



# Financial statements

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## General information

The Metro South Hospital and Health Service was established on the 1 July 2012 as a Queensland Government statutory body under the *Hospital and Health Boards Act 2011*. The Metro South Hospital and Health Service operates under its registered trading name of Metro South Health.

Metro South Health is controlled by the State of Queensland which is the ultimate parent entity.

The head office and principle place of business of Metro South Health is:

2404 Logan Road  
Eight Mile Plains Q 4113

A description of the nature of the Metro South Health's operations and its principal activities is included in the notes to the financial statements.

For information in relation to Metro South Health's financial statements visit the Metro South Health website:

**[www.health.qld.gov.au/metrosouth](http://www.health.qld.gov.au/metrosouth)**  
or email: **[MD05-MetroSouthHSD@health.qld.gov.au](mailto:MD05-MetroSouthHSD@health.qld.gov.au)**

Amounts shown in these financial statements may not add to the correct subtotals or totals due to rounding.

Metro South Health  
**Statement of Comprehensive Income**  
For the year ended 30 June 2013

	Notes	2013 \$'000
<b>Income from continuing operations</b>		
User charges	4	108,506
Grants and other contributions	5	1,675,096
Other revenue	6	19,396
<b>Total revenue</b>		<b><u>1,802,998</u></b>
Gains	7	143
<b>Total income from continuing operations</b>		<b><u>1,803,141</u></b>
<b>Expenses from continuing operations</b>		
Employee expenses	8	2,075
Health service employee expenses	9	1,260,411
Supplies and services	10	441,375
Grants and subsidies	11	5,695
Depreciation and amortisation	12	63,214
Impairment losses	13	3,266
Revaluation decrement	14	772
Other expenses	15	6,344
<b>Total expenses from continuing operations</b>		<b><u>1,783,152</u></b>
<b>Operating result for the year</b>		<b><u>19,989</u></b>
<b>Other comprehensive income</b>		
<i>Items that will not be reclassified subsequently to operating result</i>		
Increase in asset revaluation surplus	25	32,354
<b>Total other comprehensive income</b>		<b><u>32,354</u></b>
<b>Total comprehensive income</b>		<b><u>52,343</u></b>

The accompanying notes form part of these statements.

Metro South Health  
**Statement of Financial Position**  
As at 30 June 2013

Metro South Health **Annual Report** 2012–2013

	Notes	2013 \$'000
<b>Current assets</b>		
Cash and cash equivalents	16	81,687
Receivables	17	49,780
Inventories	18	12,638
Other	19	1,355
<b>Total current assets</b>		<b><u>145,460</u></b>
<b>Non-current assets</b>		
Intangible assets	20	570
Property, plant and equipment	21	1,061,771
Other	19	17
<b>Total non-current assets</b>		<b><u>1,062,358</u></b>
<b>Total assets</b>		<b><u>1,207,818</u></b>
<b>Current liabilities</b>		
Payables	22	105,907
Accrued employee benefits	23	91
Unearned revenue	24	577
<b>Total current liabilities</b>		<b><u>106,575</u></b>
<b>Total liabilities</b>		<b><u>106,575</u></b>
<b>Net assets</b>		<b><u>1,101,243</u></b>
<b>Equity</b>		
Contributed equity		1,048,900
Accumulated surplus/(deficit)		19,989
Asset revaluation surplus	25	32,354
<b>Total equity</b>		<b><u>1,101,243</u></b>

The accompanying notes form part of these statements.

Metro South Health  
**Statement of Changes in Equity**  
For the year ended 30 June 2013

	Notes	2013 \$'000
<b>Accumulated surplus/(deficit)</b>		
Balance at the beginning of the financial year		-
Operating result from continuing operations		19,989
Balance at the end of the financial year		<u>19,989</u>
<b>Asset revaluation surplus</b>		
Balance at the beginning of the financial year		-
<i>Total other comprehensive income</i>		
Increase in asset revaluation surplus	25	32,354
Balance at the end of the financial year		<u>32,354</u>
<b>Contributed equity</b>		
Balance at the beginning of the financial year		-
<i>Transactions with owners as owners</i>		
Equity injections		29,297
Equity withdrawals		<u>(63,214)</u>
<b>Net equity injection</b>	36	<u>(33,917)</u>
Net assets received on 1 July 2012*		1,052,557
Non-current assets received	21	30,260
Balance at the end of the financial year		<u>1,048,900</u>
<b>Total equity</b>		<u>1,101,243</u>

\*Net assets transferred pursuant to the Hospital and Health Board Act 2011. Refer to Note 3 for details.

The accompanying notes form part of these statements.

	Notes	2013 \$'000
<b>Cash flows from operating activities</b>		
<i>Inflows</i>		
User charges		135,726
Grants and other contributions		1,580,681
Interest received		1,102
GST collected from customers		4,178
GST input tax credits from Australian Taxation Office *		19,121
Health service employee expense recoveries		15,720
Other		954
<i>Outflows</i>		
Employee expenses		(1,984)
Health service employee expenses		(1,232,180)
Supplies and services		(423,008)
Grants and subsidies		(5,759)
GST paid to suppliers		(21,686)
GST remitted to Australian Taxation Office*		(3,545)
Other		(5,377)
<b>Net cash provided by (used in) operating activities</b>	26	<b>63,943</b>
<b>Cash flows from investing activities</b>		
<i>Inflows</i>		
Sales of property, plant and equipment		517
<i>Outflows</i>		
Payments for property, plant and equipment		(38,587)
<b>Net cash provided by (used in) investing activities</b>		<b>(38,070)</b>
<b>Cash flows from financing activities</b>		
<i>Inflows</i>		
Cash transfer 1 July 2012**		26,517
Equity injections	36	29,297
<b>Net cash provided by (used in) financing activities</b>		<b>55,814</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>81,687</b>
<b>Cash and cash equivalents at the beginning of the financial year</b>		<b>-</b>
<b>Cash and cash equivalents at the end of the financial year</b>	16	<b>81,687</b>

\*The GST transactions with the Australian Taxation Office are lodged and managed via the Department of Health.

\*\* Cash transferred pursuant to the Hospital and Health Board Act 2011. Refer to Note 3 for details.

The accompanying notes form part of these statements.

**Notes to the Financial Statements**

For the year ended 30 June 2013

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Metro South Health  
**Notes to the Financial Statements**  
 For the year ended 30 June 2013

## 1 Objectives and strategic priorities of Metro South Health

On 1 July 2012, Metro South Hospital and Health Service (Metro South Health) was established as an independent, statutory body, one of 17 new hospital and health services (HHSs) in Queensland. It is governed by a Hospital and Health Board that is accountable to the local community and the Queensland Minister for Health for its performance.

Metro South Health is responsible for the delivery of public hospital services and other health services within its geographical catchment. It comprises 5 main hospital sites in Brisbane's south side, Princess Alexandra Hospital, Queen Elizabeth II Jubilee (QEII) Hospital, Logan Hospital, Beaudesert Hospital and Redland Hospital, in addition to a number of aged care facilities, community and mental health clinics and home services.

Metro South Health's objectives reflect our commitment to working closely with the Queensland Government to implement its *Blueprint for better healthcare in Queensland*. This is demonstrated by Metro South Health's four objectives:

- Health services focused on patients and people
- Empowering the community and our health workforce
- Providing Queenslanders with value in health services
- Investing, innovating and planning for the future.

These principal themes inform and guide the planning, coordination and delivery of services throughout Metro South Health.

Metro South Health is also committed to the Government's statement of objectives for the community:

- Grow a four pillar economy
- Lower the cost of living
- Invest in better infrastructure and better planning
- Revitalise frontline services
- Restore accountability to government.

Metro South Health's strategic priorities for 2012-13 include:

1. Ensuring the needs of our stakeholders influence all our efforts
2. Providing efficient, safe and timely health care services
3. A sustainable, high quality workforce to meet future health needs
4. Supporting research and translation of this into improved health outcomes for patients
5. Ensuring the best use of allocated resources
6. Ensuring that our governance and organisational structure are at the leading edge of industry norms
7. Promote and market our world-class health service – locally, nationally and internationally
8. Optimise the use of technology.

Metro South Health is predominantly funded for the health services it delivers by State Government grants via the Queensland Department of Health and by Australian Government grants. It also provides health services on a fee-for-service basis mainly for private inpatient care.

## **2 Summary of significant accounting policies**

### **(a) Statement of compliance**

Metro South Health has prepared these financial statements in compliance with section 43 of the *Financial and Performance Management Standard 2009*.

These financial statements are general purpose financial statements and have been prepared on an accrual basis in accordance with Australian Accounting Standards and Interpretations. In addition, the financial statements comply with the *Queensland Treasury and Trade's Minimum Reporting Requirements for the year ending 30 June 2013*, and other authoritative pronouncements.

With respect to compliance with Australian Accounting Standards and Interpretations, Metro South Health has applied those requirements applicable to a not-for profit entity, as Metro South Health is a not-for-profit entity. Except where stated, the historical cost convention is used.

### **(b) The reporting entity**

The financial statements include the value of all revenues, expenses, assets, liabilities and equity of Metro South Health. Metro South Health does not have any controlled entities. Metro South Health's major activities are disclosed in Note 3.

### **(c) Agency and fiduciary trust transactions and balances**

#### *Fiduciary trust transactions*

Metro South Health undertakes patient trust accounts transactions as trustee. As Metro South Health acts only in a custodial role in respect to these transactions and balances, they are not recognised in the financial statements. Patient funds are not controlled by Metro South Health but trust activities are included in the annual audit performed by the Auditor-General of Queensland and disclosed in Note 31(a).

#### *Agency transactions- Right of Private Practice (RoPP) scheme*

Under the Australian Government's National Health Reform Agreement with the states and territories, patient choice is facilitated by the right of private practice (RoPP) scheme, which provides for senior medical officers (SMOs) who are employed in the public health system to also treat those patients who come into the public system and elect to be treated as private patients. The Queensland RoPP scheme was approved to capture privately insured patients receiving treatment as public patients in a cost neutral manner; and additionally to assist in the recruitment and retention of full time specialist staff in the public hospital system. Public patients were not to be affected adversely by the introduction of scheme options.

