

STATEMENT OF COMPREHENSIVE INCOME	32
STATEMENT OF FINANCIAL POSITION	33
STATEMENT OF CHANGES IN EQUITY	34
STATEMENT OF CASH FLOWS	35
BASIS OF FINANCIAL STATEMENT PREPARATION	37
NOTES ABOUT OUR FINANCIAL PERFORMANCE	37
A1 REVENUE	37
A2 EMPLOYEE EXPENSES	40
A3 OTHER EXPENSES	47
NOTES ABOUT OUR FINANCIAL POSITION	48
B1 CASH AND CASH EQUIVALENTS	48
B2 RECEIVABLES	49
B3 INVENTORIES	50
B4 INTANGIBLE ASSETS	51
B5 PROPERTY PLANT AND EQUIPMENT	52
B6 LIABILITIES	56
B7 EQUITY	57
B8 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES	57
NOTES ABOUT RISKS AND OTHER ACCOUNTING UNCERTAINTIES	58
C1 FINANCIAL RISK DISCLOSURES	58
C2 COMMITMENTS	59
C3 CONTINGENCIES	60
C4 FUTURE IMPACT OF ACCOUNTING STANDARDS NOT YET EFFECTIVE	61
C5 JOINT ARRANGEMENTS	61
C6 SUBSEQUENT EVENTS	61
WHAT WE LOOK AFTER ON BEHALF OF THIRD PARTIES	62
D1 GRANTED PRIVATE PRACTICE	62
D2 FIDUCIARY TRUST TRANSACTIONS AND BALANCES	62
D3 RESTRICTED ASSETS	62
OTHER INFORMATION	63
E1 FIRST YEAR APPLICATION OF NEW STANDARDS OR CHANGE IN ACCOUNTING POLICY	63
E2 IMPACT OF COVID19	65
E3 RELATED PARTY TRANSACTIONS	66
E4 TAXATION	67
BUDGET v ACTUAL COMPARISON	68
F1 BUDGET VS ACTUAL COMPARISON – STATEMENT OF COMPREHENSIVE INCOME	68
F2 BUDGET VS ACTUAL COMPARISON – STATEMENT OF FINANCIAL POSITION	68
F3 BUDGET VS ACTUAL COMPARISON – STATEMENT OF CASH FLOWS	68
MANAGEMENT CERTIFICATE	69
INDEPENDENT AUDITOR’S REPORT	70

Statement of Comprehensive Income

for the year ended 30 June 2020

		2020	2020	Budget	2019
		Actual	Budget	Variance	Actual
	Notes	\$'000	\$'000	\$'000	\$'000
Income					
User charges and fees	A1-1	261,720	270,444	(8,724)	262,066
Funding for the provision of public health services	A1-2	2,818,893	2,719,954	98,939	2,588,399
Grants and other contributions	A1-3	56,429	42,845	13,584	43,559
Other revenue	A1-4	59,455	36,100	23,355	57,827
Total Revenue		3,196,497	3,069,343	127,154	2,951,851
Gain on disposal/re-measurement of assets		1,009	703	306	395
Total income		3,197,506	3,070,046	127,460	2,952,246
Expenses					
Employee expenses	A2-1	2,175,084	2,206,748	31,664	2,085,470
Health service employee expenses	A2-1	79,314	-	(79,314)	-
Supplies and services	A3-1	736,414	711,683	(24,731)	723,243
Grants and subsidies		1,260	2,233	973	1,128
Interest on lease liabilities		120	-	(120)	-
Depreciation and amortisation	B4,B5,B8	146,300	117,595	(28,705)	117,270
Impairment losses		9,912	3,867	(6,045)	8,208
Other expenses	A3	17,299	27,920	10,621	12,626
Total expenses		3,165,703	3,070,046	(95,657)	2,947,945
Operating result		31,803	-	31,803	4,301
Other comprehensive income					
<i>Items that will not be reclassified subsequently to operating result</i>					
Increase in asset revaluation surplus	B7-1	282,114	-	282,114	34,726
Total other comprehensive income		282,114	-	282,114	34,726
Total comprehensive income		313,917	-	313,917	39,027

The accompanying notes form part of these statements.

Statement of Financial Position

as at 30 June 2020

		2020	2020	Budget	2019
		Actual	Budget	Variance	Actual
	Notes	\$'000	\$'000	\$'000	\$'000
Current assets					
Cash and cash equivalents	B1	132,354	51,681	80,673	117,803
Receivables	B2-1	129,812	88,216	41,596	97,778
Inventories	B3	21,212	18,311	2,901	18,218
Prepayments		16,305	9,657	6,648	11,534
Total current assets		299,683	167,865	131,818	245,333
Non-current assets					
Property, plant and equipment	B5-1	1,629,484	1,322,068	307,416	1,350,059
Right-of-use assets	B8-1	5,659	-	5,659	-
Intangible assets	B4	22,670	19,679	2,991	24,980
Prepayments		575	445	130	801
Total non-current assets		1,658,388	1,342,192	316,196	1,375,840
Total assets		1,958,071	1,510,057	448,014	1,621,173
Current liabilities					
Payables	B6-1	234,193	85,965	(148,228)	134,838
Lease liabilities	B8-2	5,711	-	5,711	-
Accrued employee benefits	A2-1	25,807	100,112	74,305	88,653
Contract liabilities		9,059	5,538	(3,521)	15,609
Total current liabilities		274,770	191,615	(71,733)	239,100
Total liabilities		274,770	191,615	(71,733)	239,100
Net assets		1,683,301	1,318,442	376,281	1,382,073
Equity					
Contributed equity		1,063,952	1,052,038	11,914	1,076,641
Accumulated surplus/(deficit)		127,515	91,410	36,105	95,712
Asset revaluation surplus	B7-1	491,834	174,994	316,840	209,720
Total equity		1,683,301	1,318,442	364,859	1,382,073

The accompanying notes form part of these statements.

Statement of Changes in Equity

for the year ended 30 June 2020

	Accumulated surplus / (deficit)	Asset revaluation surplus	Contributed equity	Total equity
	\$'000	\$'000	\$'000	\$'000
Balance as at 1 July 2018	91,411	174,994	1,093,797	1,360,202
Operating result for the year	4,301	-	-	4,301
Other comprehensive income				
Increase in asset revaluation surplus	-	34,726	-	34,726
Total comprehensive income for the year	4,301	34,726	-	39,027
Transactions with owners:				
Equity injections - minor capital funding	-	-	96,840	96,840
Equity withdrawals - depreciation and amortisation	-	-	(117,271)	(117,271)
Non-appropriated equity asset injections	-	-	3,275	3,275
Net transactions with owners	-	-	(17,156)	(17,156)
Balance at 30 June 2019	95,712	209,720	1,076,641	1,382,073
Balance as at 1 July 2019	95,712	209,720	1,076,641	1,382,073
Net effect of changes in accounting policies/prior year adjustments	-	-	-	-
Operating result for the year	31,803	-	-	31,803
Other comprehensive income				
Increase in asset revaluation surplus	-	282,114	-	282,114
Total comprehensive income for the year	31,803	282,114	-	313,917
Transactions with owners:				
Equity injections - capital funding	-	-	124,873	124,873
Equity withdrawals - depreciation and amortisation	-	-	(146,300)	(146,300)
Non-appropriated equity asset injections	-	-	8,738	8,738
Net transactions with owners	-	-	(12,689)	(12,689)
Balance at 30 June 2020	127,515	491,834	1,063,952	1,683,301

The accompanying notes form part of these statements.

Statement of Cash Flows

for the year ended 30 June 2020

		2020	2020	Budget	2019
	Notes	Actual	Budget	Variance	Actual
		\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities					
<i>Inflows</i>					
User charges and fees		262,400	277,635	(15,235)	274,206
Funding for the provision of public health services		2,647,138	2,705,572	(58,434)	2,467,013
Grants and other contributions		32,019	19,595	12,424	20,659
Interest received		595	810	(215)	776
Other revenue		47,241	34,700	12,541	47,798
GST received		49,563	39,723	9,840	42,301
<i>Outflows</i>					
Employee expenses		(2,317,710)	(2,201,030)	(116,680)	(2,082,330)
Supplies and services		(628,518)	(709,544)	81,026	(673,151)
Grants and subsidies		(1,958)	(2,233)	275	(1,828)
Interest payments on lease liabilities		(120)		(120)	-
Other expenses		(15,237)	(4,670)	(10,567)	(11,209)
GST paid		(50,392)	(39,749)	(10,643)	(42,131)
Net cash from operating activities	CF-1	25,021	120,809	(95,788)	42,104
Cash flows from investing activities					
<i>Inflows</i>					
Sales of property, plant and equipment		1,031	703	328	419
<i>Outflows</i>					
Payments for property, plant and equipment		(125,631)	(37,989)	(87,642)	(91,310)
Payments for intangible assets		(5,271)	-	(5,271)	(6,175)
Net cash (used by) investing activities		(129,871)	(37,286)	(92,585)	(97,066)
Cash flows from financing activities					
<i>Inflows</i>					
Equity transferred		124,873	30,407	94,466	96,840
<i>Outflows</i>					
Lease payments		(5,472)	-	(5,472)	-
Equity withdrawals		-	(117,595)	117,595	-
Net cash from/(used by) financing activities		119,401	(87,188)	206,589	96,840
Net increase/(decrease) in cash and cash equivalents		14,551	(3,665)	18,216	41,878
Cash and cash equivalents at the beginning of the financial year		117,803	55,346	62,457	75,925
Cash and cash equivalents at the end of the financial year	B1	132,354	51,681	80,673	117,803

The accompanying notes form part of these statements.

Notes to the statement of cash flows

for the year ended 30 June 2020

CF-1 Reconciliation of surplus to net cash from operating activities

	2020	2019
	\$'000	\$'000
Surplus / (deficit) for the year	31,803	4,301
Adjustments for:		
Non-cash equity withdrawal - depreciation funding	(146,300)	(117,271)
Depreciation and amortisation expense	146,300	117,270
Impairment loss	9,668	7,171
Loss on sale of property, plant and equipment	189	695
Assets transferred - non-cash	(1,009)	(395)
Changes in assets and liabilities:		
(Increase)/decrease in trade receivables	(37,221)	(191)
(Increase)/decrease in GST receivables	(829)	170
(Increase)/decrease in inventories	(2,994)	1,946
(Increase)/decrease in recurrent prepayments	(4,545)	(2,748)
Increase/(decrease) in payables	99,355	46,143
Increase/(decrease) in accrued salaries and wages	(53,525)	1,836
Increase/(decrease) in contract liabilities and unearned revenue	(6,550)	2,303
Increase/(decrease) in other employee benefits	(9,321)	1,303
Increase/(decrease) in provisions	-	(20,429)
Net cash from operating activities	25,021	42,104

CF-2 Non-Cash investing and financing activities

	Opening balance	New leases/ borrowings	Interest Expense	Reduction in liability	Cash Received	Cash repayments	Closing balance
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Lease liabilities	11,183	-	120	-	-	(5,592)	5,711
Carrying amount at 30 June 2020	11,183	-	120	-	-	(5,592)	5,711

The accompanying notes form part of these statements.

Notes to the financial statements

for the year ended 30 June 2020

BASIS OF FINANCIAL STATEMENT PREPARATION

General information

Metro North Hospital and Health Service (Metro North) was established on 1 July 2012, as a not-for-profit statutory body under the *Hospital and Health Boards Act 2011*. Metro North is responsible for providing public sector health services in the area assigned under the *Hospital and Health Boards Regulation 2012*.

