Townsville HHS. To date, 15.25 per cent of new employees have completed the training.

Learning Online (LOL)

LOL continues to be developed to enhance the learning experience in the HHS. All service groups are fully engaged with LOL to deliver and record their learning activities.

Attraction

In 2019-2020, targeted national and international recruitment campaigns promoted the Townsville HHS as a great place to work providing research, innovation, professional and career development opportunities, coupled with work-life balance in the tropics. We offer unique work experience in Indigenous health, tropical public health, aged care, and rehabilitation, in regional, rural, and remote locations.

Annual recruitment campaigns are undertaken for medical, nursing and allied health streams. A record 151 graduate nurses and midwives commenced their careers in the Townsville HHS in 2020, many of these were graduates from James Cook University. The organisation is supporting Aboriginal and Torres Strait Islander students who are passionate about nursing and midwifery to complete their studies with a new Indigenous Academic Merit Scholarship. The scholarship not only financially support the students' study, it connects them with nurse mentors from the health service. The strategy aims to increase Aboriginal and Torres Strait Islander nurses and midwives in our future workforce.

Townsville HHS secured $30,000 in funding to help make it easier for Aboriginal and Torres Strait Islander allied health professionals to enter the HHS workforce. The initiative includes development of cultural, professional, and clinical practice support to build a solid pathway for graduates.

Career opportunities and promotion

The Townsville HHS provides representation at career days with ambassadors on hand to promote opportunities in medical and dental, nursing and midwifery, allied health, professional, science, engineering and business administration. Ambassadors receive significant interest about job opportunities and professional careers at the Townsville HHS. Job seekers are provided with tips and tools to assist them with job searching and the application process.

Early retirement, redundancy and retrenchment

No redundancy packages were paid during the period.

Changed employer arrangements

Changes to employer arrangements came into effect from 15 June 2020. These changes mean all non-executive health service employees in HHSs will be employed by the Director-General as system manager of Queensland Health. These changes ensure we have clear and consistent employer arrangements for non-executive health service employees in all HHSs and reflects the fact that staff work for the health of all Queenslanders, regardless of the hospital or HHS they are based in.

OUR RISK MANAGEMENT

The *Hospital and Health Boards Act 2011* requires annual reports to state each direction given by the Minister to the HHS during the financial year and the action taken by the HHS as a result of the direction. During the 2019-2020 period, no directions were given by the Minister to the Townsville HHS.

Internal audit

Internal audit is a fundamental pillar in the governance and assurance environment of the Townsville HHS and is a valuable tool to manage risk effectively. The key objective of the internal audit function is to provide a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, systems of internal control and governance arrangements in an independent and professional manner. The HHS's internal audit function was established by the Board in accordance with the *Finance and Performance Management Standard 2019*. The role and responsibilities of the internal audit function are defined in the internal audit charter which is reviewed regularly for currency and compliance with relevant professional standards. The internal audit function is designed in accordance with the internal audit charter and the Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing, giving due regard to Queensland Treasury's Audit Committee Guidelines: Improving Accountability and Performance.

Independence is essential to the effectiveness of the internal audit function. Formal structures are in place to allow the function to operate as designed. The internal audit function reports administratively to the HSCE, and functionally to the Board Audit and Risk Committee. The internal audit function has no management responsibilities that conflict with its primary role.

The Townsville HHS's internal audit services are provided through a co-source service delivery model, led and managed by the Director Internal Audit. Seven reviews were performed in the 2019-2020 financial year, in accordance with the approved Internal Audit Operational Plan. The focus of these reviews included:

- Procurement
- Surgical waitlist management (utilisation of private providers)
- Business impact assessment
- External clinical handover (communication to GP and other primary health specialists)
- Outpatient referral system
- Medical Officer workplans
- Closing the Gap – Reconciliation Action Plan.

External scrutiny, Information systems and recordkeeping

External scrutiny

Internal and external reviews are often commissioned by government agencies and/or state bodies to provide independent assurance regarding the operations and performance of the HHS. Therefore, the health service's activities and operations are subject to regular scrutiny from external oversight bodies. These can include, but are not limited to, the Queensland Audit Office, Office of the Health Ombudsman, Crime and Corruption Commission, Medical Colleges, Australian Council on Healthcare Standards, Postgraduate Medical Education Council of Queensland, Australian Aged Care Quality Agency, and the Coroner.

Australian Council on Healthcare Standards

ACHS accreditation for hospital and health services remains current until 26 March 2023. The services covered by accreditation include: acute, community health, dental, mental health, offender health and sub-acute services. The next accreditation assessment is scheduled for October 2021. Regular self-assessments and audits are conducted to ensure compliance to the standards with findings reported to relevant committees.

Crime and Corruption Commission

Townsville HHS was party to an audit, Integrity in Procurement Decision Making, conducted by the Crime and Corruption Commission Queensland, along with other hospital and health services and public-sector agencies, published in May 2019. The Townsville HHS has been progressing an action plan during this year to implement recommendations.

Parliamentary Reporting

In the 2019-2020 financial year, Parliamentary reports tabled by the Auditor-General, which directly or indirectly considered the performance of Townsville Hospital and Health Service, included:

- Report to Parliament 3: Managing cyber security risks. The objective of this audit was to assess whether entities effectively manage their cyber security risks.
- Report to Parliament 7: Health: 2018-19 Results of Financial Audits. This report summarises the results of the financial audits in the Queensland public health sector, which included timeliness and quality of financial reporting as well as financial performance and sustainability.
- Report to Parliament 9: Addressing mine lung dust disease. The objective of this audit was to assess how effectively public sector entities have implemented recommendations from the Monash Review and reports 2 and 4 from the Coal Workers' Pneumoconiosis Select Committee, which were aimed at reducing the risk and occurrence of mine dust lung disease.
- Report to Parliament 14: Evaluating major infrastructure projects. The objective of the audit was to assess whether Building Queensland effectively and efficiently led and/or assisted agencies to deliver robust business cases for major infrastructure projects and provided agencies with expert advice about infrastructure.

The Townsville HHS considered the findings and recommendations contained within these reports and, where applicable, has acted to implement recommendations or address issues raised.

Australian Aged Care Quality Agency

On 19 November 2019, Parklands Residential Aged Care Facility was re-accredited under Aged Care Quality Standards for the period of 10 December 2019 to December 2022, following the completion of a continuous improvement plan.

Eventide Residential Aged Care Facility was advised by the Aged Care Quality and Safety Commission on 25 May 2020, that due to COVID-19 and the inability for the commission to conduct an in-depth accreditation review, a further period of up to six months accreditation has been granted.

Office of the Health Ombudsman (OHO)

The OHO recently completed a review of Townsville University Hospital's maternity services. The draft report is currently undergoing a consultation process within HHS. The report, while recognising the positive performance of Townsville University Hospital, suggests opportunities for improvement.

Queensland Public Service ethics

As part of the Townsville HHS orientation training program, all staff are provided with the Code of Conduct for the Queensland Public Sector. As an annual mandatory training requirement, all employees are required to complete the ethics, integrity and accountability online training.

Information systems and recordkeeping

During 2019-2020 Townsville HHS Digital Health and Knowledge Management has focussed on information, communication and technology (ICT) infrastructure, recordkeeping governance and implementing digital hospital information solutions. The HHS has continued to modernise the ICT environment aligned to the Queensland Government Enterprise Architecture and Records Governance Policy. In particular:

- implementing changes to organisational systems to streamline processes and increase digital capacity
- increasing cyber security to protect data, information assets and digital systems from cyber threats and improving behaviours of staff to enhance cyber security though awareness campaigns
- enhancing ICT infrastructure to support new devices such as all-in-one devices, tablet computers and smartphones
- enhancing stability and effectiveness of ICT projects and service delivery
- identifying unmet needs and goals of our internal stakeholders that most closely align with key business opportunities and/or challenges
- refining the ICT sourcing strategy to align with whole-of-government policies and panel arrangements
- improving our ability to efficiently share and analyse information between departments and business groups to improve decision-making and knowledge management
- assessing the information governance including the record-keeping governance maturity baseline for the HHS.

Townsville University Hospital's recordkeeping practices for clinical records achieved a new milestone in 2019-2020 with the finalisation of the implementation of the integrated electronic Medical Record (ieMR) digital hospital solution. In July 2019, the final stage of the deployment of the medication management module saw TUH join other hospitals across the state as a fully digital hospital. Concurrently this year, the historical paper-based medical records were relocated to secure facilities outside the main hospital complex, completing the digital picture.

Human Rights

The *Human Rights Act 2019* (the Act) took effect from 1 January 2020. As a public entity, the HHS must act and make decisions compatible with the 23 human rights which are protected under the legislation.

To prepare for the commencement of the human rights protections, training was initially provided to key staff of each corporate and service group of the health service. Policies and procedures are being reviewed for their compatibility with human rights, with each new policy and procedure assessed for the potential to impact on human rights. A comprehensive training package for all levels of staff has been developed and will be rolled out for existing and new staff after July 2020.

Some contractors and service providers of the health service will also be subject to the obligations of the Act, where such services are publicly funded. The HHS has contacted its key contractors and service providers to inform them of their human rights obligations in relation to the services they provide on behalf of the health service. Standard procurement documentation has been updated to ensure that any contractors and services providers are made aware of their obligations.

The HHS has reviewed its consumer feedback processes to ensure that the process to make a complaint to the health service about a human rights concern is easy and accessible for all consumers, visitors and staff. From 1 January to 30 June 2020, the health service received six human rights complaints; two have been resolved with direction provided to relevant staff while four are currently being investigated.

Confidential information

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

PERFORMANCE

In March 2020, modifications were implemented to services as part of the COVID-19 preparedness plan. These service reductions to non-urgent elective surgeries, gastrointestinal endoscopies, and outpatient appointments, as well as reduced screening services, were brought into effect to ensure there was sufficient hospital capacity to respond to COVID-19.

The variance between the 2019-2020 target and the 2019-2020 actual can be attributed to the lockdown restrictions and service reductions introduced for the COVID-19 response and recovery in March 2020. Increased costs of transport, personal protective equipment, and general goods and services over the pandemic period may have offset any savings that might have been made due to the downturn of patient activity reducing the opportunity to deliver saving strategies. It is expected that results for these measures will return to target in the future.

SERVICE STANDARDS

Table 3: Service Standards - Performance 2019-2020	**Target**	**Actual**
Effectiveness measures		
Percentage of patients attending emergency departments seen within recommended timeframes:[a]		
Category 1 (within 2 minutes)	100%	99.5%
Category 2 (within 10 minutes)	80%	82.1%
Category 3 (within 30 minutes)	75%	86.8%
Category 4 (within 60 minutes)	70%	91.0%
Category 5 (within 120 minutes)	70%	98.9%
Percentage of emergency department attendances who depart within four hours of their arrival in the department[a]	›80%	79.3%
Percentage of elective surgery patients treated within clinically recommended times:[b]		
Category 1 (30 days)	›98%	96.2%[1]
Category 2 (90 days)	›95%	88.2%
Category 3 (365 days)	›95%	90.9%
Rate of healthcare associated Staphylococcus aureus (including MRSA) bloodstream (SAB) infections/10,000 acute public hospital patient days[c]	‹2	0.5[2]
Rate of community follow-up within 1-7 days following discharge from an acute mental health inpatient unit[d]	›65%	79.0%
Proportion of readmissions to an acute mental health inpatient unit within 28 days of discharge[d]	‹12%	18.6%[3]
Percentage of specialist outpatients waiting within clinically recommended times:[e]		
Category 1 (30 days)	98%	99.7%[1]
Category 2 (90 days)	95%	89.0%
Category 3 (365 days)	95%	96.0%
Percentage of specialist outpatients seen within clinically recommended times:[e]		
Category 1 (30 days)	98%	96.2%[1]
Category 2 (90 days)	95%	82.6%
Category 3 (365 days)	95%	90.6%
Median wait time for treatment in emergency departments (minutes)[a]	..	9
Median wait time for elective surgery (days)[b]	..	53
Efficiency Measure Average cost per weighted activity unit for Activity Based Funding facilities[f,g]	$ 4,830	$5,267[4]
Other Measures		
Number of elective surgery patients treated within clinically recommended times:[b]		
Category 1 (30 days)	3,633	3,017[1]
Category 2 (90 days)	3,960	3,342
Category 3 (365 days)	2,055	1,124
Number of Telehealth outpatient occasions of service events[h]	8,925	10,632
Total weighted activity units (WAU's)[g]		
Acute Inpatient	92,396	89,984[5]
Outpatients	24,371	22,544
Sub-acute	12,378	12,213
Emergency Department	16,305	15,503
Mental Health	11,864	11,055
Prevention and Primary Care	2,340	2,305
Ambulatory mental health service contact duration (hours)[d]	›68,647	62,633
Staffing[i]	5,508	5,470

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

Source: [a] Emergency Data Collection, [b] Elective Surgery Data Collection, [c] Communicable Diseases Unit, [d] Mental Health Branch, [e] Specialist Outpatient Data Collection, [f] DSS Finance, [g] GenWAU, [h] Monthly Activity Collection, [i] DSS Employee Analysis.

Note: Targets presented are full year targets as published in 2019-20 Service Delivery Statements.

FINANCIAL SUMMARY

As the HHS spends public funds and provides a diverse and extensive service profile across a wide geographical area, costs and revenues must be carefully managed. A robust accounting and reporting system is key to ensuring satisfactory financial outcomes and continuing sustainability.

The Townsville HHS achieved a financial surplus of $2 million for the year ending 30 June 2020. This is the eighth financial year that an operating surplus has been achieved, while still delivering on agreed major services and meeting key safety and quality performance indicators.

Where the money comes from

The Townsville HHS total income from continuing operations for 2019-2020 was $1.084 billion. Of this, the Queensland Government's contribution was $642.9 million and the Commonwealth contribution was $331.4 million. Specific-purpose grants worth $26.1 million were received and own-source and other revenue was $82.6 million.

REVENUE AND EXPENSES - FINANCIAL YEAR ENDING 30 JUNE 2020

	$(000)s
Revenue	**1,083,998**
Expenses	
Labour and employment	(731,971)
Supplies and Services	(270,959)
Other	(16,573)
Depreciation and amortisation	(62,464)
Total	**(1,081,967)**
Net surplus from operations	2,031

Where the money goes

The Townsville HHS operates a complex group of services. The table above shows the proportion of budget spent on services within the HHS.

Total expenses for 2019-2020 were $1.082 billion, averaging $2.9 million per day spent on servicing the diverse regions of Townsville, Ingham, Ayr, Home Hill, Charters Towers, Richmond, Hughenden and Palm Island. The largest percentage of spend was against labour costs including clinicians and support staff (67.7 per cent). Non-labour expenses such as clinical supplies, drugs, prosthetics, pathology, catering, repairs and maintenance, communications, computers and energy accounted for 26.5 per cent of expenditure; 5.8 per cent of expenditure was related to depreciation and amortisation of the fixed-asset base.

