

Department of Health
Management Certificate

These general purpose financial statements have been prepared pursuant to section 62(1) of the *Financial Accountability Act 2009* (the Act), relevant sections of the *Financial and Performance Management Standard 2009* and other prescribed requirements. In accordance with section 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, except that deficiencies have been identified regarding the completeness, accuracy and timely payment of employee expenses since the department went live with the new payroll system on 14 March 2010. These deficiencies represent non-compliance with the prescribed requirements for the department to maintain an appropriate system of internal control in relation to its expense management system for employee expenses; and
- b) the statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of the Department of Health for the financial year ended 30 June 2011 and of the financial position of the department at the end of that year.



Neil Castles
Deputy Director-General
Finance, Procurement and Legal Services

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Dr Tony O'Connell
Director-General

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INDEPENDENT AUDITOR'S REPORT

To the Accountable Officer of the Department of Health

Report on the Financial Report

I have audited the accompanying financial report of the Department of Health, which comprises the statement of financial position and statement of assets and liabilities by major departmental services and SSP as at 30 June 2011, the statement of comprehensive income, statement of changes in equity, statement of cash flows and statement of comprehensive income by major departmental services and SSP for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the certificates given by the Director-General and Deputy Director-General, Finance, Procurement and Legal Services.

The Accountable Officer's Responsibility for the Financial Report

The Accountable Officer is responsible for the preparation of the financial report that gives a true and fair view in accordance with prescribed accounting requirements identified in the *Financial Accountability Act 2009* and the *Financial and Performance Management Standard 2009*, including compliance with Australian Accounting Standards. The Accountable Officer's responsibility also includes such internal control as the Accountable Officer determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control, other than in expressing an opinion on compliance with prescribed requirements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Accountable Officer, as well as evaluating the overall presentation of the financial report including any mandatory financial reporting requirements approved by the Treasurer for application in Queensland.

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

Independence

The *Auditor-General Act 2009* promotes the independence of the Auditor-General and all authorised auditors. The Auditor-General is the auditor of all Queensland public sector entities and can only be removed by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

Basis of Qualified Opinion

Section 61(b) of the *Financial Accountability Act 2009* requires the Accountable Officer to establish and maintain appropriate systems of internal control. Further, s.19 of the *Financial and Performance Management Standard 2009* requires the Accountable Officer to manage the Department's expenses in accordance with an expense management system that provides for the prompt identification, approval, management, recording and timely payment of expenses.

As disclosed in Note 3, the Department is continuing to implement recommendations to improve the effectiveness of payroll processing. During the financial year, significant deficiencies have been identified in the completeness and accuracy of employee payments as a result of the absence of adequate internal controls.

While these deficiencies were identified, I am satisfied they do not have a material effect on the completeness and accuracy of employee expenses disclosed in the Statement of Comprehensive Income as \$6,737,186,000 (2010: \$6,138,715,000). The deficiencies in internal control identified represent material non-compliance with the prescribed requirements for the Department to maintain an appropriate system of internal control in relation to its expense management system for employee expenses. My report for 2009-10 was also qualified on this basis.

In addition, Note 3 to the financial statements identifies that the Department temporarily suspended the recovery of salary overpayments as it undertakes initiatives to stabilise the payroll and rostering system to ensure that employees receive their correct pay and entitlements. Included in the amount of \$69,048,000 for Payroll Receivables, disclosed in Note 17, is an amount of \$59,448,000 for salary overpayments and an Allowance for Impairment of \$17,372,000 in relation to these salary overpayments. The Department has agreements in place with employees for the repayment of salary overpayments in the order of \$6,000,000. The Department has expressed a commitment to the recovery of these overpayments.

In my opinion, as there are no agreements with affected employees for the repayment of a substantial part of the amounts assessed by the Department to be overpayments and in view of the continuing issues associated with the implementation of the payroll system, there is insufficient evidence for me to assess the amount recognised as a Payroll Receivables for salary overpayments and associated Allowance for Impairment. Accordingly I am unable to form and do not express an opinion on these balances.

Qualified Opinion

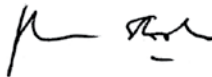
In accordance with s.40 of the *Auditor-General Act 2009* –

- (a) I have received all the information and explanations which I have required; and
- (b) in my opinion, except for the matters described in the preceding paragraphs, –
 - (i) the prescribed requirements in relation to the establishment and keeping of accounts have been complied with in all material respects; and
 - (ii) the financial report presents a true and fair view, in accordance with the prescribed accounting standards, of the transactions of the Department of Health for the financial year 1 July 2010 to 30 June 2011 and of the financial position as at the end of that year.

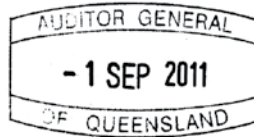
Other Matters - Electronic Presentation of the Audited Financial Report

This auditor's report relates to the financial report of the Department of Health for the year ended 30 June 2011. Where the financial report is included on the Department of Health's website the Accountable Officer is responsible for the integrity of the Department of Health's website and I have not been engaged to report on the integrity of the Department of Health's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements or otherwise included with the financial report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.

These matters also relate to the presentation of the audited financial report in other electronic media including CD Rom.



G G POOLE FCPA
Auditor-General of Queensland



Queensland Audit Office
Brisbane



Photography:

Aaron Tait, Adam Nicholas, Alex Buckingham, Andrew Haywood, Bruce Long, Hugh O'Brien, Lyle Radford, Michael Marston, Ray Cash, Rix Photography.

