



**MINISTRY OF HEALTH**

**ANNUAL REPORT**

**FOR THE YEAR ENDED 30 JUNE 2011**



**MINISTRY OF HEALTH**  
**ANNUAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2011**

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## MINISTRY OF HEALTH

### DIRECTORY

**Minister**

Hon. Nandi Glassie  
Minister of Health

**Head of Ministry / Title**

Elizabeth Iro  
Secretary of Health

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**Auditor**

Cook Islands Audit Office

**Banker**

Australia New Zealand Banking Group Limited, Avarua, Rarotonga  
Westpac Banking Corporation, Avarua, Rarotonga  
Bank of the Cook Islands, Avarua, Rarotonga

**Solicitor**

Crown Law Office



## MINISTRY OF HEALTH

### STATEMENT OF RESPONSIBILITY

In terms of Section 30 of the Ministry of Finance and Economic Management Act 1995-96, I am responsible for the preparation of the Ministry of Health's financial statements and the judgements made in the process of producing those statements.

I have the responsibility of establishing and maintaining internal controls. I have established and maintained a system of internal control procedures that provide reasonable assurance as to the integrity and reliability of financial reporting.

The Minister responsible for the Ministry of Health was responsible during the financial year covered by these financial statements. The Secretary of Health however was not responsible during the year of the audit.

In my opinion, these financial statements fairly reflect the financial position and operations of the Ministry of Health for the year ended 30 June 2011.



Elizabeth Iro  
Secretary of Health

30 May 2013  
Date



Hon. Nandi Glassie  
Minister of Health

30 May 2013  
Date





# COOK ISLANDS AUDIT OFFICE

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## AUDIT REPORT

### TO THE READERS OF THE FINANCIAL STATEMENTS OF THE MINISTRY OF HEALTH FOR THE YEAR ENDED 30 JUNE 2011

We have audited the financial statements on pages 7 to 24. The financial statements provide information about the past financial performance of the Ministry of Health and its financial position as at 30 June 2011. This information is stated in accordance with the accounting policies set out on pages 14 to 17.

#### Responsibilities of the Ministry of Health

Section 28(2) of the Ministry of Finance and Economic Management Act 1995-96 requires the Ministry of Health to prepare financial statements in accordance with GAAP, as approved by the International Federation of Accountants as applicable to governments and their agencies, which fairly present the financial position, borrowings and commitments of the Ministry of Health as at 30 June 2011, and the results of its operations and cash flows for the year ended 30 June 2011.

#### Auditor's Responsibilities

Section 28(4) of the Ministry of Finance and Economic Management Act 1995-96 requires the Cook Islands Audit Office to audit the financial statements presented by the Ministry of Health. It is the responsibility of the Cook Islands Audit Office to express an independent opinion on the financial statements and report its opinion to you.

#### Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgments made by the Ministry of Health in the preparation of the financial statements; and
- whether the accounting policies are appropriate to the Ministry of Health's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in our capacity as auditor, we have no relationship with or interests in the Ministry of Health.



## **Basis of Qualified Opinion**

### **Property, plant and equipment and Depreciation expenses – scope limitation**

Property, plant and equipment (PPE) reported at \$3,725,182 and depreciation expenses reported at \$540,168 were qualified on the basis of limitation of scope. There was insufficient information provided to confirm the completeness, existence and accuracy of PPE. In particular, the actual value of aid funded PPE acquired during the year could not be reliably determined. Consequently, we were unable to accurately determine the value for depreciation expenses at year end.

### **Work in progress Assets – scope limitation**

Work in progress reported at \$169,835 relates to projects that were in progress during the 2004 financial year. Management provided no evidence regarding the completion and final costing for these respective projects. Therefore we were unable to verify the completeness, existence and valuation of work in progress assets reported at \$169,835.

### **Inventory – scope limitation**

We were unable to verify the existence, accuracy and valuation of inventory reported at \$702,749. There were unexplained variances in the quantities of certain inventory items we confirmed through our physical inventory count. Due to lack of supporting evidence we were also unable to confirm valuation of individual inventory items.

### **Value added tax – scope limitation**


We were unable to verify the existence, accuracy and valuation of value added tax reported at \$217,510. Due to lack of supporting evidence we were also unable to confirm the reason for the difference between our expectation of value added tax and what was actually disclosed in the financial statements.