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

The head office and principal place of business of Metro North is:

Level 14, Block 7
Royal Brisbane and Women's Hospital
Herston QLD 4029

For information in relation to the health service please call (07) 3646 8111, email metronorthfeedback@health.qld.gov.au or visit Metro North's website at: <https://www.health.qld.gov.au/metronorth/about/contact-us>.

Statement of compliance

Metro North has prepared these financial statements in compliance with section 62(1) of the *Financial Accountability Act 2009 (QLD)* and section 39 of the *Financial and Performance Management Standard 2019 (QLD)*.

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 *Queensland Treasury's Financial Reporting Requirements* for the year ending 30 June 2020 and other authoritative pronouncements.

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

The reporting entity

The financial statements include the value of all income, expenses, assets, liabilities and equity of Metro North.

Presentation matters

Currency and rounding

Amounts included in the financial statements are in Australian dollars and rounded to the nearest \$1,000 or, where that amount is \$500 or less, to zero, unless disclosure of the full amount is specifically required. Some totals may not add due to rounding.

Current/Non-current classification

Assets and liabilities are classified as either 'current' or 'non-current' in the Statement of financial position and associated notes.

Assets are classified as 'current' where their carrying amount is expected to be realised within 12 months after the reporting date. Liabilities are classified as 'current' when they are due to be settled within 12 months after the reporting date, or Metro North does not have an unconditional right to defer settlement to beyond 12 months after the reporting date.

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

Implementation of S/4HANA

On 1 August 2019, Metro North implemented S4/HANA, a new statewide enterprise resource planning (ERP) system, which replaced FAMMIS ERP. The system is used to prepare the general purpose financial statements, and it interfaces with other software that manages revenue, payroll and certain expenditure streams. Its modules are used for inventory and accounts payable management.

IT and application level controls were required to be redesigned and new workflows implemented. Extensive reconciliations were completed on implementation to ensure the accuracy of the data migrated

Authorisation of financial statements for issue

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

SECTION A NOTES ABOUT OUR FINANCIAL PERFORMANCE

A1 REVENUE

	2020	2019
	\$'000	\$'000
A1-1: User charges and fees		
Revenue from contracts with customers		
Hospital fees	131,008	139,171
Sales of goods and services	25,029	24,944
Pharmaceutical benefit scheme reimbursements	105,683	97,951
Total	261,720	262,066

A1-1 User charges and fees (continued)

Accounting policy – User charges and fees

Revenue from contracts with customers is recognised when Metro North transfers control over a good or service to the customer or third-party beneficiary. Revenue from hospital fees and the sales of services is comprised of private healthcare services, research and training services respectively. Services are provided over time, with customers simultaneously receiving and consuming the benefits provided during that period. Metro North does not invoice for services rendered until the end of the service delivery period and recognises revenue progressively as the services are provided each month and a contract asset representing its right to consideration for services delivered but not yet billed.

Revenue from sales of goods and pharmaceutical benefit scheme comprises the sale of retail and pharmacy products and is recognised on transfer of the goods to the customer, which is the sole performance obligation.

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

A1-2: Funding for the provision of public health services

	2020	2019
	\$'000	\$'000
Activity based funding	2,279,718	2,091,656
Block funding	197,240	181,620
Depreciation funding	146,300	117,271
Other funding	195,635	197,852
Total	2,818,893	2,588,399

Accounting policy – Funding for the provision of public health services

Funding is provided predominantly from the Department of Health for specific public health services purchased by the Department in accordance with a service agreement. The Australian Government pays its share of National Health funding directly to the Department of Health, for on forwarding to the Hospital and Health Service. The service agreement is reviewed periodically and updated for changes in activities and prices of services delivered by Metro North. Cash funding from the Department of Health is received fortnightly for State payments and monthly for Commonwealth payments and is recognised as revenue as the performance obligations under the service level agreement are discharged. Commonwealth funding to Metro North in 2020 was \$1B (2019, \$982M).

At the end of the financial year, an agreed technical adjustment between the Department of Health and Metro North may be required for the level of services performed above or below the agreed levels, which may result in a

receivable or unearned revenue. This technical adjustment process is undertaken annually according to the provisions of the service level agreement and ensures that the revenue recognised in each financial year correctly reflects Metro North's delivery of health services. There has been no change to the amount or timing of revenue recognition with the adoption of AASB 15 *Revenue from Contracts with Customers* and AASB 1058 *Income of Not-for-Profit Entities*.

The service agreement between the Department of Health and Metro North dictates that depreciation and amortisation charges that are incurred by Metro North are funded by the Department of Health via non-cash revenue. This transaction is shown in the Statement of changes in equity as an equity withdrawal, \$146.3M in 2020 (2019: \$117.3M).

In March 2020 the Commonwealth and States entered into a National Partnership on COVID-19 Response. Under this agreement the parties agreed to work together in response to the COVID-19 pandemic and to jointly fund additional health expenditure incurred to effectively manage the COVID-19 outbreak. Additional revenue of \$42.9M is included in "Other funding" above in relation to this agreement.

A1-3: Grants and other contributions

	2020	2019
	\$'000	\$'000
Revenue from contracts with customers		
Other specific purpose recurrent grants	221	-
Other specific purpose capital grants	1,800	-
Other grants	1,101	-
Grants and other contributions	3,122	-
Other grants and contributions		
Grants and other contributions	7,375	7,464
Other specific purpose recurrent grants	10,763	10,438
Donations	8,066	594
Other grants	2,693	2,157
Other grants and other contributions	28,897	20,653
Services received below fair value	24,410	22,906
Total	56,429	43,559

A1-3 Grants and other contributions (continued)

Accounting policy – Grants and other contributions

Grants, contributions and donations are non-exchange transactions where Metro North does not directly give approximately equal value to the grantor. Where the agreement is enforceable and contains sufficiently specific performance obligations for Metro North to transfer goods or services to a third-party on the grantor's behalf, the transaction is accounted for under AASB 15 *Revenue from Contracts with Customers*. In this case, revenue is initially deferred (as a contract liability) and recognised as or when the performance obligations are satisfied.

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

Grants and other contributions recognised as revenue from contracts with customers

Metro North receives specific purpose recurrent grants for the provision of Transition Care Services, Organ and Tissue Donation and Transplantation Services under Commonwealth funding programs. It also receives Commonwealth funding under grants and other contributions for the provision of residential aged care services under Commonwealth nursing home benefit funding. These agreements require Metro North to provide an agreed level of care to a specified number of eligible patients with funding determined based on services provided.

Other specific purpose capital grants

Metro North received a specific purpose capital grant of \$1.8M from the Sony Foundation for the construction of a dedicated Adolescent and Youth Cancer Centre at the Royal Brisbane and Women's Hospital (RBWH), which has now been completed.

Donations

This revenue stream consists of donations, gifts and bequests of cash or non-current assets for the purposes of benefiting the patient experience, staff education or research. Use of these funds is restricted and any unspent money is held in trust until it is expended for the above purposes. Refer to note D3 for details.

In 2019-20, Metro North received a material donation of \$7.6M from the RBWH Foundation in relation to the transfer of the financial management of clinical trial activity. The funds must be used to support clinical trial research and education.

Other grants

Metro North receives a number of grants from government, industry and community entities.

These grants include contributions from the Motor Accident Insurance Commission (MAIC) to support research at the jointly funded Trauma Institute and the Commonwealth Department of Health Radiation Oncology Health Program Grants (ROHPG) program.

Accounting policy – Services received below fair value

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

During 2019-20, Metro North received services below fair value from the Department of Health in the form of payroll, accounts payable and banking services. These services are essential to Metro North's operations and would have been procured if they were not received for free. The fair value of these services amounting to \$24.4M in 2020 (2019: \$22.9M) is recognised in Grants and other contributions. An equal amount to services received below fair value revenue is recognised as other expenses. Refer to note A3-1 for the corresponding disclosure.

Metro North also receives services from volunteers who greet, direct and escort hospital patients and visitors, provide basic administrative support and assistance with role playing for some clinical skills development programs. While greatly appreciated, these donated services are not recognised because their fair value has been assessed as immaterial and they would not have been purchased if they had not been donated.

A1-4: Other revenue

	2020	2019
	\$'000	\$'000
Health service employee expense recoveries	21,415	18,223
Rental Income	3,589	3,950
Other recoveries	21,378	24,278
Other revenue	12,478	10,600
Total	59,455	57,827

Accounting policy – Health service employee expense recoveries and Other recoveries

Recovery income is received as reimbursement of goods, services or staff provided by Metro North to other hospital and health services and government agencies. Revenue is recognised on a gross basis at cost (i.e. no margin attached) when or as the good or service is transferred to the other entity under AASB 15 *Revenue from Contracts with Customers*. There has been no change to the timing of revenue recognition with the adoption of AASB 15.

A2 EMPLOYEE EXPENSES

A2-1: Employee expenses

	2020	2019
	\$'000	\$'000
Employee benefits		
Wages and salaries*	1,706,145	1,644,645
Employer superannuation contributions	184,597	171,051
Annual leave levy	210,658	202,354
Long service leave levy	41,815	34,788
Termination benefits	870	1,291
Employee related expenses		
Workers compensation premium	16,925	16,571
Other employee related expenses	14,074	14,770
Total	2,175,084	2,085,470
	2020 No.	2019 No.
Full-Time Equivalent Employees	857	16,184
Full-Time Equivalent Health Service Contract Labour	15,961	-
Total	16,818	16,184

* Wages and salaries include \$10.7M of \$1,250 one-off, pro-rata payments for 8,616 full-time equivalent employees (announced in September 2019).

Accounting policy – Employee benefits

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

Workers' compensation insurance is a consequence of employing employees and is recognised separately as employee related expenses. Wages and salaries due but unpaid at reporting date are recognised in the Statement of financial position at current salary rates.

As Metro North expects such liabilities to be wholly settled within 12 months of reporting date, the liabilities are recognised at undiscounted amounts.

Under the Queensland Government's Annual Leave Central Scheme and Long Service Leave Scheme, a levy is made on Metro North to cover the cost of employees' annual leave (including leave loading and on-costs) and long service leave. The levies are expensed in the period in which they are payable. Amounts paid to employees for annual leave are claimed from the scheme quarterly in arrears. Non-vesting employee benefits, such as sick leave, are recognised as an expense when taken.

Employer superannuation contributions are paid to Queensland Government's QSuper fund, or an alternative employee-nominated choice of superannuation fund, for all employees and include superannuation contributions to self-managed superannuation funds. QSuper is the default superannuation scheme for Queensland Government employees. The QSuper scheme has defined contribution and defined benefit categories, where the rates for the latter are determined by the Treasurer on the advice of the State Actuary. Contributions are expensed in the period in which they are paid, or payable and Metro North's obligation is limited to the value of those contributions paid.

The provisions for annual leave and long service leave and the liability for superannuation obligations are reported on a whole-of government basis pursuant to AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

Health service contract labour

Effective 15 June 2020, a legislative change to the employer arrangements within Queensland Health was implemented. From this date, all non executive employees of Metro North (i.e. other than senior executives, senior medical officers and visiting medical officers) became the employees of the Director-General, Queensland Health. Direct labour postings, in addition to related assets and liabilities including accrued employee benefits, for these employees will be classified from employee expense to contract labour expense. These changes were a result of the Government's implementation of recommendations from the "Advice on Queensland Health's governance framework report", issued in June 2019 and introduce consistency of employment arrangements for non-executive staff across all Queensland Health entities.

The amount reclassified for the period 15 June - 30 June 2020 was \$79.3M which is disclosed on the face of the Statement of comprehensive income.

