

A. Full responses from entities

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:

- Deputy Premier and Minister for State development, Infrastructure, Local Government and Planning
- Minister for Health and Ambulance Services
- Assistant Minister for Health and Regional Health Infrastructure
- Under Treasurer, Queensland Treasury
- Director-General, Department of Health
- board chairs of the 16 hospital and health service boards
- chief executive officers of the 16 hospital and health services.

We also provided a copy of this report to the Premier and Minister for Trade; Treasurer and Minister for Investment; and Director-General, Department of the Premier and Cabinet with an invitation to respond.

This appendix contains the formal responses that we received.

The heads of these entities are responsible for the accuracy, fairness, and balance of their comments.



Comments received from Under Treasurer, Queensland Treasury



Queensland Treasury

Our Ref: 05903-2020

Mr Brendan Worrall
Auditor-General of Queensland
Queensland Audit Office
PO Box 15396
CITY EAST QLD 4002

Email: qao@qao.qld.gov.au

Dear Mr Worrall

Thank you for your email of 1 December 2020 inviting a response to the Queensland Audit Office's (QAO) proposed report to Parliament titled *Health 2020*. I acknowledge receipt of the report and the contents proposed to be included in this report.

I note the ongoing challenge in relation to financial sustainability within the health sector and the significant impact of COVID-19. I can confirm that Queensland Treasury has no substantive comments on the proposed report. Queensland Treasury continues to work with Queensland Health to balance funding to meet health needs, support the delivery of cost-efficient health services and ensure the sustainability of the health system.

I thank the QAO for its ongoing work and valuable insights to ensure the safety and health of all Queenslanders.

Yours sincerely


Rachel Hunter
Under Treasurer

25 / 1 / 2021

1 William Street
GPO Box 611 Brisbane
Queensland 4001 Australia
Telephone +61 7 3035 1933
Website www.treasury.qld.gov.au
ABN 90 856 020 239

Comments received from Director-General, Department of Health



Queensland Health

Enquiries to:

Telephone:
Our ref:
Your ref:

Mr Brendan Worrall
Auditor-General
Queensland Audit Office
Level 14, 53 Albert Street
BRISBANE QLD 4000

Email: QAO.Mail@gao.qld.gov.au

Dear Mr Worrall

Thank you for your email dated 1 December 2020, in relation to Queensland Audit Office's (QAO) proposed report to Parliament titled 'Health 2020'.

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 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 Queensland Health entities received an unmodified audit opinion on their financial statements for 2019-20 within the statutory deadline of 31 August 2020 and have achieved this despite the challenges noted resulting from the implementation of a new finance system and the COVID-19 pandemic.

Recommendation 1: Automate manual financial reporting processes

Queensland Health understands the importance of ensuring that reporting practices are constantly reviewed, and efficient best practices put in place to achieve desired outcomes.

With the implementation for Queensland Health entities of the new S/4 Hana finance system during 2019-20, this brought with it the adoption of industry specific best practices. It also provides the opportunity for the Department and HHSs to explore how further the new finance system can better assist with potential for further automation in the preparation of financial reporting.

Improvements in financial reporting are part of an ongoing process of review to drive efficiencies in the system to ensure the continuation of timely and accurate reporting across the sector.

Level 39
1 William St Brisbane
GPO Box 48 Brisbane
Queensland 4000 Australia

Website health.qld.gov.au
Email DG_Correspondence@health.qld.gov.au
ABN 66 329 169 412

Recommendation 2: Resolve outstanding audit issues

The Department and HHSs are continuing to ensure that QAO audit recommendations are addressed and resolved promptly, 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.

Queensland Health entities continue to monitor and regularly report to their respective committee members on all open recommendations and actions being undertaken to resolve them.

It is positive to note that of the 44 internal control deficiencies raised in 2017-18 and 2018-19, only 11 remain unresolved as at 31 August 2020.

Recommendation 3: Strengthen the security of information systems

Queensland Health recognises the importance of ensuring strong practices are in place when it comes to the security of all information systems and is constantly reviewing and strengthening these where possible.

