

Health: 2017–18 results of financial audits

(Report 13: 2018–19).
Tabled 26 February 2019.

Slide 1: Welcome

Welcome to our presentation on the results of our 2017–18 financial audits of the entities in the health sector.

Please note that this is a summary. The full report can be read on our website.

Slide 2: Audit results

This year, we provided unmodified audit opinions on all Queensland public health sector entities' financial statements within the statutory deadlines. Readers can rely on the audited financial statements of these entities.

Slide 3: Audit results

We found that Queensland Health entities have improved their year-end close processes, allowing them to produce high-quality financial statements in a timely manner. More Queensland Health entities completed their asset valuations and prepared draft financial statements by the dates agreed with us, and fewer made amendments to the values reported in their draft financial statements prior to audit certification.

Several new accounting standards are coming into force over the next two years, including new accounting requirements for leases and revenue recognition from 1 July this year. Queensland public health entities are in various stages of preparedness for the impacts of these new standards.

Slide 4: Financial performance

Collectively, hospital and health services (or HHSs) achieved an operating result that was \$13.7 million better than the budgeted deficit of \$50.9 million, however they experienced a decline in financial performance when compared to the prior year. Seven HHSs reported operating deficits compared to two in the prior year. This year HHSs delivered deficits to provide clinical activity or deliver in major projects such as digitising their hospitals.

Slide 5: Financial performance

Demand for healthcare services continues to increase with HHSs delivering 2.8 per cent more clinical activity than last year. Revenue and expenses growth outpaced this with a 7.4 per cent increase when compared to the prior year. Revenue growth was primarily driven by increased health services funding and grants for specific programs whilst expenses growth was primarily driven by increases in employee expenses and depreciation expense.

An increase in the value of property, plant and equipment in the current year was driven primarily by revaluation of land and buildings and not by reinvestment into maintaining and renewing facilities. Queensland Health entities have an increasing pool of fully depreciated assets across all asset classes and a large growth in backlog maintenance which is now sitting at approximately \$600 million.

Slide 6: Internal controls

While we identified some weaknesses in Queensland Health entities' internal controls, these weaknesses did not affect the reliability of reported financial results.

We reported seven significant deficiencies relating to control activities and information and communication processes. Five of these deficiencies were new in the current year. Two resulted in material adjustments to the HHSs draft financial statements. We concluded that these weaknesses did not affect the reliability of reported financial results.

Queensland Health entities made considerable effort to resolve prior year issues with 55 of 82 prior year issues resolved. However, entities need to continue this good work to resolve the remainder, with some dating back to 2013.

Slide 7: Future challenges and emerging risks

The demand for Queensland Health services continues to rise, driving a need for increased capacity in public hospitals. Over the past five years, the collective funding of HHSs has kept pace with the increase in the volume of clinical activity. The Australian Government has set a national 6.5 per cent cap on growth in funding to public hospitals per year. Growth above this rate may need to be funded via other means.

Queensland Health entities are investing in modernising information systems and digitising hospitals. However, investment in information systems carries both financial and operational risk. Planned benefits may not be fully realised if risks are not identified and treated. Queensland Health's planned replacement of its finance system in early 2019–20 will require Queensland Health entities to manage the impact of change on their people as they re-align their processes and internal controls.

Slide 8: For more information

For more information on the results, financial performance, future challenges and emerging risks highlighted in this summary presentation, please see the full report on our website.

Thank you.