A2-2: Key Management Personnel Disclosures

Metro North's responsible Minister is identified as part of its key management personnel. That Minister is the Deputy Premier and Minister for Health and Minister for Ambulance Services, Honourable Dr. Steven Miles MP.

The following details for non-Ministerial key management personnel reflect those Metro North positions that had authority and responsibility for planning, directing and controlling activities during the current financial year:

A2-2: Key management personnel disclosures (continued)

Position	Name	Contract classification / appointment authority	Initial appointment date	Resignation/ Cessation date
Non-executive Board Chair – Provide strategic leadership, guidance and effective oversight of management, operations and financial performance.	Emeritus Professor Robert Stable AM MBBS, DUniv, MHP, FRACGP, FAICD, FCHSM (Hon)	Chairperson – <i>Hospital and Health Boards Act 2011</i> Section 25 (1) (a) Tenure: 18/05/2016 to 17/05/2020	18/5/2016	17/05/2020
	Dr Kim Forrester RN, BA, LLB, LLM (Advanced), PhD, MAICD, Barrister at Law, Honorary Adjunct Associate Professor, Faculty of Health Sciences and Medicine Bond University	Acting/Relieving duties	07/02/2020	19/03/2020
	Jim McGowan AM B Econ. Dip Ed	Chairperson – <i>Hospital and Health Boards Act 2011</i> Section 25 (1) (a) Tenure: 18/05/2020 to 31/03/2024	18/05/2020	-
Non-executive Deputy Board Chair – Provide strategic leadership, guidance and effective oversight of management, operations and financial performance.	Dr Kim Forrester RN, BA, LLB, LLM (Advanced), PhD, MAICD, Barrister at Law, Honorary Adjunct Associate Professor, Faculty of Health Science and Medicine Bond University	Board Member – <i>Hospital and Health Boards Act 2011</i> Section 23 (1) Tenure: 18/05/2014 to 17/05/2018 Tenure: 18/05/2018 to 17/05/2021	18/05/2013	-
Non-executive Board Member – Provide strategic leadership, guidance and effective oversight of management, operations and financial performance.	Ms Bonny Barry RN BNsg	Board Member – <i>Hospital and Health Boards Act 2011</i> Section 23 (1) Tenure: 18/05/2017 to 17/05/2020 Tenure: 18/05/2020 to 31/03/2024	18/05/2016	-
	Professor Mary-Louise Fleming BEd (QUT), MA (Ohio), PhD (Qld), MAICD	Board Member – <i>Hospital and Health Boards Act 2011</i> Section 23 (1) Tenure: 18/05/2017 to 17/05/2020 Tenure: 18/05/2020 to 31/03/2024	18/05/2016	-
	Mr Geoff Hardy B Bus (Econ), Dip HA, Grad Dip Commerce (Mkt), MAICD, AFCHSM	Board Member – <i>Hospital and Health Boards Act 2011</i> Section 23 (1) Tenure: 18/05/2017 to 17/05/2020 Tenure: 18/05/2020 to 31/03/2024	18/05/2016	-
	Mr Adrian Carson GCertHServMgt	Board Member – <i>Hospital and Health Boards Act 2011</i> Section 23 (1) Tenure: 18/05/2017 to 17/05/2020 Tenure: 18/05/2020 to 31/03/2024	18/05/2017	-

A2-2: Key management personnel disclosures (continued)

Position	Name	Contract classification / appointment authority	Initial appointment date	Resignation/ Cessation date
Non-executive Board Member (continued)	Dr Paula Conroy BSc MBBS DCH FRACGP GAICD	Board Member – <i>Hospital and Health Boards Act 2011</i> Section 23 (1) Tenure: 18/05/2018 to 17/05/2019 Tenure: 18/05/2019 to 31/03/2022	18/05/2018	-
	Mr Bernard Curran BBus (QUT), FCA, FAICD, FTIA	Board Member – <i>Hospital and Health Boards Act 2011</i> Section 23 (1) Tenure: 18/05/2018 to 17/05/2019 Tenure: 18/05/2019 to 31/03/2022	18/05/2018	-
	Associate Professor Kim Johnston PhD, MBus, GradCertAcadPrac (QUT), BNurs (NTU), GCertNurs (RPAH), FHEA, MAICD	Board Member – <i>Hospital and Health Boards Act 2011</i> Section 23 (1) Tenure: 18/05/2018 to 17/05/2019 Tenure: 18/05/2019 to 17/05/2021 18/05/2018	18/05/2018	-
	Dr Robert Franz MBBS, FRACS, GCM	Board Member – <i>Hospital and Health Boards Act 2011</i> Section 23 (1) Tenure: 18/05/2019 to 17/05/2021	18/05/2019	-
	Mr Neil Roberts MBA, BBus, GradCertDisRes, GAICD	Board Member – <i>Hospital and Health Boards Act 2011</i> Section 23 (1) Tenure: 18/05/2019 to 31/03/2022	18/05/2019	-

A2-2: Key management personnel disclosures (continued)

Position	Name	Contract classification / appointment authority	Initial appointment date	Resignation/ Cessation date
Chief Executive – Responsible for the strategic direction and the efficient, effective and economic administration of the Health Service.	Mr Shaun Drummond	10S24/S70 01, <i>Hospital and Health Boards Act 2011</i> Tenure: 29/09/2017 to 28/09/2022	29/09/2017 20/01/2020	30/04/2019 -
	Adjunct Professor Jackie Hanson BNSc	Acting/Relieving in higher duties	17/04/2019 26/02/2020	28/01/2020 22/03/2020
Chief Operating Officer – Responsible for providing operational leadership, direction and day to day management, including infrastructure, of Metro North Hospital and Health Service to optimise quality health care and business outcomes.	Adjunct Professor Jackie Hanson BNSc	HES4, <i>Hospital and Health Boards Act 2011</i> Tenure: 30/04/2018 to 25/04/2021	30/04/2018 29/01/2020 23/03/2020	29/06/2019 25/02/2020 -
	Ms Jodie Ashworth GAICD, DipAppNsc, Cert (Midwifery), Cert CritCare), GradDipHSM, GradDipHR	Acting/Relieving in higher duties	01/07/2019	22/11/2019
Chief Finance and Corporate Officer – Responsible for development and execution of strategy and full accountability with respect to financial stewardship, management of the asset portfolio, legal, information technology, human resources, commercial matters and procurement.	Ms Melissa MacCabe CA, BBus (Accy/Legal)	HES3, <i>Hospital and Health Boards Act 2011</i> Tenure: 13/08/2018 to 12/08/2021	13/08/2018 23/09/2019	06/09/2019 -
Executive Director, Clinical Services – Responsible for monitoring and strategically directing the budgetary and activity performance of Metro North Hospital and Health Service's clinical streams and assist the Health Service Chief Executive and other Executive Directors in effective management of not only the Clinical Streams but also Metro North Hospital and Health Service as an entity.	Dr Elizabeth Whiting BA, MB BCH BAO, FRACP, FRANZSGM	MMOI4, Medical Officers' (Queensland Health) Certified Agreement (No.4) 2015 Tenure: 01/09/2014 to 30/09/2020	01/09/2014	-
Executive Director, Safety and Quality – Provide strategic leadership, direction and day to day management of Metro North Hospital and Health Service's governance, quality and risk functions to optimise quality health care, statutory and policy compliance and continuously improving business outcomes.	Ms. Noelle Cridland BN, MN, MAICD	HES3, <i>Hospital and Health Boards Act 2011</i> Tenure: 01/02/2018 to 27/10/2019	01/02/2018	27/10/2019
	Mr Mark Butterworth BAppSc, GradDipBA	Acting/Relieving in higher duties	28/10/2019	-

A2-2: Key management personnel disclosures (continued)

Remuneration policy

Minister remuneration

Metro North does not incur any expense in relation to the Minister. The majority of Ministerial entitlements are paid by the Legislative Assembly, with remaining entitlements being provided by Ministerial Services Branch within the Department of Premier and Cabinet. As all Ministers are reported as key management personnel of the Queensland Government, aggregate remuneration expenses for all Ministers are disclosed in the Queensland Whole of Government Consolidated Financial Statements from 2017-18 onwards, which are published as part of the Report on State Finances.

Board

The remuneration of members of the Board is approved by Governor-in-Council as part of the terms of appointment. Each member is entitled to receive a fee, with the exception of appointed public service employees unless otherwise approved by the Queensland Government. Members may also be eligible for superannuation payments.

Executive management

Section 74(1) of the *Hospital and Health Boards Act 2011* provides that each person appointed as a Health Executive must enter into a contract of employment. The Health Service Chief Executive must enter into the contract of employment with the Chair of the Board for the Hospital and Health Service and a Health Executive employed by a Hospital and Health Service must enter into a contract of employment with the Health Service Chief Executive. The contract of employment must state the term of employment (no longer than 5 years per contract), the person's functions and any performance criteria as well as the person's classification level and remuneration entitlements.

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

- Short-term employee benefits which include:
 - **Monetary benefits** – consisting of base salary, allowances and leave entitlements paid and provided for the entire year or for that part of the year during which the employee occupied the specified position. Amounts disclosed equal the amount expensed in the Statement of comprehensive income. **Non-monetary benefits** – consisting of provision of vehicle and expense payments together with fringe benefits tax applicable to the benefit.
- Long-term employee benefits include long service leave accrued.
- Post-employment benefits include superannuation contributions.
- Redundancy payments are not provided for within individual contracts of employment. Contracts of employment provide only for notice periods or payment in lieu on termination, regardless of the reason for termination.
- There were no performance bonuses paid in the 2019-20 financial year (2019: \$nil).

A2-2: Key management personnel disclosures (continued)

Board Remuneration

Name	Short Term Employee Benefits		Post-employment benefits	Total remuneration
	Monetary benefits	Non-monetary benefits		
	\$'000	\$'000	\$'000	\$'000
2019–20				
Emeritus Professor Robert Stable AM	82	-	8	90
Dr Kim Forrester	59	-	6	65
Mr Jim McGowan AM	10	-	1	11
Ms Bonny Barry	50	-	5	55
Professor Mary-Louise Fleming	50	-	5	55
Mr Geoff Hardy	54	-	5	59
Mr Adrian Carson	50	-	5	55
Dr Paula Conroy	50	-	5	55
Mr Bernard Curran	51	-	5	56
Associate Professor Kim Johnston	50	-	5	55
Mr Neil Roberts	50	-	5	55
Total Remuneration	556	-	55	611

Metro North has reimbursed board members a total of \$385.95 for out-of-pocket expenses incurred whilst travelling on approved board business including attendance at board meetings.

Name	Short Term Employee Benefits		Post-employment benefits	Total remuneration
	Monetary benefits	Non-monetary benefits		
	\$'000	\$'000	\$'000	\$'000
2018–19				
Emeritus Professor Robert Stable AM	96	-	9	105
Dr Kim Forrester	60	-	6	66
Ms Bonny Barry	52	-	5	57
Mr Adrian Carson	52	-	5	57
Professor Mary-Louise Fleming	52	-	5	57
Mr Geoff Hardy	56	-	5	62
Associate Professor Cliff Pollard AM	46	-	4	51
Dr Kim Johnston	52	-	5	57
Dr Paula Conroy	52	-	5	57
Mr Bernard Curran	53	-	5	58
Mr Neil Roberts	7	-	1	7
Total Remuneration	578	-	55	633

Metro North has reimbursed board members a total of \$8,474.42 for out-of-pocket expenses incurred whilst travelling on approved board business including attendance at board meetings.

