



Level 9
State Administration Centre
200 Victoria Square
Adelaide SA 5000
Tel +618 8226 9640
ABN 53 327 061 410
audgensa@audit.sa.gov.au
www.audit.sa.gov.au

To the Board Chair Flinders and Upper North Local Health Network Incorporated

Opinion

I have audited the financial report of the Flinders and Upper North Local Health Network Incorporated and the consolidated entity comprising the Flinders and Upper North Local Health Network Incorporated and its controlled entities for the financial year ended 30 June 2023.

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Flinders and Upper North Local Health Network Incorporated and its controlled entities as at 30 June 2023, their financial performance and their cash flows for the year then ended in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2023
- a Statement of Financial Position as at 30 June 2023
- a Statement of Changes in Equity for the year ended 30 June 2023
- a Statement of Cash Flows for the year ended 30 June 2023
- Notes, comprising material accounting policy information and other explanatory information
- a Certificate from the Board Chair, the Chief Executive Officer and the Chief Finance Officer.

Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and 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 Flinders and Upper North Local Health Network Incorporated and its controlled entities. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* have been met.

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

Responsibilities of the Chief Executive Officer and the Board for the financial report

The Chief Executive Officer is responsible for the preparation of the financial report that gives a true and fair view in accordance with relevant Treasurer's Instructions issues under the provisions of the *Public Finance and Audit Act 1987* and the Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Chief Executive Officer is responsible for assessing the entity's and consolidated entity's ability to continue as a going concern, taking into account any policy or funding decisions the government has made which affect the continued existence of the entity. The Chief Executive Officer is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

The Board is responsible for overseeing the entity's financial reporting process.

Auditor's responsibilities for the audit of the financial report

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 36(2) of the *Health Care Act 2008*, I have audited the financial report of the Flinders and Upper North Local Health Network Incorporated and its controlled entities for the financial year ended 30 June 2023.

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 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 the 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 Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive Officer
- conclude on the appropriateness of the Chief Executive Officer'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 the opinion. My conclusion is based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause an 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.

My report refers only to the financial report described above and does not provide assurance over the integrity of electronic publication by the entity on any website nor does it provide an opinion on other information which may have been hyperlinked to/from the report.

I communicate with the Chief Executive Officer the Board about, 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 the audit.



Andrew Richardson
Auditor-General

20 September 2023

FLINDERS AND UPPER NORTH LOCAL HEALTH NETWORK
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2023

	Note	Consolidated		Parent	
		2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Income					
Revenues from SA Government	2	150,045	132,830	150,045	132,830
Fees and charges	3	6,635	6,253	6,635	6,253
Grants and contributions	4	9,628	9,152	9,628	9,152
Interest		48	8	47	8
Resources received free of charge	5	1,365	1,358	1,365	1,358
Other revenues/income	7	2,741	3,244	2,741	3,244
Total income		170,462	152,845	170,461	152,845
Expenses					
Staff benefits expenses	8	82,258	81,606	82,258	81,606
Supplies and services	9	78,440	67,417	78,442	67,418
Depreciation and amortisation	17	9,302	9,146	8,832	9,064
Grants and subsidies	10	47	46	47	46
Borrowing costs	20	585	591	585	591
Net loss from disposal of non-current and other assets	6	163	-	163	-
Impairment loss on receivables	13.1	(65)	187	(65)	187
Other expenses	11	217	173	217	604
Total expenses		170,947	159,166	170,479	159,516
Net result		(485)	(6,321)	(18)	(6,671)
Total comprehensive result		(485)	(6,321)	(18)	(6,671)

The accompanying notes form part of these financial statements. The net result and total comprehensive result are attributable to the SA Government as owner.

FLINDERS AND UPPER NORTH LOCAL HEALTH NETWORK
STATEMENT OF FINANCIAL POSITION
For the year ended 30 June 2023

	Note	Consolidated		Parent	
		2023	2022	2023	2022
		\$'000	\$'000	\$'000	\$'000
Current assets					
Cash and cash equivalents	12	9,746	7,288	9,422	7,273
Receivables	13	2,256	2,164	2,221	1,886
Other financial assets	14	1,098	2,156	1,098	2,156
Inventories	15	1,058	1,061	1,058	1,061
Total current assets		14,158	12,669	13,799	12,376
Non-current assets					
Receivables	13	352	263	352	263
Property, plant and equipment	16,17	118,174	123,082	110,554	114,993
Total non-current assets		118,526	123,345	110,906	115,256
Total assets		132,684	136,014	124,705	127,632
Current liabilities					
Payables	19	7,719	7,944	7,721	7,944
Financial liabilities	20	3,088	2,910	3,088	2,910
Staff benefits	21	11,191	11,524	11,191	11,524
Provisions	22	458	422	458	422
Contract liabilities and other liabilities	23	2,678	3,939	2,678	3,939
Total current liabilities		25,134	26,739	25,136	26,739
Non-current liabilities					
Payables	19	490	488	490	488
Financial liabilities	20	26,866	27,819	26,866	27,819
Staff benefits	21	11,303	11,740	11,303	11,740
Provisions	22	1,095	1,013	1,095	1,013
Total non-current liabilities		39,754	41,060	39,754	41,060
Total liabilities		64,888	67,799	64,890	67,799
Net assets		67,796	68,215	59,815	59,833
Equity					
Retained earnings		67,796	68,215	59,815	59,833
Total equity		67,796	68,215	59,815	59,833

The accompanying notes form part of these financial statements. The total equity is attributed to the SA Government as owner.

FLINDERS AND UPPER NORTH LOCAL HEALTH NETWORK
STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2023

CONSOLIDATED

	Note	Retained earnings \$ '000	Total equity \$ '000
Balance at 30 June 2021		66,504	66,504
Net assets received from an administrative restructure	1.6	8,032	8,032
Net result for 2021-22		(6,321)	(6,321)
Total comprehensive result for 2021-22		(6,321)	(6,321)
Balance at 30 June 2022		68,215	68,215
Net result for 2022-23		(485)	(485)
Total comprehensive result for 2022-23		(485)	(485)
Net assets received from an administrative restructure	1.6	66	66
Balance at 30 June 2023		67,796	67,796

PARENT

	Retained earnings \$ '000	Total equity \$ '000
Balance at 30 June 2021	66,504	66,504
Net result for 2021-22	(6,671)	(6,671)
Total comprehensive result for 2021-22	(6,671)	(6,671)
Balance at 30 June 2022	59,833	59,833
Net result for 2022-23	(18)	(18)
Total comprehensive result for 2022-23	(18)	(18)
Balance at 30 June 2023	59,815	59,815

The accompanying notes form part of these financial statements. All changes in equity are attributable to the SA Government as owner.

FLINDERS AND UPPER NORTH LOCAL HEALTH NETWORK
STATEMENT OF CASH FLOWS
For the year ended 30 June 2023

	Note	Consolidated		Parent	
		2023	2022	2023	2022
		\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities					
Cash inflows					
Receipts from SA Government		131,452	115,278	131,452	115,278
Fees and charges		5,694	5,482	5,451	5,483
Grants and contributions		9,656	9,120	9,656	9,120
Interest received		25	4	24	4
Residential aged care bonds received		1,010	765	1,010	765
GST recovered from ATO		5,428	4,086	5,428	4,086
Other receipts		280	85	280	85
Cash generated from operations		153,545	134,820	153,301	134,821
Cash outflows					
Staff benefits payments		(82,866)	(82,973)	(82,866)	(82,973)
Payments for supplies and services		(62,497)	(46,626)	(62,496)	(46,627)
Payments of grants and subsidies		(52)	(46)	(52)	(46)
Interest paid		(585)	(591)	(585)	(591)
Residential aged care bonds refunded		(1,380)	(1,236)	(1,380)	(1,236)
Other payments		(296)	(239)	(296)	(239)
Cash used in operations		(147,676)	(131,711)	(147,675)	(131,712)
Net cash provided by operating activities		5,869	3,109	5,626	3,109
Cash flows from investing activities					
Cash inflows					
Proceeds from sale/maturities of investments		1,058	232	1,058	232
Cash generated from investing activities		1,058	232	1,058	232
Cash outflows					
Purchase of property, plant and equipment		(1,488)	(1,379)	(1,488)	(1,379)
Purchase of investments		-	(400)	-	(400)
Cash used in investing activities		(1,488)	(1,779)	(1,488)	(1,779)
Net cash provided by/(used in) investing activities		(430)	(1,547)	(430)	(1,547)
Cash flows from financing activities					
Cash inflows					
Cash received from restructuring activities		66	15	-	-
Cash generated from financing activities		66	15	-	-
Cash outflows					
Repayment of lease liabilities		(3,047)	(2,810)	(3,047)	(2,810)
Cash used in financing activities		(3,047)	(2,810)	(3,047)	(2,810)
Net cash provided by/(used in) financing activities		(2,981)	(2,795)	(3,047)	(2,810)
Net increase/(decrease) in cash and cash equivalents		2,458	(1,233)	2,149	(1,248)
Cash and cash equivalents at the beginning of the period		7,288	8,521	7,273	8,521
Cash and cash equivalents at the end of the period	12	9,746	7,288	9,422	7,273

FLINDERS AND UPPER NORTH LOCAL HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2023

1. About Flinders and Upper North Local Health Network

The Flinders and Upper North Local Health Network Incorporated (the Hospital) is a not-for-profit incorporated Hospital established under the *Health Care Act 2008* (the Act). The Hospital commenced service delivery on 1 July 2019 following the dissolution of Country Health SA Local Health Network (CHSALHN). Relevant assets, rights and liabilities were transferred from CHSALHN to the Hospital. The financial statements include all controlled activities of this Hospital.

