

A. Full responses from agencies

As mandated in section 64 of the *Auditor-General Act 2009*, the Queensland Audit Office gave a copy of this report with a request for comments to the Department of Health and the sixteen hospital and health services.

This appendix contains the response we received.

The head of this agency is responsible for the accuracy, fairness and balance of their comments.



Comments received from Director-General, Department of Health



Queensland Health

Mr Brendan Worrall
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Dear Mr Worrall

Thank you for your email dated 29 October 2019, regarding the Queensland Audit Office's (QAO) proposed report to Parliament titled *Health: 2018-19 results of financial audits*.

I acknowledge receipt of the report and the contents proposed to be included in this report. I am responding on behalf of the Department of Health (the Department) and the 16 Hospital and Health Services (HHSs) to provide a single Health system response to your report.

It is pleasing to note that all Health entities received an unmodified audit opinion on their financial statements for 2018-19 within the statutory deadline of 31 August 2019. I note that Health entities have implemented more robust financial year-end processes and internal controls are generally effective.

2018-19 Financial performance, position and sustainability

Queensland Health acknowledges that there is an ongoing challenge of financial sustainability within the health sector. The Department and HHSs are continually working together to balance funding to meet health needs and supporting the delivery of cost-efficient health services. Queensland Treasury Corporation has also been working with the Department and HHSs on the sustainability of health services and their financial viability.

This year the HHSs reported a combined deficit of \$34.4 million (2017-18; \$37.2 million). In 2018-19 eight HHSs reported operating deficits (one more than last year). It is important to note that the operating deficits in five of these HHSs predominantly resulted from board approved planned investments of prior year surpluses into non-recurrent projects such as digitising hospital transformation and other initiatives to deliver improved health outcomes for patients notwithstanding only three HHSs had budgeted for a deficit. These three HHSs reported lower deficits than budgeted.

QAO in its proposed report highlights that HHSs delivered 4.9 per cent more activity in 2018-19 than last year in line with increasing demand, but the rate of expenditure growth to deliver the activity was higher, at 7.3 per cent. This was primarily driven by increase

employee expenses to meet demand and non-recurrent project expenditure. It is pleasing that QAO acknowledges the actions being taken across the health sector to improve cost efficiencies and notes that costs per activity growth for all activity based funded HHSs at 2.3% was lower than the wage inflation of 2.5%. It is acknowledged that growing community demand for health services will continue to increase the need for funding and managing rising costs to deliver those services will continue to be a focus of both the Department and HHSs.

Anticipated asset maintenance

In response to the QAO observation regarding the significant increases in the current level of anticipated maintenance this year, I can advise the Department recognises this growing challenge and is working closely with HHSs to address this.

The department is currently in the process of developing an asset management roadmap which will include strategies to address capability gaps in HHSs. The Department is also in the process of reviewing the Asset Management and Maintenance Plan template to assist in identifying maintenance compliance strategies, and will also develop in the 2019-20 financial year, a generic maintenance workflow manual that can be utilised to support HHS maintenance compliance management processes.

The proposed report confirms there have also been increases to the monitoring oversight by the Department through the HHS Service Agreement for 2019-20 to 2021-22, including HHSs being required to undertake a comprehensive assessment of their maintenance demands, increasing of their maintenance budgets from 2.15 per cent to 2.81 per cent of building value, and submission of an annual asset management and maintenance plan to the department.

The Department will be undertaking a full base capital review that is expected to be completed in March 2020, which will include identification of existing pressures, forecast a growth profile required to maintain Queensland Health assets and develop 5-year asset management strategies across all Queensland Health asset streams

Prior year unresolved internal control deficiencies

The Department and HHSs are continuing to ensure the closure of QAO recommendations, with a strong focus on prior year recommendations yet to be resolved. Audit and Risk Committees and Hospital Boards will continue to play an active role in this regard. It is positive to note QAO's recognition of the improvements in this area for 2018-19.



The outstanding significant deficiency relating to prudential compliance requirements (financial management and rules) for state-run aged care facilities is an issue that the Department will continue to work closely with HHSs to resolve. In 2018-19, The Department engaged a third-party contractor, through the residential aged care best practices initiative, to develop a set of tools to assist HHSs with compliance activities. The Department has also developed a reporting guideline to assist HHSs complete the aged care financial report. Utilising the Residential Aged Care Best Practice Network as a forum, the Department will continue to work with HHSs to ensure the risks of non-compliance with the prudential requirements are mitigated.

Yours sincerely



Dr John Wakefield PSM
Director-General
18 / 11 / 2019