## **Qualified Opinion**

In our opinion, except for the matters noted above, the financial statements of the Ministry of Health:

- Comply with International Public Sector Accounting Standards; and
- Fairly present in all material respects, the financial position, borrowings and commitments of the Ministry of Health as at 30 June 2011 and its financial performance and cash flow for the year ended on that date.

Our audit was completed on **30 May 2013** and our qualified opinion is expressed as at that date.

  
Allen Parker  
Director of Audit  
Cook Islands Audit Office  
Rarotonga, Cook Islands.





MINISTRY OF HEALTH

STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 30 JUNE 2011

In New Zealand Dollars	Notes	2011	2010
<b>Revenue</b>			
Crown Appropriation		10,467,201	10,418,871
Trading Revenue		451,987	465,411
Other Revenue	2	3,323	1,881
<b>Total Revenue</b>		<u>10,922,511</u>	<u>10,886,163</u>
<b>Expenditure</b>			
Personnel expenses	10	7,923,442	7,635,647
Audit Fees		4,000	4,000
Change in Provision for Doubtful Debts		-	37,047
Depreciation / Amortisation		540,168	614,863
Bad Debts		3,250	-
Other Expenses	3	2,475,573	2,686,719
<b>Total Expenditure</b>		<u>10,946,433</u>	<u>10,978,276</u>
<b>Operating Surplus / (Deficit)</b>		<u>(23,922)</u>	<u>(92,113)</u>
Aid Revenue	11	911,232	1,605,891
Aid Expenses	11	(911,232)	(1,456,875)
<b>Aid Surplus / (Deficit)</b>		<u>-</u>	<u>149,016</u>
<b>Net Surplus / (Deficit)</b>		<u>(23,922)</u>	<u>56,904</u>


The accompanying notes should be read in conjunction with these Financial Statements.



MINISTRY OF HEALTH

STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2011

In New Zealand Dollars	Notes	2011	2010
<b>Taxpayer's Funds</b>			
Accumulated surplus / deficits		120,305	740,862
Owner Contributions		3,551,436	3,275,180
<b>TOTAL TAXPAYER'S FUNDS</b>		<b>3,671,741</b>	<b>4,016,042</b>
Represented by:			
<b>Current Assets</b>			
Cash and Equivalents	4	258,972	1,047,205
Prepayments		35,133	(89)
Inventory	7	702,749	666,095
Debtors and Other Receivables	5	2,150,076	1,487,521
		<u>3,146,930</u>	<u>3,200,732</u>
<b>Non-Current Assets</b>			
Property, Plant, and Equipment	13	3,725,182	4,020,628
Work in Progress	14	169,835	169,835
		<u>3,895,017</u>	<u>4,190,463</u>
<b>TOTAL ASSETS</b>		<b>7,041,946</b>	<b>7,391,195</b>
<b>Current Liabilities</b>			
Creditors and Other Payables	6	2,938,711	2,712,576
Trust Liabilities	9	318,386	565,640
Employee Entitlements	8	100,747	68,828
		<u>3,357,844</u>	<u>3,347,044</u>
<b>Non-Current Liabilities</b>			
Employee Entitlements	8	12,361	28,108
		<u>12,361</u>	<u>28,108</u>
<b>TOTAL LIABILITIES</b>		<b>3,370,205</b>	<b>3,375,153</b>
<b>NET ASSETS</b>		<b>3,671,741</b>	<b>4,016,042</b>

  
Elizabeth Iro  
Secretary of Health

30 May 2013

Date

The accompanying notes should be read in conjunction with these Financial Statements.





MINISTRY OF HEALTH

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2011

In New Zealand Dollars	Notes	Accumulated Surplus / Deficit	Contributions from Crown	Total Equity
<b>Balance as at 30 June 2010 brought forward</b>		740,862	3,275,179	4,016,041
<b>Changes in equity for the year:</b>				
Net surplus / (deficit) for the year		(23,922)		(23,922)
Capital funding from the Crown			276,257	276,257
Correction of prior year errors		42,649		42,649
Surplus to be repaid to the Crown		-		-
Depreciation to be repaid to the Crown		(639,286)		(639,286)
<b>BALANCE AS AT 30 JUNE 2011</b>		<u>120,305</u>	<u>3,551,436</u>	<u>3,671,741</u>