Financial outlook

The Board and management of the Townsville HHS remain vigilant in ensuring optimal services are achieved, with a modest contingency reserve to meet the ongoing needs of our communities into the future. The coming financial year, with the continuation of COVID-19, will see the Townsville HHS move to a period where improved efficiency and productivity will be required to meet the planned growth targets within the allocated budget. The HHS will continue to reinvest in its existing facilities, while integrating information technology and pursuing projects that will support the delivery of health services and contribute to improved health outcomes for the community.

The HHS will continue to focus on the financial sustainability of services given the expected increase in demand over the next five to 10 years, and associated pressures resulting from future financial allocations anticipated from both Commonwealth and Queensland Governments.

The Queensland Government has increased funding in 2020-2021 to $1,082.2 million because of planned increased service activity. This growth is inclusive of both efficiency and productivity dividends and will require management's continued focus to ensure that the increased activity is achieved with the allocated budget.

Anticipated maintenance

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

Anticipated maintenance is defined as maintenance that is necessary to prevent the deterioration of an asset or its function, but which has not been carried out. Some anticipated maintenance activities can be postponed without immediately having a noticeable effect on the functionality of the building. All anticipated maintenance items are risk assessed to identify any potential impact on users and services and are closely managed to ensure all facilities are safe. Anticipated maintenance items are identified through the completion of triennial condition assessments, and the value and quantum of anticipated maintenance will fluctuate in accordance with the assessment programs and completed maintenance works.

As of 3 June 2020, Townsville HHS had reported total anticipated maintenance of $39.5 million. Townsville HHS is currently completing a condition assessment program for its major facilities, and the value of anticipated maintenance may vary as a result.

The Townsville HHS has the following strategies in place to mitigate any risks associated with these anticipated items:

- Prioritised State Health Infrastructure Planning for replacement of facilities that have exceeded service life
- Priority Capital Program funding submissions for applicable sustaining capital projects
- Coordinated HHS and Queensland Health-funded Capital Redevelopment projects to include applicable anticipated remediation works where possible
- Prioritised HHS funded anticipated maintenance program as detailed in the Annual Asset Management and Maintenance Plan
- Funding of all identified anticipated maintenance with assessed very high risk and emergent condition-based maintenance activity that cannot be deferred
- Regular preventative maintenance inspections and minor repairs where necessary
- Management of critical spare stock holdings where appropriate
- Operational Risk Assessment and Treatment Plans.

Capital works

The Townsville HHS, with the support of the Queensland Government, has continued to deliver a substantial capital works program to address the current and future health service needs for our communities.

Capital works projects **delivered** in 2019-2020 included:

- $10.97 million Renal Services and Endoscopy Services redevelopment
- $2.5 million Hughenden and Richmond staff accommodation
- $1.2 million Townsville University Hospital hybrid theatre enabling works
- $1.2 million Townsville University Hospital linac radiation shielding works
- $1.175 million Townsville University Hospital Cardiac Care Unit redevelopment.

Capital works projects **under construction** in 2019-2020 included:

- $6.55 million Townsville University Hospital Pharmacy Cytotoxic Laboratory
- $5.775 million Townsville University Hospital Magnetic Resonance Imaging.

Capital works projects **under design** in 2019-2020 included:

- $8.923 million Townsville University Hospital Adult Acute Mental Health Inpatient Unit upgrades
- $1.95 million Townsville University Hospital Emergency Departments paediatrics alteration.

FINANCIAL STATEMENTS

For the year ending 30 June 2020

Statement of comprehensive income

For the year ended 30 June 2020

	Notes	2020 $'000	2019 $'000
Income			
User charges	B1-1	**84,872**	79,339
Funding for public health services	B1-2	**966,901**	920,582
Grants and other contributions	B1-3	**26,032**	24,505
Other revenue	B1-4	**6,193**	6,074
Total Income		**1,083,998**	1,030,500
Expenses			
Employee expenses	B2-1	**(731,971)**	(709,089)
Supplies and services	B2-2	**(270,959)**	(249,314)
Grants and subsidies		**(2,731)**	(2,615)
Interest on lease liabilities		**(62)**	-
Depreciation and amortisation	B2-3	**(62,464)**	(52,474)
Bad and doubtful debts		**(1,347)**	(576)
Other expenses	B2-4	**(12,432)**	(11,151)
Total Expenses		**(1,081,966)**	(1,025,219)
Operating result for the year		**2,032**	5,281
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Increase in asset revaluation surplus		**68,418**	33,411
Other comprehensive income for the year		**68,418**	33,411
Total comprehensive income for the year		**70,450**	38,692

Statement of financial position

As at 30 June 2020

	Notes	2020 $'000	2019 $'000
Assets			
Current assets			
Cash and cash equivalents	B3	**58,098**	55,487
Trade and other receivables	B4	**8,489**	16,759
Inventories	B5	**9,674**	9,163
Other assets	B6	**8,924**	1,771
Total current assets		**85,185**	83,180
Non-current assets			
Property, plant and equipment	B7	**842,888**	805,949
Right-of-use assets	B11-1	**3,394**	-
Intangibles	B7-4	**4,931**	8,242
Total non-current assets		**851,213**	814,191
Total assets		**936,398**	897,371
Liabilities			
Current liabilities			
Trade and other payables	B8	**55,708**	25,264
Lease liabilities	B11-1	**552**	-
Accrued employee benefits		**5,622**	29,090
Other liabilities	B9	**619**	1,609
Total current liabilities		**62,501**	55,963
Non-current liabilities			
Lease liabilities	B11-1	**2,833**	-
Total non-current liabilities		**2,833**	-
Total liabilities		**65,334**	55,963
Net assets		**871,064**	841,408
EQUITY			
Contributed equity	B10-1	**576,449**	617,243
Asset revaluation surplus	B10-2	**217,709**	149,291
Accumulated surpluses		**76,906**	74,874
Total equity		**871,064**	841,408

Statement of changes in equity

For the year ended 30 June 2020

	Contributed Equity	Asset revaluation surplus	Accumulated surpluses	Total equity
	$'000	$'000	$'000	$'000
Balance at 1 July 2018	629,572	115,880	69,593	815,045
Operating result for the year	-	-	5,281	5,281
Other comprehensive income for the year	-	33,411	-	33,411
Total comprehensive income for the year	629,572	149,291	74,874	38,692
Transactions with members in their capacity as members:				
Non-appropriated equity asset transfers	13,522	-	-	13,522
Non-appropriated equity injections	26,616	-	-	26,616
Non-appropriated equity withdrawals	(52,467)	-	-	(52,467)
Balance at 30 June 2019	617,243	149,291	74,874	841,408

	Contributed Equity	Asset revaluation surplus	Accumulated surpluses	Total equity
	$'000	$'000	$'000	$'000
Balance at 1 July 2019	**617,243**	**149,291**	**74,874**	**841,408**
Operating result for the year	**-**	**-**	**2,032**	**2,032**
Net effect of changes in accounting policies/prior year adjustments				**-**
Other comprehensive income for the year	**-**	**68,418**	**-**	**68,418**
Total comprehensive income for the year	-	**68,418**	**2,032**	**70,450**
Transactions with members in their capacity as members:				
Non-appropriated equity asset transfers	**-**	**-**	**-**	**-**
Non-appropriated equity injections	**21,671**	**-**	**-**	**21,671**
Non-appropriated equity withdrawals	**(62,465)**	**-**	**-**	**(62,465)**
Balance at 30 June 2020	**576,449**	**217,709**	**76,906**	**871,064**

Statement of cash flows

For the year ended 30 June 2020

	Notes	2020 $'000	2019 $'000
Cash flows from operating activities	CF-1		
User charges		**989,898**	938,070
Grants and other contributions		**25,835**	21,791
Interest received		**391**	556
Other revenue		**4,815**	5,543
Employee expenses		**(755,439)**	(708,449)
Supplies and services		**(241,993)**	(250,521)
Grants and subsidies		**(2,560)**	(2,540)
Interest payments on lease liabilities		**(62)**	-
Other expenses		**(12,408)**	(10,901)
Net cash from/(used by) operating activities		**8,477**	(6,451)
Cash flows from investing activities			
Payments for property, plant, equipment and intangibles		**(26,954)**	(32,021)
Net cash from/(used by) investing activities		**(26,954)**	(32,021)
Cash flows from financing activities			
Proceeds from equity injections		**21,671**	26,616
Lease payments		**(583)**	-
Net cash from/(used by) financing activities		**21,088**	26,616
Net increase/(decrease) in cash held		**2,611**	(11,856)
Cash and cash equivalents at the beginning of the financial year		**55,487**	67,343
Cash and cash equivalents at the end of the financial year	**B3**	**58,098**	55,487

Statement of cash flows

For the year ended 30 June 2020

CF1 notes to the statement of cash flows

	2020 $'000	2019 $'000
Surplus/(deficit) for the year	**2,032**	5,281
Adjustments for:		
Depreciation and amortisation	**62,464**	52,474
Impairment losses on receivables	**1,347**	576
Net gain on disposal of non-current assets	**-**	153
Revenue - contribution to DOH capital works in progress program	**(62,464)**	(52,472)
Assets donated revenue – non-cash	**(197)**	(3,290)
Change in operating assets and liabilities:		
(Increase)/decrease in receivables	**6,973**	(1,739)
(Increase)/decrease in inventories	**(511)**	(139)
(Increase)/decrease in contract assets	**(1,938)**	-
(Increase)/decrease in other assets	**(4,419)**	-
(Increase)/decrease in prepayments	**(796)**	(322)
Increase/(decrease) in trade and other payables	**30,444**	(627)
Increase/(decrease) in contract liabilities and unearned revenue	**(990)**	(6,986)
Increase/(decrease) in employee benefits	**(23,468)**	640
Net cash from operating activities	**8,477**	(6,451)

Basis of financial statement preparation

General information

The financial report covers the Townsville Hospital and Health Service (Townsville HHS) as an individual entity. The financial report is presented in Australian dollars, which are Townsville Hospital and Health Service's functional and presentation currency. Amounts included in the financial statements have been rounded to the nearest thousand dollars, or in certain cases, the nearest dollar.

Townsville Hospital and Health Service is controlled by the State of Queensland which is the ultimate parent entity.

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

100 Angus Smith Drive
Townsville Queensland 4810

Controlled entities

The Townsville Hospital and Health Service does not have any controlled entities.

Statement of Compliance

The financial statements have been prepared in compliance with section 62(1) of the *Financial Accountability Act 2009* and section 39 of the *Financial and Performance Management Standard 2019*. There were no material restatements of comparative information. Comparatives have been reclassified where appropriate for consistency with current year classification.

These financial statements are general purpose financial statements and have been prepared on both a historical cost and fair value basis in accordance with all applicable new and amended Australian Accounting Standards and Interpretations, applicable to not-for-profit entities, except where stated otherwise. The Townsville HHS is a not-for-profit entity and the financial statements comply with the requirements of Australian Accounting Standards and Interpretations.

New accounting standards early adopted and/or applied for the first time in these financial statements are outlined in Note G4.

These financial statements comply with Queensland Treasury's Minimum Reporting Requirements for year ended 30 June 2020, and other authoritative pronouncements.

Authorisation of financial statements for issue

The general-purpose financial statements are authorised for issue by the Board Chair and the Chief Finance Officer, at the date of signing the Management Certificate.

Further information

For information in relation to the Townsville HHS's financial statements:

- Email **tsv-public-affairs@health.qld.gov.au** or
- Visit the Townsville HHS website at: **www.townsville.health.qld.gov.au**

SECTION A

How we operate – Townsville HHS objectives and activities

A1 OBJECTIVES OF THE TOWNSVILLE HHS

The Townsville HHS is an independent statutory body established on 1 July 2012 under the *Hospital and Health Boards Act 2011* (The Act). The Townsville HHS is governed by the Board, which is accountable to the local community and the Minister for Health.

The Townsville HHS is responsible for providing primary health, community health and hospital services in the area assigned under the Hospital and Health Boards Regulation 2012. The Townsville HHS covers an area of more than 148,000 square kilometres, around 8.5 per cent of Queensland, and serves a population of approximately 240,000. The catchment area and population of the Townsville HHS is more than 750,000 square kilometres and 695,000 people. The Townsville HHS includes the Local Government Areas of Burdekin, Charters Towers, Flinders, Hinchinbrook, Palm Island, Richmond and Townsville and shares its borders with Cairns and Hinterland Hospital and Health Service, North West Hospital and Health Service, Central West Hospital and Health Service and Mackay Hospital and Health Service.

Funding is obtained predominately through the purchase of health services by the Department of Health (DOH/the Department) 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.

Please refer to the Townsville Hospital and Health Service Annual Report 2019-2020 for more information.

NON-WHOLLY OWNED ENTITIES

Investment in Northern Queensland Primary Health Network

The Northern Queensland Primary Health Network (NQPHN) was established as a public company limited by guarantee on 22 May 2015. Townsville HHS is one of 11 members, with each member holding one vote in the company.

The principal place of business of the NQPHN is 42 Spence Street, 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 Queensland to improve and coordinate primary health care across the local health system for patients requiring care from multiple providers.

As each member has the same voting entitlement, it is considered that no member has controlling power over NQPHN (as defined by AASB 10 Consolidated Financial Statements). While Townsville HHS currently has 9.09 per cent of the voting power of the NQPHN and the fact that every other member also has 9.09 per cent voting power, it limits the extent of any influence that the Townsville HHS may have over the NQPHN.

Each member's liability to NQPHN is limited to $10. The NQPHN 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 the NQPHN is not controlled by the Townsville HHS and is not considered a joint operation or an associate of the Townsville HHS, the financial results of the NQPHN are not required to be disclosed in these statements.

Tropical Australian Academic Health Centre Limited

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

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

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

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

SECTION B

Notes about financial performance

This section considers the income and expenses of the Townsville Hospital and Health Service.

