



Health: 2016–17 results of financial audits

Report 7: 2017–18



Contact details

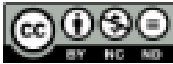
The Financial Audit Division of the Queensland Audit Office is the custodian of this report. All comments and enquiries should be directed to:

Location Level 14, 53 Albert Street, Brisbane Qld 4000
PO Box 15396, City East Qld 4002
Telephone (07) 3149 6000
Email qao@qao.qld.gov.au
Online www.qao.qld.gov.au

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Front cover image is an edited photograph of Sunshine Coast University Hospital, taken by QAO.

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Reference to comments

In accordance with section 64 of the *Auditor-General Act 2009*, we provided a copy of this report to all health sector entities. In reaching our audit conclusions, we have considered their views and represented them to the extent we deemed relevant and warranted in preparing this report.

A response was received from the Department of Health. It is in Appendix A.

Report cost

This audit report cost \$187 000 to produce.



Your ref:
Our ref: 11635



15 February 2018

The Honourable C Pitt MP
Speaker of the Legislative Assembly
Parliament House
BRISBANE QLD 4000

Dear Mr Speaker

Report to Parliament

This report is prepared under Part 3 Division 3 of the *Auditor-General Act 2009*, and is titled *Health: 2016–17 results of financial audits* (Report 7: 2017–18).

In accordance with s.67 of the Act, would you please arrange for the report to be tabled in the Legislative Assembly.

Yours sincerely

A handwritten signature in black ink, appearing to read 'B. Worrall', is written over a light grey horizontal line.

Brendan Worrall
Auditor-General

Report structure

CHAPTER 1

Provides a sector overview to assist readers in understanding the audit findings and conclusions.

CHAPTER 2

Delivers the audit opinion results and evaluates the timeliness and quality of reporting.

CHAPTER 3

Analyses the financial performance, position, and sustainability of the entities.

CHAPTER 4

Assesses the strength of the internal controls designed, implemented, and maintained by entities in the health sector.

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Summary

This report summarises the results of our financial audits of the entities in the Queensland public health sector.

This includes entities within the Minister for Health and Minister for Ambulance Services' portfolio of responsibility, being:

- the Department of Health (DoH) and 16 hospital and health services (HHSs) (referred to collectively in this report as Queensland Health entities)
- three health statutory bodies and their controlled entities
- 13 hospital foundations.

This report also includes three primary health networks that are outside the minister's portfolio but are public sector entities within the auditor-general's mandate.

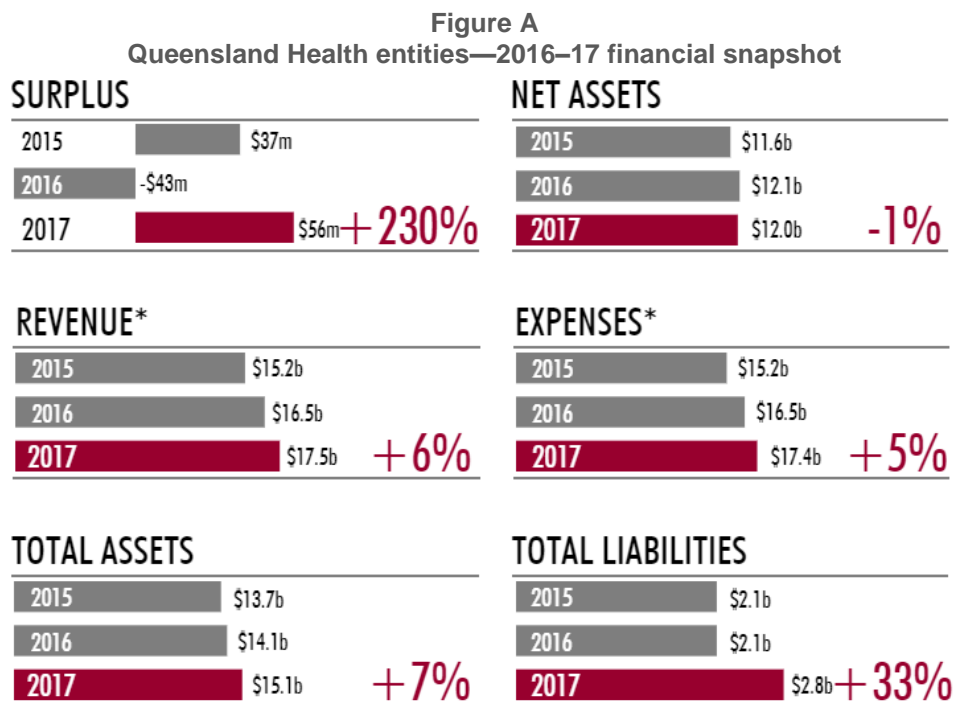
Appendix C lists the Queensland public health sector entities and their responsibilities.