The Hospital consists of the following –

- Community Health Services located at Hawker, Port Augusta, Quorn, Roxby Downs and Whyalla
- Hawker Memorial Hospital
- Leigh Creek Health Service
- Port Augusta Hospital and Regional Health Service
- Quorn Health Service
- Roxby Downs Hospital
- Whyalla Hospital and Health Service

Consolidated Entity

The consolidated entity includes the parent entity, the Incorporated Health Advisory Councils (HACs) and the Incorporated HAC Gift Fund Trusts (GFTs) as listed in note 32.

The HACs were established under the Act to provide a more coordinated, strategic and integrated health care system to meet the health needs of South Australians. HACs are consultative bodies that advise and make recommendations to the Chief Executive of the Department for Health and Wellbeing (the Department) and the Chief Executive Officer of the Hospital on issues related to specific groups or regions. HACs hold assets, manage bequests and provide advice on local health service needs and priorities.

The consolidated financial statements have been prepared in accordance with AASB 10 Consolidated Financial Statements. Consistent accounting policies have been applied and all inter-entity balances and transactions arising within the consolidated entity have been eliminated in full. Information on the consolidated entity's interest in other entities is at note 32.

Administered items

The Hospital has administered activities and resources. Transactions and balances relating to administered resources are presented separately and disclosed in note 33. Except as otherwise disclosed, administered items are accounted for on the same basis and using the same accounting principles as for the Hospital's transactions.

1.1 Objectives and activities

The Hospital is committed to a health system that produces positive health outcomes by focusing on health promotion, illness prevention, early intervention and achieving equitable health outcomes for the Flinders and Upper North region.

The Hospital is part of the SA Health portfolio providing health services for the Flinders and Upper North region. The Hospital is structured to contribute to the outcomes for which the portfolio is responsible by providing health and related services across the Flinders and Upper North region.

The Hospital is governed by a Board which is responsible for providing strategic oversight and monitoring the Hospital's financial and operational performance. The Board must comply with any direction of the Minister for Health and Wellbeing (Minister) or Chief Executive of the Department.

The Chief Executive Officer is responsible for managing the operations and affairs of the Hospital and is accountable to, and subject to the direction of, the Board in undertaking that function.

1.2 Basis of preparation

These financial statements are general purpose financial statements prepared in accordance with:

- section 23 of the *Public Finance and Audit Act 1987*;
- *Treasurer's Instructions* and Accounting Policy Statements issued by the Treasurer under the *Public Finance and Audit Act 1987*; and
- relevant Australian Accounting Standards.

The financial statements have been prepared based on a 12 month period and presented in Australian currency. All amounts in the financial statements and accompanying notes have been rounded to the nearest thousand dollars (\$'000). Any transactions in foreign currency are translated into Australian dollars at the exchange rates at the date the transaction occurs. The historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured.

FLINDERS AND UPPER NORTH LOCAL HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2023

Assets and liabilities that are to be sold, consumed or realised as part of the normal operating cycle have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

Significant accounting policies are set out below or throughout the notes.

No Australian Accounting Standards have been early adopted other than AASB 2021-1 which was adopted from 1 July 2021.

1.3 Taxation

The Hospital is not subject to income tax. The Hospital is liable for fringe benefits tax (FBT) and goods and services tax (GST).

Income, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods or services is not recoverable from the Australian Taxation Office (ATO), in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis, and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the ATO is classified as part of operating cash flows.

1.4 Continuity of operations

As at 30 June 2023, the Hospital had working capital deficiency of \$10.976 million (\$14.070 million). The SA Government is committed and has consistently demonstrated a commitment to ongoing funding of the Hospital to enable it to perform its functions. This ongoing commitment is ultimately outlined in the annually produced and published State Budget Papers which presents the SA Government's current and estimated future economic performance, including forward estimates of revenue, expenses and performance by agency.

1.5 Equity

The asset revaluation surplus is used to record increments and decrements in the fair value of land, buildings and plant and equipment to the extent that they offset one another. Relevant amounts are transferred to retained earnings when an asset is derecognised.

1.6 Changes to the Hospital

2022-23

The transfer of net assets consisting of cash (\$0.066 million) from Country Health Gift Fund Health Advisory Council Inc to The Whyalla Hospital and Health Services Health Advisory Council Inc occurred in April 2023.

2021-22

On 27 May 2021 the Minister declared the incorporation of Hawker District Memorial Health Advisory Council, Port Augusta, Roxby Downs, Woomera Health Advisory Council, Quorn Health Services Health Advisory Council and The Whyalla Hospital and Health Services Health Advisory Council. These were previously unincorporated HACs with their net assets vested in Country Health Gift Fund Health Advisory Council Inc. The transfer of assets from Country Health Gift Fund Health Advisory Council Inc and its associated Gift Fund Trust occurred during 2021-22 for the newly incorporated HACs, except for the Gift Fund Trust associated with The Whyalla Hospital and Health Services Health Advisory Council Inc.

Leigh Creek Health Advisory Council elected to not be incorporated and was dissolved effective 23 June 2022.

Net assets transferred in for the consolidated entity consist of land and buildings (\$7.740 million), cash (\$0.015 million) and the right to receive cash (\$0.277 million) for GFT bank accounts, the control of which has passed to the newly incorporated entities.

The transfer of land and buildings was finalised in June 2022 and accordingly, one month's depreciation expense of \$0.041m is reported for the consolidated entity.

1.7 Change in accounting policy

The Hospital did not change any of its accounting policies during the year.

FLINDERS AND UPPER NORTH LOCAL HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2023

2. Revenues from SA Government

	Consolidated		Parent	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Capital projects funding	2,674	955	2,674	955
Operational funding	147,371	131,875	147,371	131,875
Total revenues from SA Government	150,045	132,830	150,045	132,830

The Department provides recurrent and capital funding under a service agreement to the Hospital for the provision of general health services. Contributions from the Department are recognised as revenue when the Hospital obtains control over the funding. Control over the funding is normally obtained upon receipt.

3. Fees and charges

	Consolidated		Parent	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Commissions revenue	4	5	4	5
Patient and client fees	3,707	2,859	3,707	2,859
Private practice fees	121	241	121	241
Fees for health services	1,422	1,324	1,422	1,324
Residential and other aged care charges	742	729	742	729
Sale of goods - medical supplies	244	327	244	327
Other user charges and fees	395	768	395	768
Total fees and charges	6,635	6,253	6,635	6,253

The Hospital measures revenue based on the consideration specified in major contracts with customers and excludes amounts collected on behalf of third parties. All contracts with customers recognised goods and services transferred at a point in time, when the Hospital satisfies performance obligations by transferring the promised goods or services to its customers.

The Hospital recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities (refer to note 23).

The Hospital recognises revenue (contracts with customers) at a point in time from customers including from the following major sources:

Patient and Client Fees

Public health care is free for medicare eligible customers. Non-medicare eligible customers pay in arrears to stay overnight in a public hospital and to receive medical assessment, advice, treatment and care from a health professional. These charges may include doctors, surgeons, anaesthetists, pathology, radiology services etc. Revenue from these services is recognised on a time-and-material basis as services are provided. Any amounts remaining unpaid at the end of the reporting period are treated as an accounts receivable.