MINISTRY OF HEALTH

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2010

In New Zealand Dollars	Notes	Accumulated Surplus / Deficit	Contributions from Crown	Total Equity
<b>Balance as at 30 June 2009 brought forward</b>		1,321,560	2,982,811	4,304,371
<b>Changes in equity for the year:</b>				
Net surplus / (deficit) for the year		56,904		56,904
Capital funding from the Crown			292,368	292,368
Correction of prior year errors		(22,739)		(22,739)
Surplus to be repaid to the Crown		-		-
Depreciation to be repaid to the Crown		(614,863)		(614,863)
<b>BALANCE AS AT 30 JUNE 2010</b>		<u>740,862</u>	<u>3,275,179</u>	<u>4,016,041</u>

The accompanying notes should be read in conjunction with these Financial Statements.



MINISTRY OF HEALTH

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2011

In New Zealand Dollars	2011	2010
<b>Cash Flows From Operating Activities</b>		
<i>Cash was provided from:</i>		
Crown Appropriation	8,903,205	11,999,510
Receipt from Clients	445,518	413,122
VAT Refunds	-	189,093
Aid Monies Received	911,232	1,640,919
	<u>10,259,955</u>	<u>14,242,645</u>
<i>Cash was applied to:</i>		
Payments to Employees	7,856,365	7,622,604
VAT Paid	196,888	-
Aid Monies Spent	911,232	1,456,875
Payments to Suppliers	2,113,979	2,595,485
	<u>11,078,464</u>	<u>11,674,964</u>
Net Cash Flows from Operating Activities	<u>(818,509)</u>	<u>2,567,680</u>
<b>Cash Flows from Investing Activities</b>		
<i>Cash was provided from:</i>		
Sale of Fixed Assets	-	1,737
	<u>-</u>	<u>1,737</u>
<i>Cash was applied to:</i>		
Purchase of Fixed Assets	244,723	399,103
	<u>244,723</u>	<u>399,103</u>
Net Cash Flows from Investing Activities	<u>(244,723)</u>	<u>(397,366)</u>
<b>Cash Flows From Financing Activities</b>		
<i>Cash was provided from:</i>		
Capital funding from Aid Donors	-	-
Capital funding from Crown	275,000	292,368
	<u>275,000</u>	<u>292,368</u>
<i>Cash was applied to:</i>		
Repayment to the Crown	-	2,191,545
	<u>-</u>	<u>2,191,545</u>
Net Cash Flows from Financing Activities	<u>275,000</u>	<u>(1,899,177)</u>
Net Increase/(Decrease) in Cash Held	(788,231)	271,137
Opening Cash Balances	1,047,203	776,066
Closing Cash Balance	<u>258,972</u>	<u>1,047,203</u>

The accompanying notes should be read in conjunction with these Financial Statements.



MINISTRY OF HEALTH

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2011

In New Zealand Dollars	2011	2010
<b>Reconciliation of Net Surplus to Cash Flows from Operating Activities</b>		
Reported Surplus	(23,922)	56,904
<i>Add / (less): Non-cash items</i>		
Depreciation	540,168	614,863
Change in Employee Entitlements	16,172	4,193
Provision for Doubtful Debts	15,325	37,047
Prior Year Adjustments	-	(22,739)
	<u>547,741</u>	<u>690,268</u>
<i>Add / (less): Movements in working capital items</i>		
(Increase) / decrease in Accounts Receivable	(9,792)	(68,120)
(Increase) / decrease in Crown Receivables	(652,763)	1,580,639
(Increase) / decrease in Aid Receivables	-	21,011
(Increase) / decrease in Sundry Debtors	-	13,950
(Increase) / decrease in Prepayments	(35,222)	5,889
(Increase) / decrease in Inventory	(36,654)	53,512
Increase / (decrease) in Accounts Payable	(485,837)	132,245
Increase / (decrease) in Aid Liabilities	-	14,017
Increase / (decrease) in VAT Payable	(196,888)	189,093
Increase / (decrease) in Payroll Accruals	50,906	8,850
Increase / (decrease) in Sundry Creditors	-	(73,672)
	<u>(1,366,251)</u>	<u>1,877,414</u>
Net Cash Flows from Operating Activities	<u>(818,509)</u>	<u>2,567,682</u>

The accompanying notes should be read in conjunction with these Financial Statements.