Under the scheme, SMOs receive a private practice allowance as well as a base salary. In exchange for being paid this allowance, these SMOs assign all the private practice revenue they generate to the hospital and health service (HHS) facility where they are working. In turn, the HHS fully absorbs the direct and indirect costs (facility, administrative and other overheads) associated with these services including, for example, the cost of billing and collection of revenue. This scheme is called Option A. It is also referred to as the 'assignment' model.

The other major scheme variant allows SMOs to retain a proportion of the private fees they earn, with the balance being paid into a trust account for the HHS facility to apply to research by, and education of, all staff at the facility referred to as SERTA funds. The HHS recovers a facility charge and administration fee from each participating SMO to defray the overhead costs of service provision. Today, this scheme is called Option B, and there is a variant called Option R which is available only for radiologists. It is also referred to as the 'retention and revenue sharing' model.

A third model is a combination of the assignment and revenue sharing models. It is available only for pathologists and is known as Option P.

Metro South Health acts in an agency role in respect of the transactions and balances of the Private Practice (RoPP) bank accounts. Transactions relating to Option B revenue are managed in an agency capacity, except for payments to Metro South Health for recoverable costs which are recognised as controlled revenue in Metro South Health's accounts and payment of SERTA funds to the General Trust. At balance date any monies remaining in the RoPP bank accounts that represent Metro South Health's revenue is accrued as revenue in Metro South Health's accounts. As such, the right of private practice funds are not controlled by Metro South Health but the activities are included in the annual audit performed by the Auditor-General of Queensland and disclosed in Note 31(b).



Metro South Health  
**Notes to the Financial Statements**  
 For the year ended 30 June 2013

**(d) User charges, fees and fines**

User charges and fees are controlled by Metro South Health when they can be deployed for the achievement of Metro South Health's objectives. User charges and fees are recognised as revenues when earned and can be measured reliably with sufficient degree of certainty. This involves either invoicing for related goods, services and/or the recognition of accrued revenue. User charges and fees controlled by Metro South Health primarily consist of hospital fees (private patients), reimbursement of pharmaceutical benefits, sales of goods and services.

**(e) Grants and other contributions**

Grants, contributions, donations and gifts that are non-reciprocal in nature are recognised as revenue in the year in which Metro South Health obtains control over them. This includes amounts received from the Australian Government for programs that have not been fully completed at the end of the financial year. Where grants are received that are reciprocal in nature, revenue is recognised over the term of the funding arrangements.

Contributed assets are recognised at their fair value. 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.

Metro South Health is predominantly funded by non-reciprocal grants from the Department of Health and recognised as revenue when received. The amount of this grant is governed and determined by a Service Agreement between the Department of Health and Metro South Health. This agreement is reviewed periodically in line with Queensland Treasury's budget timetable and updated for changes in activities and prices of services delivered by Metro South Health.

**(f) Special payments**

Special payments include ex-gratia expenditure and other expenditure that Metro South Health is not contractually or legally obliged to make to other parties. In compliance with *Financial and Performance Management Standard 2009*, Metro South Health maintains a register setting out details of all special payments greater than \$5,000. The total of special payments (including those of \$5,000 or less) is disclosed separately within other expenses in Note 15. However, descriptions of the nature of special payments are only provided for special payments greater than \$5,000.

**(g) Cash and cash equivalents**

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

In accordance with 31(2) of the *Statutory Bodies Financial Arrangements Act 1982*, Metro South Health obtained approval by Queensland Treasury and Trade for a bank overdraft facility on its main operating bank account. This arrangement is forming part of the whole-of-government banking arrangements with the Commonwealth Bank of Australia and allows Metro South Health access to the whole-of-government debit facility up to its approved limit. Refer to Note 34(d).

**(h) Receivables**

Trade debtors are recognised at the amounts due at the time of sale or service delivery. Trade receivables are generally settled within 60-120 days, while other receivables may take longer than twelve months.

The collectability of receivables is assessed periodically with provision being made for impairment. All known bad debts are written off as at 30 June. Increases in allowance for impairment are based on loss events disclosed in Note 34(c).

**(i) Inventories**

Inventories consist mainly of pharmaceutical medical supplies held for distribution in Metro South Health hospitals. Inventories are measured at weighted average cost adjusted for obsolescence. Unless material, inventories do not include supplies held ready for use in the wards and are expensed on issue from Metro South Health's main storage facilities.

*Consignment inventory*

Supplies may be held on site under arrangements with external suppliers. The terms of consumption of these goods are outlined in the agreement with the relevant supplier. The goods do not form part of the inventory holding of Metro South Health and are not included in the financial statements. The value of these goods is charged and expensed by Metro South Health in the period they are consumed.

**(j) 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.

<u>Class</u>	<u>Threshold</u>
Buildings	\$10,000
Land	\$1
Plant and Equipment	\$5,000

Property, plant and equipment are initially recorded at consideration plus any other costs directly incurred in bringing the asset ready for use. Items or components that form an integral part of an asset are recognised as a single (functional) asset.

Where assets are received for no consideration from another Queensland Government entity (whether as a result of a machinery of government change or other involuntary transfer), the acquisition cost is recognised as the gross carrying amount in the books of the transferor immediately prior to the transfer together with any accumulated depreciation. Assets acquired at no cost or for nominal consideration, other than from an involuntary transfer from another Queensland Government entity, are initially recognised at their fair value at the date of acquisition.

On 1 July 2012, the Minister for Health approved the transfer of land and buildings via a three year concurrent lease (representing its right to use the assets) to the hospital and health services from the Department of Health. AASB 17 *Leased assets* is not applicable as under the terms of the lease no consideration in the form of a lease or residual payment by the hospital and health services is required therefore failing to meet the criteria in section 4 of this standard for recognition.

While the Department of Health retains legal ownership, effective control of these assets was transferred to the hospital and health services. Under the terms of the lease the hospital and health service has full exposure to the risks and rewards of asset ownership.

Metro South Health has the full right to use, managerial control of land and building assets and is responsible for maintenance. The Department of Health generates no economic benefits from these assets. In accordance with the definition of control under Australian Accounting Standards, Metro South Health recognises the value of these assets in the Statement of Financial Position.

*Revaluations of property, plant and equipment*

Land and buildings are measured at fair value in accordance with AASB 116 *Property, Plant and Equipment* and *Queensland Treasury's Non-Current Asset Policies for the Queensland Public Sector*. Land and building revaluations incorporate the results from the independent revaluations and the indexation of the assets not subject to independent revaluations. In respect of these asset classes, the cost of items acquired during the financial year has been judged by management to materially represent the fair value at the end of the reporting period.

Land is measured at fair value each year using independent revaluations, desktop market revaluations or indexation by the State Valuation Service within the Department of Natural Resources and Mines. Independent revaluations are performed with sufficient regularity to ensure assets are carried at fair value.

In 2012-13 Metro South Health engaged the State Valuation Service to provide indices for all land holdings at 30 June 2013. Indices are based on actual market movements for each local government area issued by the Valuer-General. An individual factor change per property has been developed from review of market transactions, having regard to the review of land values undertaken for each local government area.

Buildings are measured at fair value by applying either a revised estimate of individual asset's depreciated replacement cost or an interim index which approximates movement in price and design standards at the reporting date. These estimates are developed by independent quantity surveyors. In 2012-13 Metro South Health engaged independent quantity surveyors, Davis Langdon Australia Pty Ltd (Davis Langdon) to revalue 86 per cent of its building portfolio. Assets under construction are not revalued until they are ready for use.

Metro South Health

**Notes to the Financial Statements**

For the year ended 30 June 2013

Reflecting the specialised nature of Metro South Health buildings (health service buildings and on hospital-site residential facilities), fair value is determined using depreciated replacement cost methodology. Depreciated replacement cost is determined as the replacement cost less the cost to bring to current standards. The methodology applied by the valuer is a financial simulation lieu of 'market value' as these assets cannot be bought and sold on the open market.

In determining the replacement cost of each building, the estimated replacement cost of the asset, or the likely cost of construction including fees and on costs if tendered on the valuation date, is assessed. This is based on historical and current construction contracts. Assets are priced using Brisbane rates with published industry benchmark location indices. Revaluations are then compared and assessed against current construction contracts for reasonableness. The valuation assumes that a replacement building will replace the current function of the building with a building of the same form (size and shape) but built to meet current design standards. The key measurement quantities used in the determination of the replacement cost were:

- Gross floor area
- Number of floors
- Girth of the building
- Height of the building
- Number of lifts and staircases.

Estimates of area were obtained by measuring floor areas from Project Services e-Plan room or drawings from Department of Health. Refurbishment costs have been derived from specific projects and are therefore indicative of actual costs.

The 'cost to bring to current standards' is the estimated cost of refurbishing the asset to bring it to current standards and a new condition. This estimated cost is linked to the condition assessment rating of the building evaluated by the quantity surveyor during site inspection. The condition rating is also determined using asset condition data provided by Department of Health, information from asset managers and previous reports and inspection photographs (where available) to show the change in condition over time.

The following table outlines the condition assessment rating applied to each building which assists the valuer in determining the current depreciated replacement cost.

<b>Category</b>	<b>Condition</b>	<b>Description</b>
1	Very good condition	Only normal maintenance required
2	Minor defects only	Minor maintenance required
3	Maintenance required to return the building to accepted level of service	Significant maintenance required (up to 50% of capital replacement cost)
4	Requires renewal	Complete renewal of the internal fit out and engineering services required (up to 70% of capital replacement cost)
5	Asset unserviceable	Complete asset replacement required

These condition ratings are linked to the cost to bring to current standards.

The valuation methodology in 2012-13 has changed from prior year revaluations reflected in the transfer value of these assets as at 1 July 2012. Category 2 and category 3 condition ratings were significantly influenced by the age of the asset in the previous methodology. In 2012-13, this condition criteria has been replaced to more accurately reflect an asset's condition through its life. The financial effect on depreciated replacement cost values from this change in condition criteria has been modelled and has been assessed as immaterial (ie, in the range of 1 per cent and 2 per cent).