B1 INCOME

Note B1-1: User charges

	2020 $'000	2019 $'000
Revenue from contracts with customers		
Service income and recoveries	**5,926**	4,236
Pharmaceutical Benefits Scheme	**29,044**	26,459
Public patient income	**13,598**	13,617
Private hospital bed income	**10,322**	10,203
Other hospital services	**17,533**	16,574
Other user charges and fees		
Other hospital services	**8,449**	8,250
Total	**84,872**	79,339

Note B1-2: Funding for public health services

	2020 $'000	2019 $'000
Revenue from contracts with customers		
Department of Health		
Activity based funding	**389,701**	343,414
Australian Government		
Activity based funding	**284,393**	299,755
Other funding for public health services		
Department of Health		
Block funding	**93,566**	80,350
Tertiary training	**22,550**	21,095
System funding	**67,207**	81,505
Depreciation funding	**62,464**	52,472
Australian Government		
Block funding	**41,677**	37,407
Tertiary training	**5,343**	4,584
Total	**966,901**	920,582

User Charges

Revenue from other user charges is recognised when the service is rendered and can be measured reliably with a sufficient degree of certainty. This involves either invoicing for related goods/services and/or the recognition of accrued revenue. Revenue in this category primarily consists of hospital fees (private patients), reimbursements of pharmaceutical benefits and the sale of goods and services. The adoption of AASB 15 *Revenue from Contracts with Customers* did not change the timing of revenue recognition for User Charges.

The services received by the Townsville HHS below fair value is $8.45million (2019: $8.25million), as determined by the Department of Health. The Townsville HHS has brought the income and corresponding expense to account at 30 June 2020 and is included in other hospital services and classified under AASB 1058 *Income for Not-for-Profit Entities*.

Funding for public health services

Funding is provided predominantly by the Department of Health for specific public health services purchased by the department in accordance with a service agreement. The Department of Health receives its revenue for funding from the Queensland Government (majority of funding) and the Commonwealth. Activity based funding (ABF) is based on an agreed number of activities, per the service agreement and a state-wide price by which relevant activities are funded. Revenue is recognised based on purchased activity once delivered. Where actual activity exceeds purchased activity, additional funding may be negotiated but not guaranteed with the Department of Health provided there is a net shortfall of activity funding across the state. This would be accrued as an asset on the Statement of Financial Position where funding has been agreed to, but not yet received.

ABF funding is recognised where the specific conditions have been met or funding is renegotiated with the Department and may result in a deferral or return of revenue recognised as a liability in the statement of financial position. The adoption of AASB 15 *Revenue from Contracts with Customers* in 2019-2020 did not change the timing of revenue recognition for ABF funding.

Block funding is not based on levels of public health care activity. Non-activity-based funding (block etc.) is received for other services the Townsville HHS has agreed to provide as per the service agreement. This funding has conditions attached which are not related to activity covered by ABF. Non-activity-based funding is recognised on a fortnightly basis upon receipt of funds. Revenue will be recognised under AASB 1058 *Income for Not-for-Profit Entities*. The accounting treatment is the same as used in 2018-2019.

The service agreement between the Department of Health and the Townsville HHS specifies that the Department of Health funds the Townsville HHS's depreciation and amortisation charges via non-cash revenue. The Department of Health retains the cash to fund future major capital replacements. This transaction is shown in the Statement of Changes in Equity as a non-appropriated equity withdrawal. Depreciation Funding will be recognised under AASB 1058 and does not change the accounting treatment used in 2018-2019.

$3.32million in COVID-19 Public Health programs were recognised as revenue transactions during the 2019-2020 financial year in response to the COVID-19 pandemic.

Note B1-3: Grants and other contributions

	2020 $'000	2019 $'000
Revenue from contracts with customers		
Australian Government - Specific purpose recurrent grants	**22,174**	20,898
Australian Government - Specific-purpose capital grants	**652**	457
Other grants	**2,361**	2,739
Other grants and contributions		
Donations other	**648**	384
Donations non-current physical assets	**197**	27
Total	**26,032**	24,505

Grants, contributions and donations revenue arise from non-exchange transactions where the Townsville HHS does not directly give approximately equal value to the grantor.

Where the grant agreement is enforceable and contains sufficiently specific performance obligations for the Townsville HHS to transfer goods or services to a third-party on the grantor's behalf, the transaction is accounted for under AASB 15 *Revenue from Contracts with Customers*. In this case, revenue is initially deferred (as a contract liability) and recognised as or when the performance obligations are satisfied.

Otherwise, the grant is accounted for under AASB 1058 *Income of Not-for-Profit Entities*, whereby revenue is recognised upon receipt of the grant funding, except for special purpose capital grants received to construct non-financial assets to be controlled by the Townsville HHS. Special purpose capital grants are recognised as unearned revenue when received, and subsequently recognised progressively as revenue as the Townsville HHS satisfies its obligations under the grant through construction of the asset.

Note B1-4: Other revenue

	2020 $'000	2019 $'000
Interest	**391**	531
Rental income	**513**	332
Sale proceeds of non-capitalised assets	**1**	12
Fees, charges and recoveries	**5,253**	5,130
Gain on sale of property plant and equipment	**35**	69
Total other revenue	**6,193**	6,074

Other revenue

Other revenue is recognised when the right to receive the revenue has been established. Revenue is measured at the fair value of the consideration received, or receivable.

Grants from Revenue from contracts with customers consist of Commonwealth funding agreements that are in place according to the terms of the contract. Grant revenue is determined by the level of care and the nature of the service provided. Revenue is recognised and measured in compliance with AASB 15 upon provision of services.

Specific purpose recurrent grants have Commonwealth funding agreements in place and have specific requirements for the funding to be provided. Funding is determined by the level of care or service provided. As such, these funds are recognised under AASB 15 and recognised upon provision of service.

Specific purpose capital grants have Commonwealth funding agreements in place where funding must be used for specific purpose capital projects/equipment. The Townsville HHS will retain ownership of the final asset. Revenue will be recognised under AASB 15 and recognised over time.

Other Grants have formal agreements in place and funding is based on levels of service and/or activities performed. Revenue is recognised under AASB 15 upon provision of service or activity performed.

Donations Other Revenue are donations of cash or equipment that is provided unconditionally. The Townsville HHS will retain donated funds for general use. The Townsville HHS does not provide an equivalent value or service in return for the donation. These funds are recognised under AASB 1058 and recognised upon receipt.

B2 EXPENSES

Note B2-1: Employee expenses

	2020 $'000	2019 $'000
WorkCover expenses	**7,579**	6,004
Wages and salaries*	**565,527**	525,562
Annual leave levy	**67,970**	65,963
Long service leave levy	**14,040**	11,889
Employer super contribution	**60,820**	57,412
Termination expenses	**575**	635
Other employee related expenses	**15,460**	41,624
Total employee expenses	**731,971**	709,089

The Townsville HHS pays premiums to WorkCover Queensland in respect of its obligations for employee compensation related to workplace injuries, health and safety.

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

At 30 June 2020, the number of full-time equivalent staff employed by the Townsville HHS and non-prescribed employees (as a result of the change in employer arrangements disclosed in B2-2 Supplies and Services) was 5,470 (2019: 5,415).

**Wages and salaries includes $3.61million of $1,250 one off, pro-rata payments for 3,523 full-time equivalent employees (announced in September 2019).*

Employee Expenses

At 30 June 2020 accrued salaries and wages for non-prescribed health service employees (wages and salaries earned but not paid as at 30 June 2020) are represented in the Statement of Financial Position as 'accrued employee benefits'. Accruals relating to all non-executive health service employees are reflected in Trade and other payables as amounts owed to the Department of Health.

Employee Benefits

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

(i) Wages, Salaries and Sick Leave

Wages and salaries due but unpaid at reporting date are recognised in the Statement of Financial Position at current salary rates. As the Townsville HHS expects such liabilities to be wholly settled within 12 months of the reporting date, the liabilities are recognised at undiscounted amounts. Prior history indicates that on average, sick leave taken each reporting period is less than the entitlement accrued. This is expected to continue in future periods. Accordingly, it is unlikely that existing accumulated entitlements will be used by employees and no liability for unused sick leave entitlements is recognised. As sick leave is non-vesting, an expense is recognised for this leave as it is taken.

(ii) Annual and Long Service Leave

The Townsville HHS participates in the Annual Leave Central Scheme and the Long Service Leave Scheme.

Under the Queensland Government's Annual Leave Central Scheme and the Long Service Leave Central Scheme, levies are payable by the Townsville HHS to cover the cost of employees' annual leave (including leave loading and on-costs) and long service leave. These levies are expensed in the period in which they are payable. Amounts paid to employees for annual leave and long service leave are claimed from the schemes quarterly in arrears which is currently facilitated by the Department of Health.

No provision for annual leave or long service leave is recognised in the financial statements of the Townsville HHS, as the liability for these schemes 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*.

(iii) Superannuation

Employer superannuation contributions are regarded as employee benefits.

Employer superannuation contributions are paid to QSuper, the superannuation scheme for Queensland Government employees, at rates determined by the Treasurer on the advice of the State Actuary. Contributions are expensed in the period in which they are paid or payable and the Townsville HHS's obligation is limited to its contribution to QSuper. The QSuper scheme has defined benefit and defined contribution categories. The liability for defined benefits is held on a whole-of-government basis and reported in those financial statements pursuant to AASB 1049 *Whole-of-Government and General Government Sector Financial Reporting*.

(iv) Other employee related expenses

Other employees related expenses include; recreation leave, long service leave, sick leave, professional development, salary recoveries and payments made to contract staff.

Note B2-2: Supplies and services

	2020 $'000	2019 $'000
Consultants and contractors	**44,625**	22,790
Electricity and other energy	**8,596**	8,949
Patient travel	**13,601**	13,923
Other travel	**2,630**	3,288
Building services	**2,932**	2,754
Computer services	**7,569**	5,858
Motor vehicles	**414**	495
Communications	**12,845**	12,466
Rental expenses	**450**	-
Repairs and maintenance	**14,887**	16,186
Expenses relating to capital works	**2,959**	1,213
Lease expenses	**3,228**	3,978
Drugs	**44,456**	40,741
Clinical supplies and services	**79,112**	81,086
Catering and domestic supplies	**12,802**	11,971
Other supplies and services	**19,853**	23,616
Total supplies and services	**270,959**	249,314

Note B2-3 Depreciation and Amortisation

	2020 $'000	2019 $'000
Depreciation – property plant and equipment	**58,278**	50,007
Depreciation – right-of-use assets	**599**	-
Amortisation - intangibles	**3,587**	2,467
Total Depreciation and Amortisation	**62,464**	52,474

Supplies and Services

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

The Townsville HHS receives corporate services support from the Department of Health for no cost. Corporate services received include payroll services, accounts payable services, finance transactional services and taxation services. The cost of services received by the Townsville HHS below fair value is $8.45million (2019: $8.25million), as determined by the Department of Health. The Townsville HHS has brought the income and corresponding expense to account at 30 June 2020 and is included in other supplies and services.

Recent changes to Queensland Health employer arrangements impacting Prescribed Employers effective from 15 June 2020 state all non-executive health service employees will become employees of the Department of Health.

A non-prescribed health service employee is described as any employee who is not:

- A Senior Health Service employee (including Senior Medical Officers and Visiting Medical Officers)
- A member of the Health Executive service

This legislative change will impact the 2020-2021 financial year. As a result, non-prescribed employees labour expenses are classified under consultants and contractors.

Lease expenses

Lease expenses include lease rentals for short-term leases and office accommodation payments for non-specialised commercial office accommodation under the Queensland Government Accommodation Office (QGAO) framework. Refer to Note B11 for breakdown of lease expenses and other lease disclosures.

Payments for QFleet leasing arrangements are expensed as incurred and categorised in lease expenses.

Depreciation and Amortisation

Depreciation and amortisation expenses include depreciation on plant and equipment (Note B7), right-of-use assets (Note B11-1) and amortisation of intangibles (Note B7-4).

Note B2-4: Other expenses	2020	2019
	$'000	$'000
Audit fees*	**744**	627
Bank fees	**60**	31
Insurance**	**9,088**	8,092
Inventory written off	**146**	90
Losses from the disposal of non-current assets	**83**	122
Special payments - ex gratia payments***	**227**	145
Other legal costs	**1,020**	828
Journals and subscriptions	**317**	229
Advertising	**385**	415
Interpreter fees	**190**	152
Fees, fines and other charges	**173**	426
Other	**(1)**	(6)
Total other expenses	**12,432**	11,151

* During the 2020 financial year $239,750 fees were quoted for supply of services provided by Queensland Audit Office, the auditor of the agency (2019: $235,000). The Townsville HHS paid $388,000 to other service providers for internal audit services (2019: $437,000). Some of these services will be finalised in the 2020 -2021 financial year and as such are not included in the above Audit fees.

** Includes Queensland Government Insurance Fund (QGIF)

*** Special payments ex-gratia includes gifts and settlements in the nature of damages including loss or damage to a patient's personal effects.

Special Payments

Special payments include ex-gratia expenditure and other expenditure that the Townsville HHS is not contractually or legally obligated to make to other parties. In compliance with the *Financial and Performance Management Standard 2019*, the Townsville HHS maintains a register setting out details of all special payments exceeding $5,000.

Insurance

Queensland Health annually purchases insurance cover for hospital and health services and the Department of Health through the Queensland Government Treasury managed self-insurance scheme, the Queensland Government Insurance Fund (QGIF). For the 2019-2020 policy year, the premium was allocated to each hospital and health service according to the underlying risk of an individual insured party. The hospital and health service premiums cover claims from 1 July 2012. Pre 1 July 2012 claims remain the responsibility of the Department of Health.

Property and general losses above a $10,000 threshold are insured through the Queensland Government Insurance Fund. Health litigation payments above a $20,000 threshold and associated legal fees are also insured through QGIF. Premiums are calculated by QGIF on a risk-assessed basis.

The Department of Health pays premiums to WorkCover Queensland on behalf of all hospital and health services in respect of its obligations for employee compensation. These costs are reimbursed to the department.

Notes about our financial position

This section provides information on the assets used in the operation of the Townsville HHS's service and the liabilities incurred as a result.

B3 CASH AND CASH EQUIVALENTS

	2020 $'000	2019 $'000
Cash at bank and on hand	**45,014**	42,260
Restricted cash*	**13,084**	13,227
Total cash and cash equivalents	**58,098**	55,487

**Refer to Note F2*

Cash and cash equivalents include all cash and cheques receipted at 30 June as well as deposits with financial institutions.

General Trust Funds are managed on an accrual basis and form part of the annual general-purpose financial statements. This money is controlled by the Townsville HHS and forms part of the cash and cash equivalents balance; however, it is restricted as it can only be used for specific purposes. The restricted cash balances are invested under the whole-of-government arrangements with Queensland Treasury Corporation.

B4 RECEIVABLES

	2020 $'000	2019 $'000
Trade receivables	**7,692**	15,910
Less: Loss allowance	**(554)**	(476)
	7,138	15,434
GST input tax credits receivable	**1,542**	1,479
GST payable	**(191)**	(154)
	1,351	1,325
Total receivables	**8,489**	16,759

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. Settlement of these amounts is required within 30 days from invoice date.

Other debtors generally arise from transactions outside the usual operating activities of the Townsville HHS and are recognised at their assessed values. Terms are a maximum of three months, no interest is charged and no security is obtained.