A2-2: Key management personnel disclosures (continued)

Other key management personnel remuneration

Position	Short-term employee benefits		Long-term benefits	Post-employment benefits	Termination benefits	Total remuneration
	Monetary benefits	Non-monetary benefits				
	\$'000	\$'000				
2019–20						
Chief Executive	244	-	5	21	-	270
Chief Executive (01/07/2019 to 28/01/2020, 26/02/2020 to 22/03/2020)	264	-	5	27	-	296
Chief Operating Officer (23/11/2019 to 30/06/2020)	76	-	2	9	-	87
Executive Director, Operations (01/07/2019 to 22/11/2019)	117	-	2	11	-	130
Chief Finance and Corporate Officer	228	-	5	23	-	256
Executive Director, Clinical Services	589	1	13	45	-	648
Executive Director, Safety and Quality (01/07/2019 to 25/10/2019)	71	-	2	7	-	80
Executive Director, Safety and Quality (28/10/2019 to 30/06/2020)	229	-	5	24	-	258
Total	1,818	1	39	167	-	2,025
2018-19						
Chief Executive (to 30/04/2019)	393	-	8	33	-	433
Chief Executive (from 01/05/2019)	87	-	2	7	-	96
Executive Director, Operations (to 30/04/2019)	236	-	4	29	-	269
Chief Finance Officer (to 25/08/2018)	46	-	1	4	80	130
Chief Finance Officer (from 13/08/2018)	204	-	4	21	-	228
Executive Director, Clinical Services	589	1	12	43	-	645
Executive Director, Safety and Quality	234	-	5	24	-	263
Total	1,788	1	35	162	80	2,066

A3: OTHER EXPENSES**A3-1: Supplies and services**

	2020	2019
	\$'000	\$'000
Clinical supplies and services	188,601	187,000
Drugs	143,596	136,244
Pathology, blood and parts	98,011	104,561
Catering and domestic supplies	52,459	45,466
Repairs and maintenance	48,127	40,993
Other	32,217	45,061
Communications	29,509	24,788
Computer services	27,434	15,592
Insurance	25,115	23,646
Services received below fair value	24,410	22,906
Electricity and other energy	17,319	18,855
Consultants and contractors - non-clinical	12,224	14,498
Consultants and contractors - clinical	10,338	4,684
Rental expenses	7,332	11,914
Patient travel	5,237	11,355
Building services	4,801	3,004
Other travel	3,640	3,728
Minor works including plant and equipment	3,007	4,391
Water	1,750	3,579
Motor vehicles	976	851
Lease expenses	311	127
Total	736,414	723,243

Accounting policy – Goods and services received below fair value

During 2019-20 Metro North received services below fair value from the Department of Health in the form of payroll, accounts payable and banking services. Under AASB 1058 *Income of Not-for-Profit Entities*, contributions of goods and services are recognised only if the goods or services would have been purchased if they had not been donated and their fair value can be measured reliably.

Metro North satisfied both requirements and therefore the fair value of the services received is recognised as revenue with a corresponding expense in the financial statements.

Refer to note A1-3 for disclosure of the corresponding income recognised for services received below fair value.

Accounting policy – Insurance

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

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.

Lease expenses

Lease expenses include lease rentals for short-term leases, leases of low value assets and variable lease payments. Refer to Note B8 for breakdown of lease expenses and other lease disclosures

A3-2: Other Expenses (continued)

Audit expenses

Total audit fees paid or payable to the Queensland Audit Office relating to the 2019-20 financial year are \$361,500 (2019: \$320,000). There are no non-audit services included in this amount.

Special payments

Special payments include ex-gratia expenditure and other expenditure that Metro North is not contractually or legally obligated to make to other parties. In compliance with the *Financial and Performance Management Standard 2019*, Metro North maintains a register setting out the details of all special payments greater than \$5,000. The total of all special payments (including those of \$5,000 or less) is within the category of Other Expenses in the financial statements. In 2019-20, ex-gratia payments of \$152,576 (2019: \$91,595) were made, consisting of five reportable payments totalling \$121,960 (2019: \$50,968) and a number of smaller non-reportable payments. Five reportable payments ranging from \$14,000 to \$37,500 relate to patient medical claims and financial assistance.

SECTION B NOTES ABOUT OUR FINANCIAL POSITION**B1 CASH AND CASH EQUIVALENTS**

	2020	2019
	\$'000	\$'000
Cash at bank and on hand	98,839	93,346
Cash on deposit	33,515	24,457
Total	132,354	117,803

Cash on deposit represents cash contributions from external entities and other benefactors in the form of gifts, bequests, donations and legacies for specific purposes. These funds are deposited with Queensland Treasury Corporation and set aside for specific purposes underlying the contribution. Cash on deposit is at call and is subject to floating interest rates. The annual effective interest rate is 0.86% (2019: 2.38%)

Accounting policy – 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 receipted but not yet banked at reporting date as well as deposits at call with financial institutions. Metro North's bank account is grouped within the whole-of-government set-off arrangement with the Queensland Treasury Corporation and, as a result, does not earn interest on surplus funds nor is it charged interest or fees for accessing its approved cash overdraft facility. Interest earned on the aggregate set-off arrangement balance accrues to the consolidated fund.

B2 RECEIVABLES**B2-1: Receivables**

	2020	2019
	\$'000	\$'000
Trade receivables (net of allowance for impairment)	72,582	66,832
Other receivables	57,230	30,946
Total	129,812	97,778

Movements in the allowance for impairment loss		
Balance at beginning of the year	10,347	9,387
Amounts written off during the year	(9,668)	(7,171)
Increase/(decrease) in allowance recognised in operating result	9,912	8,131
Total	10,591	10,347

B2-2: Impairment of receivables

At 30 June, the ageing of both impaired trade receivables and trade receivables past due but not impaired was as follows:

	Past due but not Impaired	Impaired
	\$'000	\$'000
2020		
Trade Receivables		
Less than 30 days	4,570	333
30 to 60 days	5,417	228
60 to 90 days	4,782	220
Greater than 90 days	27,311	9,809
Total overdue	42,081	10,591

2019		
Trade Receivables		
Less than 30 days	6,467	483
30 to 60 days	6,013	441
60 to 90 days	4,760	300
Greater than 90 days	16,115	9,122
Total overdue	33,355	10,346

Accounting policy – Receivables

Trade and other receivables are initially recognised at the amount invoiced to customers. Trade and other receivables reflect the amount anticipated to be collected. The collectability of these balances is assessed on an ongoing basis. When there is evidence that an amount will not be collected it is provided for and then written off. If receivables are subsequently recovered the amounts are credited against other expenses in the Statement of comprehensive income when collected.

FINANCIAL STATEMENTS

B2-2 Impairment of receivables / Accounting policy – receivables (continued)

Trade receivables are due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than twelve months after the reporting date. Due to the short-term nature of current receivables, their carrying amount is assumed to approximate the amount invoiced. All credit and recovery risk associated with trade receivables has been provided for in the Statement of financial position.

Key judgements and estimates – Recoverability of trade receivables: Judgement is required in determining the level of provisioning for customer debts.

The loss allowance for trade and other debtors reflects lifetime expected credit losses and incorporates reasonable and supportable forward-looking information. Economic changes impacting Metro North's debtors, and relevant industry data form part of the impairment assessment. Metro North uses a provision matrix to measure the expected credit losses on trade and other debtors. Loss rates are calculated separately for groupings of customers with similar revenue profiles and historical loss patterns experienced on past revenue transactions. Consideration is given to reasonable and supportable forward-looking information and related business processes that may impact the future recovery of those receivables and may result in an adjustment to the historical loss rates for the affected customer groupings if the impact is expected to be material.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, default or delinquency in payments (more than 90 days overdue or more than 120 days in the case where the account is with a health fund), past experience, and management judgement are considered indicators that the trade receivable is impaired.

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

Disclosure – Receivables

At 30 June 2020, \$28.5.M of non-contract receivables were included in the receivables balance.

B3 INVENTORIES

	2020	2019
	\$'000	\$'000
Medical supplies and equipment	21,082	17,766
Other	130	452
Total	21,212	18,218

Accounting policy – Inventories

Inventories consist mainly of clinical supplies and pharmaceuticals held for distribution to the hospital and health service facilities. Inventories are measured at weighted average cost, adjusted for obsolescence. Inventories do not include supplies held for ready for use in the wards throughout the hospital and health service facilities unless the value of the individual holding is considered to be material.

B4 INTANGIBLE ASSETS**B4-1: Intangible Assets – Balances and reconciliations of carrying amount**

	Software purchased	Software generated	Software work in progress	Total
2020	\$'000	\$'000	\$'000	\$'000
Cost	14,206	16,883	5,814	36,903
Less: Accumulated amortisation	(7,554)	(6,679)	-	(14,233)
Carrying amount at 30 June 2020	6,652	10,204	5,814	22,670
Represented by movement in carrying amount:				
Carrying amount at 1 July 2019	4,678	-	20,302	24,980
Additions	74	-	5,197	5,271
Transfers between classes#	3,672	12,395	(15,925)	142
Write-off of software work in progress	-	-	(3,760)	(3,760)
Amortisation expense	(1,772)	(2,191)	-	(3,963)
Carrying amount at 30 June 2020	6,652	10,204	5,814	22,670
	Software purchased	Software generated	Software work in progress	Total
2019	\$'000	\$'000	\$'000	\$'000
Cost	10,460	4,488	20,302	35,250
Less: Accumulated amortisation	(5,782)	(4,488)	-	(10,270)
Carrying amount at 30 June 2019	4,678	-	20,302	24,980
Represented by movement in carrying amount:				
Carrying amount at 1 July 2018	4,195	-	16,944	21,139
Additions	130	-	6,045	6,175
Transfers between classes#	2,518	-	(2,594)	(76)
Write-off of software work in progress	-	-	(93)	(93)
Amortisation expense	(2,165)	-	-	(2,165)
Carrying amount at 30 June 2019	4,678	-	20,302	24,980

#Transfers represent reclassification to software work in progress from property, plant and equipment during the year.

B4-2: Accounting policies – Recognition**Capitalisation and Recognition Thresholds**

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 are expensed as incurred.

B4-3: Accounting policies – Amortisation

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. The useful life of Metro North's software is 5 years.

Software is amortised from the time of acquisition or, in respect of internally generated software, from the time the asset is completed and held ready for use.

B4-4: Accounting policies – Impairment

Intangible assets are assessed for indicators of impairment on an annual basis.

The impairment review conducted in 2019-20 resulted in some software work in progress assets being written off. At the end of 2019-20 no other intangible assets or intangible work in progress assets were considered to be impaired (2019: \$0.09M).

B5 PROPERTY, PLANT AND EQUIPMENT**B5-1: Property, plant and equipment - Balances and reconciliations of carrying amount**

	Land Level 2*	Buildings Level 3**	Buildings Level 2**	Plant and equipment ***	Capital works in progress	Total
2020	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Gross	374,215	2,506,922	1,091	416,374	85,247	3,383,849
Less: Accumulated depreciation	-	(1,516,963)	(610)	(236,792)	-	(1,754,365)
Carrying amount at 30 June 2020	374,215	989,959	481	179,582	85,247	1,629,484
<i>Represented by movements in carrying amount:</i>						
Carrying amount at 1 July 2019	373,916	718,263	510	164,058	93,312	1,350,059
Transfers in from other Queensland Government entities	500	8,152	-	194	-	8,846
Acquisitions	-	761	-	38,956	85,914	125,631
Disposals	-	-	-	(211)	-	(211)
Transfers between classes#	-	77,474	-	16,363	(93,979)	(142)
Net revaluation increments	(201)	282,315	-	-	-	282,114
Depreciation expense	-	(97,006)	(29)	(39,778)	-	(136,813)
Carrying amount at 30 June 2020	374,215	989,959	481	179,582	85,247	1,629,484

*Level 2 land assets comprise land with an active market. Level 2 building assets are buildings with an active market.