Residential and other aged care charges

Long stay nursing home fees include daily care fee and daily accommodation fees. Residents pay fortnightly in arrears for services rendered and accommodation supplied. Residents are invoiced fortnightly in arrears as services and accommodation are provided. Any amounts remaining unpaid or unbilled at the end of the reporting period are treated as an accounts receivable.

Fees for the health services

Where the Hospital has incurred an expense on behalf of another entity, payment is recovered from the other entity by way of a recharge of the cost incurred. These fees can relate to the recharge of salaries and wages, occupancy rent and rates or various goods and services. Revenue is recognised on a time-and-material basis as provided. Any amounts remaining unpaid at the end of the reporting period are treated as an accounts receivable.

FLINDERS AND UPPER NORTH LOCAL HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2023

4. Grants and contributions

	Consolidated		Parent	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Private sector grants and contributions	252	426	252	426
Private sector capital contributions	-	96	-	96
Other SA Government grants and contributions	476	999	476	999
SA Government capital contributions	6	1	6	1
Commonwealth aged care subsidies	29	29	29	29
Commonwealth grants and donations	8,865	7,601	8,865	7,601
Total grants and contributions	9,628	9,152	9,628	9,152

The grants provided are usually subject to terms and conditions set out in the contract, correspondence, or by legislation.

All grants and contributions were provided for specific purposes such as aged care, community health services and other related health services and were recognised in accordance with AASB 1058 *Income of Not-for-Profit Entities*.

5. Resources received free of charge

	Consolidated		Parent	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Services	1,365	1,358	1,365	1,358
Total resources received free of charge	1,365	1,358	1,365	1,358

Contributions of services are recognised only when a fair value can be determined reliably and the services would be purchased if they had not been donated. The Hospital receives Financial Accounting, Taxation, Payroll, Accounts Payable and Accounts Receivable services from Shared Services SA free of charge valued at \$1.000 million (\$0.976 million), and ICT services from the Department of Premier and Cabinet (DPC) valued at \$ 0.365million (\$0.382 million).

Although not recognised, the Hospital receives services from approximately 100 volunteers who provide patient and staff support services to individual using the Hospital and Community services. The services include but are not limited to: patient liaison and support, promotional activities, transport, kiosk and craft.

6. Net gain/(loss) from disposal of non-current and other assets

	Consolidated		Parent	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Plant and equipment:				
Proceeds from disposal	-	-	-	-
Less carrying amount of assets disposed	(100)	-	(100)	-
Net gain/(loss) from disposal of plant and equipment	(100)	-	(100)	-

Land & Buildings:

Total proceeds from disposal	-	-	-	-
Less total carrying amount of assets disposed	(63)	-	(63)	-
Total net gain/(loss) from disposal of assets	(63)	-	(63)	-

Total assets:

Total proceeds from disposal	-	-	-	-
Less total carrying amount of assets disposed	(163)	-	(163)	-
Total net gain/(loss) from disposal of assets	(163)	-	(163)	-

Gains or losses on disposal are recognised at the date control of the asset is passed from the Hospital and are determined after deducting the carrying amount of the asset from the proceeds at that time. When revalued assets are disposed, the revaluation surplus is transferred to retained earnings.

FLINDERS AND UPPER NORTH LOCAL HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2023

7. Other revenues/income

	Consolidated		Parent	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Health recoveries	2,490	3,118	2,490	3,118
Other	251	126	251	126
Total other revenues/income	2,741	3,244	2,741	3,244

8. Staff benefits expenses

	Consolidated		Parent	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Salaries and wages	66,119	67,708	66,119	67,708
Long service leave	1,134	(700)	1,134	(700)
Annual leave	6,503	6,581	6,503	6,581
Skills and experience retention leave	344	338	344	338
Staff on-costs - superannuation*	7,685	7,418	7,685	7,418
Workers compensation	217	35	217	35
Board and committee fees	244	226	244	226
Other staff related expenses	12	-	12	-
Total staff benefits expenses	82,258	81,606	82,258	81,606

* The superannuation employment on-cost charge represents the Hospital's contribution to superannuation plans in respect of current services of staff. The Department of Treasury and Finance (DTF) centrally recognises the superannuation liability in the whole-of-government financial statements.

8.1 Key Management Personnel

Key management personnel (KMP) of the Hospital includes the Minister, the eight (seven) members of the Governing Board, the Chief Executive of the Department, the Chief Executive Officer of the Hospital and the nine (nine) members of the Executive Management Group who have responsibility for the strategic direction and management of the Hospital.

The compensation detailed below excludes salaries and other benefits received by:

- The Minister for Health and Wellbeing. The Minister's remuneration and allowances are set by the *Parliamentary Remuneration Act 1990* and the Remuneration Tribunal of SA respectively and are payable from the Consolidated Account (via DTF) under section 6 of the *Parliamentary Remuneration Act 1990*; and
- The Chief Executive of the Department. The Chief Executive of the Department is compensated by the Department and there is no requirement for the Hospital to reimburse those expenses.

Compensation	2023	2022
	\$'000	\$'000
Salaries and other short term employee benefits	2,156	1,643
Post-employment benefits	399	468
Other long-term employment benefits	29	-
Total	2,584	2,111

The Hospital did not enter into any transactions with key management personnel or their close family during the reporting period that were not consistent with normal procurement arrangements.

8.2 Remuneration of Boards and Committees

The number of board or committee members whose remuneration received or receivable falls within the following bands is:

	2023	2022
	No. of Members	No. of Members
\$1 - \$20,000	9	6
\$20,001 - \$40,000	5	5
\$40,001 - \$60,000	1	1
Total	15	12

The total remuneration received or receivable by members was \$0.263 million (\$0.244 million). Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, salary sacrifice benefits, fringe benefits and related fringe benefits tax. In accordance with the Premier and Cabinet Circular No. 016, government employees did not receive any remuneration for board/committee duties during the financial year.

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Unless otherwise disclosed, transactions between members are on conditions no more favourable than those that it is reasonable to expect the entity would have adopted if dealing with the related party at arm's length in the same circumstances.

Refer to note 34 for members of boards/committees that served for all or part of the financial year and were entitled to receive income from membership in accordance with APS 124.B.

8.3 Remuneration of staff

	Consolidated		Parent	
	2023 Number	2022 Number	2023 Number	2022 Number
The number of staff whose remuneration received or receivable falls within the following bands:				
\$157,001 - \$160,000*	n/a	1	n/a	1
\$160,001 - \$180,000	12	10	12	10
\$180,001 - \$200,000	6	4	6	4
\$200,001 - \$220,000	2	3	2	3
\$220,001 - \$240,000	-	1	-	1
\$300,001 - \$320,000	1	-	1	-
\$360,001 - \$380,000	-	1	-	1
\$480,001 - \$500,000	3	2	3	2
\$500,001 - \$520,000	-	2	-	2
\$520,001 - \$540,000	2	-	2	-
\$540,001 - \$560,000	-	2	-	2
\$560,001 - \$580,000	1	-	1	-
\$580,001 - \$600,000	-	1	-	1
Total number of staff	27	27	27	27

The table includes all staff whose normal remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of staff reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits and fringe benefits and related fringe benefits tax.

*The \$157,001 to \$160,000 band has been included for the purpose of reporting comparative figures based on the executive base level remuneration rate for 2021-22.

8.4 Remuneration of staff by classification

The total remuneration received by staff included above:

	Consolidated				Parent			
	2023		2022		2023		2022	
	No.	\$'000	No.	\$'000	No.	\$'000	No.	\$'000
Medical (excluding Nursing)	9	3,775	11	4,661	9	3,775	11	4,661
Executive	1	208	1	205	1	208	1	205
Nursing	17	2,981	15	2,633	17	2,981	15	2,633
Total	27	6,964	27	7,499	27	6,964	27	7,499

9. Supplies and services

	Consolidated		Parent	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Administration	169	142	169	142
Advertising	62	51	62	51
Communication	587	670	587	670
Computing	2,281	1,751	2,281	1,751
Consultants	191	83	191	83
Contract of services	7,101	7,144	7,101	7,144
Contractors	84	43	84	43
Contractors - agency staff	6,073	2,988	6,073	2,988
Drug supplies	2,715	2,615	2,715	2,615
Electricity, gas and fuel	1,836	1,742	1,836	1,742
Fee for service*	19,754	16,890	19,754	16,890
Food supplies	1,106	1,011	1,106	1,011
Housekeeping	994	956	994	956
Insurance	999	829	999	829
Internal SA Health SLA payments	7,194	6,806	7,194	6,806

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	Consolidated		Parent	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Legal	12	-	12	-
Medical, surgical and laboratory supplies	11,260	10,605	11,260	10,605
Minor equipment	872	1,227	872	1,227
Motor vehicle expenses	267	314	267	314
Occupancy rent and rates	520	411	520	411
Patient transport	788	726	788	726
Postage	179	200	179	200
Printing and stationery	410	423	410	423
Repairs and maintenance	6,175	4,238	6,175	4,238
Security	2,374	2,093	2,374	2,093
Services from Shared Services SA	1,010	982	1,010	982
Short term lease expense	1,173	719	1,173	719
Training and development	357	264	357	264
Travel expenses	369	234	369	234
Other supplies and services	1,528	1,260	1,530	1,261
Total supplies and services	78,440	67,417	78,442	67,418

The Hospital recognises lease payments associated with short term leases (12 months or less) as an expense on a straight line basis over the lease term. Lease commitments for short term leases is similar to short term lease expenses disclosed.