Contract assets which were previously disclosed as part of trade receivables have been moved to Contract Assets, as disclosed within Other Assets (Note B6).

B4-1 IMPAIRMENT OF RECEIVABLES

Accounting policy – Impairment of receivables

The loss allowance for trade and other receivables reflects lifetime expected credit losses and incorporates reasonable and supportable forward-looking information. Economic changes impacting the Townsville HHS's debtors, and relevant industry data form part of the Townsville HHS's impairment assessment.

The Townsville HHS's receivables are from Queensland Government agencies or Australian Government agencies. No loss allowance is recorded for these receivables. Refer to Note C2 for the Townsville HHS credit risk management policies.

Where the Townsville HHS has no reasonable expectation of recovering an amount owed by a debtor, the debt is written-off by directly reducing the receivable against the loss allowance. This occurs when the Townsville HHS has ceased enforcement activity. If the amount of debt written off exceeds the loss allowance, the excess is recognised as an impairment loss.

Disclosure – Credit risk exposure of receivables

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

The Townsville HHS uses a provision matrix to measure the expected credit losses on trade and other debtors. Loss rates are calculated separately for groupings of customers with similar loss patterns by debt type. The Townsville HHS has measured expected credit losses based on the sale of services reflecting the different customer profiles and debt categories for these revenue streams. Debt categories include Medicare ineligibles, inpatient, outpatient, pharmacy, other debt (inter-entity and corporate) and recoverability rates are based on historical loss patterns.

The calculations reflect historical observed default rates calculated using credit losses experienced on past transactions during the last eight years preceding 30 June 2020. The Townsville HHS has not adjusted the credit loss calculation for any forward-looking indicators as national or local macroeconomic factors would not cause a significant change in overall loss value given the gross balance of $1.4 million.

The COVID-19 pandemic has no material impact to credit losses or credit risk on receivables at 30 June 2020.

Set out below is the credit risk exposure on the Townsville HHS's trade and other debtors broken down by debtor types.

	2020			2019		
	Gross receivables $'000	**Loss rate %**	**Expected credit losses $'000**	**Gross receivables $'000**	**Loss rate %**	**Expected credit losses $'000**
Debt Type						
Ineligible - Inpatient	**1,123**	**31%**	**348**	642	34%	218
Ineligible - Outpatient	**319**	**16%**	**51**	279	17%	47
Inpatient	**3,196**	**3%**	**96**	3,359	3%	101
Outpatient	**1,595**	**3%**	**48**	1,101	3%	34
Other - Pharmacy	**41**	**27%**	**11**	113	67%	76
Other	**1,418**	**0%**	**-**	10,416	0%	-
	7,692		**554**	15,910		476

Financial assets (receivables) not impaired 2020

	Not overdue	**1 - 30 days overdue**	**31 - 60 days overdue**	**61 - 90 days overdue**	**More than 90 days overdue**	**Total $'000**
Receivables	**-**	**3,683**	**1,406**	**848**	**1,755**	**7,692**

Financial assets (receivables) not impaired 2019

	Not overdue	**1 - 30 days overdue**	**31 - 60 days overdue**	**61 - 90 days overdue**	**More than 90 days overdue**	**Total $'000**
Receivables	-	10,632	1,543	974	2,285	15,434

Individually impaired financial assets (receivables) 2020

	1 - 30 days overdue	**31 - 60 days overdue**	**61 - 90 days overdue**	**More than 90 days overdue**	**Total $'000**
Receivables (gross)	**163**	**109**	**54**	**228**	**554**
Loss allowance	**(163)**	**(109)**	**(54)**	**(228)**	**(554)**
Carrying amount	**-**	**-**	**-**	**-**	**-**

Individually impaired financial assets (receivables) 2019

	1 - 30 days overdue	**31 - 60 days overdue**	**61 - 90 days overdue**	**More than 90 days overdue**	**Total $'000**
Receivables (gross)	230	56	64	126	476
Loss allowance	(230)	(56)	(64)	(126)	(476)
Carrying amount	-	-	-	-	-

Movements in the loss allowance for receivables are as follows:	**2020 $'000**	**2019 $'000**
Opening balance	**476**	1,900
Receivables written off during the year as uncollectable	**(1,270)**	(1,368)
Additional provisions recognised	**1,348**	(56)
Closing balance	**554**	476

B5 INVENTORIES

Inventories consist mainly of pharmaceutical and clinical supplies held for distribution. Inventories are measured at cost following periodic assessments for obsolescence. Where damaged or expired items have been identified, provisions are made for impairment.

B6 OTHER ASSETS

	2020 $'000	2019 $'000
Current		
Prepayments	**2,567**	1,771
Contract assets	**1.938**	-
Other	**4,419**	-
Total other current assets	**8,924**	1,771

Disclosure – Contract assets

Contract assets arise from contracts with customers and are transferred to receivables when the Townsville HHS's right to payment becomes unconditional, this usually occurs when the invoice is issued to the customer. Accrued revenue that do not arise from contracts with customers are reported as part of Other.

Contract assets were not impaired as they relate primarily to Government contracts and carry minimal risk of non-payment.

B7 PROPERTY, PLANT AND EQUIPMENT

	2020	2019
	$'000	$'000
Land - at fair value	**59,856**	59,833
Buildings - at fair value	**1,353,692**	1,321,695
Less: Accumulated depreciation	**(637,546)**	(653,399)
	716,146	668,296
Plant and equipment - at cost	**159,858**	153,414
Less: Accumulated depreciation	**(103,668)**	(93,560)
	56,190	59,854
Capital works in progress - at cost	**10,696**	17,966
	842,888	805,949

	Land	Buildings	Plant and equipment	Capital works in progress	Total
	$'000	$'000	$'000	$'000	$'000
Balance at 30 June 2018	59,798	651,121	61,809	4,289	777,017
Additions	-	4,283	9,772	20,266	34,321
Disposals	-	(4)	(147)	-	(151)
Revaluation increments	35	33,376	-	-	33,411
Revaluation decrements	-	-	-	-	-
Transfers in*	-	13,854	721	-	14,575
Transfers out**	-	-	(636)	-	(636)
Transfers between classes	-	2,323	1,685	(6,589)	(2,581)
Adjustment to accumulated depreciation on transfers in	-	-	-	-	-
Depreciation expense	-	(36,657)	(13,350)	-	(50,007)
Balance at 30 June 2019	59,833	668,296	59,854	17,966	805,949
Additions	**25**	**9,893**	**8,924**	**7,836**	**26,678**
Disposals	**-**	**1**	**(77)**	**-**	**(76)**
Revaluation increments	**-**	**68,420**	**-**	**-**	**68,420**
Revaluation decrements	**(2)**	**-**	**-**	**-**	**(2)**
Transfers in	**-**	**-**	**197**	**-**	**197**
Transfers between classes	**-**	**14,362**	**744**	**(15,106)**	**-**
Adjustment to accumulated depreciation on transfers in	**-**	**-**	**-**	**-**	**-**
Depreciation expense	**-**	**(44,826)**	**(13,452)**	**-**	**(58,278)**
Balance at 30 June 2020	**59,856**	**716,146**	**56,190**	**10,696**	**842,888**

NB: adjustments have been made to accumulated depreciation to recognise assets transferred in and out of the Townsville HHS..

Note B7-1: Accounting Policies

Property, Plant and Equipment

Recognition threshold for property, plant and equipment

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

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

Key Judgement: Expenditure is only capitalised if it increases the service potential or useful life of the existing asset. Maintenance expenditure that merely restores original service potential (arising from ordinary wear and tear, for example) is expensed.

Acquisition of Assets

Actual cost is used for the initial recording of all non-current asset acquisitions. Cost is determined as the value given as consideration plus costs incidental to the acquisition, including all other costs incurred in getting the assets ready for use.

Assets under construction are at cost until they are ready for use. The construction of major health infrastructure assets is managed by the Department of Health on behalf of the Townsville HHS. These assets are assessed at fair value upon practical completion by an independent valuer. They are then transferred from the Department of Health to the Townsville HHS via an equity adjustment.

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

Assets acquired at no cost or for nominal consideration, other than from an involuntary transfer from another Queensland Government entity, are recognised at their fair value at date of acquisition in accordance with AASB 116 *Property, Plant and Equipment*.

Subsequent measurement of property, plant and equipment

Land and buildings are subsequently measured at fair value as required by Queensland Treasury's Non-Current Asset Policies for the Queensland Public Sector. These assets are reported at their revalued amounts, being the fair value at the date of valuation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses where applicable. 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.

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

Depreciation

Land is not depreciated as it has an unlimited useful life. Buildings, plant and equipment are depreciated on a straight-line basis to allocate the revalued amount or net cost of each asset (respectively), less its estimated residual value, progressively over its estimated useful life to the Townsville HHS.

Assets under construction are not depreciated until ready for use.

Any expenditure that increases the capacity or service potential of an asset is capitalised and depreciated over the remaining useful life of the asset to the Townsville HHS.

Key Estimate: The depreciation rate is determined by application of appropriate useful life to relevant non-current asset classes. The useful lives could change significantly because of change in use of the asset, technical obsolescence or some other economic event. The impact on depreciation can be significant and could result in a write-off of the asset.

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

Class	Rate
Buildings	2.5% to 3.3%
Plant and equipment	5% to 33.33%

Impairment of non-current assets

All non-current physical and intangible assets are assessed for indicators of impairment on an annual basis. If an indicator of possible impairment exists, the Townsville HHS determines the asset's recoverable amount. Any amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

The asset's recoverable amount is determined as the higher of the asset's fair value less costs to sell and depreciated replacement costs.

An impairment loss is recognised immediately in the Statement of Comprehensive Income, unless the asset is carried at a revalued amount. When the asset is measured at a revalued amount, the impairment loss is offset against the asset revaluation surplus of the relevant class to the extent available.

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. A reversal of an impairment loss is recognised as income, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Revaluation of Land and Buildings at fair value

Where an asset is revalued using a market or an income valuation approach, any accumulated impairment losses at that date are eliminated against the gross amount of the asset prior to restating for the revaluation.

Revaluations using an independent professional valuer are undertaken using a rolling revaluation plan over three years. However, if an asset class experiences significant and volatile changes in fair value, that class is subject to specific appraisal in the reporting period, where practicable, regardless of the timing of the last specific appraisal.

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. The Townsville HHS ensures that the application of such indices results in a valid estimation of the assets' fair values at reporting date.

The valuer supplies the indices used for the various types of assets. Such indices are either publicly available or are derived from market information available to the valuer. The valuer provides assurance of their robustness, validity and appropriateness for application to the relevant assets.

The valuer has taken into consideration the impacts of the COVID-19 pandemic and expect that the impact is not material to the current market conditions and as a result, there is no documented influence on building prices; however, this may have an effect on next year's reporting.

As part of the revaluation process, a change in estimate was made whereby the useful lives of assets recorded at fair value were extended. As a result of these changes, a material uplift in fair value of $27 million was recorded for the Acute Building, Townsville Hospital.

The Townsville HHS has adopted the gross method of reporting revalued assets whereby 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.

Note B7-2: Valuation

Land

For financial reporting purposes, the land and building revaluation process is overseen by the Board and coordinated by senior management and support staff.

Key Judgement: The fair values reported by the Townsville HHS are based on appropriate valuation techniques that maximise the use of available and relevant observable inputs and minimise the use of unobservable inputs.

Land is measured at fair value using indexation or asset-specific independent revaluations, being provided by an independent quantity surveyor, AECOM Australia Pty Ltd. Independent asset specific revaluations are performed with sufficient regularity to ensure land assets are carried at fair value.

Land indices are based on actual market movements for the relevant locations and asset category and are applied to the fair value of land assets on hand. Independent land revaluations were conducted utilising comparative market analysis data as at April 2020.

Buildings

Reflecting the specialised nature of health service buildings, fair value is determined by applying replacement cost methodology or an index which approximates movement in market prices for construction labour and other key resource inputs, as well as changes in design standards as at the reporting date. Both methodologies are executed on behalf of the Townsville HHS by an

independent quantity surveyor and valuer AECOM Australia Pty Ltd. The Townsville HHS undertakes a three-year rolling revaluation plan for valuation of assets. Assets not revalued in a financial year are adjusted through the application of indices.

The valuation methodology for the independent valuation uses historical and current construction costs. The replacement cost of each building at date of valuation is determined by considering Townsville location factors and comparing against current construction costs. The valuation is provided for a replacement building of the same size, shape and functionality that meets current design standards, and is based on estimates of gross floor area, number of floors, building girth and height and existing lifts and staircases.

This method makes an adjustment to the replacement cost of the modern-day equivalent building for any utility embodied in the modern substitute that is not present in the existing asset (e.g. mobility support) to give a gross replacement cost that is of comparable utility (the modern equivalent asset). The methodology makes further adjustment to total estimated life taking into consideration physical obsolescence impacting on the remaining useful life to arrive to the current replacement cost via straight-line depreciation.

For residential buildings held by the Townsville HHS on separate land titles, fair value is determined by reference to independent market revaluations.

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

Assets under construction are not revalued until they are ready for use.

Note B7-3: Intangibles and Amortisation Expense

Recognition and Measurement

Intangible assets of the Townsville HHS with a historical cost or other value equal to or greater than $100,000 are recognised in the financial statements.

Items with a lesser value are expensed. Any training costs are expensed as incurred.

There is no active market for any of the Townsville HHS's intangible assets. As such, the assets are recognised and carried at historical cost less accumulated amortisation and accumulated impairment losses.

Expenditure on research activities relating to internally generated intangible assets is recognised as an expense in the period in which it is incurred.

Costs associated with the internally generated intangible assets are capitalised and amortised under the amortisation policy below.

No intangible assets have been classified as held for sale or form part of a disposal group held for sale.

Amortisation Expense

Accounting Policy

All intangible assets of the Townsville HHS have finite useful lives and are amortised on a straight-line basis over their estimated useful life to the Townsville HHS. Straight line amortisation is used reflecting the expected consumption of economic benefits on a progressive basis over the intangible's useful life. The residual value of all the Townsville HHS's intangible assets is zero.

Useful Life

Key Estimate: For each class of intangible asset the following amortisation rates are used:

Intangible Asset	Useful Life
Software Purchased	5 Years
Internally Generated Intangible Asset	5 years

Impairment

Accounting Policy

All intangible assets are assessed for indicators of impairment on an annual basis. If an indicator of possible impairment exists, the Townsville HHS determines the asset's recoverable amount. Any amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

Intangible assets are principally assessed for impairment by reference to the actual and expected continuing use of the asset by the Townsville HHS, including discontinuing the use of the intangible asset. Recoverable amount is determined as the higher of the asset's fair value less costs to sell and its value-in-use.