**Level 3 building assets are special purpose built and have no observable inputs.

***Plant and equipment is held at cost, except for Heritage and Cultural assets which are held at fair value are valued at \$0.89M (2019: \$0.89M).

Transfers represent a reclassification to software work in progress from property, plant and equipment and capitalisation of commissioned assets during the year.

B5 Property, Plant and Equipment (continued)

B5-1: Property, plant and equipment - Balances and reconciliations of carrying amount

	Land Level 2*	Buildings Level 3**	Buildings Level 2**	Plant and equipment ***	Capital works in progress	Total
2019	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Gross	373,916	2,361,673	1,091	391,429	93,312	3,221,421
Less: Accumulated depreciation	-	(1,643,410)	(581)	(227,371)	-	(1,871,362)
Carrying amount at 30 June 2019	373,916	718,263	510	164,058	93,312	1,350,059
<i>Represented by movements in carrying amount:</i>						
Carrying amount at 1 July 2018	366,635	743,126	460	164,411	61,092	1,335,724
Transfers in from other Queensland Government entities	-	3,661	-	4,570	-	8,231
Acquisitions	-	3,521	-	30,757	57,032	91,310
Donated assets	-	-	-	342	-	342
Disposals	-	-	-	(626)	-	(626)
Transfers out to other Queensland Government entities	-	-	-	(4,618)	-	(4,618)
Transfers between classes#	-	19,086	-	5,801	(24,812)	75
Net revaluation increments	7,281	27,370	75	-	-	34,726
Depreciation expense	-	(78,501)	(25)	(36,579)	-	(115,105)
Carrying amount at 30 June 2019	373,916	718,263	510	164,058	93,312	1,350,059

*Level 2 land assets comprise land with an active market. Level 2 building assets are buildings with an active market.

**Level 3 building assets are special purpose built and have no observable inputs.

***Plant and equipment is held at cost, except for Heritage and Cultural assets which are held at fair value are valued at \$0.89M (2019: \$0.89M).

Transfers represent a reclassification to software work in progress from property, plant and equipment and capitalisation of commissioned assets during the year.

B5 Property plant and equipment (continued)

B5-2: Accounting Policies – Recognition**Capitalisation and Recognition Thresholds**

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

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

* Land improvements undertaken by Metro North Hospital and Health Service are included with buildings.

Items with a lesser value are expensed in the year of acquisition.

Subsequent expenditure is only capitalised when it is probable that future economic benefits associated with the expenditure will flow to Metro North. Ongoing repairs and maintenance are expensed as incurred.

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

Acquisition

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

Where assets are received free of charge from another Queensland Government entity, 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 recognised at their fair value at date of acquisition in accordance with AASB 116 *Property, Plant and Equipment*.

B5-3: Accounting Policies – Measurement**Measurement at Historical Cost**

Plant and equipment is measured at cost net of accumulated depreciation and accumulated impairment losses in accordance with Queensland Treasury's *Non-*

Current Asset Policies for the Queensland Public Sector.

Measurement of Fair Value

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

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

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

Fair Value Inputs

Fair values reported by Metro North are based on valuation techniques that maximise the use of available and relevant observable inputs and minimise the use of unobservable inputs.

Observable inputs are relevant publicly available data, for example, published sales data for land.

Unobservable inputs are data, assumptions and judgements that are not available publicly, but are relevant to the characteristics of the assets being valued. Unobservable inputs are used to the extent that sufficient relevant and reliable observable inputs are not available for similar assets and liabilities.

Significant unobservable inputs used by Metro North include, but are not limited to:

- Subjective adjustments made to observable data to take account of the specialised nature of health service buildings and on hospital-site residential facilities, including historical and current construction contracts and cost estimates; and
- Assessments of physical condition and remaining useful life.

Fair Value Measurement Hierarchy

This note explains the judgements and estimates made in determining the fair values of land and buildings that are recognised and measured at fair value in the financial statements. Metro North classify inputs to fair value into three levels prescribed under AASB 13 *Fair Value Measurement*.

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

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

B5-3 Accounting Policies – measurement (continued)

Fair Value Hierarchy (continued)

Level 3	represents fair value measurements that are substantially derived from unobservable inputs.
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None of Metro North's valuations are eligible for categorisation into level 1 of the fair value hierarchy.

There were no transfers of assets between fair value hierarchy levels during the period.

Asset category	Fair value hierarchy	Details
Land	Level 2	Fair value of land is based on publicly available data on recent sales of similar land in nearby localities. Adjustments were made to the sales data to take into account the location of the land, its size, street/road frontage and access and any significant restrictions. Land is measured at fair value utilising either independent revaluation or applying an interim revaluation methodology using an appropriate index.
Buildings – Non-health service delivery	Level 2	Non-health service delivery buildings are measured at the value that reflects the likely exit price in the principal market for an asset of this type, with valuations based on recent sales in the relevant areas.
Buildings – Health service delivery (special purpose)	Level 3	Reflecting the specialised nature of health service buildings and on-hospital-site residential facilities, for which there is no active market, fair value is determined using the current replacement cost methodology.

Valuation Methodology

Metro North conducted an independent comprehensive valuation of all special purpose building and site improvement assets during 2019-20 in order to obtain data required to adopt componentisation of its assets. The valuations were prepared on a componentised basis by rolling up building elements into eight specialised building components to be individually reflected in the asset register as sub-assets of a primary building asset.

It is expected that Metro North will return to a rolling three-year valuation program in 2020-21 to independently assess and determine fair value for all buildings and site improvements, while land will continue to be independently assessed and fair value determined on a

rolling a five-year valuation program. Any assets held at fair value that are not selected for independent assessment in the current year will continue to be revalued on an annual basis using the appropriate and relevant indices provided by independent experts.

There were no changes in the valuation technique used during the financial year. The key assumption in using the current replacement cost is determining a replacement cost of a modern-day equivalent. The methodology makes a further adjustment to total estimated life taking into consideration physical and technical obsolescence impacting on the remaining useful life to arrive at a current replacement cost via straight-line depreciation.

To estimate the replacement costs of each component, each element was quantified. The measurement of each element uses 'key quantities' including building footprint or gross floor area (also used as the roof area), girth of the building, height of the building, number and height of staircases and number of lifts and number of floors.

These key quantities have been measured from drawings and verified via an onsite inspection to replace, upgrade or maintain these buildings. Furthermore, during the valuation process Metro North agreed the useful lives with the valuer with reference to the current buildings condition and potential funding available in the future.

Use of Indices

In years where assets have not been comprehensively valued, the valuations are kept materially up to date using relevant indices for land and buildings. Indices used for land assets were supplied by the State Valuation Service with reference to land valuations undertaken for each local government area. The indices used by the independent valuer for buildings assets were based on local construction prices for the areas of Brisbane and the surrounding South East Queensland area.

Use of Comprehensive Valuations

If a class of asset experiences significant and volatile changes in fair value (i.e. where indicators such as property market and construction cost movements suggest that the value of the class of assets may have changed significantly from one reporting period to the next), it is subject to such revaluations in the reporting period.

Results of Valuation

In 2019-20, land was assessed using appropriate indices supplied by the State Valuation Service. The cumulative movement in land indices since the last comprehensive valuation in 2016 is \$7.08M which reduced \$0.20M during 2019-20 (2019: \$7.28M).

For special purpose buildings (level 3), a total of 100% were considered via indexation in 2018-19 resulting in a cumulative indexation movement of \$27.44M. In 2020 all special purpose building assets have been comprehensively revalued at component levels. The total net movement for the asset class is an increment of \$282.32M in 2019-20 which represents a net increase of 35% to the book value. This increment in buildings is the result of extensions to remaining useful lives and increases in some of the construction price inputs used in determining the

B5-3 Accounting Policies – measurement / Accounting for changes in Fair Value (continued)

replacement cost.

In 2018-19, comprehensive market valuations were completed for the non-health delivery buildings (level 2) which resulted in an increment of \$0.08M. The indices obtained for the non-health delivery buildings in 2019-20 (level 2) indicated no change to the valuation.

Any revaluation increments arising from the revaluation of an asset are credited to the asset revaluation surplus of the appropriate asset 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.

Metro North has adopted the gross method of reporting assets. This method restates separately the gross amount and related accumulated depreciation of the assets comprising the class of revalued assets (current replacement cost). Accumulated depreciation is restated proportionally in accordance with the independent advice of the appointed valuer.

B5-4: Accounting policies - Depreciation

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

Buildings are recognised via componentisation and depreciated using the remaining useful lives of the building’s components. This process provides more reliable and relevant information to users of the financial statements and asset managers. Where significant components have materially different lives from the complex asset, the impact may materially affect the depreciation recognised during the financial year.

Plant and Equipment is depreciated on a straight-line basis to reflect the consistent and even consumption of the service potential of these assets over their useful life to Metro North.

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

Key judgement:

Management estimates the useful lives and residual values of buildings and plant and equipment based on the expected period of time over which economic benefits from the use of the asset will be derived. Management reviews useful life assumptions on an annual basis having considered variables including historical and forecast usage rates, technological advancements and changes

in legal and economic conditions. All depreciable assets have a nil residual value.

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

Class	Depreciation rates
Buildings	2.5% - 3.33%
Plant and Equipment	5.0% - 20.0%

B5-5: Accounting policies - Impairment

Impairment Assessment

Metro North’s buildings are held at current replacement cost under AASB 136 *Impairment of Assets*. As such, the impairment requirements of AASB 136 do not apply to this asset class. For assets measured at cost, no impairment loss was recognised in 2019-20 (2019: \$nil).

B6 LIABILITIES

B6–1: Payables

	2020	2019
	\$'000	\$'000
Trade creditors	162,650	91,197
Other creditors	71,543	43,641
Total	234,193	134,838

Accounting policy – Payables

Payables are recognised upon receipt of the goods or services ordered and are measured at the agreed purchase/contract price, gross of applicable trade and other discounts. Amounts owing are unsecured and are generally settled within the creditor’s normal payment terms.

B7 EQUITY**B7-1: Asset revaluation surplus**

	Land	Buildings	Heritage & Cultural Assets	Total
	\$'000	\$'000	\$'000	\$'000
Balance 1 July 2019	53,450	155,753	517	209,720
Revaluation increments/(decrements)	(201)	282,315	-	282,114
Balance 30 June 2020	53,249	438,068	517	491,834

Accounting policy – Revaluation surplus

The asset revaluation surplus represents the net effect of revaluation movements in assets. Refer to note B5 for full disclosure.

B8 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Accounting standard AASB 16 *Leases* became effective 1 July 2019, resulting in significant changes to Metro North's accounting for leases for which it is a lessee. The transitional impacts of the new standard are disclosed in note E1.

B8-1: Right-of-use assets

	Plant and equipment	Total
2020	\$'000	\$'000
Cost	11,183	11,183
Less: Accumulated depreciation	(5,524)	(5,524)
Carrying amount at 30 June 2020	5,659	5,659

Represented by movement in carrying amount:

Carrying amount at 1 July 2019	11,183	11,183
Depreciation	(5,524)	(5,524)
Carrying amount at 30 June 2020	5,659	5,659

B8-2: Lease liabilities

	2020	2019
	\$'000	\$'000
Current		
Lease liabilities	5,711	-
Total current	5,711	-

Accounting policy – Leases as a lessee

Metro North measures right-of-use assets from concessionary leases at cost on initial recognition, and measures all right-of-use assets at cost subsequent to initial recognition. Metro North has elected not to recognise right-of-use assets and lease liabilities arising from short-term leases and leases of low value assets.