* Fee for Service primarily relates to medical services provided by doctors not employed by the Hospital.

10. Grants and subsidies

The Hospital provided \$0.047 million (\$0.046 million) of funding to non-government organisations for community programs within the Flinders and Upper North region.

11. Other expenses

	Note	Consolidated		Parent	
		2023	2022	2023	2022
		\$'000	\$'000	\$'000	\$'000
Debts written off	13	89	52	89	52
Bank fees and charges		4	4	4	4
Donated assets expense		-	-	-	431
Other*		124	117	124	117
Total other expenses		217	173	217	604

Donated assets expense includes transfer of buildings and is recorded as expenditure at their fair value.

* Includes Audit fees paid or payable to the Auditor-General's Department relating to work performed under the *Public Finance and Audit Act 1987* of \$0.092 million (\$0.082 million). No other services were provided by the Auditor-General's Department. Also includes fees paid or payable to Galpins Accountants Auditors and Business Consultants of \$0.017 million (\$0.013 million) for other audit services.

12. Cash and cash equivalents

	Consolidated		Parent	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Cash at bank or on hand	1,244	606	920	591
Deposits with Treasurer: general operating	8,328	6,395	8,328	6,395
Deposits with Treasurer: special purpose funds	174	287	174	287
Total cash and cash equivalents	9,746	7,288	9,422	7,273

Cash is measured at nominal amounts. The Hospital operates through the Department's general operating account held with the Treasurer and does not earn interest on this account. Interest is earned on accounts holding aged care funds, including refundable deposits. Of the \$9.746million (\$7.288 million) held, \$0.852million (\$0.163 million) relates to aged care refundable deposits.

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13. Receivables

	Note	Consolidated		Parent	
		2023	2022	2023	2022
Current		\$'000	\$'000	\$'000	\$'000
Patient/client fees: compensable		340	340	340	340
Patient/client fees: aged care		71	69	71	69
Patient/client fees: other		320	266	320	266
Debtors		684	1,087	649	809
Less: impairment loss on receivables	13.1	(457)	(522)	(457)	(522)
Prepayments		178	177	178	177
Interest		28	5	28	5
Workers compensation provision recoverable		157	126	157	126
Sundry receivables and accrued revenue		799	531	799	531
GST input tax recoverable		136	85	136	85
Total current receivables		2,256	2,164	2,221	1,886
Non-current					
Debtors		19	23	19	23
Workers compensation provision recoverable		333	240	333	240
Total non-current receivables		352	263	352	263
Total receivables		2,608	2,427	2,573	2,149

Receivables arise in the normal course of selling goods and services to other agencies and to the public. The Hospital's trading terms for receivables are generally 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement. Receivables, prepayments and accrued revenues are non-interest bearing. Receivables are held with the objective of collecting the contractual cash flows and they are measured at amortised cost.

Other than as recognised in the impairment loss on receivables, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk.

13.1 Impairment of receivables

The Hospital has adopted the simplified impairment approach under AASB 9 and measured lifetime expected credit losses on all trade receivables using an allowance matrix as a practical expedient to measure the impairment provision.

Movement in the allowance for impairment loss on receivables:

	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Carrying amount at the beginning of the period	522	335	522	335
Increase/(Decrease) in allowance recognised in profit or loss	(65)	187	(65)	187
Carrying amount at the end of the period	457	522	457	522

Impairment losses relate to receivables arising from contracts with customers that are external to SA Government. Refer to note 30 for details regarding credit risk and the methodology for determining impairment.

14. Other financial assets

The consolidated and parent entities hold term deposits of \$1.098 million (\$2.156 million). Of these deposits, \$0.643 million (\$1.702 million) relates to aged care refundable deposits, with the remaining funds primarily relating to aged care. These deposits are measured at amortised costs. There is no impairment on term deposits.

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15. Inventories

	Consolidated		Parent	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Drug supplies	193	187	193	187
Medical, surgical and laboratory supplies	768	772	768	772
Food and hotel supplies	78	83	78	83
Engineering supplies	2	2	2	2
Other	17	17	17	17
Total current inventories - held for distribution	1,058	1,061	1,058	1,061

All inventories are held for distribution at no or nominal consideration and are measured at the lower of average weighted cost and replacement cost. The amount of any inventory write-down to net realisable value/replacement cost or inventory losses are recognised as an expense in the period the write-down or loss occurred. Any write-down reversals are also recognised as an expense reduction.

16. Property, plant and equipment, investment property and intangible assets

16.1 Acquisition and recognition

Property, plant and equipment owned by the Hospital are initially recorded on a cost basis, and subsequently measured at fair value. Where assets are acquired at no value, or minimal value, they are recorded at their fair value in the Statement of Financial Position. Where assets are acquired at no or nominal values as part of a restructure of administrative arrangements, the assets are recorded at the value held by the transferor public authority prior to the restructure.

The Hospital capitalises owned property, plant and equipment with a value equal to or in excess of \$10,000. Assets recorded as works in progress represent projects physically incomplete as at the reporting date. Componentisation of complex assets is generally performed when the complex asset's fair value at the time of acquisition is equal to or greater than \$5 million for infrastructure assets and \$1 million for other assets.

16.2 Depreciation and amortisation

The residual values, useful lives, depreciation and amortisation methods of all major assets held by the Hospital are reviewed and adjusted if appropriate on an annual basis. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the time period or method, as appropriate.

Depreciation and amortisation are calculated on a straight line basis.

Property, plant and equipment depreciation and amortisation are calculated over the estimated useful life as follows:

<u>Class of asset</u>	<u>Useful life (years)</u>
Buildings and improvements	10 - 80
Right-of-use buildings	2 - 25
Leasehold improvement	Lease term
Plant and equipment:	
• Medical, surgical, dental and biomedical equipment and furniture	2 - 20
• Computing equipment	3 - 5
• Vehicles	2 - 20
• Other plant and equipment	3 - 30
Right-of-use plant and equipment	1 - 3

16.3 Revaluation

All non-current tangible assets are subsequently measured at fair value after allowing for accumulated depreciation (written down current cost).

Revaluation of non-current assets or a group of assets is only performed when the owned asset's fair value at the time of acquisition is greater than \$1.5 million and the estimated useful life exceeds three years. Revaluations are undertaken on a regular cycle. Non-current tangible assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value. If at any time management considers that the carrying amount of an asset greater than \$1.5 million materially differs from its fair value, then the asset will be revalued regardless of when the last revaluation took place.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the asset. Upon disposal or derecognition, any asset revaluation surplus relating to that asset is transferred to retained earnings.

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16.4 Impairment

The Hospital holds its property, plant and equipment for their service potential (value in use). Specialised assets would rarely be sold and typically any costs of disposal would be negligible, accordingly the recoverable amount will be closer to or greater than fair value. Where there is an indication of impairment, the recoverable amount is estimated. For revalued assets, fair value is assessed each year.

There were no indications of impairment of property, plant and equipment as at 30 June 2023.

16.5 Land and buildings

An independent valuation of land and buildings owned by the Hospital was performed in March and April 2018 by Certified Practising Valuers from Jones Lang Lasalle (SA) Pty Ltd and AssetVal (JLT) Pty Ltd as at 1 June 2018, within the regular valuation cycle. Consistent with *Treasurer's Instructions*, a public authority must at least every 6 years obtain a valuation appraisal from a qualified valuer, the next independent valuation is scheduled to occur during the 2023-24 financial year.