Note B7-4: Intangibles

	2020	2019
	$'000	$'000
Total intangibles		
Software work in progress	**-**	2,603
Software generated	**11,661**	8,933
Software purchased	**3,817**	3,666
Software generated - Accumulated amortisation	**(7,230)**	(4,008)
Software purchased - Accumulated amortisation	**(3,317)**	(2,952)
Total intangibles	**4,931**	8,242

2020	Software purchased $'000	Software generated $'000	Software work in progress $'000	Total $'000
Cost	**3,817**	**11,661**	**-**	**15,478**
Less: Accumulated amortisation	**(3,317)**	**(7,230)**	**-**	**(10,547)**
Carrying amount at end of period	**500**	**4,431**	**-**	**4,931**
Movement				
Carrying amount at start of period	**714**	**4,925**	**2,603**	**8,242**
Additions	**151**	**125**	**-**	**276**
Transfers between classes	**-**	**2,603**	**(2,603)**	**-**
Amortisation expense	**(365)**	**(3,222)**	**-**	**(3,587)**
Carrying amount at end of period	**500**	**4,431**	**-**	**4,931**

2019	Software purchased $'000	Software generated $'000	Software work in progress $'000	Total $'000
Cost	3,666	8,933	2,603	15,202
Less: Accumulated amortisation	(2,952)	(4,008)	-	(6,960)
Carrying amount at end of period	714	4,925	2,603	8,242
Movement				
Carrying amount at start of period	1,070	7,036	22	8,128
Transfer between classes	-	-	2,581	2,581
Amortisation expense	(356)	(2,111)	-	(2,467)
Carrying amount at end of period	714	4,925	2,603	8,242

B8 PAYABLES

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

Trade and other payables in 2019-2020 incorporates $25 million of accrued contract labour costs relating to the non-prescribed employer arrangement and is payable to the Department of Health. See note B2-2.

Payables are presented as current liabilities unless payment is not due within 12 months from the reporting date.

B9 OTHER LIABILITIES

	2020 $'000	2019 $'000
Current		
Contract liabilities	**608**	-
Unearned other revenue	**11**	1,609
Total other current liabilities	**619**	1,609

Disclosure – Contract liabilities

Contract liabilities arise from contracts with customers while other unearned revenue arise from transactions that are not contracts with customers.

Of the amount included in the contract liability balance at 1 July 2019, $579,000 has been recognised as revenue in 2019-2020. Refer Note G4-1.

B10 EQUITY

Note C10-1: Equity - contributed

	2020 $'000	2019 $'000
Opening balance at beginning of year	**617,243**	629,572
Non-appropriated equity injections		
Minor capital funding	**21,671**	26,616
Non-appropriated equity withdrawals		
Non-cash depreciation funding returned to Department of Health as a contribution towards capital works program	**(62,465)**	(52,467)
Non-appropriated equity asset transfers	**-**	13,522
Net equity injections and equity withdrawals for the period	**576,449**	617,243

Equity contributions consist of cash funds provided for minor capital works $21,671,000 during 2020 ($26,616,000 during 2019) and assets transferred to the Townsville HHS $NIL during 2020 ($13,522,000 during 2019). Equity withdrawals represent the contribution towards the capital works program undertaken by the Department of Health on behalf of the Townsville HHS.

Capital for the Townsville HHS comprises accumulated surpluses and contributed equity. When managing capital, management's objective is to ensure the entity continues as a going concern as well as to meet service delivery outcomes.

Note B10-2: Asset Revaluation Surplus

	2020 $'000	2019 $'000
Land		
Balance at the beginning of the financial year	**30,139**	30,104
Revaluation increments/(decrements)	**(2)**	35
	30,137	30,139
Buildings		
Balance at the beginning of the financial year	**119,152**	85,776
Revaluation increments/(decrements)	**68,420**	33,376
	187,572	119,152
Balance at the end of the financial year	**217,709**	149,291

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

B11 LEASES

A new accounting standard AASB 16 *Leases* came into effect 2019-2020, resulting in significant changes to the Townsville HHS's accounting for leases for which it is a lessee. The transitional impacts of the new standard are disclosed in G4.

Note B11-1: Leases as a Lessee

Right-of-use assets	**Buildings**
	$'000
Balance at 30 June 2019	
Additions recognised on transition to AASB 16	**3,889**
Additions throughout the year	**104**
Disposals	**-**
Depreciation expense	**(599)**
Balance at 30 June 2020	**3,394**

Lease liabilities	**2020**
	$'000
Current	
Lease liabilities	**552**
Non-current	
Lease liabilities	**2,833**
Total	**3,385**

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

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

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

Disclosures – Leases as a lessee

(i) Details of leasing arrangements as lessee

Category/Class of Lease Arrangement	Description of Arrangement
Building leases	Townsville HHS routinely enters into leases for housing and commercial space. Lease payments are subject to market rent reviews and/or CPI adjustments.

(ii) Office accommodation, employee housing and motor vehicles

The Department of Housing and Public Works (DHPW) and QFleet provides the Townsville HHS with access to office accommodation, employee housing and motor vehicles under government-wide frameworks. These arrangements are categorised as procurement of services rather than as leases because DHPW has substantive substitution rights over the assets. The related service expenses are included in Note B2-2.

(iii) Amounts recognised in profit or loss

	2020
	$'000
Interest expense on lease liabilities	**62**
Breakdown of 'Lease expenses' included in Note [B2-2]	**1,875**
Expenses relating to short-term leases and office accommodation payments	**1,353**
Expenses relating to QFleet	**3,228**
Income from subleasing included in 'Property rental' in Note [B1-4]	**(513)**

(iv) Total cash outflow for leases

2018-2019 disclosures under AASB117	**2019**
	$'000
Lease commitments - operating	
Committed at reporting date but not recognised as liabilities, payable:	
within one year	2,168
one year to five years	2,851
more than five years	1,038
	6,057

SECTION C

Notes about risks and other accounting uncertainties

C1 FAIR VALUE MEASUREMENT

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

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

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

A fair-value measurement of a non-financial asset considers 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.

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

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

2020	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Land	**-**	**59,856**	**-**	**59,856**
Buildings	**-**	**1,793**	**714,353**	**716,146**
Total assets	**-**	**61,649**	**714,353**	**776,002**

2019	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Land	-	59,833	-	59,833
Buildings	-	1,627	666,669	668,296
Total assets	-	61,460	666,669	728,129

C2 FINANCIAL RISK MANAGEMENT

A financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. The Townsville HHS holds financial instruments in the form of cash, receivables and payables.

Recognition

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

Classification

Financial instruments are classified and measured as follows:

- Cash and cash equivalents – held at fair-value
- Receivables – held at amortised cost
- Payables – held at amortised cost

The Townsville HHS does not enter into transactions for speculative purposes, or for hedging. Apart from cash and cash equivalents, the Townsville HHS holds no financial assets classified at fair-value through profit or loss.

The Townsville HHS is exposed to a variety of financial risks – credit risk, liquidity risk and market risk. The Townsville HHS holds the following financial instruments by category:

	2020 $'000	2019 $'000
Financial assets		
Cash and cash equivalents	**58,098**	55,487
Financial assets at amortised cost:		
Trade and other receivables	**7,138**	15,434
Net GST input tax credits receivable	**1,351**	1,325
Total Financial Assets	**66,587**	72,246
Financial Liabilities		
Financial liabilities at amortised cost - comprising:		
Trade and other payables	**55,708**	25,264
Lease liabilities (Current and non-current)	**3,385**	-
Total Financial Liabilities	**59,093**	25,264

Risk management is carried out by senior finance executives under policies approved by the Townsville Hospital and Health Board. These policies include identification and analysis of the risk exposure of the Townsville HHS and appropriate procedures, controls and risk limits. Finance reports to the Board monthly.

Risk Exposure	Measurement method
Credit risk	Ageing analysis, cash inflows at risk
Liquidity risk	Monitoring of cash flows by management for short term obligations
Market risk	Interest rate sensitivity analysis

(a) Credit Risk

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

Credit risk on cash deposits is considered minimal given all Townsville HHS deposits are held by the State through Queensland Treasury Corporation and the Commonwealth Bank of Australia and, as such, any reasonable change to trading terms has been assessed not to have a material impact on the Townsville HHS.

The Townsville HHS considers ineligible debtors to have a significantly increased credit risk and measures the loss allowance of such assets at lifetime expected credit losses by debt type.

Ageing of past due but not impaired as well as impaired financial assets are disclosed in Note B4.

(b) Liquidity risk

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

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

The Townsville HHS has an approved overdraft facility of $7.5 million under whole-of-government banking arrangements to manage any short-term cash shortfall. As at 30 June 2020, the Townsville HHS had not drawn down on this facility.

(c) Market risk

The Townsville HHS is not exposed to fluctuations in market prices; market-risk exposure is limited to interest-rate risk. Townsville HHS's only interest-rate risk exposure is on its 24-hour call deposits, which are limited to the balance as disclosed in Note B3.

The impact of a reasonably possible change in interest rates has been assessed not to have a material impact on the Townsville HHS.

(d) Fair value measurement

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

C3 CONTINGENCIES

(a) Litigation in Progress

As at 30 June 2020, the following cases were filed in the courts naming the State of Queensland acting through the Townsville Hospital and Health Service as defendant:

	2020 No. of cases	New Cases	Completed Cases	2019 No. of cases
Court				
Health Litigation	59	32	27	54
General Liability	8	6	5	7
Property	4	4	-	-
	71	42	32	61

Health litigation is underwritten by the Queensland Government Insurance Fund. The Townsville HHS's liability in this area is limited to an excess per insurance event of $20,000 for health litigation claims and $10,000 for General Liability and Property claims.

The Townsville HHS'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, but do not anticipate that the amount would exceed $1,300,000 (2019: $1,150,000), being the upmost deductible amount being payable, based on the claims reflected above.

C4 COMMITMENTS

Commitments for capital expenditure at reporting date (inclusive of non-recoverable GST input tax credits) are payable:

	2020 $'000	2019 $'000
Capital expenditure commitments		
Committed at reporting date but not recognised as liabilities, payable:		
Property, plant and equipment	**7,774**	4,137
	7,774	4,137

SECTION D

Budgetary reporting disclosures

D1 BUDGETARY REPORTING DISCLOSURES

In accordance with Accounting Standard AASB 1055, explanations of major variances between actual amounts presented in the financial statements against that of 2019-2020 budgets are disclosed below.

Materiality for Notes commentary is based on the calculation of the line item's actual value percentage of the group total. If the percentage is greater than 5 per cent and $1 million, the line item variance from budget to actual is deemed material.

a) Statement of comprehensive income

Statement of comprehensive income

	Budget 2020	Actual 2020	Variance	Variance	Notes
	$'000	$'000	$'000	%	
Income					
User charges	1,010,018	84,872	(925,146)	-91.60%	(a)
Funding for public health services	-	966,901	966,901	100.00%	(a)
Grants and other contributions	23,075	26,032	2,957	12.81%	(b)
Other revenue	5,219	6,193	974	18.66%	
Total revenue	**1,038,312**	**1,083,998**	**45,686**		
Expenses					
Employee expenses	(719,148)	(731,971)	(12,823)	1.78%	
Supplies and services	(259,067)	(270,959)	(11,892)	4.59%	
Grants and subsidies	(2,617)	(2,731)	(114)	4.36%	
Interest on lease liabilities	-	(62)	(62)	-100.00%	
Depreciation and amortisation	(53,455)	(62,464)	(9,009)	16.85%	(c)
Bad and doubtful debts	-	(1,347)	(1,347)	-100.00%	(d)
Other expenses	(4,025)	(12,432)	(8,407)	208.87%	(e)
Total expenses	**(1,038,312)**	**(1,081,966)**	**(43,654)**		
Operating result for the year	**-**	**2,032**	**2,032**		
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss					
Increase in asset revaluation surplus	-	68,418	68,418		
Other comprehensive income for the year	-	**68,418**	**68,418**		
Total comprehensive income for the year	**-**	**70,450**	**70,450**		

Major variances between 2019-2020 budget and 2019-2020 actual amounts include:

a. Classification change due to AASB 1058 and AASB 15 implementation in year and budget not reflective of change.
b. Grants and other contributions incorporates impacts of COVID-19 income ($3.3million) and impacts of AASB 1058 and AASB 15 in year and recognition of specific purpose recurrent grants from the commonwealth.
c. Increase in replacement cost of assets through revaluations resulting in an increase in depreciation expense, plus amortisation expense on Right of Use (ROU) assets on implementation of AASB 16, compared to budget.
d. No budget provided for bad and doubtful debts.
e. Other expenses incorporates $8.45million for corporate services below fair value. No budget allocation is made for this.

b) Statement of financial position

Statement of financial position	Budget 2020 $'000	Actual 2020 $'000	Variance $'000	Variance %	Notes
Assets					
Current assets					
Cash and cash equivalents	68,472	58,098	(10,374)	-15.15%	(a)
Trade and other receivables	16,303	8,489	(7,814)	-47.93%	(b)
Inventories	9,196	9,674	478	5.20%	
Other assets	1,568	8,924	7,356	469.13%	(b)
Total current assets	**95,539**	**85,185**	**(10,354)**		
Non-current assets					
Property, plant and equipment	791,300	842,888	51,588	6.52%	(c)
Right-of-use assets	-	3,394	3,394	100.00%	(d)
Intangibles	2,772	4,931	2,159	77.89%	(e)
Total non-current assets	**794,072**	**851,213**	**57,141**		
Total assets	**889,611**	**936,398**	**46,787**		
Liabilities					
Current liabilities					
Trade and other payables	30,949	55,708	24,759	80.00%	(f)
Lease Liability	-	552	552	100.00%	
Accrued employee benefits	28,450	5,622	(22,828)	-80.24%	(f)
Other liabilities	8,595	619	(7,976)	-92.80%	(g)
Total current liabilities	**67,994**	**62,501**	**(5,493)**		
Non-Current liabilities					
Lease liabilities	-	2,833	2,833	100.00%	(h)
Total non-current liabilities	-	**2,833**	**2,833**		
Total liabilities	**67,994**	**65,334**	**(2,660)**		
Net assets	**821,617**	**871,064**	**49,447**		
EQUITY					
Contributed	-	576,449	576,449	100%	
Asset revaluation surplus	-	217,709	217,709	100%	
Accumulated surpluses	-	76,906	76,906	100%	
Total equity	-	**871,064**	**871,064**		