# MINISTRY OF HEALTH

## STATEMENT OF APPROPRIATIONS FOR THE YEAR ENDED 30 JUNE 2011

In New Zealand Dollars

Year Ended 30 June 2011		Appropriation Voted	Revenue/ Expenditure Actual	Surplus / (Deficit)
Output 1:	Community Health Services	1,763,128	1,775,983	(12,855)
Output 2:	Hospital Health Services	6,039,353	6,083,386	(44,033)
Output 3:	Outer Islands Health Services	2,286,789	2,303,462	(16,673)
Output 4:	Funding & Planning	777,931	783,603	(5,672)
		<u>10,867,201</u>	<u>10,946,434</u>	<u>(79,232)</u>
Included in the Appropriation Vote:				
	Trading Revenue	400,000	451,987	51,987
	Other Revenue		3,323	3,323
	Aid Revenue		-	-
	Net Surplus			<u><u>(23,922)</u></u>

### Year Ended 30 June 2010

Output 1:	Community Health Services	1,785,919	1,727,212	58,707
Output 2:	Hospital Health Services	5,928,548	6,117,706	(189,158)
Output 3:	Outer Islands Health Services	2,239,188	2,390,617	(151,430)
Output 4:	Funding & Planning	865,216	742,739	122,477
		<u>10,818,871</u>	<u>10,978,274</u>	<u>(159,403)</u>
Included in the Appropriation Vote:				
	Trading Revenue	400,000	465,411	65,411
	Other Revenue	-	1,881	1,881
	Aid Revenue		149,016	149,016
	Net Surplus			<u><u>56,904</u></u>

The accompanying notes should be read in conjunction with these Financial Statements.





**MINISTRY OF HEALTH**  
**SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED 30 JUNE 2011**

**Statement of Unappropriated Expenditure**

Unappropriated expenditure incurred during the year was \$23,922 (2010: \$92,113)

**Statement of Commitments**

There were no financial commitments at balance date (2010: nil).

**Statement of Trust Monies**

The Ministry held no trust monies at balance date (2010: nil).

**Statement of Specific Fiscal Risks**

The Ministry is not exposed to specific fiscal risk.

**Statement of Borrowings**

The Ministry does not have any borrowings with third parties.

**Statement of Contingent Liabilities**

**Case 1**

There is a claim of approximately ninety three thousand dollars (NZD93,000) against the Ministry of Health relating to special damages, general damages for pain, suffering of mobility and general loss of enjoyment of life, the cost of and incidental to this action.

The plaintiff undertook surgeries to repair a ruptured achilles tendon at the Raratonga Hospital.

There were three exploratory surgeries undertaken it is alleged that those surgeries were without success resulting in plaintiff's ongoing pain, distress and associated mobility issues and loss of enjoyment of life. With these suffering, the plaintiff paid own expenses to New Zealand for consultation in New Zealand. At the time of the surgery, the plaintiff was advised the causes of the pain which now has been removed by the New Zealand Specialist which was alleged to be caused by the surgeries that were previously undertaken.

**Case 2**

There is a claim of approximately two hundred thousand dollars (NZD200,000) against the Ministry of Health for:

- i) negligence in the discharge of its duties;
- ii) declaratory order that MOH actively and persistently engages in discriminatory practices on the grounds of ethnicity; and
- iii) declaratory order that MOH actively and persistently engages in discriminatory practices on the grounds of intoxication.

**Case 3**

The Plaintiff, former employee (Nurse), is suing the Ministry for demonstrating bias and predetermination in the selection of criteria for employees to work in the Ministry; and taking into account irrelevant considerations and failing to take into account relevant considerations and acting otherwise than in good faith in the restructure of nursing arrangements within the Ministry of health of \$55,000 for loss of consortium, enjoyment of life, distress and humiliation.

The accompanying notes should be read in conjunction with these Financial Statements.



## MINISTRY OF HEALTH

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

#### Note 1: Statement of Accounting Policies

##### Basis of Preparation

- (i) Reporting Entity  
These financial statements are for the Ministry of Health which is considered to be an agency of the Crown.
- (ii) Statement of Compliance  
These financial statements have been prepared in accordance with the Ministry of Finance and Economic Management Act 1995-96 and with the International Public Sector Accounting Standards issued by the International Public Sector Accounting Standards Board (IPSASB).
- (iii) Measurement Base  
The financial statements have been prepared on a going concern basis and the accounting policies have been applied consistently throughout the period.