Fair value of unrestricted land was determined using the market approach. The valuation was based on recent market transactions for similar land and buildings (non-specialised) in the area and includes adjustment for factors specific to the land and buildings being valued such as size, location and current use. For land classified as restricted in use, fair value was determined by applying an adjustment to reflect the restriction.

Fair value of buildings was determined using depreciated replacement cost, due to there not being an active market. The depreciated replacement cost considered the need for ongoing provision of government services; specialised nature and restricted use of the assets; their size, condition and location. The valuation was based on a combination of internal records, specialised knowledge and acquisitions/transfer costs.

16.6 Plant and equipment

The value of plant and equipment has not been revalued and in accordance with APS 116D, as the carrying value is deemed to be approximate fair value. These assets are classified in Level 3 as there have been no subsequent adjustments to their value, except for management assumptions about the asset condition and remaining useful life.

16.7 Leased property, plant and equipment

Right-of-use assets (including concessional arrangements) leased by the Hospital as lessee are measured at cost, and there were no indications for impairment.

The Hospital has a number of lease agreements, including concessional. Major lease activities include the use of:

- Properties – accommodation for some community health offices and staff accommodation are leased from the private sector, Housing SA and Department for Infrastructure and Transport. Generally, property leases are non-cancellable with many having the right of renewal. Rent is payable in arrears, with increases generally linked to CPI increases. Prior to renewal, most lease arrangements undergo a formal rent review linked to market appraisals or independent valuers.
- Health Facilities – Port Augusta Hospital lease commenced in June 1997 and is for 25 years with an option to renew for 10 years. The base rental for the 25-year term increases according to CPI each quarter. For the 10-year renewal the rental is determined according to a different method related to a valuation of the property and its replacement cost. The Hospital is currently in negotiation to establish a new lease agreement. This is expected to be finalised in 2023-24.
- Motor vehicles – leased from the South Australian government Financing Authority (SAFA) through their agent LeasePlan Australia. The leases are non-cancellable and the vehicles are leased for a specified time period, (usually 3 years) or a specified number of kilometres, whichever occurs first.

The Hospital has not committed to any lease arrangements that have not commenced. The Hospital has not entered into any sub-lease arrangements outside of SA Health.

The lease liabilities related to the right-of-use assets (and the maturity analysis) are disclosed at note 20. Expenses related to leases, including depreciation and interest expense, are disclosed at note 17 and 20. Cash outflows related to leases are disclosed at note 24.

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17. Reconciliation of property, plant and equipment

The following table shows the movement:

Consolidated

2022-23

	Land and buildings:				Plant and equipment:					
	Land \$'000	Buildings \$'000	Right-of- use buildings \$'000	Capital works in progress land and buildings \$'000	Accom- modation and Leasehold improve- ments \$'000	Medical/ surgical/ dental/ biomedical \$'000	Other plant and equipment \$'000	Right-of-use plant and equipment \$'000	Capital works in progress plant and equipment \$'000	Total \$'000
Carrying amount at the beginning of the period	4,260	82,940	29,647	750	2,536	1,326	244	346	1,034	123,083
Additions	-	-	-	1,879	-	12	-	223	498	2,612
Disposals	-	(63)	-	-	-	(54)	(46)	-	-	(163)
Transfers between asset classes	-	-	-	-	-	513	-	-	(513)	-
Transfer to expenses	-	-	-	-	-	-	-	-	(105)	(105)
Remeasurement	-	-	2,049	-	-	-	-	-	-	2,049
Subtotal:	4,260	82,877	31,696	2,629	2,536	1,797	198	569	914	127,476
Gains/(losses) for the period recognised in net result:										
Depreciation and amortisation	-	(5,350)	(2,867)	-	(241)	(532)	(44)	(268)	-	(9,302)
Subtotal:	-	(5,350)	(2,867)	-	(241)	(532)	(44)	(268)	-	(9,302)
Carrying amount at the end of the period*	4,260	77,527	28,829	2,629	2,295	1,265	154	301	914	118,174
Gross carrying amount										
Gross carrying amount	4,260	98,127	39,771	2,629	3,260	3,483	385	726	914	153,555
Accumulated depreciation / amortisation	-	(20,600)	(10,942)	-	(965)	(2,218)	(231)	(425)	-	(35,381)
Carrying amount at the end of the period	4,260	77,527	28,829	2,629	2,295	1,265	154	301	914	118,174

*All property, plant and equipment are classified in the level 3 fair value hierarchy except for capital works in progress (not classified). Refer to note 20 for details about the lease liability for right-of-use assets.

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Consolidated										
2021-22	Land and buildings:				Plant and equipment:					
	Land	Buildings	Right-of-use	Capital	Accommodation	Medical/	Other plant and	Right-of-use	Capital	Total
	\$'000	\$'000	buildings	works in	and	surgical/	equipment	plant and	works in	\$'000
			\$'000	land and	Leasehold	dental/		equipment	progress	
				buildings	improve-	biomedical			plant and	
				\$'000	ments	\$'000			equipment	\$'000
					\$'000				\$'000	\$'000
Carrying amount at the beginning of the period**	3,975	80,348	30,848	754	2,777	1,654	280	436	85	121,157
Additions	-	-	-	471	-	192	-	172	970	1,805
Disposals	-	-	-	-	-	-	-	-	-	-
Acquisition / (disposal) through administrative restructuring	285	7,455	-	-	-	-	-	-	-	7,740
Transfers between asset classes	-	449	-	(475)	-	21	26	-	(21)	-
Remeasurement	-	-	1,527	-	-	-	-	-	-	1,527
Subtotal:	4,260	88,252	32,375	750	2,777	1,867	306	608	1,034	132,229
Gains/(losses) for the period recognised in net result:										
Depreciation and amortisation	-	(5,312)	(2,728)	-	(241)	(541)	(62)	(262)	-	(9,146)
Subtotal:	-	(5,312)	(2,728)	-	(241)	(541)	(62)	(262)	-	(9,146)
Carrying amount at the end of the period*	4,260	82,940	29,647	750	2,536	1,326	244	346	1,034	123,083
Gross carrying amount										
Gross carrying amount	4,260	98,230	37,722	750	3,260	3,233	480	746	1,034	149,715
Accumulated depreciation / amortisation	-	(15,290)	(8,075)	-	(724)	(1,907)	(236)	(400)	-	(26,632)
Carrying amount at the end of the period	4,260	82,940	29,647	750	2,536	1,326	244	346	1,034	123,083

*All property, plant and equipment are classified in the level 3 fair value hierarchy except for capital works in progress (not classified). Refer to note 2 for details about the lease liability for right-of-use assets.

**Correction of opening balances for Buildings and Capital works in progress land and buildings due to incorrect transfer of assets being recorded in 2020-21.

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The following table shows the movement:

Parent

2022-23

	Land and buildings:				Plant and equipment:					
	Land \$'000	Buildings \$'000	Right-of- use buildings \$'000	Capital works in progress land and buildings \$'000	Accom- modation and Leasehold improve- ments \$'000	Medical/ surgical/ dental/ biomedical \$'000	Other plant and equipment \$'000	Right-of-use plant and equipment \$'000	Capital works in progress plant and equipment \$'000	Total \$'000
Carrying amount at the beginning of the period	3,975	75,135	29,647	750	2,536	1,326	244	346	1,034	114,993
Additions	-	-	-	1,879	-	12	-	223	498	2,612
Disposals	-	(63)	-	-	-	(54)	(46)	-	-	(163)
Transfers between asset classes	-	-	-	-	-	513	-	-	(513)	-
Transfer to expenses	-	-	-	-	-	-	-	-	(105)	(105)
Remeasurement	-	-	2,049	-	-	-	-	-	-	2,049
Subtotal:	3,975	75,072	31,696	2,629	2,536	1,797	198	569	914	119,386
Gains/(losses) for the period recognised in net result:										
Depreciation and amortisation	-	(4,880)	(2,867)	-	(241)	(532)	(44)	(268)	-	(8,832)
Subtotal:	-	(4,880)	(2,867)	-	(241)	(532)	(44)	(268)	-	(8,832)
Carrying amount at the end of the period*	3,975	70,192	28,829	2,629	2,295	1,265	154	301	914	110,554
Gross carrying amount										
Gross carrying amount	3,975	90,240	39,771	2,629	3,260	3,483	385	726	914	145,383
Accumulated depreciation / amortisation	-	(20,048)	(10,942)	-	(965)	(2,218)	(231)	(425)	-	(34,829)
Carrying amount at the end of the period	3,975	70,192	28,829	2,629	2,295	1,265	154	301	914	110,554

*All property, plant and equipment are classified in the level 3 fair value hierarchy except for capital works in progress (not classified). Refer to note 20 for details about the lease liability for right-of-use assets.