The lease payments are recognised as expenses on a straight-line basis over the lease term. An asset is considered low value where it is expected to cost less than \$10,000 when new.

B8-2 Lease liabilities / Accounting policy – Leases as a lessee (continued)

Where a contract contains both a lease and material non-lease components such as asset maintenance services, Metro North allocates the contractual payments to each component on the basis of their stand-alone prices. However, for leases of plant and equipment, Metro North has elected not to separate lease and non-lease components and instead accounts for them as a single lease component.

When measuring the lease liability, Metro North uses its incremental borrowing rate as the discount rate where the interest rate implicit in the lease cannot be readily determined. To determine the incremental borrowing rate, Metro North uses loan rates provided by Queensland Treasury Corporation that correspond to the commencement date and term of the lease.

(i) Details of leasing arrangements as lessee

Category/Class of Lease Arrangement	Description of Arrangement
Plant and equipment leases	Metro North leases a number of medical equipment items as part of an embedded lease within a service agreement. The remaining lease term for this arrangement is 1.08 years.

(ii) Office accommodation and motor vehicles

The Department of Housing and Public Works (DHPW) provides Metro North with access to office accommodation and motor vehicles under government-wide frameworks. These arrangements are categorised as procurement of services rather than as leases because DHPW has substantive substitution rights over the assets. The related service expenses are included as "Rental expenses" in note A3-1.

2018-19 disclosures under AASB 117**Operating lease commitments at 30 June 2019**

	2019 \$'000
No later than 1 year*	10,407
Later than 1 year but no later than 5 years*	16,577
Later than 5 years	71
Total	27,055

* includes restated values for prior year transposition error (previously published as "No later than 1 year" \$4.897M and "Later than 1 year but no later than 5 years" \$10.098M).

SECTION C NOTES ABOUT RISKS AND OTHER ACCOUNTING UNCERTAINTIES**C1 FINANCIAL RISK DISCLOSURES****C1-1: Financial instrument categories**

Metro North has the following categories of financial assets and financial liabilities:

Category	Notes	2020 \$'000	2019 \$'000
Financial assets			
Cash and cash equivalents	B1	132,354	117,803
Receivables	B2-1	129,812	97,778
Total		262,166	215,581

Financial liabilities			
Lease liabilities	B8-2	5,711	-
Payables	B6-1	234,193	134,838
Total		239,904	134,838

Accounting policy – Financial instruments

Financial assets and financial liabilities are recognised in the Statement of financial position when Metro North becomes a party to the contractual provisions of the financial instrument.

Metro North holds financial instruments in the form of cash and cash equivalents and receivables (excluding prepayments) and payables.

C1-2 Financial risk management

Metro North's activities expose it to a variety of financial risks – credit risk, liquidity risk and interest rate risk.

(a) Credit Risk

Credit risk is the potential for financial loss arising from a counterparty defaulting on its obligations. The maximum exposure to credit risk at balance date is equal to the gross carrying amount of the financial asset, inclusive of any allowance for impairment. The carrying amount of financial assets, which are disclosed in more detail in note B2, represents the maximum exposure to credit risk at the reporting date.

No financial assets and financial liabilities have been offset and presented net in the Statement of financial position, except for GST. No collateral is held as security and no credit enhancements relate to financial assets held by Metro North.

There are no significant concentrations of credit risk.

C1-2 Financial risk management (continued)

(b) Liquidity Risk

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

Metro North is exposed to liquidity risk through its trading in the normal course of business and aims to reduce the exposure to liquidity risk by ensuring that sufficient funds are available to meet employee and supplier obligations at all times. An approved debt facility of \$39.5M (2019: \$23M) under the whole-of-government banking arrangements to manage any short-term cash shortfalls has been established. No funds had been withdrawn against this debt facility as at 30 June 2020.

The following table sets out the liquidity risk of financial liabilities held by Metro North. They represent the contractual maturity of financial liabilities, calculated based on undiscounted cash flows relating to the liabilities at reporting date.

	2020	< 1 year	1 – 5 years	> 5 years
Category	\$'000	\$'000	\$'000	\$'000
Payables	234,193	234,193	-	-
Lease liabilities	5,711	5,560	151	-
Total	239,904	239,753	151	-

(c) Interest Rate Risk

Metro North has interest rate exposure on its 24-hour call deposits however there is no risk on its cash deposits.

Metro North 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 North.

C2 COMMITMENTS**(a) Capital expenditure commitments**

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

	2020	2019
	\$'000	\$'000
No later than 1 year	66,470	7,447
Later than 1 year but no later than 5 years	-	-
Later than 5 years	-	-
Total	66,470	7,447

(b) Future lease commitments Surgical, Treatment and Rehabilitation Service (STARS)

Located at the former Royal Children's Hospital site at Herston, the Heston Quarter is being developed under a consortium led by Australian Unity.

Australian Unity's scope of work includes the construction of a new hospital "STARS", which is being delivered under a public-private partnership lease arrangement with Metro North. The building will provide an approximate 35,000 sqm facility which includes 100 rehabilitation beds, special purpose rehabilitation support areas, and a surgical and endoscopic centre with a thirty-two-bed surgical inpatient room, seven operating theatres, three endoscopy rooms and recovery spaces. STARS is scheduled to open in late 2020.

The land on which STARS will be developed is owned by Metro North and will be leased to Australian Unity for 99 years.

Metro North is contractually obligated to occupy the STARS building and upon completion will enter into a lease for an initial 20-year period, with an option to extend this lease by two periods of 10 years (40 years in total). At the commencement date (currently expected to be late 2020), the lease liability will be calculated as the present value of the future lease repayments, discounted using the QTC fixed rate loan interest rate at that date for the period which aligns with the length of the lease agreement.

FINANCIAL STATEMENTS

C2 Commitments (continued)

(b) Future lease commitments Surgical, Treatment and Rehabilitation Service (STARS) (continued)

Additional operating leases have been entered for equipment relating to the operation of STARS.

The total estimated future cash outflows relating to the cost of leasing the STARS building and related equipment items are shown below:

	2020	2019*
	\$'000	\$'000
Outflows		
Not later than 1 year	18,536	-
Later than 1 year but not later than 5 years	102,103	93,713
Later than 5 years	434,663	456,968
Total estimated cash outflows	555,302	550,681

Other contractual expenditure commitments relating to the operation of STARS are as follows:

	2020	2019*
	\$'000	\$'000
Outflows		
Not later than 1 year	7,362	-
Later than 1 year but not later than 5 years	43,899	28,518
Later than 5 years	278,137	279,312
Total estimated cash outflows	329,398	307,829

* 2018-19 figures have been restated to allocate the future payments for ongoing maintenance of the asset from capital to operating commitments and to include minor works expenditure.

C3 CONTINGENCIES

As at 30 June 2020, the following cases were filed in the courts naming the State of Queensland acting through Metro North as defendant:

	2020	2019
	Number of cases	Number of cases
Federal	2	-
Supreme Court	12	8
District Court	3	4
Magistrates Court	1	-
Tribunals, commissions and boards	8	4
	26	16

(a) Litigation in Progress

It is not possible to make a reliable estimate of the final amount payable, if any, in respect of the litigation before the courts at this time. Health litigation is underwritten by the Queensland Government Insurance Fund (QGIF). Metro North's maximum exposure is limited to an excess per insurance event up to \$20,000. The majority of the above litigation is covered within Metro North's QGIF policy such that Metro North's net exposure is not expected to be material.

(b) Contractual Contingencies

Metro North has entered and received various contractual contingencies through the year, primarily in the form of indemnities. Those indemnities have been given in accordance with the requirements of the *Statutory Bodies Financial Arrangements Act 1982* (Qld) and recorded through the Contingency Management System.

C4 FUTURE IMPACT OF ACCOUNTING STANDARDS NOT YET EFFECTIVE

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

AASB 1059 Service Concession Arrangements: Grantors

AASB 1059 will first apply to Metro North financial statements in 2020-21. This standard defines service concession arrangements and applies a new control concept to the recognition of service concession assets and related liabilities.

Metro North has completed a review of its current contractual arrangements in preparation for this new standard. No impact is expected at the date of initial application.

In analysing the effects of this standard on Metro North, the following contractual arrangements were considered: Butterfield Street Car Park, The Prince Charles Hospital Car Park, The Prince Charles Hospital Early Education Centre, STARS, Caboolture Private Hospital, Holy Spirit Northside Private Hospital and Herston Imaging Research Facility (HIRF).

Except for HIRF, these contractual arrangements were assessed as falling under AASB 16 *Leases* which became effective from 1 July 2019. Refer to note B8 for the relevant Lease/Right of Use disclosures. HIRF was assessed as being within scope of AASB 11 *Joint Arrangements*. Refer to note C5 for the relevant disclosures.

All other Australian accounting standards and interpretations with future effective dates are either not applicable or have no material impact on activities of Metro North.

C5 JOINT ARRANGEMENTS

Metro North has joint control over two arrangements: Herston Imaging Research Facility (HIRF) and the Oral Health Centre (OHC). Both arrangements have been assessed as joint operations.

HIRF is located in Herston, Brisbane, on land that is owned by Metro North. This alliance agreement is with the University of Queensland (UQ), the Council of the Queensland Institute of Medical Research (QIMR) and Queensland University of Technology (QUT).

The OHC is located in Herston, Brisbane, on land owned by UQ, with whom Metro North has an alliance agreement.

The joint arrangements had no contingent liabilities or capital commitments as at 30 June 2019 and 2020.

Accounting policy – Joint Arrangements

A joint operation is an arrangement whereby the parties (joint operators) that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries. In relation to its interest in joint operations, Metro North recognises its:

- Assets, including its share of any assets held jointly;
- Liabilities, including its share of any liabilities incurred jointly;
- Revenue from the sale of its share of output arising from the joint operation;
- Share of revenue from the sale of output by the joint operation; and
- Expenses, including its share of any expenses incurred jointly.

C6 SUBSEQUENT EVENTS

There are no matters or circumstances that have arisen since 30 June 2020 that have significantly affected, or may significantly affect Metro North's operations, the results of those operations, or its state of affairs in future financial years.

SECTION D WHAT WE LOOK AFTER ON BEHALF OF THIRD PARTIES

D1 GRANTED PRIVATE PRACTICE

Granted Private Practice permits Senior Medical Officers (SMOs) and Visiting Medical Officers (VMOs) employed in the public health system to treat individuals who elect to be treated as private patients.

Granted Private Practice provides the option for SMOs and VMOs to either assign all of their private practice revenue to Metro North (assignment arrangement) and in return receive an allowance, or for SMOs and VMOs to share in the revenue generated from billing patients and to pay service fees to Metro North (retention arrangement).

All monies received for Granted Private Practice are deposited into separate bank accounts that are administered by Metro North on behalf of the Granted Private Practice SMOs and VMOs. These accounts are not reported in Metro North's Statement of financial position.

All assignment option receipts, retention option services fees and service retention fees are included as revenue in the Statement of comprehensive income of Metro North on an accrual basis. The funds are then subsequently transferred from the Granted Private Practice bank accounts into Metro North operating and general trust bank accounts (for the service retention fee portion).