Metro South Health

## Notes to the Financial Statements

For the year ended 30 June 2013

The standard life of a health facility is generally 30 years and is adjusted for those assets in extreme climatic conditions have historically shorter lives, or where assets such as residences generally have longer lives. Estimates of remaining life are based on the assumption that the asset remains in its current function and will be maintained. No allowance has been provided for significant refurbishment works in our estimate of remaining life as any refurbishment should extend the life of the asset. Buildings have been valued on the basis that there is no residual value.

Metro South Health has adopted the gross method of reporting revalued assets. This method restates separately the gross amount and related accumulated depreciation of the assets comprising the class of revalued assets. Accumulated depreciation is restated proportionally in accordance with the independent advice of the appointed quantity surveyors. The proportionate method is also applied where buildings are valued by way of indexation.

Plant and equipment (other than major 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*.

Revaluation increments are 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.

Included in the class of plant and equipment are artworks valued at \$6,800. These items are not depreciated as their value is not expected to diminish with time. Artwork assets form part of the plant and equipment class and are not disclosed separately as they are not considered material to the total assets held. There are no heritage buildings included in the buildings asset class.

### *Depreciation*

Property, plant and equipment are depreciated on a straight-line basis. Annual depreciation is based on fair values and Metro South Health's assessments of the remaining useful life of individual assets. Land is not depreciated as it has an unlimited useful life. Assets under construction (work-in-progress) are not depreciated until they are ready for use.

Any expenditure that increases the capacity or service potential of an asset is capitalised and depreciated over the remaining useful life of the asset. Major spares purchased specifically for particular assets are capitalised and depreciated on the same basis as the asset to which they relate.

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

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

<u>Class</u>	<u>Depreciation rates</u>
Buildings	2.5% - 3.33%
Plant and equipment	5.0% - 20.0%

### *Leased plant and equipment*

Operating lease payments, being representative of benefits derived from the leased assets, are recognised as an expense of the period in which they are incurred. All incentives for the agreement of a new or renewed operating lease are recognised as an integral part of the net consideration agreed for the use of the leased asset, irrespective of the incentive's nature or form or the timing of payments.

Metro South Health had no finance lease assets as at the reporting dates.

### *Impairment of non-current assets*

All non-current and intangible assets are assessed for indicators of impairment on an annual basis in accordance with AASB 136 *Impairment of Assets*. If an indicator of impairment exists, Metro South Health determines the asset's recoverable amount (higher of value in use and fair value less costs to sell). Any amount by which the asset's carrying amount exceeds the recoverable amount is considered an impairment loss.

Metro South Health

**Notes to the Financial Statements**

For the year ended 30 June 2013

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

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

Where 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.

**(k) Intangible assets**

Intangible assets are only recognised if they satisfy recognition criteria in accordance with AASB 138 *Intangible Assets*. Intangible assets are recorded at cost, which is consideration plus costs incidental to the acquisition, less accumulated amortisation and impairment losses. An intangible asset is recognised only if its cost is equal to or greater than \$100,000. Internally generated software cost includes all direct costs associated with development of that software. All other costs, including research activities, are expensed as incurred.

Intangible assets are amortised on a straight-line basis over their estimated useful life with a residual value of zero. The estimated useful life and amortisation method are reviewed periodically, with the effect of any changes in estimate being accounted for on a prospective basis.

Software is amortised from the time of acquisition or, in respect of internally developed software, from the time the asset is completed and held ready for use. The amortisation rates for Metro South Health's software are between 10 per cent and 20 per cent.

*Intellectual property*

The Department of Health currently controls Metro South Health's registered intellectual property in the form of patents, designs and trademarks and other unregistered intellectual property in the form of copyright. At the reporting date these intellectual property assets do not meet the recognition criteria. Commercialisation of Intellectual Property owned by the State of Queensland will be facilitated by the Department of Health appointing hospital and health services as agents to commercialise as requested and approved on a case by case basis.

**(l) Arrangements for the provision of public infrastructure by other entities**

The Department of Health, prior to the establishment of Metro South Health, has entered into a number of 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 Metro South Health. After an agreed period of time, ownership of the facilities will pass to Metro South Health (see Note 32). Arrangements of this type are known as Public Private Partnerships (PPP).

Although the land on which the facilities have been constructed remains an asset of Metro South Health, Metro South Health does not control the facilities associated with these arrangements. Therefore these facilities are not recorded as assets. Metro South Health receives rights and incurs obligations under these arrangements, including:

- rights to receive the facility at the end of the contractual terms; and
- rights and obligations to receive and pay cash flows in accordance with the respective contractual arrangements, other than those which are received by the respective Hospital Foundations under a Deed of Assignment.

The arrangements have been structured to minimise risk exposure for the Department of Health and Metro South Health. Metro South Health has not recognised any rights or obligations that may attach to those arrangements, other than those recognised under generally accepted accounting principles.

**Notes to the Financial Statements**

For the year ended 30 June 2013

**(m) Collocation agreements**

There are a number of contractual arrangements with private sector entities, set up by the Department of Health prior to the establishment of hospital and health services, for the construction and operation of private health facilities for a period of time on land controlled by Metro South Health. After an agreed period of twenty-five years, ownership of the facilities will pass to Metro South Health.

As with PPP type agreements, Metro South Health does not recognise these facilities as assets. Consequently, Metro South Health has not recognised any rights or obligations that may attach to those agreements, other than those recognised under generally accepted accounting principles. Current collocation agreements in operation are listed in Note 33.

**(n) Payables**

Payables are recognised for amounts to be paid in the future for goods and services received. Trade creditors are measured at the agreed purchase/contract price, gross of applicable trade and other discounts. The amounts are unsecured and are generally settled in accordance with the vendors' terms and conditions typically within 30 days.

**(o) Financial instruments***Recognition*

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. Financial assets and financial liabilities are recognised in the Statement of Financial Position when Metro South Health 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 through profit or loss;
- receivables – held at amortised cost;
- payables – held at amortised cost.

Financial assets, other than those held at fair value through the Statement of Comprehensive Income, are assessed for indicators of impairment at the end of each reporting period. For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are additionally assessed for impairment on a collective basis.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in Statement of Comprehensive Income.

Metro South Health does not enter into transactions for speculative purposes, or hedging. Apart from cash and cash equivalents, Metro South Health holds no financial assets classified at fair value through the Statement of Comprehensive Income.

Other disclosures relating to the measurement and financial risk management of other financial instruments are included in Note 34.

**(p) Employee benefits**

On 1 July 2012, Metro South Health employment arrangements were established in accordance with the *Hospital and Health Boards Act 2011* (HHBA). Part five of the HHBA outlines the conditions for the Health Service Employees continued to be employed by the Department of Health and Health Executives directly engaged by the hospital and health services. The information below outlines the terms relevant to these arrangements.

Metro South Health  
**Notes to the Financial Statements**  
 For the year ended 30 June 2013

*Health Service Employees*

In accordance with HHBA section 67, the employees of the Department of Health are referred to as health service employees. Pursuant to section 80 of the HHBA they remain employees of the Department of Health and are taken to be employed by Metro South Health on the same terms, conditions and entitlements.

Under this arrangement:

- The health service employees remain as Department of Health employees.
- Metro South Health is responsible for the day to day management of these Department of Health employees.
- Metro South Health reimburses the Department of Health for the salaries, on-costs and other employee related expenses (payroll tax and workers' compensation premium) relating to these Department of Health employees. These reimbursements are shown under Note 9.

*Health Executives*

Health executives are directly engaged in the service of Metro South Health in accordance with section 70 of the HHBA. The basis of employment for health executives is in accordance with section 74 of the HHBA.

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

*Wages, Salaries, and sick leave*

Wages and salaries due but unpaid at reporting date are recognised in the Statement of Financial Position at the current salary rates. Payroll tax is paid as a consequence of employing employees but is not counted as part of the employee's total remuneration package and recognised separately as employee related expense.

Metro South Health treats sick leave as an expense that on average sick leave taken in the reporting period is less than the entitlement accrued. This is expected to continue in future periods. Accordingly, it is unlikely that existing accumulated entitlements will be used by employees and no liability for unused sick leave entitlements is recognised. As sick leave is non-vesting, an expense is recognised for this leave as it is taken.

*Annual leave and Long service leave*

Metro South Health participates in the Annual Leave Central Scheme (ALCS) and the Long Service Leave Scheme (LSLS).

Under the Queensland Government's Annual Leave Central Scheme (established on 30 June 2008) and Long Service Leave Central Scheme (established on 1 July 1999), levies are payable by Metro South Health 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 Metro South Health's financial statements, 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*.

*Superannuation*

Employer superannuation contributions are paid to QSuper, the superannuation scheme for Queensland Government employees, at rates determined by the Treasurer on the advice of the State Actuary. Contributions are expensed in the period in which they are payable and Metro South Health'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*.

Metro South Health  
**Notes to the Financial Statements**  
 For the year ended 30 June 2013

Metro South Health complies with The Superannuation Guarantee (Administration Act) 1992 (Superannuation Guarantee) which requires Metro South Health to provide a minimum superannuation cover for all eligible employees. The minimum level of superannuation cover under the Superannuation Guarantee is 9 per cent of each eligible employee's earnings base. Contributions are expensed in the period in which they are paid or payable. Metro South Health obligation is limited to its contribution to the superannuation fund. Therefore no liability is recognised for accruing superannuation benefits in Metro South Health financial statements.

*Key executive management personnel and remuneration*

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 and Trade. Refer to Note 35 for the disclosures on key management personnel and remuneration.

**(q) Insurance**

Metro South Health is covered by the Department of Health insurance policy with Queensland Government Insurance Fund (QGIF) and pays a fee to the Department of Health as a fee for service arrangement. Refer to Note 10.