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Parent 2021-22	Land and buildings:				Plant and equipment:						Total \$'000
	Land \$'000	Buildings \$'000	Right-of- use buildings \$'000	Capital works in progress land and buildings \$'000	Accom- modation and Leasehold improve- ments \$'000	Medical/ surgical/ dental/ biomedical \$'000	Other plant and equipment \$'000	Right-of-use plant and equipment \$'000	Capital works in progress plant and equipment \$'000		
Carrying amount at the beginning of the period**	3,975	80,347	30,848	754	2,777	1,654	280	436	85	121,156	
Additions	-	-	-	471	-	192	-	172	970	1,805	
Disposals	-	-	-	-	-	-	-	-	-	-	
Donated assets disposal	-	-	-	(431)	-	-	-	-	-	(431)	
Transfers between asset classes	-	18	-	(44)	-	21	26	-	(21)	-	
Remeasurement	-	-	1,527	-	-	-	-	-	-	1,527	
Subtotal:	3,975	80,365	32,375	750	2,777	1,867	306	608	1,034	124,057	
Gains/(losses) for the period recognised in net result:											
Depreciation and amortisation	-	(5,230)	(2,728)	-	(241)	(541)	(62)	(262)	-	(9,064)	
Subtotal:	-	(5,230)	(2,728)	-	(241)	(541)	(62)	(262)	-	(9,064)	
Carrying amount at the end of the period*	3,975	75,135	29,647	750	2,536	1,326	244	346	1,034	114,993	
Gross carrying amount											
Gross carrying amount	3,975	90,343	37,722	750	3,260	3,233	480	746	1,034	141,543	
Accumulated depreciation / amortisation	-	(15,208)	(8,075)	-	(724)	(1,907)	(236)	(400)	-	(26,550)	
Carrying amount at the end of the period	3,975	75,135	29,647	750	2,536	1,326	244	346	1,034	114,993	

*All property, plant and equipment are classified in the level 3 fair value hierarchy except for capital works in progress (not classified). Refer to note 2 for details about the lease liability for right-of-use assets.

**Correction of opening balances for Buildings and Capital works in progress land and buildings due to incorrect transfer of assets being recorded in 2020-21.

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18. Fair value measurement

The Hospital classifies fair value measurement using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements, based on the data and assumptions used in the most recent revaluation:

- Level 1 – traded in active markets, and is based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date.
- Level 2 – not traded in an active market, and are derived from inputs (inputs other than quoted prices included within Level 1) that are observable for the asset, either directly or indirectly.
- Level 3 – not traded in an active market, and are derived from unobservable inputs.

The Hospital's current use is the highest and best use of the asset unless other factors suggest an alternative use. As the Hospital did not identify any factors to suggest an alternative use, fair value measurement was based on current use. The carrying amount of non-financial assets with a fair value at the time of acquisition, that was less than \$1.5 million or an estimated useful life that was less than three years are deemed to approximate fair value.

Refer to notes 16 and 18.2 for disclosure regarding fair value measurement techniques and inputs used to develop fair value measurements for non-financial assets.

18.1 Fair value hierarchy

The fair value of non-financial assets must be estimated for recognition and measurement or for disclosure purposes. The Hospital categorises non-financial assets measured at fair value at Level 3 which are all recurring. There are no non-recurring fair value measurements.

The Hospital's policy is to recognise transfers into and out of fair value hierarchy Levels at the end of the reporting period. During 2022 and 2023, the Hospital had no valuations categorized into Level 1 or Level 2.

18.2 Valuation techniques and inputs

Due to the predominantly specialised nature of health service assets, the majority of land and buildings have been undertaken using a cost approach (depreciated replacement cost), an accepted valuation methodology under AASB 13. The extent of unobservable inputs and professional judgement required in valuing these assets is significant.

Unobservable inputs used to arrive at final valuation figures included:

- Estimated remaining useful life, which is an economic estimate and by definition, is subject to economic influences;
- Cost rate, which is the estimated cost to replace an asset with the same service potential as the asset undergoing valuation (allowing for over-capacity), and based on a combination of internal records including: refurbishment and upgrade costs, historical construction costs, functional utility users, industry construction guides, specialised knowledge and estimated acquisition/transfer costs;
- Characteristics of the asset, including condition, location, any restrictions on sale or use and the need for ongoing provision of Government services;
- Effective life, being the expected life of the asset assuming general maintenance is undertaken to enable functionality but no upgrades are incorporated which extend the technical life or functional capacity of the asset; and
- Depreciation methodology, noting that AASB 13 dictates that regardless of the depreciation methodology adopted, the exit price should remain unchanged.

19. Payables

	Consolidated		Parent	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Current				
Creditors and accrued expenses	6,448	6,696	6,450	6,696
Paid Parental Leave Scheme	25	19	25	19
Staff on-costs*	1,181	1,152	1,181	1,152
Other payables	65	77	65	77
Total current payables	7,719	7,944	7,721	7,944

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Non-current				
Staff on-costs*	490	488	490	488
Total non-current payables	490	488	490	488

Total payables	8,209	8,432	8,211	8,432
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Payables are measured at nominal amounts. Creditors and accruals are recognised for all amounts owed and unpaid. Contractual payables are normally settled within 30 days from the date the invoice is first received. All payables are non-interest bearing. The carrying amount of payables approximates net fair value due to their short term nature.

*Staff on-costs include Return to Work SA levies and superannuation contributions and are settled when the respective staff benefits that they relate to are discharged. These on-costs primarily relate to the balance of leave owing to staff. The Hospital makes contributions to several State Government and externally managed superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes. The only liability outstanding at reporting date relates to any contributions due but not yet paid to the South Australian Superannuation Board and externally managed superannuation schemes.

As a result of an actuarial assessment performed by DTF, the portion of long service leave taken as leave is unchanged at 38% and the average factor for the calculation of employer superannuation on-costs has increased from the 2022 rate (10.6%) to 11.1% to reflect the increase in super guarantee. These rates are used in the staff on-cost calculation. The net financial effect of the changes in the current financial year is an increase in the staff on-cost liability and staff benefits expenses of \$0.058 million. The estimated impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of assumptions.

Refer to note 30 for information on risk management.

20. Financial liabilities

	Consolidated		Parent	
	2023	2022	2023	2022
Current	\$'000	\$'000	\$'000	\$'000
Lease liabilities	3,088	2,910	3,088	2,910
Total current financial liabilities	3,088	2,910	3,088	2,910
Non-current				
Lease liabilities	26,866	27,819	26,866	27,819
Total non-current financial liabilities	26,866	27,819	26,866	27,819
Total financial liabilities	29,954	30,729	29,954	30,729

The Hospital has lease liabilities of \$29.954 million (\$30.729 million), which have been measured via discounting lease payments using either the interest rate implicit in the lease (where it is readily determined) or DTF's incremental borrowing rate. There were no defaults or breaches on any of the above liabilities throughout the year.

The borrowing costs associated with these lease liabilities was \$0.585 million (\$0.591 million)

Refer to note 30 for information on risk management.

Refer note 16 and 17 for details about the right-of-use assets (including depreciation)

20.1 Concessional lease arrangements for right-of-use assets

The Hospital has two concessional lease arrangements for right-of-use assets, as lessee, with the Department and Flinders Power.

Right-of-use asset	Nature of arrangements	Details
Buildings and improvements	Terms is for 94 years Payments is \$1.10 per annum	Leigh Creek - Concessional building arrangement for the Health clinic and staff accommodation
Buildings and improvements	Terms is for 25 years Payments is \$1 per annum	Whyalla - Concessional building arrangement for the Hospital

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20.2 Maturity analysis

A maturity analysis of lease liabilities based on undiscounted gross cash flows is reported in the table below:

	Consolidated		Parent	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Lease Liabilities				
1 to 3 years	10,562	9,984	10,562	9,984
3 to 5 years	6,811	6,364	6,811	6,364
5 to 10 years	15,324	15,910	15,324	15,910
More than 10 years	-	1,591	-	1,591
Total lease liabilities	32,697	33,849	32,697	33,849

21. Staff benefits

	Consolidated		Parent	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Current				
Accrued salaries and wages	2,607	2,486	2,607	2,486
Annual leave	6,821	7,168	6,821	7,168
Long service leave	1,022	1,039	1,022	1,039
Skills and experience retention leave	741	738	741	738
Other	-	93	-	93
Total current staff benefits	11,191	11,524	11,191	11,524
Non-current				
Long service leave	11,303	11,740	11,303	11,740
Total non-current staff benefits	11,303	11,740	11,303	11,740
Total staff benefits	22,494	23,264	22,494	23,264

Staff benefits accrue as a result of services provided up to the reporting date that remain unpaid. Non-current staff benefits are measured at present value and current staff benefits are measured at nominal amounts.