Major variances between 2019-2020 budget and 2019-2020 actual amounts include:

a. Increased payments for wages and salaries as a result of increased staffing numbers and payments for capital initiatives.
b. Movement between these categories is attributable to the implementation of AASB 15, which has meant that amounts previously recognised as trade receivables are now categorised as contract assets within the Other Assets category.
c. Variance is attributable to the unanticipated Building Assets revaluation $68.42million and offset by depreciation expense on revaluation.
d. No budget allocation provided for Right of Use (ROU) assets arising from AASB 16 implementation.
e. The budget is not reflective of the carrying amount of the Intangible Asset held during 2019-2020 as $2.6 million was transferred from CWIP in year.
f. Increase in trade payables balance over budget is attributable to the latent payment processes from shared service provider and the effect of the removal of prescribed employees. The removal of prescribed employee status resulted in the accrual for wages (16 days) being reflected in Trade and other payables. As a result non-prescribed employees labour expenses are classified under consultants and contractors.
g. Budget overstated the unearned income for Townsville HHS and the implementation of AASB 15 and AASB 1058 impacted the deferred revenue.
h. No budget allocation provided for Lease liabilities arising from AASB 16 implementation.

c) Statement of cash flows

Statement of cash flows	Budget 2020 $'000	Actual 2020 $'000	Variance $'000	Variance %	Notes
Cash flows from operating activities					
User charges	1,008,153	989,898	(18,255)	-1.81%	
Grants and other contributions	23,075	25,835	2,760	11.96%	(a)
Interest received	620	391	(229)	-36.94%	
Other revenue	20,550	4,815	(15,735)	-76.57%	(b)
Employee expenses	(719,148)	(755,439)	(36,291)	5.05%	(c)
Supplies and services	(273,089)	(241,993)	31,096	-11.39%	(d)
Grants and subsidies	(2,617)	(2,560)	57	-2.18%	
Interest payments on lease liabilities	-	(62)	(62)	100.00%	
Other expenses	(2,350)	(12,408)	(10,058)	428.00%	(e)
Net cash from/(used by) operating activities	**55,194**	**8,477**	**(46,717)**		
Cash flows from investing activities					
Payments for property, plant and equipment	(13,650)	(26,954)	(13,304)	97.47%	(f)
Net cash from/(used by) investing activities	**(13,650)**	**(26,954)**	**(13,304)**		
Cash flows from financing activities					
Proceeds from equity injections	11,300	21,671	10,371	91.78%	(g)
Lease payments	-	(583)	(583)	100.00%	
Proceeds from equity withdrawals	(53,455)	-	53,455	-100.00%	(h)
Net cash from/ (used by) financing activities	**(42,155)**	**21,088**	**63,243**		
Net increase/(decrease) in cash held	**(611)**	**2,611**	**3,222**		
Cash and cash equivalents at the beginning of the financial year	69,083	55,487	(13,596)		
Cash and cash equivalents at the end of the financial year	**68,472**	**58,098**	**(10,374)**		

Major variances between 2019-2020 budget and 2019-2020 actual amounts include:

a. Grants and other contributions reflects increase income arising from COVID-19 and impacts of AASB 15 and AASB 1058.

b. Budget overstates the expected cash flow from other revenue as it incorporates the rolled over opening balances relating to Trust and Research, which do not generate a cash flow in year.

c. Cash payments for employee expenses reflects the increased staffing levels for Townsville HHS for 2019-2020.

d. The budget for supplies and services incorporates the expense for change in non-prescribed employer arrangements of $25 million, which was not paid in year and an expected increase in inventory and prepayment of expenses, which was not realised ($7 million).

e. Other expenses incorporates insurance premium of approximately $8.4 million and legal and professional fees of $1million not reflected in the budget estimate.

f. Payments for Property Plant and Equipment variance is attributable to Townsville HHS capital initiatives spend realised in 2019-2020 but not fully reflected in budget. Payments include purchases for Townsville University Hospital Clinical Services Redevelopment for Endoscopy and Renal Units $9million, Medical Resonance Imaging project $4.7million, Townsville HHS High Voltage Equipment upgrade $2.2million, Heating, Ventilation Air conditioning upgrade projects of $2.8million and $0.5million in COVID-19 asset related purchases.

g. Proceeds from equity injections 2019-2020 budget understated the proceeds from equity injections for minor capital.

h. Proceeds from equity withdrawal budget relates to depreciation funding, however depreciation funding is a non-cash adjustment.

SECTION E

What we look after on behalf of whole-of-government and third parties

E1 PATIENT TRUST FUNDS

	2020 $'000	2019 $'000
Patient Trust receipts and payments		
Receipts		
Amounts receipted on behalf of patients	**9,319**	7,498
Total receipts	**9,319**	7,498
Payments		
Amounts paid to or on behalf of patients	**(9,073)**	(7,451)
Total payments	**(9,073)**	(7,451)
Trust assets and liabilities		
Assets		
Current asset beginning of year	**5,298**	5,251
Total assets	**5,544**	5,298

Patient Trust

The Townsville HHS is responsible for the efficient, effective and accountable administration of patients' monies. Patients' monies/ properties are held in a fiduciary capacity for the benefit of the patient to whom the duty is owed.

Patients' monies do not represent resources controlled by the Townsville HHS. These monies are received and held on behalf of patients and, as such, do not form part of the assets recognised by the Townsville HHS.

The Townsville HHS acts in a trust capacity in relation to patient trust accounts. Although patient funds are not controlled by the Townsville HHS, trust activities are included in the audit performed annually by the Auditor-General of Queensland.

E2 RESTRICTED ASSETS

	2020 $'000	2019 $'000
Study Education and Research Trust		
Revenue	**1,075**	1,201
Education and professional development	**(325)**	(196)
Travel	**(7)**	(6)
Equipment	**(11)**	(5)
Research grants and expenses	**(756)**	(1,017)
Total Payments	**(1,099)**	(1,224)
Surplus for the year	**(24)**	(23)
Current asset beginning of year	**10,285**	10,308
Current asset end of year	**10,261**	10,285
Plus: Amounts held in other trusts	**2,823**	2,942
Total General Trust Funds	**13,084**	13,227

Restricted Assets

General Trust transactions incorporate monies received through fundraising activities, donations, and bequests which are held by the Townsville HHS for a stipulated purpose as well as cash contributions arising from the Right of Private Practice arrangements that are specified for study, education and research activities.

The General Trust fund includes Study Education and Research Trust Account (SERTA) as disclosed in this table. Under the MOCA 4 Granted Private Practice Revenue Retention arrangement, service-retention amounts generated by doctors after reaching the threshold allowable under the retention arrangement are held in trust for specific purposes of study, education and research activities.

General Trust Funds are managed on an accrual basis and form part of the annual general-purpose financial statements. This money is controlled by the Townsville HHS and forms part of the cash and cash equivalents balance (refer to Note B3); however, it is restricted as it can only be used for specific purposes. At 30 June 2020 amounts of $13,084,000. (2019: $13,227,000) are set aside for the specified purpose of the underlying contribution.

Given that funds generated from private practice arrangements are reflected in the Statement of Comprehensive Income when the services are rendered, the timing of SERTA expenditure can impact on the overall Townsville HHS operating result. For instance, a positive financial impact will result when SERTA revenue exceeds SERTA expenditure during any given financial year. Conversely, a negative financial impact will result when SERTA expenditure exceeds SERTA revenue during any given financial year.

E3 ARRANGEMENTS FOR THE PROVISION OF PUBLIC INFRASTRUCTURE BY OTHER ENTITIES

The Department of Health, prior to the establishment of the Townsville HHS, had entered into several contractual arrangements with private sector entities for the construction and operation of public infrastructure facilities for a period of time on land now controlled by the Townsville HHS (Public Private Partnership (PPP) arrangements).

Although the land on which the facilities have been constructed remains an asset of the Townsville HHS, the Townsville HHS does not control the facilities with these arrangements. Therefore, these facilities are not recorded as assets. The Townsville HHS received rights and incurs obligations under these arrangements including:

a. rights and obligations to receive and pay cash flows in accordance with the respective contractual arrangements and
b. rights to receive the facilities at the end of the contractual term.

The arrangements have been structured to minimise risk exposure for the Townsville HHS. The Townsville HHS has not recognised any rights or obligations that may attach to those arrangements.

Public Private Partnership arrangements operating during the financial year are as follows:

	2020 $'000	2019 $'000
Revenue and expenses		
Revenue		
Medilink	**42**	41
Goodstart Early Learning	**16**	15
Total revenue	**58**	56

Medilink

The developer has constructed an administrative and retail complex on the site at Townsville University Hospital. Rental of $36,000 per annum, escalated for CPI annually will be received from the facility owner up to January 2042. The facility owner operates and maintains the facility at its sole cost and risk. Estimated net rent receivable to 2042 is $1,255,050 (2019: $1,297,050).

Goodstart Early Learning Centre

The developer has constructed a childcare facility on the site at Townsville University Hospital. Rental of $14,000 per annum, escalated for CPI annually will be received from the facility owner up to February 2044. The facility owner operates and maintains the facility at its sole cost and risk. Estimated net rent receivable to 2042 is $508,188 (2019: $524,188).

In accordance with the relevant provisions of the contractual arrangements, the ownership of the buildings transfers to Townsville HHS at no cost to the Townsville HHS at the expiry of the contractual arrangements.

SECTION F

Other information

F1 KEY MANAGEMENT PERSONNEL AND REMUNERATION

Key management personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of the Townsville HHS, directly or indirectly, including any director of the Townsville HHS. The following persons were considered key management personnel of the Townsville HHS during the current financial year:

Key management personnel and remuneration disclosures are made in accordance with Section 5 of the Financial Reporting Requirements for Queensland Government Agencies issued by Queensland Treasury. The Townsville HHS's responsible Minister, the Hon Steven Miles MP, is identified as part of the Townsville HHS's KMP, consistent with the additional guidance included in the revised version of AASB 124 *Related Party Disclosures*.

Position	Name	Contract classification and appointment authority	Initial Appointment date
Chair of Townsville Hospital and Health Board (Townsville HHB) and Chair of Townsville HHB Executive Committee	Tony Mooney AM	*Hospital and Health Boards Act 2011* Tenure: 18/05/2020 - 31/03/2024	18/05/2016
Deputy Chair Townsville HHB and Chair of Townsville HHB Finance Committee	Michelle Morton	*Hospital and Health Boards Act 2011* Tenure: 18/05/2019 - 17/05/2021	29/06/2012
Board Member Townsville HHB and Chair of Townsville HHB Audit and Risk Committee	Debra Burden	*Hospital and Health Boards Act 2011* Tenure: 18/05/2020 - 31/03/2024	18/05/2016
Board Member Townsville HHB	Christopher Castles	*Hospital and Health Boards Act 2011* Tenure: 18/05/2019 - 31/03/2022	18/05/2016
Board Member Townsville HHB and Chair of Townsville HHB Safety and Quality Committee	Dr Eric Guazzo OAM	*Hospital and Health Boards Act 2011* Tenure: 18/05/2018 - 17/05/2020	29/06/2012
Board Member Townsville HHB	Nicole Hayes	*Hospital and Health Boards Act 2011* Tenure: 18/05/2020 - 31/03/2024	18/05/2019
Board Member Townsville HHB	Danette Hocking	*Hospital and Health Boards Act 2011* Tenure: 18/05/2019 - 31/03/2022	18/05/2019
Board Member Townsville HHB and Chair of Townsville HHB Stakeholder Engagement Committee	Professor Ajay Rane OAM	*Hospital and Health Boards Act 2011* Tenure: 18/05/2020 - 31/03/2024	18/05/2017
Board Member Townsville HHB	Robert 'Donald' Whaleboat	*Hospital and Health Boards Act 2011* Tenure: 18/05/2019 - 31/03/2022	27/07/2012
Board Member Townsville HHB	Georgina Whelan	*Hospital and Health Boards Act 2011* Tenure: 18/05/2020 - 31/03/2024	18/05/2020

Position	Name	Contract classification and appointment authority	Initial Appointment date
Health Service Chief Executive - responsible for the strategic direction and the efficient, effective and economic administration of the health service.	Kieran Keyes	S24/S70 01 *Hospital and Health Boards Act 2011*	13/11/2017
Chief Operating Officer - responsible for the efficient operation of the health service providing strategic leadership and direction for the Townsville HHS service delivery.	Stephen Eaton	HES3-2 01 *Hospital and Health Boards Act 2011*	12/11/2018
Chief Finance Officer - responsible for strategic leadership and direction over the efficient, effective and economic financial administration of the Townsville HHS.	Matthew Rooney	HES3-1 01 *Hospital and Health Boards Act 2011*	03/07/2019
Executive Director Clinical Governance - provides strategic oversight of the safety and quality functions across the Townsville HHS.	Dr Tracey Bessell	HES2-3 01 *Hospital and Health Boards Act 2011*	03/01/2017 – 08/01/2020
Executive Director Clinical Governance - provides strategic oversight of the safety and quality functions across the Townsville HHS.	Marina Daly	HES2-3 01 *Hospital and Health Boards Act 2011*	12/11/2019
Executive Director Human Resources and Engagement - provides strategic human resource management for Townsville HHS.	Sam Galluccio	HES2-5 01 *Hospital and Health Boards Act 2011*	04/07/2017
Executive Director Digital Health and Knowledge Management - responsible for providing strategic and operational leadership of Health and Knowledge resources for Townsville HHS.	Louise Hayes	HES2-3 01 *Hospital and Health Boards Act 2011*	11/03/2019
Executive Director Allied Health - provides professional leadership for all allied health practitioners, including professional governance, credentialing, education and research for Townsville HHS.	Danielle Hornsby	HP8-3 01 *Health Practitioners and Dental Officers (Queensland Health) Award – State 2015*	13/11/2017
Executive Director Medical Services - responsible for providing strategic and operational leadership of medical service delivery of the Townsville HHS.	Dr Andrew Johnson	MMO14 01 *Hospital and Health Boards Act 2011*	01/07/2012
Executive Director Corporate and Strategic Governance - provides effective leadership, design and implementation of strategic planning and governance initiatives to enhance informed decision making of the Townsville HHS.	Sharon Kelly	HES2-3 01 *Hospital and Health Boards Act 2011*	09/04/2018
Executive Director Aboriginal and Torres Strait Islander Health - provides strategic oversight and operational leadership for indigenous liaison, workforce management and cultural practices.	Dallas Leon	HES2-3 01 *Hospital and Health Boards Act 2011*	17/07/2018
Executive Director Nursing and Midwifery Services - responsible for providing strategic and operational leadership of nursing and midwifery services of the Townsville HHS.	Judith Morton	NRG13-2 01 *Hospital and Health Boards Act 2011*	01/12/2014
Acting Executive Director Medical Services - responsible for providing strategic and operational leadership of medical service delivery of the Townsville HHS.	Dr Niall Small	MMO14 01 *Hospital and Health Boards Act 2011*	04/03/2019 - 09/10/2019 17/02/2020

Ministerial remuneration entitlements are outlined in the Legislative Assembly of Queensland's Members' Remuneration Handbook. The Townsville HHS does not bear any cost of remuneration of Ministers. Most 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.