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

**(r) Services received free of charge or for a nominal value**

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

**(s) Contributed equity**

Non-reciprocal transfers of assets and liabilities between wholly-owned Queensland Public Sector entities as a result of machinery of government changes are adjusted to contributed equity in accordance with Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities*. Appropriations for equity adjustments are similarly designated. Refer to Note 3 and Note 36.

**(t) Taxation**

Metro South Health is a State body as defined under the *Income Tax Assessment Act 1936* and is exempt from Commonwealth taxation with the exception of Fringe Benefits Tax (FBT) and Goods and Services Tax (GST). FBT and GST are the only Commonwealth taxes recognised by Metro South Health.

Both the Metro South Health 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) and were able, with other hospital and health services, to form a "group" for GST purposes under Division 149 of the GST Act. This means that any transactions between the members of the "group" do not attract GST. However, all entities are responsible for the payment or receipt of any GST for their own transactions. As such, GST credits receivable from and payable to the Australian Taxation Office (ATO) are recognised and accrued. Refer to Note 17.

**(u) Issuance of financial statements**

The financial statements are authorised for issue by the Chair, Metro South Hospital and Health Board, the Chief Executive, Metro South Health and the Chief Finance Officer, Metro South Health, at the date of signing the Management Certificate.

**(v) Critical accounting judgements and key sources of estimation uncertainty**

The preparation of financial statements necessarily requires the determination and use of certain critical accounting estimates, assumptions and management judgements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant, and are reviewed on an ongoing basis. Actual results may differ from these estimates.



Metro South Health  
**Notes to the Financial Statements**  
 For the year ended 30 June 2013

Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Estimates and assumptions that have a potential significant effect are outlined in the following financial statement notes:

- Receivables – Note 17
- Property, plant and equipment – Note 21
- Contingencies – Note 29

**(w) Rounding and comparatives**

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

There are no comparatives reported as Metro South Health is a new statutory body established on 1 July 2012. Refer to Note 3 for *Health Reform* information.

**(x) New and revised accounting standards**

Certain new Australian accounting standards and interpretations have been published that are not mandatory for 30 June 2013 reporting period.

Metro South Health is not permitted to early adopt accounting standard unless approved by Queensland Treasury and Trade. Consequently, Metro South Health has not applied any Australian Accounting Standards and Interpretations that have been issued but not yet effective. Metro South Health applies standards and interpretations in accordance with their respective commencement dates.

Australian Accounting Standards applicable for the first time for 2012-13 had minimal effect on Metro South Health financial statements as the Metro South Health Service is first time reporting in this financial year.

- *AASB 2011-9 Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income* [AASB 1,5,7,101,112,120,121,132,133,134,1039 &1049] become effective from reporting periods beginning on or after 1 July 2012. Metro South Health has adopted this standard in its presentation of Other Comprehensive Income.

As at 30 June 2013, the following Accounting Standards had been issued by the AASB but were not yet effective. They may impact Metro South Health in future periods. The potential effect of the revised Standards and Interpretations on Metro South Health financial statements has not yet been determined.

At the date of authorisation of the financial statements the following Australian Accounting Standards have been issued with future commencement dates:

- *AASB 9 Financial Instruments* requires all financial assets to be subsequently measured at amortised cost or fair value. Financial assets can only be measured at amortised cost if: (a) the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (b) the contractual terms of the asset give rise to cash flows that are solely payments of principal and interest. For financial liabilities which are designated as at fair value through profit or loss, the amount of change in fair value that is attributable to changes in the liability's credit risk will be recognised in other comprehensive income.
- *AASB 13 Fair Value Measurement* applies from reporting period beginning on or after 1 January 2013. AASB 13 sets out a new definition of fair value as well principals to be applied when determining the fair value of assets and liabilities. The new requirements will apply to all of Metro South Health's assets and liabilities that are measured and disclosed at fair value. The potential impacts of AASB13 relate to the fair value measurement methodologies used and financial statement disclosure made in respect of assets and liabilities. While Metro South Health is yet to complete a review of the impact of this standard no substantial changes are anticipated based on the fair value methodologies presently used.

*AASB 13* will require an increased amount of information to be disclosed in relation to fair value measurement for both assets and liabilities. To the extent of fair value measurement for an asset or liability uses data that is not 'observable' outside the department, the amount of information to be disclosed will be relatively greater.

**Notes to the Financial Statements**

For the year ended 30 June 2013

- *AASB 119 Employee benefits – revised version* applies from reporting period beginning on or after 1 January 2013. The revised AASB 19 is generally to be applied retrospectively. The impact of the standard is relating to that the standard clarifies the concept of termination benefits and the recognition criteria for termination benefits will be different. If termination benefits meet the criteria for “short term employee benefits” they will be measured in accordance with AASB 119 requirements for “short term employee benefits”. Otherwise termination benefits will need to be measured in accordance with AASB 119 requirements for “other long-term employee benefits”. Under the revised standard, the recognition and measurement of employer obligations for “other long-term benefits” will need to be accounted for according to most of the requirements for defined benefit plans.
- *AASB 1053 Application of Tiers of Australian Accounting Standards* applies from reporting periods beginning on or after 1 July 2013. Metro South Health is required to report under the Tier 1 requirements comprise the full range of AASB recognition, measurement, presentation and disclosure requirements. Therefore there is no change from the current reporting requirements applicable to Metro South Health.

All other Australian accounting standards and interpretations with new or future commencement dates are either not applicable to Metro South Health’s activities or have no material impact on Metro South Health.

### 3 Major services, activities and other events

#### Major activities

##### Administrative arrangements under the National Health Reform

###### *Health Reform*

On 2 August 2011, Queensland, as a member of the Council of Australian Governments signed the National Health Reform Agreement, committing to major changes in the way that health services in Australia are funded and governed. These changes took effect from 1 July 2012 and include:

- moving to a purchaser-provider model, with health service delivery to be purchased from legally independent hospital networks (statutory bodies to be known as hospital and health services (HHSs) in Queensland)
- introducing national funding models and a national efficient price for services, with the majority of services to be funded on an activity unit basis into the future
- defining a refocused role for state governments in managing the health system, including:
  - the use of purchasing arrangements and other levers to drive access and clinical service improvements within and across the HHSs
  - a responsibility to intervene to remediate poor performance, either at the state's initiative or in response to prompting by the National Health Performance Authority, which will publicly report on performance of the HHSs and health care facilities.

*The Health and Hospitals Network Act 2011* (HHNA), enabling the establishment of the new health service entities and the System Manager role for the health department in Queensland, was passed by the Queensland Parliament in October 2011. On 17 May 2012, the Minister for Health introduced amending legislation into the Parliament to expand the functions of HHSs under the HHNA. The amended legislation is known as *the Hospital and Health Boards Act 2011* (HHBA).

###### *Funding reforms*

Funding is provided to the HHSs in accordance with Service Agreements.

The Commonwealth and State contribution for activity based funding is pooled and allocated transparently via a National Health Funding Pool. The Commonwealth and State contribution for block funding and training, teaching and research funds is pooled and allocated transparently via a State Managed Fund. Public Health funding from the Commonwealth is managed by Department of Health.

An Independent Hospital Pricing Authority (IHPA) was established independently from the Commonwealth to develop and specify national classifications to be used to classify activity in public hospitals for the purposes of Activity Based Funding. IHPA will determine the national efficient price for services provided on an activity basis in public hospitals and will develop data and coding standards to support uniform provision of data. In addition to this, IHPA will determine block funded criteria and what other public hospital services are eligible for Commonwealth funding.

The National Health Funding Body and National Health Funding Pool have complete transparency in reporting and accounting for contributions into and out of pool accounts. The Administrator will be an independent statutory office holder, distinct from Commonwealth and State departments.

###### *Transfer of net asset balances*

As at 1 July 2012, net asset balances were transferred from the Department of Health to Metro South Health. This was executed via a transfer notice signed by the Minister for Health, designating that the transfer be recognised as a contribution by owners through equity. The transfer notices were approved by the Director-General of Queensland Health and the Health Service Chief Executive of Metro South Health and the Chair of the Metro South Hospital and Health Board. Balances transferred to Metro South Health materially reflected the closing balances of Metro South Health Service District as at 30 June 2012.

The cash assets transferred to Metro South Health was to commence operation with a balanced working capital position.

Metro South Health  
**Notes to the Financial Statements**  
 For the year ended 30 June 2013

The value of assets and liabilities transferred to Metro South Health as of 1 July 2012 were as follows\*:

	<b>1 July 2012</b> <b>'000</b>
Cash and cash equivalents	26,517
Receivables	45,238
Inventories	12,438
Other	1,254
Property, plant and equipment	1,025,139
Intangibles	957
Payables	(58,987)
<b>Total Net Assets, contributed equity</b>	<b>1,052,556</b>

\*The values include subsequent changes to the net assets. On 3 January 2013 a subsequent contribution of \$1.86 million by the Minister representing the fair value of specialist dental vans previously held by the Department of Health was transferred into the asset pool of Metro South Health as part of the Transfer Notice of 1 July 2012. In addition, as part of the end of year audit process it was identified that the property, plant and equipment value was understated by \$94 million and so it was subsequently included in the net asset value transferred as of 1 July 2012.

### **Major services**

Metro South Health delivers a full suite of speciality health services, including:

#### *Inpatient*

Metro South Health delivers a range of speciality inpatient services, including in-hospital and telehealth services. These services include: medical inpatient services such as Cardiology, Gastroenterology, Gynaecology, Oncology, Obstetrics, Renal Dialysis, Neurology and Respiratory and surgical inpatient services such as Cardiac, Colorectal, Neurosurgery, Orthopaedics, Transplant, Vascular and Plastic and Reconstructive Surgery.

Metro South Health's critical care services provide multidisciplinary care to a wide variety of critically ill patients in a highly technological environment. Critical care units within Metro South Health include intensive care units, trauma units and special care nurseries.

#### *Outpatient*

Outpatient services are one facet of the non-admitted services that Metro South Health provides. These services include; Medical, Surgical, Maternity, Transplant, Renal Medicine and Dialysis, Chemotherapy and Medical and Radiation Oncology.