Results of our audits

We issued unmodified audit opinions on all financial statements this year within the statutory deadlines of 31 August 2017 (and 31 December 2017 for primary health networks). We do this when the financial statements are prepared in accordance with the relevant legislative requirements and Australian accounting standards. In doing so, we confirm that readers can rely upon the audited financial statements.

For Queensland Health entities, we evaluated the processes that support accurate and timely preparation of draft financial statements. We found that they have improved in terms of timeliness but reduced marginally in terms of quality, with one additional HHS making adjustments prior to certifying their final financial statements this year.

Financial performance, position, and sustainability



* Revenue and expenses exclude transactions between DoH and HHSs.

Source: Queensland Audit Office.

Understanding financial performance

The collective performance of the health sector has improved over the last year. The result for Queensland Health entities was a surplus of \$56 million in 2016–17 (2016: \$43 million deficit). They have achieved these improved results by containing expense growth below that of the growth in revenue. At the same time, they have become more efficient by delivering more clinical activity at a lower average cost.

The increase in Queensland Health entities' revenue is due to the Queensland Government increasing appropriation and the HHSs delivering eight per cent more clinical activity this year, resulting in additional funding from the Australian Government. HHSs also increased their own source revenue from hospital fees and Pharmaceutical Benefits Scheme reimbursements.

Providing more clinical services has increased HHSs staff costs and spending in areas like clinical supplies and pharmaceuticals. However, this year, Queensland Health entities have contained the growth in expenses to five per cent, which is lower than the growth in revenue.

A future risk for Queensland Health entities is the introduction of the national cap on growth funding in 2017–18. The Australian Government will cap the funding it will pay for increases in clinical activity at 6.5 per cent of 2016–17 activity levels. If growth exceeds the national cap in future years, Queensland Health entities will need to find alternate sources of funding to cover any shortfall.

Understanding financial position

The net asset position for Queensland Health entities is stable.

This year, the \$1.3 billion Sunshine Coast University Hospital opened. This state-of-the-art hospital was built under a public–private partnership with Exemplar Health. The opening of the hospital triggered an interest-bearing liability of \$500 million, increasing the sector liabilities by more than 30 per cent. Sunshine Coast Hospital and Health Service will repay this debt to Exemplar Health over the next 25 years.

The health sector is making significant investments in information technology systems, including replacing their current (SAP) financial solution and continuing the investment in digital hospitals, with 24 hospitals expected to be digital by 2020. (Digital hospitals use electronic rather than paper records that integrate with digital medical devices to enable clinicians to easily review and update patient information.)

Successful implementation of these major projects will be critical to maintaining and advancing the delivery of quality health care to Queenslanders.

Internal controls

We identified two significant deficiencies in information and communication controls at the Central Queensland Hospital and Health Service. We found that it did not have the capability to manage the complex process of valuing land and buildings.

Queensland Health entities are not resolving internal control deficiencies within agreed timeframes. Fifty-six per cent of internal control deficiencies we reported this year were also reported in the prior year. Queensland Health entities need to resolve these issues more promptly, as delays may expose them to increased risk of fraud or error.

Recommendations

As part of each audit we make recommendations to individual entities in the Queensland public health sector about how to improve their financial management.

We recommend these Queensland Health entities take prompt action to address individual recommendations and resolve internal control deficiencies, with a particular focus on those outstanding since prior years, to help mitigate the risk of fraud or error. We also expect that audit and risk committees will take an active role in monitoring the resolution of internal control deficiencies.

Auditor-General reports to parliament

Reports tabled in 2017–18

Number	Title	Date tabled in Legislative Assembly
1.	Follow-up of Report 15: 2013–14 Environmental regulation of the resources and waste industries	September 2017
2.	Managing the mental health of Queensland Police employees	October 2017
3.	Rail and ports: 2016–17 results of financial audits	December 2017
4.	Integrated transport planning	December 2017
5.	Water: 2016–17 results of financial audits	December 2017
6.	Fraud risk management	February 2018
7.	Health: 2016–17 results of financial audits	February 2018

Contact the Queensland Audit Office