The Townsville Hospital and Health Service is independently and locally controlled by the Hospital and Health Board (the Board). The Board appoints the Health Service Chief Executive and exercises significant responsibilities at a local level, including controlling the financial management of the Townsville HHS and the management of the Townsville HHS land and buildings (section 7 *Hospital and Health Board Act 2011)*. Remuneration arrangements for the Townsville HHS Board are approved by the Governor in Council and the chair, deputy chair and members are paid an annual fee consistent with the government procedures titled 'Remuneration procedures for part-time chairs and members of Queensland Government bodies'.

Remuneration policy for the Townsville HHS's other KMP is set by the Queensland Public Service Commission as provided for under the *Public Service Act 2008* and the *Industrial Relations Act 2016*. Individual remuneration and other terms of employment (including motor vehicle entitlements and performance payments if applicable) are specified in employment contracts.

Remuneration expenses for those KMP comprise the following components:

Short-term employee expenses, including:

- salary, allowances and leave entitlements earned and expensed for the entire year, or for that part of the year during which the employee occupied a KMP position;
- performance payments recognised as an expense during the year; and
- non-monetary benefits – consisting of provision of vehicle together with fringe benefits tax applicable to these benefits.

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 on termination of employment or acceptance of an offer of termination of employment.

2020	Short- term benefits		Post-employment benefits	Long-term benefits	Termination benefits	Total
	Monetary	Non-monetary				
	$'000	$'000	$'000	$'000	$'000	$'000
Tony Mooney AM	100	-	9	-	-	**109**
Michelle Morton	52	9	5	-	-	**66**
Debra Burden	55	9	5	-	-	**69**
Christopher Castles	54	9	5	-	-	**68**
Dr Eric Guazzo OAM	48	9	4	-	-	**61**
Nicole Hayes	51	-	5	-	-	**56**
Danette Hocking	51	-	5	-	-	**56**
Professor Ajay Rane OAM	54	-	5	-	-	**59**
Robert Whaleboat	51	-	5	-	-	**56**
Georgina Whelan	6	-	1	-	-	**7**
Kieran Keyes	376	9	38	8	-	**431**
Stephen Eaton	225	9	23	5	-	**262**
Matthew Rooney	225	6	23	5	-	**259**
Dr Tracey Bessell	97	7	9	2	40	**155**
Marina Daly	142	9	10	3	-	**164**
Sam Galluccio	220	9	22	6	-	**257**
Louise Hayes	208	9	20	4	-	**241**
Danielle Hornsby	201	8	23	4	-	**236**
Dr Andrew Johnson	342	14	24	7	-	**387**
Sharon Kelly	208	-	21	4	-	**233**
Dallas Leon	195	9	19	4	-	**227**
Judith Morton	205	9	21	4	-	**239**
Dr Niall Small	409	10	31	9	-	**459**

2019	Short- term benefits		Post-employment benefits	Long-term benefits	Termination benefits	Total
	Monetary	Non-monetary				
	$'000	$'000	$'000	$'000	$'000	$'000
Tony Mooney AM*	105	-	10	-	-	**115**
Michelle Morton*	60	-	6	-	-	**66**
Debra Burden*	57	-	5	-	-	**62**
Christopher Castles*	59	-	5	-	-	**64**
Dr Eric Guazzo OAM	54	-	5	-	-	**59**
Nicole Hayes	6	-	-	1	-	**7**
Danette Hocking	6	-	-	1	-	**7**
Professor Ajay Rane OAM*	55	-	5	-	-	**60**
Professor Gracelyn Smallwood AO*	51	-	6	-	-	**57**
Shayne Sutton	45	-	4	-	-	**49**
Robert Whaleboat	50	-	5	-	-	**55**
Professor Ian Wronski AO	47	-	4	-	-	**51**
Kieran Keyes	368	9	36	7	-	**420**
Stephen Eaton	214	9	21	4	-	**248**
Dr Tracey Bessell	199	9	20	4	-	**232**
Sam Galluccio	223	9	23	4	-	**259**
Stephen Harbort	151	7	8	1	81	**248**
Louise Hayes	65	-	6	1	-	**72**
Danielle Hornsby	198	-	22	4	-	**224**
Dr Andrew Johnson	562	10	43	11	-	**626**
Sharon Kelly	183	-	18	3	-	**204**
Dallas Leon	190	6	19	4	-	**219**
Rod Margetts	211	-	-	-	-	**211**
Judith Morton	254	9	25	5	-	**293**

*Total short-term monetary remuneration includes retrospective payments (3 years) for participation in both current and former Board Stakeholder Engagement Committees.

F2 RELATED PARTY TRANSACTIONS

Transactions with people/entities related to KMP

Any transactions in the year ended 30 June 2020 between the Townsville HHS and key management personnel, including the people/entities related to key management personnel were on normal commercial terms and conditions and were immaterial in nature.

Transactions with other Queensland Government-controlled entities

The Townsville HHS 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.

	2020 $'000	2019 $'000
Entity – Department of Health		
Revenue	**635,488**	578,836
Expenditure	**88,317**	87,973
Asset	**2,236**	2,186
Liability	**11,469**	152
Entity – Department of Housing and Public Works including QFleet		
Expenditure	**3,193**	3,414
Liability	**-**	-

Department of Health

The Townsville HHS'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 agreement was $635.60million for the year ended 30 June 2020 (2019: $578.84million). For further details on the purchase of health services by the Department refer to Note B1-2.

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 2020, these services totalled $88.32million (2019: $87.97million). In addition, the Townsville HHS receives corporate services support from the Department at no cost. Corporate services received include payroll services, financial transactions services (including accounts payable and banking services), administrative services and information technology services. In 2020 the fair value of these services was $8.45 million (2019: $8.25million). Any associated receivables or payables owing to the Department of Health at 30 June 2020 are included in the balances within Note B6 and Note B9 and separately disclosed in the table above.

The Department of Heath 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 to the Townsville HHS. Throughout the year, funding received 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 refer to the Statement of Changes in Equity.

Department of Housing and Public Works (including QFleet)

Department of Housing and Public Works – Townsville HHS pays rent to the Department of Housing and Public Works for several properties. In addition, the Townsville HHS pays the Department of Housing and Public Works for vehicle fleet management services.

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

Queensland Treasury Corporation

The Townsville Hospital and Health Service holds cash investments with Queensland Treasury Corporation in relation to trust monies which are outlined in (Note E1 and Note E2).

F3 TAXATION

The Townsville HHS is exempted from income tax under the *Income Tax Assessment Act 1936* and is exempted from other forms of Commonwealth taxation except for *Fringe Benefits Tax (FBT)* and *Goods and Service Tax (GST)*.

All FBT and GST reporting to the Commonwealth is managed centrally by the Department of Health, with payments/receipts made on behalf of Townsville HHS reimbursed to/from the Department monthly. GST credits receivable from, and GST payable to the ATO, are recognised on this basis.

Both the Townsville HHS and the Department of Health satisfy section 149-25(e) of the *A New Tax System (Goods and Services) Act 1999 (Cth) (the GST Act)*. Consequently, they were able with other hospital and health services, to form a "group" for GST purposes under Division 149 of the GST Act. Any transactions between the members of the "group" do not attract GST.

Revenues and expenses are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the ATO. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

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

Three new accounting standards with material impact were applied for the first time in 2019-2020:

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

The effect of adopting these new standards are detailed in notes G4-1 to G4-4. No other accounting standards or interpretations that apply to the HHS for the first time in 2019-2020 have any material impact on the financial statements

G4-1 AASB 15 *Revenue from Contracts with Customers*

The Townsville HHS applied AASB 15 *Revenue from Contracts with Customers* for the first time in 2019-2020. The nature and effect of changes resulting from the adoption of AASB 15 are described below.

NEW REVENUE RECOGNITION MODEL

AASB 15 establishes a new five-step model for determining how much and when revenue from contracts with customers is recognised. The five-step model and significant judgments at each step are detailed below.

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

Other changes arising from AASB 15

AASB 15 also specifies the accounting for incremental costs of obtaining a contract and costs directly related to fulfilling a contract.

The standard requires contract assets (accrued revenue) and contract liabilities (unearned revenue) to be shown separately and requires contract assets to be distinguished from receivables.

There are extensive new disclosures, which have been included in Notes B1-1, B1-2, B1-3, B6 and B9.

Transitional impact

Transitional policies adopted are as follows:

- The Townsville HHS applied the modified retrospective transition method and has not restated comparative information for 2018-2019, which continue to be reported under AASB 118 *Revenue,* AASB 111 *Construction Contracts*, and related interpretations.
- The Townsville HHS elected to apply the standard retrospectively to all contracts, including completed contracts, at 1 July 2019. Completed contracts include contracts where the Townsville HHS had recognised all of the revenue in prior periods under AASB 1004 *Contributions*.
- The Townsville HHS applied a practical expedient to reflect, on transition, the aggregate effect of all contract modification that occurred before 1 July 2019.

User charges and fees

To align with new terminology in AASB 15, accrued revenue and unearned revenue arising from contracts with customers have been renamed as contract assets and contract liabilities respectively. They are separately disclosed in Note B6 and Note B9.

In respect of the Service Level Agreement, the Townsville HHS had previously recognised revenue under AASB 1004 *Contributions*. Under AASB 15, three distinct performance obligations were identified, and the transaction price has been allocated to the separate performance obligations. Revenue is recognised when each performance obligation is satisfied.

Grants and contributions

Home and Community Care Commonwealth grants were identified as contracts with customer within the scope of AASB 15. Revenue for these grants was previously recognised on receipt.

The following table summarises the transitional adjustments on 1 July 2019 relating to the adoption of AASB 15. The net impact is recognised as an adjustment to opening accumulated surplus.

	2020 $'000
Receivables – Accrued revenue	-
Other current assets – Contract asset	-
Other current liabilities – Contract liabilities	(579)
Other current liabilities – Unearned revenue	-
Payables – Refund liability	-
Accumulated surplus	579

G4-2 AASB 1058 *Income of Not-for-Profit Entities*

The Townsville HHS applied AASB 1058 *Income of Not-for-Profit Entities* for the first time in 2019-2020. The nature and effect of changes resulting from the adoption of AASB 1058 are described below.

Scope and revenue recognition under AASB 1058

AASB 1058 applies to transactions where the Townsville HHS acquires an asset for significantly less than fair value principally to enable the Townsville HHS to further its objective.

General revenue recognition framework

The revenue recognition framework for in scope transactions, other than specific-purpose capital grants, is as follows.

1. Recognise the asset – e.g. cash, receivables, PP and E, a right-of-use asset or an intangible asset
2. Recognise related amounts – e.g. contributed equity, a financial liability, a lease liability, a contract liability or a provision;(grants and donations in many cases can have nil related amounts)
3. Recognise the difference as income upfront.

Specific-purpose capital grants

In contrast with previous standards such as AASB 1004, AASB 1058 allows deferral of income from capital grants where:

- the grant requires the Townsville HHS to use the funds to acquire or construct a recognisable non-financial asset (such as a building) to identified specifications;
- the grant does not require the Townsville HHS to transfer the asset to other parties; and

- the grant agreement is enforceable.

For these capital grants, the funding received is initially deferred in an unearned revenue liability and subsequently recognised as revenue as or when the Townsville HHS satisfies the obligations under the agreement.

Transitional impact

Transitional policies adopted are as follows:

- The Townsville HHS applied the modified retrospective transition method and has not restated comparative information for 2018-2019. They continue to be reported under relevant standards applicable in 2018-2019, such as AASB 1004.
- The Townsville HHS elected to apply the standard retrospectively to all contracts, including completed contracts, at 1 July 2019. Completed contracts are contracts where the Townsville HHS had recognised all of the revenue in prior periods under AASB 1004.
- The Townsville HHS applied a practical expedient to not remeasure at fair value assets previously acquired for significantly less than fair value and originally recorded at cost.

Revenue recognition for the Townsville HHS's appropriations, taxes, royalties and most grants and contributions will not change under AASB 1058, as compared to AASB 1004. Revenue will continue to be recognised when the HHS gains control of the asset (e.g. cash or receivable) in most instances.

The following table summarises the transitional adjustments on 1 July 2019 relating to the adoption of AASB 1058.

	2020 $'000
Other current liabilities – Unearned revenue	(1,031)
Other non-current liabilities – Unearned revenue	-
Accumulated surplus	1,031

G4-3 Impact of Adoption of AASB 15 and 1058 in the Current Period

The following items show the impacts of adopting AASB 15 and AASB 1058 on the Townsville HHS's 2019-2020 financial statements compared to the actual amounts reported to amounts that would have been reported if the previous revenue standards (AASB 1004, AASB 118, AASB 111 and related interpretations) had been applied in the current financial year.

(a) User changes and fees revenue

During 2019-2020, user charges revenue of $84.87million was recognised under AASB 15. The amount of revenue recognised reflects the performance obligations satisfied during the period and does not materially impact any changes to revenue that would have been recognised on a straight-line basis under the previous standards.

(b) Funding for public health services

During 2019-2020, funding for public health services revenue of $674.09million was recognised under AASB 15 through activity-based funding revenue from the Department of Health and the Australian Government.

(c) Grants and other contributions revenue

During 2019-2020, grant revenue of $25,190,000 was recognised under AASB 15 in relation to Australian Government – Specific purpose recurrent grants and Specific purpose capital grants and Other grants. This amount would not have been recognised under previous standards as all of the revenue had already been recognised in prior periods when the grants were received. At 30 June 2020, a contract liability of $194,000 remains for these grants, this balance would not have existed under the previous standards.

Grants, contributions, donations and gifts that are non-reciprocal in nature are recognised as revenue in the year in which the Townsville HHS obtains control over them. Where a grant has both enforceable performance obligations and a donation component, the grant is allocated between the performance obligations and the donation component.

G4-4 AASB 16 *Leases*

The Townsville HHS applied AASB 16 *Leases* for the first time in 2019-2020. The Townsville HHS applied the modified retrospective transition method and has not restated comparative information for 2018-2019, which continue to be reported under AASB 117 *Leases* and related interpretations.

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

Definition of a lease

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

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

were modified on 1 July 2019.

Amendments to former operating leases for office accommodation and employee housing

In 2018-2019, the Townsville HHS held operating leases under AASB 117 from the Department of Housing and Public Works (DHPW) for non-specialised commercial office accommodation through the Queensland Government Accommodation Office (QGAO) and residential accommodation through the Government Employee Housing (GEH) program.

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

From 2019-2020 onward, the costs for these services are expensed as supplies and services expenses when incurred. The new accounting treatment is due to a change in the contractual arrangements rather than a change in accounting policy.