#### *Emergency Department*

Four of Metro South Health's major hospitals, Princess Alexandra, Logan, Redland and QEII house an emergency department.

#### *Sub-Acute*

Sub-acute patients are patients that do not require further complex assessment or stabilisation. Metro South Health provides the following sub-acute services: geriatric evaluation and management, rehabilitation, palliative care and maintenance services.

#### *Mental Health*

Metro South Health provides mental health care to the largest culturally and linguistically diverse population in the state, and regions that have some of the highest population growth. Services offered are community mental health services, inpatient services and acute care services which may be undertaken in the home, in GP surgeries or in emergency departments.

Metro South Health  
**Notes to the Financial Statements**  
For the year ended 30 June 2013

*Block Funded Facilities and Services*

Block funded facilities include Beaudesert Hospital and the Marie Rose Centre.

Block funded services within Metro South Health cover a wide range of services including; community health care, intellectual disability services, medical aides and appliances, mental health community services, offender health services, oral health services, population health services, primary health services, residential aged care facilities and research.

**Other events**

*Natural Disaster Relief and Recovery Arrangements*

The National Disaster Relief and Recovery Arrangements (NDRRA), a joint Commonwealth/State program, has provided funding to the Authority to assist with the natural disaster relief and recovery costs. The Authority coordinates the distribution of funding for NDRRA claims to enable Metro South Health to fund these activities.

*Early retirement and redundancy*

A program of redundancies was implemented during 2012-13. During the period, 822 employees received redundancy packages at a cost of \$40.614 million. The cost of the voluntary retirement program is funded by Queensland Treasury and Trade and provided to Metro South Health as a Department of Health grant.

Employees who do not accept an offer of a redundancy are offered case management for a set period of time, where reasonable attempts are made to find alternative employment placements. At the conclusion of this period, and where it is deemed that continued attempts of ongoing placement are no longer appropriate, employees yet to be placed are terminated and paid a retrenchment package. During the period, no Metro South Health employees received retrenchment packages.

Metro South Health  
**Notes to the Financial Statements**  
For the year ended 30 June 2013

	<b>2013</b> <b>\$'000</b>
<b>4 User charges</b>	
Hospital fees	63,537
Sale of goods and services	44,969
	<u><b>108,506</b></u>
<b>5 Grants and other contributions</b>	
<b>State Government grants*</b>	
Activity based funding	1,379,648
Block funding	123,827
Other	128,730
	<u><b>1,632,205</b></u>
<b>Australian Government grants</b>	
Nursing home grants	9,050
Other specific purpose recurrent grants	21,054
Other specific purpose capital grants	2,727
	<u><b>32,831</b></u>
Other grants	9,448
Donations other	612
	<u><b>1,675,096</b></u>
<p>*State government grants include \$456.465 million Australian Government contribution as part of the National Health Reform Funding Pool arrangement. Please also refer to Note 3 <i>Funding reforms</i>.</p>	
<b>6 Other revenue</b>	
Interest	1,102
Sale proceeds of non-capitalised assets	4
Health service employee expense recoveries*	15,720
General Recoveries	530
Rental Income	1,354
Other	686
	<u><b>19,396</b></u>
<p>*Health service employee expenses are recovered for services provided to external parties not including the Department of Health or other Hospital and Health Service.</p>	
<b>7 Gains</b>	
Gain on sale of property, plant and equipment	<u><b>143</b></u>

**2013**  
**\$'000**

**8 Employee expenses\***

**Employee benefits**

Wages and salaries	1,577
Employer superannuation contributions	161
Annual leave expense	139
Long service leave levy	27
Redundancies	140
	<b>2,044</b>

**Employee related expenses**

Payroll tax	29
Other employee related expenses	2
	<b>2,075</b>

**30 June 2013**  
**6**

**Number of employees\*\***

\*Employee expenses include the health executives. Refer to Note 2(p) and Note 35.

\*\*The numbers of employees include full-time and part-time employees measured on a full-time equivalent basis. The number of employees does not include the chair, deputy chair of the board and the board members.

**9 Health service employee expenses**

Health service employee expenses	1,244,154
Health service employee related expenses*	12,350
Other health service employees related expenses	3,907
	<b>1,260,411</b>

**30 June 2013**  
**10,469**

**Number of health service employees \*\***

\*The health service employee related expenses include \$12.09 million of workers' compensation insurance premium and \$0.26 million payroll tax.

\*\*The number of health service employees reflects full-time and part-time health service employees measured on a full time equivalent basis. Please also refer to Note 2(p).

**10 Supplies and services**

Consultants and contractors	10,278
Electricity and other energy	11,498
Patient travel	1,742
Other travel	2,657
Water	2,242
Building services	1,039
Computer services	7,994
Motor vehicles	1,062
Communications	15,749
Repairs and maintenance	28,104
Expenses relating to capital works	2,602
Operating lease rentals	14,102
Insurance payment to the Department of Health*	13,274
Drugs	67,779
Inter entity hospital and health service supplies and services	17,451
Clinical supplies and services	208,335
Catering and domestic supplies	28,038
Other	7,429
	<b>441,375</b>

\*Includes Queensland Government Insurance Fund (QGIF) Ref Note 2(q).

Metro South Health  
**Notes to the Financial Statements**  
For the year ended 30 June 2013

**2013**  
**\$'000**

**11 Grants and subsidies**

Home and community health services	1,801
Medical research programs	3,894
	<b>5,695</b>

**12 Depreciation and amortisation**

Buildings	38,800
Plant and equipment	24,098
Software purchased	201
Software internally generated	115
	<b>63,214</b>

**13 Impairment losses**

Impairment losses on receivables*	1,256
Bad debts written off	2,010
	<b>3,266</b>

\* Refer to Notes 17 and 34(c).

**14 Revaluation decrement**

Land*	<b>772</b>
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\*The revaluation of land has resulted in a decrement. As Metro South Health is a new entity there was no asset revaluation reserve for the asset class resulting in a decrement charged to the comprehensive income. Refer to Note 21.

**15 Other expenses**

External audit fees*	250
Other audit fees	196
Bank fees	63
Insurance	74
Inventory written off	103
Intangible asset written off	71
Losses from the disposal of non-current assets	669
Losses	
Public monies	1
Special payments	
Donations/gifts	1
Ex-gratia payments**	29
Other legal costs	1,097
Journals and subscriptions	261
Advertising	200
Interpreter fees	3,211
Other	118
	<b>6,344</b>

\*Total audit fees paid to the Queensland Audit Office for the 2012-13 financial year were estimated to be \$0.315 million. There are no non-audit services included in this amount.

\*\* Metro South Health made a number of ex-gratia payments for less than \$5,000 to patients for their lost property whilst in hospital care. There was one payment made for \$5,600 to a patient's spouse to support travel and accommodation due to hardship.



**2013**  
**\$'000**

## 16 Cash and cash equivalents

Cash at bank and on hand	53,466
24 hour call deposits	28,221
	<b>81,687</b>

Metro South Health's bank accounts are grouped within the whole-of-government set-off arrangement with the Queensland Treasury Corporation. Metro South Health does not earn interest on surplus funds and is not charged interest or fees for accessing its approved cash debit facility as it is part of the whole-of-government banking arrangements.

Interest earned on the aggregate set-off arrangement balance accrues to the Consolidated Fund. Cash deposited at call with the Queensland Treasury Corporation earns interest at a rate of 3.44 per cent. Refer to Note 34.

## 17 Receivables

<i>Current</i>	
Trade debtors	21,251
Grants receivable	31,201
Less: Allowance for impairment	(4,604)
	<b>47,848</b>
GST input tax credits receivable	2,565
GST payable	(633)
Net receivable	<b>49,780</b>

### Movements in the allowance for impairment loss

<i>Current</i>	
Balance at 1 July 2012	-
Transfers in as at 1 July 2012*	3,348
Increase in allowance recognised in operating result**	1,256
Balance at 30 June 2013	<b>4,604</b>

\*Refer to Note 3 for balances transferred as at 1 July 2012 from the Department of Health.

\*\*Refer to Note 34(C) for an analysis of movements in the impairment loss.

## 18 Inventories

<i>Inventories held for distribution:</i>	
Medical supplies and equipment	12,036
Catering and domestic	311
Engineering	216
Other	75
	<b>12,638</b>

## 19 Other assets

<i>Current</i>	
Other prepayment	<b>1,355</b>
<i>Non-current</i>	
Prepayments	<b>17</b>

2013  
\$'000

**20 Intangible assets**

Software purchased	
At cost	5,782
Less: Accumulated amortisation	(5,517)
	<b>265</b>

Software internally generated	
At cost	1,997
Less: Accumulated amortisation	(1,692)
	<b>305</b>

Total Intangible assets	<b>570</b>
-------------------------	------------

**Intangible assets reconciliation**

	Software purchased	Software internally generated	Software work in progress	Total
	'000	'000	'000	'000
Carrying amount as at 1 July 2012	-	-	-	-
Transfers in as at 1 July 2012*	466	420	71	957
Transfers in/(out)	-	-	(71)	(71)
Amortisation charge for the year	(201)	(115)	-	(316)
<b>Carrying amount as at 30 June 2013</b>	<b>265</b>	<b>305</b>	<b>-</b>	<b>570</b>

\* Net assets received /transferred pursuant to the *Hospital and Health Boards Act 2011* to Metro South Health from the Department of Health. Refer to Note 3.

2013  
\$'000

**21 Property, plant and equipment**

Land	
At fair value	<b>223,242</b>

Buildings	
At fair value	1,259,792
Less: Accumulated depreciation	(557,960)
	<b>701,832</b>

Plant and equipment	
At cost	257,943
Less: Accumulated depreciation	(127,296)
	<b>130,647</b>

Capital works in progress	
At cost	<b>6,050</b>

Total property, plant and equipment	<b>1,061,771</b>
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**Land**

Land was fair valued by State Valuation Service using the following methodology:

- a desktop valuation was performed, taking into consideration indicators such as location, size, zoning and recent market data. This resulted in the provision of an indexation factor being applied to existing land values to obtain fair value.
- an additional desktop valuation was performed and appropriate market evidence provided for two sites where there was significant value movements in the initial valuation provided.

