

Health: 2016–17 results of financial audits (Report 7: 2017–18). Tabled 15 February 2018.

Slide 1: Welcome

This presentation summarises our report to parliament on the results of our 2016–17 financial audits of the entities in the Queensland public 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 opinions on all health sector entities' financial statements within the statutory deadline. Unmodified meaning they prepared their financial statements according to legislative requirements and relevant accounting standards, and that they can be relied upon.

The Department of Health and the 16 hospital and health services (collectively called Queensland Health entities), improved their processes for preparing accurate and timely financial statements. However, the quality of financial statements has marginally reduced with one additional entity making adjustments draft financial statements before we certified them.

Queensland health entities could finalise their asset valuations earlier. The valuation of land and buildings requires the most judgment and estimation. Completing valuations earlier allows more time to review the results and reduces the potential for adjustments to draft statements.

Slide 3: Sector results

The overall financial performance of Queensland Health entities improved in 2016–17. These entities produced a collective surplus of \$56 million, compared to a \$43 million deficit last financial year.

Improved results were achieved by efficiency gains—Queensland Health entities delivered eight per cent more clinical services this year but reduced their average cost of services by three per cent over the previous year.

Across Queensland Health entities:

- revenue grew by six per cent, due to increased appropriation funding from the Queensland Government, and growth funding from the Australian Government for the increased clinical activity
- expenditure growth was slightly lower at five per cent, and related to increased spending on staff costs, clinical supplies and pharmaceuticals. This was a consequence of delivering higher levels of activity.

Slide 4: Internal controls

This year we identified two significant internal control deficiencies in the sector. Both related to inadequate processes for valuing land and buildings that could result in material errors in asset values.

We also raised 107 deficiencies for management to address. Of these, 56 per cent were also reported prior years.

We recommend Queensland Health entities take prompt action to address individual recommendations and resolve internal control deficiencies. The entities have committed to doing so.

Slide 5: Future challenges and emerging risks

As for the future, Queensland Health entities are aware of the challenges presented by the increasing demand for their services. Since their establishment in 2012–13, hospital and health services have increased the volume of clinical activity they deliver by 40 per cent while funding has increased by 28.5 per cent. This means that hospital and health services are delivering more services for less money. The growth in health services is not sustainable in the long term.

From 1 July 2017 the Australian Government introduced a national funding cap of 6.5 per cent for growth in clinical activity. If growth exceeds the cap in future years, Queensland Health may need to find alternate sources of funding to cover any shortfall.

Also, Queensland Health entities are investing over \$1 billion in information technology priorities over the next 20 years, including new information systems and digitising hospitals.

Slide 6: For more information

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

Thank you.