These financial statements have been prepared using the historical cost method to report results, cashflows and the financial position of the Ministry of Health. The financial statements have been prepared under the accrual basis of accounting and are presented in New Zealand dollars rounded to the nearest dollar.

##### Significant Accounting Policies

The following accounting policies, which significantly affect the measurement of financial performance, financial position and cash flows have been applied:

- (i) Revenue

The Ministry of Health derives revenue from the Crown for the provision of services to the Crown in the form of the production of certain outputs disclosed in the Statement of Appropriations on page 12. Revenue is also provided from the provision of services to third parties. All such revenue is recognised when it is earned.

- (ii) Expenses

Expenses are recognised when incurred and are reported in the financial period to which they relate.

Realised gains or losses arising from sales of assets or the early settlement of a liability are recognised in the Statement of Financial Performance in the period in which the transaction is concluded.

- (iii) Foreign Aid

Aid monies received are recorded in the Statement of Financial Performance as they are utilised. Revenue is recognised at the same time the equivalent expense is incurred. Any unused aid money is held as an Aid Liability until such time as it is used and/or any applicable conditions attached to the funding are satisfied.

- (iv) Taxation

The Ministry of Health, as an agency of the Crown, is exempt from the payment of income tax in terms of the Income Tax Act 1997. Accordingly, no charge for income tax has been provided for.





## MINISTRY OF HEALTH

### NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED

#### Significant Accounting Policies (continued)

(v) Inventories

Inventories are recorded at the lower of cost or current replacement value. Appropriate allowance has been made for obsolescence where it is deemed necessary.

Inventories held for use will be valued at Cost of Current Replacement Value.

Inventories received at nominal or nil cost will be valued at Current Replacement Value as if those inventories had been purchased in normal market conditions.

Write offs of inventories or write downs of inventory values will be recognised as an expense in the Statement of Financial Performance.

(vi) Plant, Property, and Equipment

Plant, property and equipment are recorded at cost less accumulated depreciation.

The cost of purchased plant, property, and equipment is the value of the consideration given to acquire the assets and the value of other directly attributable costs which have been incurred in bringing the assets to the location and condition necessary for their intended service.

When an item of plant, property and equipment is disposed, the gain or loss associated with that item will be recognised in the Statement of Financial Performance.

Work in Progress is recognised as cost less impairment and is not depreciated.

Depreciation of plant, property, and equipment is provided on a straight line basis so as to allocate the cost of assets to their estimated residual value over their estimated useful lives. Typically, the estimated useful lives are:

Computer Equipment	3 - 4 years
Motor Vehicles	5 years
Furniture and Fittings	4 - 10 years
Office Equipment	3 - 4 years
Buildings	10 years
Wharf / Harbour Structures	10 years

(vii) Intangible Assets

The cost of purchased intangibles such as software is the value of the consideration given to acquire the assets and the value of other directly attributable costs such as installation which have been incurred in bringing the assets to the location and condition necessary for their intended service.

When an intangible asset is disposed, the gain or loss associated with that asset will be recognised in the Statement of Financial Performance.

Amortisation of intangible assets is provided on a straight line basis so as to allocate the cost of the intangible to their estimated residual value over their estimated useful lives. Typically, the estimated useful lives are:

Software	3-4 years
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## MINISTRY OF HEALTH

### NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED

#### Significant Accounting Policies (continued)

(viii) Provision for Employee Entitlements

Annual leave, and time off in lieu of overtime worked are recognised as they accrue to employees.

A long-service bonus (LSB) is paid out on the completion of 3 years continuous service within Government. The bonus is the equivalent of a fortnight's pay of the employee.

The LSB is recognised as it accrues. The accrual is recorded as a pro-rated percentage of the time served against the 3-year condition. However, as the bonus is not paid out on a pro-rata basis, the accrual for all current employees is weighted by a probability-of-completion factor. This factor recognises that the closer an employee comes to the 3-year timeframe, the higher probability there will be of that employee claiming the bonus. The weighting factors are listed below:

<i>Time Served</i>	<i>Factor</i>
1 year or less	20% of the pro-rated accrual amount
1 - 2 years	50% of the pro-rated accrual amount
2 - 2.5 years	80% of the pro-rated accrual amount
2.5 - 3 years	100% of the pro-rated accrual amount

The total LSB accrual in the Statement of Financial Position will be split between Current (payable within the next financial year) and Non-Current (payable beyond the next financial year).