Metro South Health  
**Notes to the Financial Statements**  
 For the year ended 30 June 2013

The State Valuation Service valuation team for 2012-13 comprised of the following registered valuers:

Matthew Woodbridge Regd Valuer No. 1827

Dan Moran Regd Valuer No. 2414

Pat Murphy Regd Valuer No. 3657

The land valuations for 2012-13 resulted in a net decrement of \$0.772 million to the carrying amount of land charged as an expense to the Statement of Comprehensive Income. Refer to Note 14.

### Buildings

An independent valuation of 86 per cent of the gross value of the building portfolio (19 buildings) was performed during 2012-13 by Davis Langdon. For the remaining buildings not subject to independent valuation Davis Langdon provided an index representing the change in market conditions for non-residential construction applicable to Metro South Health. The index was not material and was therefore not applied. Refer to Note 2(j).

The Davis Langdon valuation team for 2012-13 comprised of:

Mr Damien Hirst – BSc(Hons) Quantity Surveying AAIQS

Mr Calvin Ling – B.App.Sc(Hons) Quantity Surveying AAIQS

Mr James Brophy – BSc(Hons)

Ms Wendy Wan – BEngMan, MCP

Mr Josh Sodhou – BUrbDev Quantity Surveying

The independent valuation in 2012-13 resulted in a net increment to the building portfolio of \$32.354 million in the asset revaluation surplus. This is an increase of 3 per cent to the value of buildings as at 30 June 2013. Refer to Note 25.

Metro South Health has plant and equipment with an original cost of \$1.50 million or 0.6 per cent of total plant and equipment gross value and a written down value of zero still being used in the provision of services.

### Property, plant and equipment reconciliation

	Land	Buildings	Plant and equipment	Work in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Carrying amount as at 1 July 2012</b>	-	-	-	-	-
Acquisitions	-	4,699	28,265	5,623	<b>38,587</b>
Donation received	-	-	4	-	<b>4</b>
Disposals	-	-	(1,115)	-	<b>(1,115)</b>
Transfers in as at 1 July 2012*	224,014	673,933	126,268	924	<b>1,025,139</b>
Transfers in**	-	29,372	888	-	<b>30,260</b>
Transfer between asset classes	-	274	435	(497)	<b>212</b>
Revaluation increments to asset revaluation reserve***	-	32,354	-	-	<b>32,354</b>
Revaluation decrements to comprehensive income****	(772)	-	-	-	<b>(772)</b>
Depreciation charge for the year	-	(38,800)	(24,098)	-	<b>(62,898)</b>
<b>Carrying amount as at 30 June 2013</b>	<b>223,242</b>	<b>701,832</b>	<b>130,647</b>	<b>6,050</b>	<b>1,061,771</b>

\* Net assets received /transferred in as at 1 July 2012 pursuant to the Hospital and Health Boards Act 2011 to Metro South Health from the Department of Health. Refer to Note 3.

\*\* Transfers in are from the Department of Health and includes transfer of assets due to transfer of services and commissioning of work in progress assets managed by the Department of Health as part of Queensland Health's Capital Acquisition Plan.

\*\*\* Refer above and Note 25.

\*\*\*\* Refer above and Note 14.

Metro South Health  
**Notes to the Financial Statements**  
For the year ended 30 June 2013

	<b>2013</b>
	<b>\$'000</b>
<b>22 Payables</b>	
Trade creditors	18,703
Accrued expenses	25,181
Department of Health payables*	61,872
Other creditors	151
	<u>105,907</u>

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

**23 Accrued employee benefits**

Salaries and wages accrued	<u>91</u>
----------------------------	-----------

**24 Unearned revenue**

<i>Current</i>	
Unearned other revenue*	<u>577</u>

\* Unearned revenue represents revenue received in advance for hospital services yet to be delivered at year end.

**25 Asset revaluation surplus by class**

**Buildings**

Balance at the beginning of the financial year*	-
Revaluation increment	32,354
<b>Balance at the end of the financial year</b>	<b><u>32,354</u></b>

\*The asset revaluation surplus represents the net effect of revaluation movements in assets. Refer to Note 21.

**26 Reconciliation of operating surplus to net cash flows from operating activities**

Operating result from continuing operations	19,989
<i>Non-cash items:</i>	
Depreciation expense	62,898
Amortisation expense	316
Funding for depreciation, amortisation	(63,214)
Assets written (on)/off	(177)
Inventory written off	103
Loss on sale of property, plant and equipment	669
Gain on sale of property, plant and equipment	(143)
Revaluation decrement	772
<i>Changes in assets and liabilities:</i>	
(Increase)/decrease in trade and payroll receivables	(2,610)
(Increase)/decrease in GST input tax credits receivable	(1,932)
(Increase)/decrease in inventories	(199)
(Increase)/decrease in prepayments	(117)
Increase/(decrease) in unearned revenue	541
Increase/(decrease) in accrued health service employees expenses	28,139
Increase/(decrease) in payables	18,908
<b>Net cash generated by operating activities</b>	<b><u>63,943</u></b>

## 27 Non-cash financing and investing activities

Assets and liabilities received or transferred by Metro South Health are set out in the Statement of Changes in Equity.

## 28 Commitments

### (a) Non-cancellable operating leases\*

Commitments under operating leases at reporting date are inclusive of anticipated GST and are payable as follows:

	<b>2013</b> <b>\$'000</b>
Not later than one year	1,344
Later than one year and not later than five years	2,374
Later than five years	150
	<hr/> <b>3,868</b> <hr/>

\*Metro South Health has non-cancellable operating leases relating predominantly to office, car park and clinical services accommodation and medical equipment. Lease payments are generally fixed, but with escalation clauses on which contingent rentals are determined. No lease arrangements contain restrictions on financing or other leasing activities.

### (b) Capital expenditure and other expenditure commitments

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

Capital works	2,188
Supplies	27,466
Repairs and maintenance	10,445
Employment	4,259
	<hr/> <b>44,358</b> <hr/>
Not later than one year	28,716
Later than one year and not later than five years	15,642
	<hr/> <b>44,358</b> <hr/>

### (c) Grants and other contributions

Grants and contribution commitments inclusive of anticipated GST, committed to provide at reporting date, but not recognised in the accounts are payable as follows:

Not later than one year	3,543
Later than one year and not later than five years	2,159
	<hr/> <b>5,702</b> <hr/>

## 29 Contingencies

### (a) Litigation in progress

	2013 cases
Cases have been filed with the courts as follows:	
Supreme Court	2
District Court	1
Magistrates Court	1
Tribunals, commissions and boards	5
	<u>9</u>

Health litigation is underwritten by the Queensland Government Insurance Fund (QGIF). Metro South Health's liability in this area is limited to an excess per insurance event. Refer to Note 2(q).

The introduction of the *Personal Injuries Proceedings Act 2002* has resulted in fewer cases appearing before the courts. These matters are usually resolved at the pre-proceedings stage.

As of 30 June 2013, there were 62 claims managed by QGIF, some of which may never be litigated or result in payments to claim. The maximum exposure to Metro South Health under this policy is up to \$20,000 for each insurable event. There are currently 3 complaints that are being managed by Metro South Health solicitors.

### (b) Native Title

As of 30 June 2013, Metro South Health does not have legal title to properties under its control. Refer to Note 3 regarding the Health Reform information. The Department of Health remains the legal owner of health service properties.

The *Queensland Government Native Title Work Procedures* were designed to ensure that native title issues are considered in all land and natural resource management activities. All business pertaining to land held by or on behalf of Queensland Health must take native title into account before proceeding. Such activities include disposal, acquisition, development, redevelopment, clearing, fencing of real property including the granting of leases, licenses or permits. Real property dealings may proceed on department owned land where native title continues to exist, provided native title holders or claimants receive the necessary procedural rights.

Queensland Health undertakes native title assessments over real property when required and is currently negotiating a number of Indigenous Land Use Agreements (ILUA) with native title holders. These ILUAs will provide trustee leases to validate the tenure of current and future health facilities. There is no native title claims reported by *The National Title Tribunal* that would impact on the land reported by Metro South Health.

## 30 Restricted assets

Metro South Health receives cash contributions primarily from private practice clinicians and from external entities to provide for education, study and research in clinical areas. Contributions are also received from benefactors in the form of gifts, donations and bequests for stipulated purposes. At 30 June 2013, amounts of \$30.056 million in General Trust and \$1.183 million for Research projects are set aside for the specified purposes underlying the contribution.

### 31 Agency and fiduciary trust transactions and balances

Metro South Health acts in a custodial role in respect of these transactions and balances. As such, they are not recognised in the financial statements, but are disclosed below for information purposes.

#### (a) Fiduciary trust transactions

	2013 \$'000
<b>Fiduciary trust receipts and payments</b>	
<b>Receipts</b>	<u>4,277</u>
<b>Payments</b>	<u>4,378</u>
<b>Increase/(decrease) in net patient trust assets</b>	<u>(101)</u>
<b>Decrease in net refundable deposits</b>	<u>(9)</u>
<b>Fiduciary trust assets</b>	
Current assets	
Cash	
Patient trust funds	538
Other refundable deposits	12
<b>Total current assets</b>	<u>550</u>

#### (b) Agency right of private practice transactions and balances

	2013 \$'000
<b>Right of private practice receipts and payments</b>	
<b>Receipts</b>	
Private practice receipts	44,824
<b>Total receipts</b>	<u>44,824</u>
<b>Payments</b>	
Payments to doctors	10,991
Payments to Metro South Health for recoverable cost	22,435
Payments to Metro South Health general trust for SERTA*	7,429
Other payments**	3,617
<b>Total payments</b>	<u>44,472</u>
<b>Increase/(decrease) in net right of private practice assets</b>	<u>352</u>

\* Study, education and research trust account (SERTA) funds are generated by doctors reaching the ceiling allowable under the option B arrangements. The allocation of these funds is managed by a Specialists' Advisory Committee.