21.1 Salaries and wages, annual leave, skills and experience retention leave and sick leave

The liability for salary and wages is measured as the amount unpaid at the reporting date at remuneration rates current at the reporting date.

The annual leave liability and the skills and experience retention leave liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid.

As a result of the actuarial assessment performed by DTF, the salary inflation rate has increased from the 2022 rate (1.50%) to 2.0% for annual leave and skills and experience retention leave liability. As a result, there is an increase in the employee staff benefits liability and employee benefits expenses of \$0.037 million for the current financial year. The impact on future periods is impractical to estimate.

No provision has been made for sick leave, as all sick leave is non-vesting, and the average sick leave taken in future years by staff is estimated to be less than the annual entitlement for sick leave.

21.2 Long service leave

The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by staff up to the end of the reporting period using the projected unit credit method.

AASB 119 *Employee Benefits* contains the calculation methodology for long service leave liability. The actuarial assessment performed by DTF has provided a basis for the measurement of long service leave and is based on actuarial assumptions on expected future salary and wage levels, experience of staff departures and periods of service. These assumptions are based on staff data over SA Government entities and the health sector across government.

AASB 119 requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long-term Commonwealth Government bonds has increased from 2022 (3.75%) to 4.0%. This increase in the bond yield, which is used as the rate to discount future long service leave cash flows, results in a decrease in the reported long service leave liability. The actuarial assessment performed by DTF left the salary inflation rate at 3.50% for long service leave liability. As a result, there is no net financial effect resulting from changes in the salary inflation rate.

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The net financial effect of the changes to actuarial assumptions is a decrease in the long service leave liability of \$0.196 million, payables (staff on-costs) of \$0.008 million and staff benefits expense of \$0.204 million. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of assumptions – a key assumption being the long-term discount rate.

The split for long service leave between current and non-current is based on the best estimate of the amount to be paid in the current year based on leave taken in prior years.

22. Provisions

Provisions represent workers compensation.

Reconciliation of workers compensation (statutory and non-statutory)

	Consolidated		Parent	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Carrying amount at the beginning of the period	1,435	1,683	1,435	1,683
Increase in provisions recognised (per calculation)	128	(162)	128	(162)
Reductions arising from payments/other sacrifices of future economic benefits	(10)	(86)	(10)	(86)
Carrying amount at the end of the period	1,553	1,435	1,553	1,435

Workers compensation

The Hospital is an exempt employer under the *Return to Work Act 2014*. Under a scheme arrangement, the Hospital is responsible for the management of workers rehabilitation and compensation and is directly responsible for meeting the cost of workers' compensation claims and the implementation and funding of preventive programs.

Accordingly, a liability has been reported to reflect unsettled workers compensation claims (statutory and additional compensation schemes). The workers compensation provision is based on an actuarial assessment of the outstanding liability as at 30 June 2023 provided by a consulting actuary engaged through the Office of the Commissioner for Public Sector Employment.

The additional compensation scheme provides continuing benefits to workers who have suffered eligible work-related injuries and whose entitlements have ceased under the statutory workers compensation scheme. Eligible injuries are non-serious injuries sustained in circumstances which involved, or appeared to involve, the commission of a criminal offence, or which arose from a dangerous situation.

There is a significant degree of uncertainty associated with estimated future claim and expense payments and also around the timing of future payments due to the variety of factors involved. The liability is impacted by agency claim experience relative to other agencies, average claim sizes and other economic and actuarial assumptions. In addition to these uncertainties, the additional compensation scheme is impacted by the limited claims history and the evolving nature of the interpretation, and evidence required to meeting, eligibility criteria. Given these uncertainties, the actual cost of additional compensation claims may differ materially from the estimate.

23. Contract liabilities and other liabilities

	Consolidated		Parent	
	2023	2022	2023	2022
Current	\$'000	\$'000	\$'000	\$'000
Contract liabilities	1,143	2,065	1,143	2,065
Residential aged care bonds	1,495	1,866	1,495	1,866
Other	40	8	40	8
Total contract liabilities and other liabilities	2,678	3,939	2,678	3,939

A contract liability is recognised for revenue relating to home care packages, training programs and other health programs received in advance and is realised as agreed milestones have been achieved. All performance obligations from these existing contracts (deferred service income) will be satisfied during the next reporting period and accordingly all amounts will be recognised as revenue.

Residential aged care bonds are accommodation bonds, refundable accommodation contributions and refundable accommodation deposits. These are non-interest bearing deposits made by aged care facility residents to the Hospital upon their admission to

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residential accommodation. The liability for accommodation is carried at the amount that would be payable on exit of the resident. This is the amount received on entry of the resident less applicable deductions for fees and retentions pursuant to the *Aged Care Act 1997*. Residential aged care bonds are classified as current liabilities as the Hospital does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. The obligation to settle could occur at any time. Once a refunding event occurs the other liability becomes interest bearing. The interest rate applied is the prevailing interest rate at the time as prescribed by the Commonwealth Department of Health.

24. Cash flow reconciliation

Reconciliation of cash and cash equivalents at the end of the reporting period	Consolidated		Parent	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Cash and cash equivalents disclosed in the Statement of Financial Position	9,746	7,288	9,422	7,273
Cash as per Statement of Financial Position	9,746	7,288	9,422	7,273
Balance as per Statement of Cash Flows	9,746	7,288	9,422	7,273
Reconciliation of net cash provided by operating activities to net result:				
Net cash provided by (used in) operating activities	5,869	3,109	5,626	3,109
Add/less non-cash items				
Asset donated free of charge	-	-	-	(431)
Capital revenues	901	254	901	254
Depreciation and amortisation expense of non-current assets	(9,302)	(9,146)	(8,832)	(9,064)
Gain/(loss) on sale or disposal of non-current assets	(163)	-	(163)	-
Movement in assets/liabilities				
Increase/(decrease) in inventories	(3)	254	(3)	254
Increase/(decrease) in receivables	181	306	424	305
(Increase)/decrease in other liabilities	1,261	274	1,261	274
(Increase)/decrease in payables and provisions	1	(2,547)	(2)	(2,547)
(Increase)/decrease in staff benefits	770	1,175	770	1,175
Net result	(485)	(6,321)	(18)	(6,671)

Total cash outflows for right-of-use assets is \$3.632 million, (\$3.401 million).

25. Unrecognised contractual commitments

Other Contractual Commitments	Consolidated		Parent	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Within one year	9,478	7,859	9,478	7,859
Later than one year but not longer than five years	58	69	58	69
Total other contractual commitments	9,536	7,928	9,536	7,928

The Hospital expenditure commitments are for agreements for goods and services ordered but not received.

The Hospital also has commitments to provide funding to various non-government organisations in accordance with negotiated service agreements in regards to the maintenance of the Port Augusta Hospital. The value of these commitments as at 30 June 2023 has not been quantified.

26. Trust funds

The Hospital holds money in trust on behalf of consumers that reside in the Hospital facilities whilst the consumer is receiving residential aged care services. As the Hospital only performs a custodial role in respect of trust monies, they are excluded from the financial statements as the Hospital cannot use these funds to achieve its objectives. At the end of the reporting period, the Hospital held \$0.004 million (\$0.002 million) on behalf of consumers.

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27. Contingent assets and liabilities

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed within this note and, if quantifiable are measured at nominal value. The Hospital is not aware of any contingent assets or liabilities. In addition, the Hospital has made no guarantees.

28. Events after balance date

The Hospital is not aware of any material events occurring between the end of the reporting period and when the financial statements were authorised.

29. Impact of Standards not yet implemented

The Hospital continues to assess the impact of the new and amended Australian Accounting Standards and Interpretations not yet implemented and does not expect these to have a material impact on the Hospital's financial statements.

30. Financial instruments/financial risk management

30.1 Financial risk management

The Hospital's exposure to financial risk (liquidity risk, credit risk and market risk) is low due to the nature of the financial instruments held.