(ix) Foreign Currencies

Foreign currency transactions are recorded at the exchange rates in effect at the date of the transaction. Monetary assets and liabilities arising from trading transactions or overseas borrowings are translated at closing rates. Gains and losses due to currency fluctuations on these items are included in the Statement of Financial Performance.

(x) Financial Instruments

Financial instruments primarily consist of bank balances, receivables and payables. Gains and losses in relation to all financial instruments are recognised in the Statement of Financial Performance.

(xi) Commitments

Future expenses and liabilities to be incurred on contracts that have been entered into at balance date are disclosed as commitments to the extent that there are equally unperformed obligations.

(xii) Contingent Liabilities

Contingent liabilities are disclosed at the point at which the contingency is evident.

(xiii) Cash and Equivalents

Cash and Equivalents include cash on hand, deposits on call with the bank, and investments with a maturity of less than 3 months.



## MINISTRY OF HEALTH

### NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED

#### Significant Accounting Policies (continued)

(xiv) Statement of Cash Flows

Cash is considered to be cash balances on hand and current accounts in banks, net of bank overdrafts.

Operating activities include cash received from all income sources of the Ministry of Health and record the cash payments made for the supply of goods and services.

Investing activities are those activities relating to the acquisition, holding and disposal of fixed assets and investments.

Financing activities comprise capital injections by, or repayment of capital to, the Crown.

(xv) Value Added Tax (VAT)

All statements of account are exclusive of VAT. The Statement of Financial Position is exclusive of VAT except for payables and receivables which are stated VAT inclusive as these represent the total amount to be paid or collected by the Ministry to or from third parties.

The amount of VAT owing to or from the Revenue Management Division at balance date, being the difference between Output VAT and Input VAT, is included in payables or receivables as appropriate.

(xvi) Trade Receivables

Trade receivables are carried at the original invoice amount less any provision for doubtful debts. Provisions for doubtful debts are based on a review of outstanding amounts as at year-end. Bad debts are written off when identified.

(xvii) Trade Creditors

Trade creditors are carried at the original invoice amount.

(xviii) Superannuation Schemes

The Ministry of Health contributes to the National Super Fund. This is classified as a Defined Contribution Scheme for the Ministry. As such, the only impact on these financial statements is in the Statement of Financial Performance where payments into the scheme are recognised as an expense in the period they are due.

#### Taxpayer's Funds

This represents the Crown's net investment in the Ministry of Health.

#### Changes in Accounting Policies

There have been no changes in accounting policies since the date of the last audited Financial Statements



MINISTRY OF HEALTH

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011

<b>Note 2: Other Revenue</b>	<b>2011</b>	<b>2010</b>
Other	3,323	1,881
Total Other Income	<u>3,323</u>	<u>1,881</u>
<b>Note 3: Other Expenses</b>		
Communication	163,178	168,507
Expensed Assets	68,176	62,738
Freight	19,328	31,759
Repairs and Maintenance	243,838	175,101
Fuel and Oil	11,205	8,999
Medical and Consumables	123,999	120,573
Electricity	371,133	357,533
Entertainment	28,915	26,028
Travel	50,468	84,489
Pharmaceuticals	684,145	1,040,665
Laboratory Services	288,174	218,122
Kitchen Supplies	58,973	67,183
Laundry & Linen	42,805	54,698
Medical Gas	32,616	63,661
Other	288,620	206,663
Total Other Expenses	<u>2,475,573</u>	<u>2,686,719</u>
<b>Note 4: Cash and Equivalents</b>		
Bank Balances	(69,044)	516,201
Petty Cash	9,630	9,630
<i>Trust Accounts</i>		
Global Fund	96,672	148,018
UNFPA	28,236	41,118
World Health Organisation	98,563	102,292
Jim Price	88,532	99,502
Fred Hollows Foundation	6,383	6,408
European Union	-	124,037
Total Trust Accounts	<u>318,386</u>	<u>521,374</u>
Total Cash and Equivalents	<u>258,972</u>	<u>1,047,205</u>

*Trust Accounts*

The trust accounts which make up a portion of the Cash and Cash Equivalents note above, are held in trust capacity and are represented by equivalent Trust Liabilities detailed in Note 9.