\*\* Payments relating to the receipts on behalf of other Queensland Health entities such as Pathology Services, Medical Imaging, Children Services, refund to Medicare and or Private Insurance. Refer to Note 2 (c).

#### Right of private practice assets

Current assets	
Cash*	1,698
<b>Total current assets</b>	<u>1,698</u>

\*Cash balance predominantly includes doctor payments and payments to other entities outstanding at balance date and other payments due to Metro South Health which have been accrued as revenue in Metro South Health's accounts.

### 32 Arrangements for the provision of public infrastructure by other entities

Public Private Partnership (PPP) arrangements operating for all or part of the financial year are as follows. Refer to Note 2(l). The PPP is a Build-Own-Operate-Transfer (BOOT) arrangement.

Facility	Counterparty	Term of Agreement	Commencement Date
The Princess Alexandra Hospital Multi Storey Car Park	International Parking Group Pty Limited	25 years	February 2008

#### Assets

As of 30 June 2013 Metro South Health does not have legal title to properties under its control. The land where the facility has been constructed is recognised as Metro South Health's land, subject to an operating lease.

Metro South Health has not recognised any rights or obligations relating to these facilities other than those associated with land rental and the provision of services under the agreements. Metro South Health has the right to retain the rent in accordance with the Deed of Lease in the Transfer Notice. Refer to Note 3 regarding the Health Reform.

**2013**  
**\$'000**

#### Revenues

Revenues recognised in relation to these arrangements:

User charges

342

#### *The Princess Alexandra Hospital Multi Storey Car Park*

The developer has constructed a 1,403 space multi storey car park on site at the hospital. Rental of \$0.295 million per annum escalated for CPI annually will be received from the car park operator up to February 2033. The developer operates and maintains the facility at its sole cost and risk. Metro South Health staff is entitled to concessional rates when using the car park.

#### PPP arrangements of Metro South Health cash flows (indicative)

**The Princess  
Alexandra  
Hospital multi  
storey car park  
\$'000**

#### **Inflows**

Up to 1 year 353

More than 1 year but less than 5 years 1,520

More than 5 years but less than 10 years 2,170

Later than 10 years 5,175

**Net indicative cash flow**

**9,218**



### 33 Collocation arrangements

Collocation arrangements operating for all or part of the financial year are as follows. Refer to Note 2(m).

Facility	Counterparty	Term of Agreement	Commencement Date
Redlands Private Hospital	Sister of Mercy	25 years	August 1999

### 34 Financial instruments

#### (a) Categorisation of financial instruments

Metro South Health has the following categories of financial assets and financial liabilities:

	<b>2013</b>
	<b>\$'000</b>
<b>Financial assets</b>	
Cash and cash equivalents	81,687
Receivables	49,780
	<u>131,467</u>
<b>Financial liabilities</b>	
Payables*	<u>105,907</u>

\*Measured at amortised cost

#### (b) Financial risk management

Metro South Health is exposed to a variety of financial risks – credit risk, liquidity risk and market risk.

Financial risk is managed in accordance with Queensland Government and Metro South Health policies. Metro South Health's policies provide written principles for overall risk management and aim to minimise potential adverse effects of risk events on the financial performance of Metro South Health.

<b>Risk Exposure</b>	<b>Measurement method</b>
Credit risk	Ageing analysis, cash inflows at risk
Liquidity risk	Monitoring of cash flows by active management of accrual accounts
Market risk	Interest rate sensitivity analysis

#### (c) Credit risk exposure

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

Credit risk is considered minimal given all Metro South Health deposits are held by the State through Queensland Treasury Corporation.

#### Maximum exposure to credit risk

Cash	81,687
Receivables	49,780
	<u>131,467</u>

### 34 Financial instruments (continued)

#### Financial assets

No collateral is held as security and no credit enhancements relate to financial assets held by Metro South Health.

#### *Impairment of financial assets*

At the end of each reporting period, Metro South Health reviews whether there is objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes financial difficulties of the debtor, changes in debtor credit ratings and current outstanding accounts over 60 days.

The allowance for impairment reflects Metro South Health's assessment of the credit risk associated with receivables balances and is determined based on consideration of objective evidence of impairment, past experience and management judgement. The current year allowance is affected by the following loss events:

- Overseas patients treated in public hospitals where the cost was unrecoverable amounting to \$0.962 million
- debts including general private patients \$0.354 million ;
- unrecoverable debts from private businesses \$0.017 million; and
- un-recoverable third party claim settlements from patients involved in motor vehicle accidents \$0.677 million.

Ageing of past due but not impaired as well as impaired financial assets are disclosed in the following tables:

#### Financial assets past due but not impaired 2012-13

	Overdue \$'000				
	Less than 30 days	30-60 days	61-90 days	More than 90 days	Total
Receivables	44,423	2,155	756	2,446	49,780

#### Individually impaired financial assets 2012-13

	Overdue \$'000				
	Less than 30 days	30-60 days	61-90 days	More than 90 days	Total
Receivables	38	411	432	3,723	4,604

#### (d) Liquidity risk

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

Metro South Health is exposed to liquidity risk through its trading in the normal course of business. Metro South Health aims to reduce the exposure to liquidity risk by ensuring that sufficient funds are available to meet employee and supplier obligations at all times. Metro South Health has an approved overdraft facility of \$18 million under whole-of-government banking arrangements to manage any short term cash shortfalls.

#### (e) Market risk

Metro South Health has interest rate exposure on the 24 hour call deposits and there is no interest rate exposure on its cash and fixed rate deposits. Metro South Health does not undertake any hedging in relation to interest rate risk. Changes in interest rate have a minimal effect on the operating result of Metro South Health.

**(f) Interest rate sensitivity analysis**

**Liquidity and interest rate risk 2012-13**

	1 year or less	1 to 5 years	Maturity date More than 5 years	Non-interest bearing	Total	Weighted average rate %
	\$'000	\$'000	\$'000	\$'000	\$'000	
<b>Financial assets</b>						
Cash	-	-	-	53,466	<b>53,466</b>	
24 hour call deposits	28,221	-	-	-	<b>28,221</b>	3.44
Receivables	-	-	-	49,780	<b>49,780</b>	
	<b>28,221</b>	-	-	<b>103,246</b>	<b>131,467</b>	
<b>Financial liabilities</b>						
Payables	-	-	-	<b>105,907</b>	<b>105,907</b>	

**35 Key executive management personnel and remuneration**

**(a) Key executive management personnel\***

The following details for key management personnel include those positions that had authority and responsibility for planning, directing and controlling the activities of Metro South Health during 2012-13. Further information on these positions can be found in the body of the Annual Report under the section relating to Executive Management.

Name and position	Responsibilities	Contract classification and appointment authority	Appointment date (date resigned from position) or temporary assignment period
<i>Metro South Hospital and Health Board</i>			
Chair Terry White AO	The board decides the objectives, strategies and policies to be followed by Metro South Health and ensure it performs its functions in a proper, effective and efficient way.	Appointments are under the provisions of the Hospital and Health Board Act 2011 by Governor in Council. Notice published in the Queensland Government Gazette.	18/05/2012
Deputy Chair Peter Dowling AM			29/06/2012
Board Members			
Dr John Kastrissios			29/06/2012
Lorraine Martin AO			07/09/2012
Professor John Prins			29/06/2012
Dr Marion Tower			29/06/2012
Professor Andrew Wilson	29/06/2012		
Margo MacGillivray			(18/05/2013)
			14/06/2013

<b>(a) Key executive management personnel (continued)</b>			
<b>Position and name</b>	<b>Responsibilities</b>	<b>Contract classification and appointment authority</b>	<b>Appointment date (date resigned from position) or temporary assignment period</b>
Health Service Chief Executive- Dr Richard Ashby	This position is the single point of accountability for executive leadership and management of all public hospital and health services in Metro South Health. This position is accountable to the Hospital and Health Board for ensuring that Metro South Health achieves a balance between efficient service delivery and high quality health outcomes. The service has a budget of \$1.8 billion.	Section 74 Contract, Hospital and Health Board Act 2011	6/08/2012
Executive Director, PAH-QEII Health Network Dr Jennifer King	This position provides effective strategic leadership, direction and financial management of the Princess Alexandra Hospital–QEII health network. Ensures the effective delivery of health services consistent with the identified needs of the client group and the approved service profile of these hospitals.	Senior Medical Officer and Resident Medical Officers Award MMO11	5/11/2012
Executive Director, Logan-Bayside Health Network Brett Bricknell	This position provides effective strategic leadership, direction and financial management of the Logan – Bayside Health Network. Ensures the effective delivery of health services consistent with the identified needs of the client group and the approved service profile of these hospitals.	Hospital Executive Service HES 2.1	4/04/2011
Executive Director, Addiction and Mental Health Services Associate Professor David Crompton	This position provides strong clinical and operational leadership and support for the strategic direction and provides high quality service provision as part of an integrated addiction and mental health services, comprising in-patient and community services. The role actively participates in the promotion and development of addiction and mental health.	Senior Medical Officer Award and Resident Medical Officers Award MMO13	03/12/2007
Executive Director, Clinical Governance Dr Michael Daly	This position provides leadership for Clinical Governance and Patient Safety in Metro South Health. This position ensures the appropriate performance and outcomes of the clinical governance systems across Metro South Health across the domains of compliance, performance and support.	Senior Medical Officer and Resident Medical Officer Award MMO11	29/12/2008
Chief Finance Officer Robert Crown  Alister Whitta (acting)  Robert Mackway-Jones	This position is responsible and accountable for the operation of the financial management system for Metro South Health. It provides strategic advice and leadership of the financial management functions for the Hospital and Health Service.	Hospital Executive Service -HES2  Hospital Executive Service -HES2  Hospital Executive Service -HES3	4/06/2009 (3/6/2013)  13/08/2012 to 3/6/2013  4/06/2013
Executive Director Community and Public Health Services Glenn Bradley	These services are now incorporated into the Health Networks under the leadership of the Executive Director PAH-QEII and Logan-Bayside Networks.	Hospital Executive Service -HES2	12/07/2010 (11/11/2012)