Changes to lessee accounting

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

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

Lease liabilities

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

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

The discount rate used is the interest rate implicit in the lease equal to the Townsville HHS's incremental borrowing rate for the term of the lease.

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

Right-of-use assets

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

- the amount of the initial measurement of the lease liability

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

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

Short-term leases and leases of low value assets

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

Transitional impact

Former operating leases as lessee

- The majority of the Townsville HHS's former operating leases, other than the exempt DHPW and QFleet leasing arrangements, are now recognised on-balance sheet as right-of-use assets and lease liabilities.
- On transition, lease liabilities were measured at the present value of the remaining lease payments discounted at the Townsville HHS's incremental borrowing rate at 1 July 2019 to which the rate was dependent on the remaining lease term.
- The right-of-use assets were measured at an amount equal to the lease liability
- New right-of-use assets were tested for impairment on transition and none were found to be impaired
- On transition, the Townsville HHS used practical expedients to:
  - not recognise right-of-use assets and lease liabilities for leases that end within 12 months of the date of initial application and leases of low value assets;
  - exclude initial direct costs from the measurement of right-of-use assets; and
  - use hindsight when determining the lease term.

Leases as a lessor

No transitional adjustments were required for leases in which the Townsville HHS is a lessor.

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

	$'000
Right-of-use assets – Buildings	3,818
Lease liabilities	(3,818)
Accumulated surplus	-

Leases as lessor - No transitional adjustments were required for leases in which the department is lessor.

Reconciliation of operating lease commitments at 30 June 2019 to the lease liabilities at 1 July 2019

	$'000
Total undiscounted operating lease commitments at 30 June 2019	6,057
- discounted using the incremental borrowing rate at 1 July 2019	(137)
Present value of operating lease commitments	5,920
- less internal-to-government arrangements that are no longer leases	(2,923)
- less leases with remaining lease term of less than 12 months	(16)
- add/less other adjustments	837
Finance lease liabilities at 30 June 2019	-
Lease liabilities at 1 July 2019	3,818

G5 SUBSEQUENT EVENTS

No matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the agency's operations, the results of those operations, or the agency's future in financial years.

G6 CLIMATE RISK DISCLOSURE

Climate Risk Assessment

The Townsville HHS has not identified any material climate related risks relevant to the financial report at the reporting date, however constantly monitors the emergence of such risks under the Queensland Government's Climate Transition Strategy.

G7 COVID-19

Significant Financial Impacts – COVID-19 Pandemic

The following significant transactions were recognised by the Townsville HHS during 2019-2020 financial year in response to the COVID-19 pandemic.

Significant revenue transactions arising from COVID-19

	$'000
Additional revenue received to fund COVID-19 public health services initiative	3,320

The Townsville HHS has also waived the collection of rental revenue from 28 April 2020 for up to six months, with a review of 1 July 2020. The amount of revenue forgone from 28 April 2020 to 30 June 2020 is calculated to be approximately $25K based on the rental during this time. This amount is not reflected in the significant revenue items above.

G8 OTHER MATTERS

In August 2019, Townsville HHS implemented a new state-wide enterprise resource program (ERP) S/4HANA which preplaced the 20 year-old FAMMIS ERP. Extensive reconciliations were completed to ensure the accuracy of data from the old system balances to new.

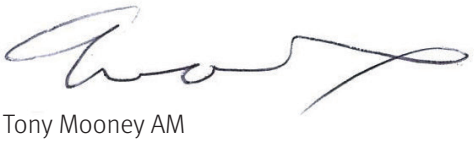
Management certificate

These general-purpose financial statements have been prepared pursuant to Section 62(1) of the *Financial Accountability Act 2009* (the Act), Section 39 of the *Financial and Performance Management Standard 2019* and other prescribed requirements. In accordance with Section 62(1)(b) of the Act we certify that in our opinion:

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

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

c. we acknowledge responsibility under Section 7 and Section 11 of the *Financial and Performance Management Standard 2019* for the establishment and maintenance, in all material respects, of an appropriate and effective system of internal controls and risk management processes with respect to financial reporting throughout the reporting period.



Tony Mooney AM
Board Chair
Townsville Hospital and Health Service
Date: 17/08/2020

Matthew Rooney
Chief Finance Officer
Townsville Hospital and Health Service
Date: 17/08/2020

Kieran Keyes
Health Service Chief Executive
Townsville Hospital and Health Service
Date: 17/08/2020

Independent auditor's report

To the Board of Townsville Hospital and Health Service

Report on the audit of the financial report

Opinion

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

In my opinion, the financial report:

a. gives a true and fair view of the entity's financial position as at 30 June 2020, and its financial performance and cash flows for the year then ended

b. complies with the *Financial Accountability Act 2009*, the Financial and Performance Management Standard 2019 and Australian Accounting Standards.

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

Basis for opinion

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

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

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

Key audit matters

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

Specialised buildings valuation ($716.1 million)

Refer to Note B7 in the financial report**.**

Key audit matter	How my audit addressed the key audit matter
Buildings were material to Townsville Hospital and Health Service at balance date and were measured at fair value. Townsville Hospital and Health Service performed a comprehensive revaluation of approximately one third of its buildings this year, with remaining assets being revalued using indexation. The current replacement cost method comprises: • Gross replacement cost, less • Accumulated depreciation Townsville 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 oncosts) - 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 significant judgements required for gross replacement cost and useful lives are also significant judgements for calculating annual depreciation expense.	My procedures included, but were not limited to: • assessing the adequacy of management's review of the valuation process and results. • reviewing the scope and instructions provided to the valuer. • assessing the appropriateness of the valuation methodology and the underlying assumptions with reference to common industry practices. • assessing the appropriateness of the components of buildings used for measuring gross replacement cost with reference to common industry practices • assessing the competence, capabilities and objectivity of the experts used to develop the models • for unit rates associated with buildings that were comprehensively revaluated 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 • evaluating the relevance and appropriateness of the indices used for changes in cost inputs by comparing to other relevant external indices • Evaluating useful life estimates for reasonableness by: - reviewing management's annual assessment of useful lives - at an aggregated level, reviewing asset management plans for consistency between renewal budgets and the gross replacement cost of assets - ensuring that no building asset still in use has reached or exceeded its useful life - enquiring of management about their plans for assets that are nearing the end of their useful life - reviewing assets with an inconsistent relationship between condition and remaining useful life. • Where changes in useful lives were identified, evaluating whether the effective dates of the changes applied for depreciation expense were supported by appropriate evidence.

Reliance on shared service provider

Refer to Note G8

Key audit matter	How my audit addressed the key audit matter
• The Department of Health (the department) is the shared service provider to Townsville Hospital and Health Service for the management of the financial management information system, and processing of accounts payable transactions in the system. • The Department replaced its primary financial management information system on 1 August 2019. • The financial management system is used to prepare the general-purpose financial statements. It is also the general ledger and it interfaces with other software that manages revenue, payroll, and certain expenditure streams. Its modules are used for inventory and accounts payable management. • The replacement of the financial management system increased the risk of fraud and error in the control environment of the Department and Townsville Hospital and Health Service. • The implementation of the financial management system was a significant business and IT project for the Department and Townsville Hospital and Health Service. It included: - designing and implementing IT general controls and application controls - cleansing and migrating of vendor and open purchase order master data - ensuring accuracy and completeness of closing balances transferred from the old system to the new system - establishing system interfaces with other key software programs - establishing and implementing new workflow processes.	I have reported issues relating to internal control weaknesses identified during the course of my audit to those charged with governance. My procedures included, but were not limited to: • assessing the appropriateness of the IT general and application level controls including system configuration of the financial management system by: - reviewing the access profiles of users with system wide access - reviewing the delegations and segregation of duties - reviewing the design, implementation, and effectiveness of the key general information technology controls. • validating account balances from the old system to the new system to verify the accuracy and completeness of data migrated • documenting and understanding the change in process and controls for how material transactions are processed, and balances are recorded • assessing and reviewing controls temporarily put in place due to changing system and procedural updates • Undertaking significant volume of sample testing to obtain sufficient appropriate audit evidence, including: - verifying the validity of journals processed pre and post go-live - verifying the accuracy and occurrence of changes to bank account details - comparing vendor and payroll bank account details - verifying the completeness and accuracy of vendor payments, including testing for potential duplicate payments. • Assessing the reasonableness of: - the inventory stocktakes for completeness and accuracy - the mapping of the general ledger to the financial statement line items.

Responsibilities of the entity for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

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

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

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

Report on other legal and regulatory requirements

Statement

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

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

Prescribed requirements scope

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

C G Strickland
as delegate of the Auditor-General
Queensland Audit Office
Brisbane
24/08/2020

GLOSSARY

AASB	Australian Accounting Standards Board
ABF	Activity-based Funding
ACHS	Australian Council on Healthcare Standards
AICD	Australian Institute of Company Directors
AIUDS	Adolescent Inpatient Unit and Day Service
AO	Officer of the Order of Australia
ATODS	Alcohol, Tobacco and Other Drugs Services
ATSICAC	Aboriginal and Torres Strait Islander Community Advisory Council
ATSIHLAC	Aboriginal and Torres Strait Islander Health Leadership Committee
BEMS	Building, Engineering and Maintenance Services
BHP	Broken Hill Propriety Company (formerly known as BHP Billiton)
CAC	Consumer Advisory Council
CCON	Critical Care Outreach Navigator
CSIRO	Commonwealth Scientific and Industrial Research Organisation
CTHS	Charters Towers Health Service
DAMA	Discharge Against Medical Advice
DHPW	Department of Housing and Public Works
DoH	Department of Health
DSPI	Dengue Safe Project Ingham
ED	Emergency Department
ESM	Enterprise Scheduling Management
FISS	Facilities, Infrastructure and Support Services
FTE	Full-time equivalent
GEH	Government Employee Housing
HWBSG	Health and Wellbeing Service Group
HiTH	Hospital in the Home
HHS	Hospital and Health Service
HSCE	Health Service Chief Executive
ICARE	Integrity, Compassion, Accountability, Respect, Engagement
ICT	Information Communications Technology
IHLO	Indigenous Hospital Liaison Officer
JCU	James Cook University
KMP	Key Management Personnel

MHSG	Mental Health Service Group
MR	Magnetic Resonance
MSG	Medical Service Group
MOHRI	Minimum Obligatory Human Resource Information is a whole-of- government methodology for reporting and monitoring the workforce
NAIDOC	National Aborigines and Islanders Day Observance Committee
NDIS	National Disability Insurance Scheme
NICU	Neonatal Intensive Care Unit
NQPHN	Northern Queensland Primary Health Network
OAM	Medal of the Order of Australia
OHO	Office of the Health Ombudsman
OST	Opioid Substitution Treatment
PIPHCC	Palm Island Primary Health Care Centre
QGAO	Queensland Government Accomodation Office
QGIF	Queensland Government Insurance Funding
QLD	Queensland
QPS	Queensland Police Service
QWAU	Queensland Weighted Activity Units
RACS	Royal Australasian College of Surgeons
RHSG	Rural Hospitals Service Group
SAVR	Surgical aortic valve replacement
SERTA	Study Education and Research Trust Account
SSG	Surgical Service Group
SMHRU	Secure Mental Health Rehabilitation Unit
TAAHCL	Tropical Australian Academic Health Centre Limited
TAIHS	Townsville Aboriginal and Islander Health Service
TAVR	Transcatheter aortic valve replacement
The Viewer	The Viewer is a read-only web-based application used by clinicians and supporting staff across the state to gain immediate access to vital, real-time clinical information regardless of where the staff member or patient is located within
TIHRI	Townsville Institute of Health Research and Innovation
TPHU	Townsville Public Health Unit
TUH	Townsville University Hospital
WAU	Weighted Activity Units

COMPLIANCE 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	5
Accessibility	• Table of contents • Glossary	ARRs – section 9.1	6 88
	• Public availability	ARRs – section 9.2	3
	• Interpreter service statement	*Queensland Government Language Services Policy* ARRs – section 9.3	3
	• Copyright notice	*Copyright Act 1968* ARRs – section 9.4	3
	• Information Licensing	*QGEA – Information Licensing* ARRs – section 9.5	3
General information	• Introductory Information	ARRs – section 10.1	8, 9
	• Machinery of Government changes	ARRs – section 10.2, 31 and 32	N/A
	• Agency role and main functions	ARRs – section 10.2	10-11
	• Operating environment	ARRs – section 10.3	10-16, 21-24
Non-financial performance	• Government's objectives for the community	ARRs – section 11.1	7
	• Other whole-of-government plans / specific initiatives	ARRs – section 11.2	16
	• Agency objectives and performance indicators	ARRs – section 11.3	30-31
	• Agency service areas and service standards	ARRs – section 11.4	30-31
Financial performance	• Summary of financial performance	ARRs – section 12.1	32-33
Governance – management and structure	• Organisational structure	ARRs – section 13.1	25,19
	• Executive management	ARRs – section 13.2	17-21
	• Government bodies (statutory bodies and other entities)	ARRs – section 13.3	19-20
	• Public Sector Ethics	*Public Sector Ethics Act 1994* ARRs – section 13.4	28-29
	• Human Rights	*Human Rights Act 2019* ARRs – section 13.5	29
	• Queensland public service values	ARRs – section 13.6	10-11
Governance – risk management and accountability	• Risk management	ARRs – section 14.1	27
	• Audit committee	ARRs – section 14.2	20-21
	• Internal audit	ARRs – section 14.3	27
	• External scrutiny	ARRs – section 14.4	27
	• Information systems and recordkeeping	ARRs – section 14.5	28

Summary of requirement		Basis for requirement	Annual report reference
Governance – human resources	• **Strategic workforce planning and performance**	ARRs – section 15.1	25-26
	• **Early retirement, redundancy and retrenchment**	Directive 04/18 *Early Retirement, Redundancy and Retrenchment* ARRs – section 15.2	26
Open Data	• **Statement advising publication of information**	ARRs – section 16	3
	• **Consultancies**	ARRs – section 33.1	https://data.qld.gov.au
	• **Overseas travel**	ARRs – section 33.2	https://data.qld.gov.au
	• **Queensland Language Services Policy**	ARRs – section 33.3	https://data.qld.gov.au
Financial statements	• **Certification of financial statements**	FAA – section 62 FPMS – sections 38, 39 and 46 ARRs – section 17.1	82
	• **Independent Auditor's Report**	FAA – section 62 FPMS – section 46 ARRs – section 17.2	83-87

FAA *Financial Accountability Act 2009*

FPMS *Financial and Performance Management Standard 2019*

ARRs Annual report requirements for Queensland Government agencies

ANNUAL REPORT 2019–2020
Townsville Hospital and Health Service
www.townsville.health.qld.gov.au