	2020	2019
	\$'000	\$'000
Receipts		
Billings - (SMOs and VMOs)	65,186	67,378
Interest	65	96
Total receipts	65,251	67,474

Payments		
Payments to medical practitioners	17,436	17,274
Hospital and Health Service recoverable administrative costs	44,330	47,045
Hospital and Health Service education/travel fund	3,670	3,808
Total payments	65,436	68,127

Closing balance of bank account under a trust fund arrangement not yet disbursed and not restricted cash	5,641	5,827
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D2 FIDUCIARY TRUST TRANSACTIONS AND BALANCES

Metro North acts in a fiduciary capacity in relation to a number of patient trust bank accounts. Consequently, these transactions and balances are not recognised in the financial statements. Although patient funds are not controlled by Metro North, trust activities are included in the audit performed by the Auditor-General of Queensland.

	2020	2019
	\$'000	\$'000
Opening balance	352	312
Patient trust receipts	5,900	5,626
Patient trust payments	(6,037)	(5,586)
Patient trust transfers*	(4)	-
Closing balance (represented by cash)	211	352

*\$3,950 in Patient Trust discrepancy was identified and transferred to Metro North General Trust account in May 2020 for the purpose of patient amenities.

D3 RESTRICTED ASSETS

Metro North receives cash contributions primarily from private practice clinicians and external entities for the provision of education, study and research in clinical areas. Contributions are also received from benefactors in the form of gifts, bequests, donations and legacies for specific purposes. At 30 June 2020, an amount of \$33.8M (2019: \$25.5M) in General Trust is set aside for specified purposes defined by the contribution.

SECTION E OTHER INFORMATION

E1 FIRST YEAR APPLICATION OF NEW STANDARDS OR CHANGE IN ACCOUNTING POLICY

Change in Accounting Policy

Metro North did not voluntarily change any of its accounting policies in 2019-20.

Three new accounting standards with material impact were applied for the first time in 2019-20:

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

The effect of adopting these new standards are detailed below. No other accounting standards or interpretations that apply to Metro North for the first time in 2019-20 have any material impact on the financial statements.

AASB 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

Metro North applied AASB 15 *Revenue from Contracts with Customers* for the first time in 2019-20. The nature and effect of changes resulting from the adoption of AASB 15 are described below.

AASB 15 establishes a new five-step model for determining how much and when revenue from contracts with customers is recognised.

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

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

Refer to new disclosures within note A1.

Transitional impact

Transitional policies adopted are as follows:

- Metro North applied the modified retrospective transition method and has not restated comparative information for 2018-19, which continue to be reported under AASB 118 *Revenue*, AASB 111 *Construction Contracts*, and related interpretations.
- Metro North elected to apply the standard retrospectively to all contracts, including completed contracts, at 1 July 2019. Completed contracts include contracts where Metro North had recognised all of the revenue in prior periods under AASB 1004 *Contributions*.
- Metro North applied a practical expedient to reflect, on transition, the aggregate effect of all contract modification that occurred before 1 July 2019.

User charges and fees

To align with new terminology in AASB 15, accrued revenue and unearned revenue arising from contracts with customers have been renamed as contract assets and contract liabilities respectively. They are separately disclosed in notes B2.

Revenue is recognised when each performance obligation is satisfied. There has been no change to the timing of revenue recognition with the adoption of AASB 15.

Grants and contributions

Three of Metro North's Commonwealth grants (Transition care, Aged care, Organ and tissue donation and transplantation) were identified as contracts with customer within the scope of AASB 15. Revenue under these grants is recognised when or as the services were performed. There has been no change to the timing of revenue recognition with the adoption of AASB 15. The funding is received on a claims or reimbursement basis, hence, no contract liability is required to be recognised for these grants.

AASB 1058 INCOME OF NOT-FOR-PROFIT ENTITIES

Metro North applied AASB 1058 *Income of Not-for-Profit Entities* for the first time in 2019-20. The nature and effect of changes resulting from the adoption of AASB 1058 are described below.

1. Scope and revenue recognition under AASB 1058

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

Metro North's revenue line items recognised under this standard from 1 July 2019 include most Grants and other contributions, and some items of Other revenue in note A1-3.

For specific-purpose capital grants, the funding received is initially deferred in an unearned revenue liability and subsequently recognised as revenue as or when Metro North satisfies the obligations under the agreement.

2. Transitional impact

Transitional policies adopted are as follows:

- Metro North applied the modified retrospective transition method and has not restated comparative information for 2018-19. They continue to be reported under relevant standards applicable in 2018-19, such as AASB 1004.
- Metro North elected to apply the standard retrospectively to all contracts, including completed contracts, at 1 July 2019. Completed contracts are contracts where Metro North had recognised all of the revenue in prior periods under AASB 1004.
- Metro North applied a practical expedient to not remeasure at fair value assets previously acquired for significantly less than fair value and originally recorded at cost.

E1 First Year Application of New Standards or Change in Accounting Policy (continued)

Revenue recognition for most grants and contributions did not change under AASB 1058, as compared to AASB 1004. Revenue has continued to be recognised when Metro North gains control of the asset (e.g. cash or receivable) in most instances.

There were no significant differences in financial statement line items as a result of the implementation of this standard.

AASB 16 LEASES

Metro North applied AASB 16 *Leases* for the first time in 2019-20. Metro North applied the modified retrospective transition method and has not restated comparative information for 2018-19, which continue to be reported under AASB 117 *Leases* and related interpretations.

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

1. Definition of a lease

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

For leases and lease-like arrangements existing at 30 June 2019, Metro North elected to apply the practical expedient to grandfather the previous assessments made under AASB 117 and Interpretation 4 *Determining whether an Arrangement contains a Lease* about whether those contracts contained leases. However, arrangements were reassessed under AASB 16 where lease agreements were modified on 1 July 2019.

Amendments to former operating leases for office accommodation and vehicle fleet arrangements

In 2018-19, Metro North held operating leases under AASB 117 from the Department of Housing and Public Works (DHPW) for non-specialised commercial office accommodation through the Queensland Government Accommodation Office (QGAO) and vehicle fleets provided through QFleet.

Effective 1 July 2019, the framework agreements that govern QGAO and QFleet were amended with the result that these arrangements would not meet the definition of a lease under AASB 16 and therefore are exempt from lease accounting. These amounts are disclosed as "Rental expenses" in note A3-1.

From 2019-20 onward, the costs for these services are expensed as supplies and services when incurred. The new accounting treatment is due to a change in the contractual arrangements rather than a change in accounting policy.

2. Changes to lessee accounting

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

This distinction between operating and finance leases no longer exist for lessee accounting under AASB 16. From 1 July 2019, all leases, other than short-term leases and leases of low value assets, are now recognised on balance sheet as lease liabilities and right-of-use assets in note B8.

3. Changes to lessor accounting

Lessor accounting remains largely unchanged under AASB 16. Leases are still classified as either operating or finance leases. However, the classification of subleases now references the right-of-use asset arising from the head lease, instead of the underlying asset.

4. Transitional impact

Former operating leases as lessee

As at 1 July 2019 only one contract was deemed material for the application of AASB 16.

On transition, lease liability was measured at the present value of the remaining lease payments discounted at Metro North's incremental borrowing rate at 1 July 2019, as represented by the Queensland Treasury Corporation Fixed Rate Loan rates that correspond with the lease commencement month and lease term. The average applicable rate on 1 July 2019 was 1.434%.

The right-of-use asset was measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The new right-of-use asset was tested for impairment on transition and was found to be not impaired.

On transition, Metro North used practical expedients to:

- not recognise right-of-use assets and lease liabilities for leases that end within 12 months of the date of initial application and leases of low value assets;
- exclude initial direct costs from the measurement of right-of-use assets; and
- use hindsight when determining the lease term.

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

E1 First year application of new standards or change in accounting policy (continued)

E1-1: Impact on Transition of AASB 16

	\$'000
Right-of-use assets – Plant and equipment	11,183
Lease liabilities	11,183

Leases as lessor

No transitional adjustments were required for leases in which Metro North is lessor.

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

	\$'000
Total undiscounted operating lease commitments at 30 June 2019	27,054
- discounted using the incremental borrowing rate at 1 July 2019 (1.4%)	(551)
Present value of operating lease commitments	26,503
- less internal-to-government arrangements that are no longer leases	(14,694)
- less leases with remaining lease term of less than 12 months	(23)
- less leases deemed immaterial for recognition purposes	(914)
- add/less adjustments due to lease payments	311
Lease liabilities at 1 July 2019	11,183

Accounting Standards early adopted for 2019-20

Metro North did not adopt any applicable Australian Accounting Standards early in the 2019-20 financial year.

E2 IMPACT OF COVID19

On 27 February 2020, the Prime Minister of Australia activated the Australian Health Sector Emergency Response Plan in response to the outbreak of the Novel Coronavirus or COVID-19. The state of Queensland responded to this with a Pandemic Plan led by the Queensland Disaster Management Committee. The impact of the COVID-19 pandemic on Metro North has been assessed as follows:

Revenue

As disclosed in note A-1, the Commonwealth and State Government have agreed to reimburse direct costs related to the health care response to COVID-19. Additional funding of \$42.9M has been provided to Metro North under the National Partnership Agreement (NPA) for direct costs relating to COVID-19.

Direct expenses

Metro North has incurred additional expenditure of \$44.2M. Direct expense incurred relating to COVID-19 have been reimbursed via the NPA totalling \$42.9M. These expenses related to Metro North's response to the pandemic including staffing of fever clinics, expansion of

Emergency Department and Intensive Care Unit capacity, Emergency Operations Centre, Virtual Wards, increased cleaning activities and clinical consumables. Some of the expenditure incurred by Metro North does not qualify for reimbursement under the terms of the NPA.

Health care delivery activity

Despite the impacts of COVID-19 Metro North has delivered on all health care activity requirements under the Service Agreement with the Department of Health. Health care activity requirements are subject to an annual reconciliation process in accordance with the Service Agreement.

Asset valuation

All of Metro North's specialised building assets were comprehensively valued by a qualified valuer in 2020. The replacement cost unit rates adopted in the valuation are based on estimates of cost at the valuation date on the assumption that the COVID-19 pandemic did not occur.

It is the opinion of the qualified valuer that if any impact from the pandemic on the construction market exists, this impact on the replacement cost of the assets will be short-term and that the construction market in Queensland will recover; therefore, the long-term impact on the valuation of the assets would not be material.

Metro North will engage a qualified valuer to undertake a full desktop review of asset values in 2021 to ensure values reported remain appropriate.

E2 Impact of COVID19 (continued)

Collectability of receivables

Debt impairment has not been significantly affected by COVID-19. Metro North's main income sources are the Queensland Government, Medicare and health insurance companies which are expected to be financially stable to withstand any adverse COVID-19 impacts.

Where individual patients are responsible for payment Metro North is continuing to monitor the impact on these receivables. As the pandemic is a relatively recent and an on-going event, no significant change in recoverability of debt has become apparent at this point. These accounts make up a minor portion of Metro North's overall receivables profile.

E3 RELATED PARTY TRANSACTIONS**Transactions with Queensland Government controlled entities**

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

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

E3-1: Related Party Transactions- Department of Health

	2020	2019
	\$'000	\$'000
Revenue received	2,866,827	2,613,053
Expenditure incurred	329,355	302,367
Receivables	44,580	14,435
Payables	159,754	12,695

E3-2: Related Party Transactions- Queensland Treasury Corporation

	2020	2019
	\$'000	\$'000
Revenue received	409	669
Expenditure incurred	39	2,978
Receivables	33,515	24,457
Payables	4	3

E3 Related party transactions (continued)

(a) Department of Health

Metro North receives funding in accordance with a service agreement with the Department of Health. The Department of Health receives its revenue from the Queensland Government (majority of funding) and the Commonwealth. Metro North is funded for eligible services through block funding; activity based funding or a combination of both. Activity based funding is based on an agreed number of activities per the service agreement and a state-wide price by which relevant activities are funded. Block funding is not based on levels of public care activity.