<b>(a) Key executive management personnel (continued)</b>			
<b>Position and name</b>	<b>Responsibilities</b>	<b>Contract classification and appointment authority</b>	<b>Appointment date (date resigned from position) or temporary assignment period</b>
Executive Director, Corporate Services Metro South Health Peter Frew	This position is the Executive lead for corporate governance, asset management, capital planning and development, procurement management, contracts management, human resource management, operational support services, building engineering and maintenance services, and other ancillary corporate support functions.	Hospital Executive Service -HES2	23/10/2009
Chief Information Officer Michael Draheim	This position provides strategic leadership, direction and management across Metro South Health for Informatics, ICT and HIMS, to ensure that the teams develop and execute relevant strategies. Maintains specific information systems and services that maximise the quality, access and use of information across Metro South Health.	Hospital Executive Service -HES2	13/12/2010
Executive Director, Planning, Engagement and Reform Kay Toshach	This position provides strategic leadership and innovation in the development and delivery of the following critical functions across Metro South Health – health service planning, engagement, government relations, health reform, media and communications. This position supports the health service Chief Executive in the development and delivery of key strategies, with particular reference to Government and Board priorities. This position is the Board Secretary for the Metro South Hospital and Health Board.	District Senior Officer -DSO1	28/05/2012
Executive Director, Medical Services Dr Susan O'Dwyer  Dr Lizbeth Jordan	This position is the principal medical officer for Metro South Health and is responsible for supporting the health service Chief Executive in the planning and management of the health service's clinical services. This position provides professional leadership to all medical officers within Metro South Health.	Senior Medical Officer Award and Resident Medical Officer Award 2012 MS-3	12/11/2012  25/2/2008 (11/11/2012)
Executive Director, Nursing and Midwifery Services Veronica Casey	This position leads the nursing services of Metro South Health, The position maximises the potential of nursing to enhance health outcomes for Metro South Health.	Nurses and Midwives Certified Agreement 2012 Nurse Grade 12	29/07/2007
Executive Director of Allied Health Services Gail Gordon	This position provides strategic leadership of Metro South Health allied health workforce and services with particular reference to workforce planning, policy review and development, information management, learning and development, research and education and standards of professional practice, in line with Metro South Health and National Policy and strategic direction.	Health Practitioners Certified Agreement 2011	05/12/2008

\*acting arrangement less than 3 month in the year has not been included in the above table.

\*\*key executives commencement dates reflect their original appointment to the position which has transitioned to Metro South Health from 1 July 2012. Refer to Note 2 (p)

## (b) Remuneration

Remuneration policy for Metro South Health's key executive management personnel is set by the following legislations:

- Hospital and Health Boards Act 2011 (HHBA)
- Industrial Awards and Agreements.

The remuneration and other terms of employment for the key executive management personnel are specified in employment contracts. The Chief Executive is appointed in accordance with the provisions of section 33 of the HHBA and also appointed as a health executive under section 74 of the HHBA. The other health executives are appointed either in accordance with section 74 of the HHBA or in accordance with the relevant industrial award and agreement as medical practitioner, health practitioner (HP) or nursing executive. For the 2012-13 year, remuneration of key management personnel increased by 2.5 per cent and 3 per cent for medical, HP and nursing awards in accordance with government policy.

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

- Short-term employee benefits which include:
  - Base – consisting of base salary, allowances and leave entitlements expensed for the entire year or for that part of the year during which the employee occupied the specified position.
  - Non-monetary benefits – consisting of provision of vehicle together with fringe benefits tax applicable to the benefit.
- Long-term employee benefits include amounts expensed in respect of long service leave.
- Post-employment benefits include amounts expensed in respect of employer superannuation obligations.
- Redundancy payments are not provided for within individual contracts of employment. Contracts of employment provide only for notice periods or payment in lieu of notice on termination, regardless of the reason for termination.
- Performance bonuses are not paid under the contracts in place.

Total fixed remuneration is calculated on a 'total cost' basis and includes the base and non-monetary benefits, long term employee benefits and post-employment benefits.

**35. Key executive management personnel and remuneration (continued)**

1 July 2012 to 30 June 2013						
Position and name	Short term benefits		Long term benefit \$'000	Post-employment benefit \$'000	Termination benefit \$'000	Total remuneration \$'000
	Base \$'000	Non-monetary benefits \$'000				
Chair Terry White AO	76	-	-	7	-	83
Deputy Chair Peter Dowling AM	33	-	-	3	-	36
Board Member Dr John Kastrissios	33	-	-	3	-	36
Board Member Lorraine Martin AO	26	-	-	2	-	28
Board Member Professor John Prins	33	-	-	3	-	36
Board Member Dr Marion Tower	33	-	-	2	-	35
Board Member Professor Andrew Wilson	31	-	-	3	-	34
Health Service Chief Executive Dr Richard Ashby	482	17	9	39	-	547
Executive Director, PAH- QEII Health Network Dr Jennifer King	258	-	3	19	-	280
Executive Director, Logan-Bayside Health Network Brett Bricknell	153	-	3	16	-	172
Executive Director, Addiction and Mental Health Services Associate Professor David Crompton	413	11	4	28	-	456
Executive Director, Clinical Governance Dr Michael Daly	408	-	4	29	-	441
Chief Finance Officer Robert Mackway-Jones	15	-	-	-	-	15
Chief Finance Officer Robert Crown*	93	-	3	17	43	156
Chief Finance Officer Alister Whitta	152	-	3	12	-	167
Executive Director, Corporate Services Peter Frew	204	-	3	16	-	223
Chief Information Officer Michael Draheim	171	-	3	16	-	190
Executive Director, Planning, Engagement and Reform Kay Toshach	146	11	3	15	-	175
Executive Director, Medical Services Dr Lizbeth Jordan*	143	18	2	13	138	314
Executive Director, Medical Services Dr Susan O'Dwyer	234	36	3	18	-	291

<b>35. Key executive management personnel and remuneration (continued)</b>						
<b>Position</b>	<b>Short term benefits</b>		<b>Long term benefit \$'000</b>	<b>Post-employment benefit \$'000</b>	<b>Termination benefit \$'000</b>	<b>Total remuneration \$'000</b>
	<b>Base \$'000</b>	<b>Non-monetary benefits \$'000</b>				
Executive Director, Nursing and Midwifery Services Veronica Casey	187	13	4	21	-	<b>225</b>
Executive Director of Allied Health Services Gail Gordon	162	-	4	18	-	<b>184</b>
Executive Director Community and Public Health Services** Glenn Bradley*	31	-	2	6	141	<b>180</b>

\* employee terminated  
\*\* position has been abolished

There are no related party transactions to report. For further information refer to the Annual Report.

### **36 Net equity injection**

Transactions with owners as owners include equity injections for non-current asset acquisitions and non-cash equity withdrawals to offset non-cash depreciation funding received under the Service Agreement with the Department of Health.



**Metro South Health  
Management Certificate**

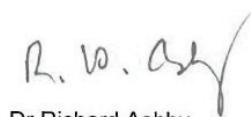
These general purpose financial statements have been prepared pursuant to section 62(1) of the *Financial Accountability Act 2009* (the Act), relevant sections of the *Financial and Performance Management Standard 2009* and other prescribed requirements. In accordance with section 62(1)(b) of the Act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

- a) the prescribed requirements for establishing and keeping the accounts have been complied with in all material respects; and
- b) the statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of Metro South Health for the financial year ended 30 June 2013 and of the financial position of Metro South Health at the end of that year.




Terry White AO  
Chair  
Metro South Hospital and  
Health Board

27, 8, 13



Dr Richard Ashby  
Chief Executive Officer  
Metro South Health

27, 8, 13



Robert Mackway-Jones  
Chief Finance Officer  
Metro South Health

27, 8, 13

## INDEPENDENT AUDITOR'S REPORT

To the Board of Metro South Hospital and Health Service

### Report on the Financial Report

I have audited the accompanying financial report of Metro South Hospital and Health Service, which comprises the statement of financial position as at 30 June 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and certificates given by the Chair, Chief Executive Officer and the Chief Financial Officer.

#### *The Board's Responsibility 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 prescribed accounting requirements identified in the *Financial Accountability Act 2009* and the *Financial and Performance Management Standard 2009*, including compliance with Australian Accounting Standards. The Board's responsibility also includes such internal control as the Board 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.

#### *Auditor's Responsibility*

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view 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 entity's internal control, other than in expressing an opinion on compliance with prescribed requirements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board, as well as evaluating the overall presentation of the financial report including any mandatory financial reporting requirements approved by the Treasurer for application in Queensland.

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

#### *Independence*

The *Auditor-General Act 2009* promotes the independence of the Auditor-General and all authorised auditors. The Auditor-General is the auditor of all Queensland public sector entities and can be removed only by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

*Opinion*

In accordance with s.40 of the *Auditor-General Act 2009* –

- (a) I have received all the information and explanations which I have required; and
- (b) in my opinion –
  - (i) the prescribed requirements in relation to the establishment and keeping of accounts have been complied with in all material respects; and
  - (ii) the financial report presents a true and fair view, in accordance with the prescribed accounting standards, of the transactions of the Metro South Hospital and Health Service for the financial year 1 July 2012 to 30 June 2013 and of the financial position as at the end of that year.

**Other Matters - Electronic Presentation of the Audited Financial Report**

Those viewing an electronic presentation of these financial statements should note that audit does not provide assurance on the integrity of the information presented electronically and does not provide an opinion on any information which may be hyperlinked to or from the financial statements. If users of the financial statements are concerned with the inherent risks arising from electronic presentation of information, they are advised to refer to the printed copy of the audited financial statements to confirm the accuracy of this electronically presented information.



D R Adams FCPA  
(as Delegate of the Auditor-General of Queensland)



Queensland Audit Office  
Brisbane