Following the release of the Managing cyber security risks (Report 3:2019-20) by QAO, activities were undertaken by Queensland Health entities to self-assess against the recommendations in this report. Of the 17 recommendations made in the report, nine were assessed to require no action as current processes and controls were already in place to address these. For the remaining eight recommendations, in discussion with the Audit and Risk Committee, an action plan was created for these and agreed. These actions will now be tracked and monitored by the Audit and Risk Committee and deemed resolved only upon validation by the Internal Audit Unit.

Staff across Queensland Health entities undertake mandatory training in Cyber Security Essentials upon commencement and are required to take a refresher course annually.

User access within our information systems is managed according to defined governance and Standing Operating Instructions and is granted on a business requirement need only. Existing access in the systems is managed under a user access review process that occurs on a monthly basis.

Access roles are designed and defined with segregation of duties in mind and mitigating controls in place for any duties that do have cross-over.

Recommendation 4: Approve service agreements for shared services

The Department remains committed to working closely with HHSs to ensure there are signed Support Service Agreements (SSAs) in place with all entities. In 2019-20, numerous engagement and consultation activities were undertaken with the HHSs, to help identify and understand any issues that existed with the current SSAs. As a result of the consultation, the Department set up SSA working groups, on which representation by the HHSs was included, and work began to redevelop the agreements.

As a result of these initiatives and work performed to revise the agreements, 2020-21 SSAs were finalised and provided to the Health Services Chief Executives in September 2020. As of late December 2020, it is positive to note that 40 per cent of the agreements have already been returned signed and the Department continues to be in close consultation with the remaining entities to ensure all agreements are finalised in a timely manner.



Recommendation 5: Address backlog of asset maintenance

In response to the QAO observation regarding the challenge faced with funding the anticipated maintenance of buildings across the sector, I can advise that the Department recognises this ongoing issue and is continually working with HHSs to address this.

The Department provides guidance to the HHSs on strategies to better manage anticipated maintenance and whole of life cycle costs, including the level of maintenance investment required to sustain the built environment. Further, the Department has increased its monitoring oversight in the 2019-20 to 2021-22 HHS Service Agreements, requiring HHSs to undertake a comprehensive assessment of their maintenance demands, suggesting they increase their maintenance budgets from 2.15 per cent to 2.81 per cent of their current building value, and submission of an annual asset management and maintenance plan to the Department.

The Department continues to work with HHSs to categorise items sitting on the anticipated maintenance register based on the type of expenditure (e.g. deferred operational maintenance, capital maintenance, etc.) and projected year for completion. Preliminary results indicate that whilst a portion of the anticipated maintenance is currently due, the remainder is projections for future expenditure.

In addition to implementing more detailed reporting of the anticipated maintenance register, the Department is partnering with HHSs to develop the management framework that will determine how asset-related issues (e.g. anticipated maintenance) are addressed in a systematic manner. This framework will consider information such as building performance criteria, condition, and risk data, to help determine how available funding can best be deployed.

Financial sustainability and the impacts of COVID-19

Queensland Health recognises the current and future challenges the sector faces around financial sustainability and this is always a key area of focus for all entities. Whilst noting QAO's observations of the continuing financial challenge in 2019-20, it is important to recognise the unique challenges that the sector faced as a result of the COVID-19 pandemic, and the resulting financial impacts across all Health entities.

The deficit positions recorded across the HHSs in 2019-20 were materially impacted by the pandemic, with the two main drivers being a reduction in forecast own source revenue, and higher labour costs associated with reduced leave being taken. Queensland Health has estimated the combined negative operating statement impact of these two items was approximately \$70 million across the HHSs in 2019-20.

HHSs have access to COVID-19 specific funding following the announcement from the Commonwealth of the COVID-19 National Partnership Agreement. However, it is important to note that while this agreement was to provide financial assistance for the additional costs incurred by state health services in responding to the pandemic, not all COVID-19 related costs and lost revenue are covered, including the impact of reduction in own source revenue and cost of reduced annual leave taken.



In addition, Mackay HHS (\$4.4M in 2019-20) and Torres and Cape York HHS (\$10.5M in 2019-20) have reinvested prior year retained earnings totalling \$14.9M in 2019-20, resulting in a technical deficit that further contributes to the overall position across the sector.

Thank you again for seeking our comments. Should you require any further information in relation to this matter, I have arranged for [REDACTED]

to be available to assist you.

Yours sincerely



Dr John Wakefield PSM
Director-General
02/02/2021