These accompanying notes should be read in conjunction with the Financial Statements.



# MINISTRY OF HEALTH

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011	2010
<b>Note 5: Debtors and Other Receivables</b>		
Accounts Receivable	272,353	262,562
Provision for Doubtful Debts	(139,508)	(139,509)
Aid Receivables	146	146
Sundry Debtors and Receivables	919	919
	<u>133,909</u>	<u>124,118</u>
Inter-ministry receivables included above to Crown Agencies	48,258	48,258
POBOC Receivable	-	15,326
Prior Years Crown Receivable	1,363,403	731,749
Current Year Crown Receivable	652,763	616,328
	<u>2,016,167</u>	<u>1,363,403</u>
Total Debtors and Other Receivables	<u>2,150,076</u>	<u>1,487,521</u>
<b>Note 6: Creditors and Other Payables</b>		
Accounts Payable	65,992	225,691
Sundry Creditors and Accruals	(519)	63,041
VAT Payable	217,510	414,398
Accrued Payroll	192,824	141,918
	<u>475,807</u>	<u>845,048</u>
Inter-ministry payables included above to Crown Agencies	12,250	13,536
Prior Years Depreciation Payable	1,882,085	1,267,223
Prior Years Surplus Payable	(14,558)	(14,558)
Current Year Depreciation Payable	595,377	614,863
	<u>2,462,904</u>	<u>1,867,527</u>
Total Creditors and Other Payables	<u>2,938,711</u>	<u>2,712,576</u>
<b>Note 7: Inventory</b>		
Inventory Held for Use	702,749	666,095
Total Inventory	<u>702,749</u>	<u>666,095</u>

These accompanying notes should be read in conjunction with the Financial Statements.





# MINISTRY OF HEALTH

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011 2010

### Note 8: Employee Entitlements

#### Current

Provision for Annual Leave	34,605	42,636
Provision for Long-Service Bonus	66,143	26,193
	<u>100,747</u>	<u>68,828</u>

#### Non-Current

Provision for Long-Service Bonus	12,361	28,108
	<u>12,361</u>	<u>28,108</u>

Total Employee Entitlements	<u>113,109</u>	<u>96,937</u>
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### Note 9: Trustee Liabilities

*Trust liabilities offset the Trust Accounts detailed in Note 4 and are comprised of the following:*

Global Fund	96,672	148,018
UNFPA	28,236	41,118
World Health Organisation	98,563	102,292
Jim Price	88,532	99,502
Fred Hollows Foundation	6,383	6,408
European Union	-	124,037
NZ Aid	-	44,266
Total Trust Liabilities	<u>318,386</u>	<u>565,640</u>

### Note 10: Personnel Expense Reconciliation

Wages and Salaries	7,856,366	7,632,602
Increase / (Decrease) in Long-Service Bonus Accruals	16,171	8,502
Increase / (Decrease) in Payroll Accrual	50,906	(5,457)
Total Personnel Costs	<u>7,923,442</u>	<u>7,635,647</u>

These accompanying notes should be read in conjunction with the Financial Statements.





# MINISTRY OF HEALTH

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011	2010
<b>Note 11: Aid Revenue and Expenses</b>		
Aid Revenue Received from Crown:		
New Zealand Aid	-	206,081
Total Aid Revenue Received from Crown	-	206,081
Aid Revenue Received from Donors:		
United Nations Aid	521,284	1,187,491
European Union Aid	138,123	18,483
Other Aid	251,825	193,836
Total Aid Revenue Received from Donors	911,232	1,399,810
Total Aid Revenue Received	911,232	1,605,891
Aid Expenses Incurred:		
New Zealand Aid	-	206,081
United Nations Aid	521,284	1,204,535
European Union Aid	138,123	18,483
Other Aid	251,825	27,776
Total Aid Expenses Incurred	911,232	1,456,875

### Note 12: Related Parties

The Ministry of Health is a wholly owned entity of the Crown, however, the Government protects it through its legislation from undue influence and significant control.

The Crown provides the Ministry with significant funding in the form of an annual appropriation to assist the Ministry in discharging its duties and obligations. The Ministry also enters into transactions with other Government ministries, Crown agencies and State Owned Enterprises in an arms-length basis. As such, these do not need to be disclosed. Any transactions between related parties which are not subject to arms-length consideration will be detailed below.

The key management personnel are members of the senior management group.