The funding from the Department of Health is provided predominantly for specific public health services purchased by the Department of Health from Metro North in accordance with a service agreement between the Department of Health and Metro North. The service agreement is reviewed periodically and updated for changes in activities and prices of services delivered by Hospital and Health Service.

The signed service agreement is published on the Queensland Government website and is publicly available.

The Department of Health provides a number of services including, ambulatory services, procurement, payroll, pharmacy, biomedical technology services, pathology, superannuation (QSuper) payments, information technology infrastructure and support as well as accounts payable services. Any expenses paid by the Department of Health on behalf of Metro North for these services are recouped by the Department of Health.

(b) Queensland Treasury Corporation

Metro North has bank accounts with the Queensland Treasury Corporation for general trust monies and receive interest and incur bank fees on these bank accounts.

Other

There are no other individually significant transactions with related parties.

Transactions with other related parties

All transactions in the year ended 30 June 2020 between Metro North and key management personnel, including their related parties were on commercial terms and conditions and were immaterial in nature.

E4 TAXATION

Metro North 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 North.

The Australian Taxation Office (ATO) has recognised the Department of Health and sixteen Hospital and Health Services as a single taxation entity for reporting purposes. All FBT and GST reporting to the Commonwealth is managed centrally by the Department of Health, with payments/receipts made on behalf of Metro North reimbursed to/from the Department of Health on a monthly basis. GST credits receivable from, and GST payable to the ATO, are recognised on this basis.

SECTION F BUDGET v ACTUAL COMPARISON

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

F1 BUDGET VS ACTUAL COMPARISON – STATEMENT OF COMPREHENSIVE INCOME

Grants and other contributions – The notable variances relate to income recognised from the RBWH Foundation for the transfer of Clinical Trial funds \$7.6M, an increase in services received below fair value \$1.5M and grant money recognised of \$0.5M for the construction of a Youth Cancer Centre.

Other revenue - The variance to budget relates to NDIS receipts of \$8M, inter-entity capital recoveries \$3.6M, and rental income of \$3.5M

Health Service employee expenses - The variance to budget relates to changes in employer arrangements within Queensland Health with all non-executive employees of Metro North transferring to the Director General from 15 June 2020 (Note A2-1)

Depreciation and Amortisation - The variance to budget relates to the timeframes for commissioning of completed capital work in progress, valuation increments, new asset acquisitions and depreciation charges for a Right of Use asset (Note B8)

F2 BUDGET VS ACTUAL COMPARISON – STATEMENT OF FINANCIAL POSITION

Cash and cash equivalents - The variance to budget relates to \$30.6M received in June for STARS commissioning work which will be spent in 2020-21, deferred funding to 2020-21, of \$24.9M for STARS FF&E and timing differences in payments of receivables and payables.

Property, plant and equipment - The variance to budget relates to a building valuation increment recognised of \$282M (Note B5-1) and additional capital expenditure of \$26.3M for Priority Capital Program, Caboolture Mental Health, Herston Bio fabrication and Information Technology

Payables - The notable variances relate to a payable for Health Service Contract Labour \$79M (Note A2-1) and the recognition of year end technical adjustment between Metro North and the Department of Health \$29.2M

Accrued Employee Benefits - The variance to budget relates to changes in employer arrangements with all non-executive employees of Metro North transferring to the Director General \$79M (Note A2-1), which is now recognised as a payable to the Department of Health

F3 BUDGET VS ACTUAL COMPARISON – STATEMENT OF CASH FLOWS

Grants and other contributions – The notable variances relate to income recognised from the RBWH Foundation for the transfer of Clinical Trial funds \$7.6M, an increase in services received below fair value \$1.5M and grant money recognised of \$0.5M for the construction of a Youth Cancer Centre

Payments for property, plant and equipment and intangible assets - The budget recognises only cash outflows for projects funded by Metro North. Metro North actually pays for all capital and are reimbursed from the Department of Health monthly in arrears which included such projects as health technology equipment replacement \$35.7M, priority capital projects \$27.3M, Redcliffe car park \$15.3M and Caboolture redevelopment \$14.4M

Cash flow from equity transferred - The budget recognises no cash impact for Department of Health funded projects. Metro North actually pays for all capital and are reimbursed for Department of Health funded projects monthly in arrears

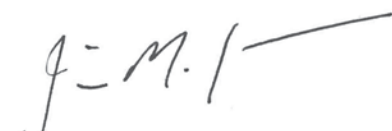
Cash flow from equity withdrawals - The variance to budget relates depreciation and amortisation funding being treated as a cash item (equity withdrawal) in the budget, however this has been accounted as a non-cash item in the statement of cash flow

MANAGEMENT CERTIFICATE


These general purpose financial statements have been prepared pursuant to s.62(1) of the *Financial Accountability Act 2009* (the Act), section 42 of the Financial and Performance Management Standard 2009 and other prescribed requirements. In accordance with s.62(1)(b) of the Act, we certify that in our opinion:

- (a) the prescribed requirements for establishing and keeping the accounts have been complied with in all material respects; and
- (b) the financial statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of Metro North Hospital and Health Service for the financial year ended 30 June 2020 and of the financial position of the Metro North Hospital and Health Service at the end of that year; and


We acknowledge responsibility under S8 and S15 of the *Financial and Performance Management Standard 2009* for the establishment and maintenance, in all material respects, of an appropriate and effective system of internal controls and risk management processes with respect to financial reporting throughout the reporting period.



Mr Jim McGowan AM
Board Chair
Date: 25 August 2020



Mr Shaun Drummond
Chief Executive
Date: 25 August 2020



Melissa MacCabe
2020.08.25
14:13:00 +10'00'

Ms Melissa MacCabe CA
Chief Finance and Corporate Officer
Date: 25 August 2020

INDEPENDENT AUDITOR'S REPORT



INDEPENDENT AUDITOR'S REPORT

To the Board of Metro North Hospital and Health Service

Report on the audit of the financial report

Opinion

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

In my opinion, the financial report:

- a) gives a true and fair view of the entity's financial position as at 30 June 2020, and its financial performance and cash flows for the year then ended
- b) complies with the *Financial Accountability Act 2009*, the Financial and Performance Management Standard 2019 and Australian Accounting Standards.

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

Basis for opinion

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

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

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

Key audit matters

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



Valuation of specialised buildings \$989.96 million

Refer note B5 in the financial report.

Description	How my audit addressed the key audit matter
<p>Buildings were material to Metro North Hospital and Health Service at balance date and were measured at fair value using the current replacement cost method.</p> <p>Metro North Hospital and Health Service performed a comprehensive revaluation over all its buildings this year.</p> <p>The current replacement cost method comprises:</p> <ul style="list-style-type: none"> • gross replacement cost, less • accumulated depreciation. <p>Metro North Hospital and Health Service derived the gross replacement cost of its buildings at the balance date using unit prices that required significant judgements for:</p> <ul style="list-style-type: none"> • identifying the components of buildings with separately identifiable replacement costs • developing a unit rate for each of these components, including: <ul style="list-style-type: none"> – estimating the current cost for a modern substitute (including locality factors and on costs) – identifying whether the existing building contains obsolescence or less utility compared to the modern substitute, and if so estimating the adjustment to the unit rate required to reflect this difference. • The measurement of accumulated depreciation involved significant judgements for forecasting the remaining useful lives of building components. <p>The significant judgements required for gross replacement cost and useful lives are also significant judgements for calculating annual depreciation expense.</p>	<p>My procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • assessing the adequacy of management's review of the valuation process and results. • reviewing the scope and instructions provided to the valuer. • assessing the appropriateness of the valuation methodology and the underlying assumptions with reference to common industry practices. • assessing the appropriateness of the components of buildings used for measuring gross replacement cost with reference to common industry practices • assessing the competence, capabilities and objectivity of the experts used to develop the models • for unit rates associated with buildings that were comprehensively revalued this year: <ul style="list-style-type: none"> – on a sample basis, evaluating the relevance, completeness and accuracy of source data used to derive the unit rate of the modern substitute (including locality factors and oncosts) – adjustment for excess quality or obsolescence. • evaluating the relevance and appropriateness of the indices used for changes in cost inputs by comparing to other relevant external indices • evaluating useful life estimates for reasonableness by: <ul style="list-style-type: none"> – reviewing management's annual assessment of useful lives – at an aggregated level, reviewing asset management plans for consistency between renewal budgets and the gross replacement cost of assets – ensuring that no building asset still in use has reached or exceeded its useful life – enquiring of management about their plans for assets that are nearing the end of their useful life – reviewing assets with an inconsistent relationship between condition and remaining useful life. • Where changes in useful lives were identified, evaluating whether the effective dates of the changes applied for depreciation expense were supported by appropriate evidence.



Implementation of new finance system

Refer to the Basis of Financial Preparation in the financial report

Description	How my audit addressed the key audit matter
<p>Implementation of new finance system</p> <p>The Department of Health (the department) is the shared service provider to Metro North Hospital and Health Service for the management of the financial management information system, and processing of accounts payable transactions in the system.</p> <p>The department replaced its primary financial management information system on 1 August 2019.</p> <p>The financial management system is used to prepare the general-purpose financial statements. It is also the general ledger and it interfaces with other software that manages revenue, payroll and certain expenditure streams. Its modules are used for inventory and accounts payable management.</p> <p>The replacement of the financial management system increased the risk of fraud and error in the control environment of the department and Metro North Hospital and Health Service.</p> <p>The implementation of the financial management system was a significant business and IT project for the department and Metro North Hospital and Health Service. It included:</p> <ul style="list-style-type: none"> • designing and implementing IT general controls and application controls • cleansing and migrating of vendor and open purchase order master data • ensuring accuracy and completeness of closing balances transferred from the old system to the new system • establishing system interfaces with other key software programs • establishing and implementing new workflow processes. 	<p>I have reported issues relating to internal control weaknesses identified during the course of my audit to those charged with governance.</p> <p>My procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • assessing the appropriateness of the IT general and application level controls including system configuration of the financial management system by: <ul style="list-style-type: none"> – reviewing the access profiles of users with system wide access – reviewing the delegations and segregation of duties – reviewing the design, implementation, and effectiveness of the key general information technology controls. • validating account balances from the old system to the new system to verify the accuracy and completeness of data migrated • documenting and understanding the change in process and controls for how material transactions are processed, and balances are recorded • assessing and reviewing controls temporarily put in place due to changing system and procedural updates • undertaking significant volume of sample testing to obtain sufficient appropriate audit evidence, including: <ul style="list-style-type: none"> – verifying the validity of journals processed pre and post go-live – verifying the accuracy and occurrence of changes to bank account details – comparing vendor and payroll bank account details – verifying the completeness and accuracy of vendor payments, including testing for potential duplicate payments • assessing the reasonableness of: <ul style="list-style-type: none"> – the inventory stocktakes for completeness and accuracy – the mapping of the general ledger to the financial statement line items.



Other information

Other information comprises the information included in the entity's annual report for the year ended 30 June 2020, but does not include the financial report and my auditor's report thereon.

Those charged with governance are responsible for the other information.

My opinion on the financial report does not cover the other information and accordingly I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Responsibilities of the entity for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

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



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

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

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

Report on other legal and regulatory requirements

Statement

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

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

Prescribed requirements scope

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

C G Strickland 
as delegate of the Auditor-General

26 August 2020
Queensland Audit Office
Brisbane