Liquidity Risk

The Hospital is funded principally by the SA Government. The Hospital works with SA Government to determine the cash flows associated with the SA Government approved program of work and to ensure funding is provided through SA Government budgetary processes to meet the expected cash flows.

Refer to notes 1.4, 19 and 20 for further information.

Credit risk

The Hospital has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history. The Hospital has minimal concentration of credit risk. No collateral is held as security and no credit enhancements relate to financial assets held by the Hospital.

Refer to notes 12, 13 and 14 for further information.

Market risk

The Hospital does not engage in hedging for its financial assets. Exposure to interest rate risk may arise through interest bearing liabilities, including borrowings. The Hospital's residential aged care refundable deposits become interest bearing once a refunding event occurs as per Note 23. There is no exposure to foreign currency or other price risks.

30.2 Categorisation of financial instruments

Details of the significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement, maturity analysis and the basis on which income and expenses are recognised with respect to each class of financial asset, financial liability and equity instrument are disclosed in the respective financial asset / financial liability note.

Financial assets and financial liabilities are measured at amortised costs except for amounts relating to statutory receivables and payables (eg. Commonwealth taxes; Auditor-General Department audit fees etc) and prepayments are excluded as they are not financial assets or liabilities. Receivables and Payables at amortised cost are \$1.781 million (\$1.772 million) and \$6.407 million (\$6.678 million) respectively

30.3 Credit risk exposure and impairment of financial assets

Loss allowances for receivables are measured at an amount equal to lifetime expected credit loss using the simplified approach in AASB 9.

The Hospital uses an allowance matrix which is used to measure the expected credit loss of receivables from non-government debtors. The expected credit loss of government debtors is considered to be nil based on the external credit ratings and nature of the counterparties. Impairment losses are presented as net impairment losses within net result, subsequent recoveries of amounts previously written off are credited against the same line item.

The carrying amount of receivables approximates net fair value due to being receivable on demand. Receivables are written off when there is no reasonable expectation of recovery and not subject to enforcement activity. Indicators that there is no reasonable expectation of recovery include the failure of a debtor to enter into a payment plan with the Hospital.

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To measure the expected credit loss receivables are grouped based on shared risks characteristics and the days past. When estimating expected credit loss, the Hospital considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Hospital's historical experience and informed credit assessment including forward-looking information.

The assessment of the correlation between historical observed default rates, forecast economic conditions and expected credit loss is a complex estimate. The Hospital's historical credit loss experience and forecast of economic conditions may not be representative of customers' actual default in the future.

Loss rates are calculated based on the probability of a receivable progressing through stages to write off based on the common risk characteristics of the transaction and debtor. The following table provides information about the credit risk exposure and expected credit loss for non-government debtors:

	30 June 2023			30 June 2022		
	Expected credit loss rate(s) %	Gross carrying amount \$'000	Expected credit losses \$'000	Expected credit loss rate(s) %	Gross carrying amount \$'000	Expected credit losses \$'000
Days past due						
Current	1.1 – 6.6%	365	10	0.9 - 2.8 %	280	7
<30 days	2.6 – 33.3%	192	7	2.2 - 3.5%	142	6
31-60 days	5.8 – 46.1%	28	3	5.0 - 6.7 %	138	9
61-90 days	9.3 – 49.5%	35	5	8.7 - 16.2 %	100	13
91-120 days	11.9 – 53.2%	35	6	10.3 - 20.8%	41	9
121-180 days	14.2 - 59.1%	72	16	12.3 - 32.6%	138	29
181-360 days	25.1 - 72.2%	160	66	22.1 - 63.2%	251	92
361-540 days	48.8 - 100%	80	63	45.5 - 96.6%	112	82
>540 days	55.2 - 100%	337	281	51.8 - 100%	328	275
Total		1,304	457		1,530	522

31. Significant transactions with government related entities

The Hospital is controlled by the SA Government.

Related parties of the Hospital include all key management personnel, and their close family members; all Cabinet Ministers and their close family members; and all public authorities that are controlled and consolidated into the whole of government financial statements and other interests of the Government.

Significant transactions with the SA Government are identifiable throughout this financial report.

The Hospital received funding from the SA Government via the Department (note 2), and incurred significant expenditure via the Department for medical, surgical and laboratory supplies, computing and insurance (note 9). The Department transferred capital works in progress of \$0.618 million (\$0.254 million) to the Hospital.

32. Interests in other entities

The Hospital has interests in a number of other entities as detailed below.

Controlled Entities

The Hospital has effective control over, and a 100% interest in, the net assets of the associated HACs. The HACs were established as a consequence of the Act being enacted and certain assets, rights and liabilities of the former Hospitals and Incorporated Health Centres were vested in them with the remainder being vested in the Hospital.

By proclamation dated 26 June 2008, the following assets, rights and liabilities were vested in the Incorporated HACs:

- all real property, including any estate, interest or right in, over or in respect of such property except for all assets, rights and liabilities associated with any land
- all real property, including any estate, interest or right in, over or in respect of such property except for all assets, rights and liabilities associated with any land dedicated under any legislation dealing with Crown land; and

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- all funds and personal property held on trust and bank accounts and investments that are solely constituted by the proceeds of fundraising except for all gift funds, and other funds or personal property constituting gifts or deductible contributions under the Income Tax Assessment Act 1997 (Commonwealth).

The HACs have no powers to direct or make decisions with respect to the management and administration of the Hospital.

The Hospital also has effective control over, and a 100% interest in, the net assets of the associated GFTs. The GFTs were established by virtue of a deed executed between the Department and the individual HAC.

Health Advisory Council and associated Gift Fund Trusts		
Incorporated HACs		
Hawker District Memorial Health Advisory Council Inc	Port Augusta, Roxby Downs, Woomera Health Advisory Council Inc	Quorn Health Services Health Advisory Council Inc
The Whyalla Hospital and Health Service Health Advisory Council Inc	Hawker District Memorial Health Advisory Council Inc Gift Fund Trust	Port Augusta, Roxby Downs, Woomera Health Advisory Council Inc Gift Fund Trust
Quorn Health Services Health Advisory Council Inc Gift Fund Trust		The Whyalla Hospital and Health Service Health Advisory Council Gift Fund Trust

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33. Board and committee members

Members of boards/committees that served for all or part of the financial year and were entitled to receive income from membership in accordance with APS124.B were:

Board/Committee name:	Government employee members	Other members
Flinders and Upper North Local Health Network Governing Board	-	Whitfield M (Chair), Brady G (resigned 30/06/2022), Graham S, Lynch J (resigned 30/06/2023), Malone G, Reid K (resigned 30/06/2023), Cogan S, Ward R (appointed 14/03/2023), Warren C (appointed 14/03/2023),
Flinders and Upper North Local Health Network Risk Management and Audit Committee*	-	Prestwich P, Plew S, Walters C
Flinders and Upper North Local Health Network Consumer and Community Engagement Committee*	-	Shute J, Screen A, Misan G

*only independent members are entitled to receive remuneration for being a member on this committee.

Refer to note 8.2 for remuneration of board and committee members

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34. Schedules of administered items

The Hospital administers arrangements at the Hawker Medical Centre. Fees and charges are collected on behalf of doctors that work in the Hospital-owned Medical Centre. The Hospital cannot use these administered funds for the achievement of its objectives.

	2023	2022
	\$'000	\$'000
Other expenses	(311)	(410)
Revenue from fees and charges	313	404
Net result	2	(6)
Administered current assets	8	5
Administered current liabilities	(8)	(5)
Net assets	-	-
Opening cash	5	11
Cash outflows	(311)	(410)
Opening inflows	313	404
Cash at 30 June	7	5

**Certification of the financial statements
Flinders and Upper North Local Health Network**

We certify that the:

- financial statements of the Flinders and Upper North Local Health Network Inc.:
 - are in accordance with the accounts and records of the authority; and
 - comply with relevant Treasurer’s Instructions; and
 - comply with relevant accounting standards; and
 - present a true and fair view of the financial position of the authority at the end of the financial year and the result of its operations and cash flows for the financial year.

- Internal controls employed by the Flinders and Upper North Local Health Network Inc. over its financial reporting and its preparation of the financial statements have been effective throughout the financial year.



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Mark Whitfield
Board Chair



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Craig Packard
Chief Executive Officer



.....
Bridgette Rau
Chief Finance Officer

Date 13 September 2023
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