The aggregate remuneration of members of the senior management group and the number of individuals determined on a full time equivalent basis receiving remuneration within this category are:

Aggregate remuneration	-	325,505	325,505
Number of persons		5	5

These accompanying notes should be read in conjunction with the Financial Statements.



MINISTRY OF HEALTH

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011

Note 13a: Plant, Property, and Equipment 2011

Category	Opening Cost	Additions	Disposals	Closing Cost	Opening Accum Depn	Depreciation	Accum Depn on Disposals	Closing Accum Depreciation	Net Book Value
Computer Equipment	298,259	1,297		299,556	163,058	58,622		221,680	77,876
Furniture & Fittings	298,566	311		298,877	97,731	44,496		142,226	156,651
Motor Vehicles	873,096	2,502		875,598	525,530	166,511		692,040	183,557
Plant & Equipment	4,908,677	206,956		5,115,633	1,744,167	267,540		2,011,707	3,103,926
Buildings	184,597	30,655		215,252	12,082			12,082	203,170
<b>Total Plant, Property, &amp; Equipment</b>	<b>6,563,195</b>	<b>241,720</b>	<b>-</b>	<b>6,804,915</b>	<b>2,542,588</b>	<b>537,168</b>	<b>-</b>	<b>3,079,735</b>	<b>3,725,180</b>

Note 13b: Plant, Property, and Equipment 2010

Category	Opening Cost	Additions	Disposals	Closing Cost	Opening Accum Depn	Depreciation	Accum Depn on Disposals	Closing Accum Depreciation	Net Book Value
Computer Equipment	269,761	28,498		298,259	112,585	50,473		163,058	135,201
Furniture & Fittings	290,963	7,603		298,566	69,659	28,072		97,731	200,835
Motor Vehicles	731,396	141,700		873,096	400,709	124,821		525,530	347,566
Plant & Equipment	4,796,582	112,095		4,908,677	1,344,752	399,415		1,744,167	3,164,510
Buildings	77,127	107,470		184,597	-	12,082		12,082	172,515
<b>Total Plant, Property, &amp; Equipment</b>	<b>6,165,829</b>	<b>397,366</b>	<b>-</b>	<b>6,563,195</b>	<b>1,927,705</b>	<b>614,863</b>	<b>-</b>	<b>2,542,568</b>	<b>4,020,628</b>



MINISTRY OF HEALTH

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011

Note 14a: Work in Progress 2011

Category	Opening Cost	Additions	Disposals	Closing Cost	Opening Accum Depn	Depreciation	Accum Depn on Disposals	Closing Accum Depreciation	Net Book Value
Outer Islands Health Clinics	169,597			169,597	-			-	169,597
Other	238			238	-			-	238
<b>Total Work In Progress Assets</b>	<b>169,835</b>	<b>-</b>	<b>-</b>	<b>169,835</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>169,835</b>

Note 14b: Work in Progress 2010

Category	Opening Cost	Additions	Disposals	Closing Cost	Opening Accum Depn	Depreciation	Accum Depn on Disposals	Closing Accum Depreciation	Net Book Value
Outer Islands Health Clinics	169,597			169,597				-	169,597
Other	238	1,737	1,737	238				-	238
<b>Total Work In Progress Assets</b>	<b>169,835</b>	<b>1,737</b>	<b>1,737</b>	<b>169,835</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>169,835</b>





MINISTRY OF HEALTH

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011

**Note 15: Financial Instruments**

Currency, Interest Rate and Credit Risks

i) Currency

The Ministry of Health undertakes transactions denominated in foreign currencies from time to time and resulting from these activities, exposures in foreign currency arise.

ii) Interest Rate

There is no significant exposure to interest rate risk.

iii) Concentrations of Credit Risk

In the normal course of business, the Ministry of Health incurs credit risk from trade debtors and transactions with financial institutions. The Ministry has a credit policy, which is used to manage this risk. As part of this policy, limits on exposure with counter parties had been set and are monitored on a regular basis.

The Ministry of Health has no significant concentrations of credit risk. It does not require any collateral or security to support financial instruments due to the quality of financial institutions and trade debtors dealt with.

Fair Values

The estimated fair values of the Ministry of Health's financial assets and liabilities are their carrying values.

**Note 16: Subsequent Events**

Nil

These accompanying notes should be read in conjunction with the Financial Statements.

