



**MINISTRY OF HEALTH**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2020**

**MINISTRY OF HEALTH**

**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

**CONTENTS**

Directory	3
Statement of Responsibility	4
Audit Report	5 - 6
Statement of Financial Performance	7
Statement of Financial Position	8
Statement of Changes in Equity	9
Statement of Cash Flows	10 - 11
Statement of Appropriations	12
Notes to the Financial Statements	13 - 28



**MINISTRY OF HEALTH**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

**DIRECTORY**

**Minister**

Honourable Vainetutai Rose Toki-Brown  
Minister of Health

**Head of Ministry / Title**

Mr Bob Williams  
Secretary

**Business Address**

Level 2  
Government Administration Building  
Avarua  
Rarotonga

**Contact Details**

Phone: (682) 29664  
Email: [moh.accounts@cookislands.gov.ck](mailto:moh.accounts@cookislands.gov.ck)

**Postal Address**

P O Box 109  
Avarua  
Rarotonga

**Auditor**

Cook Islands Audit Office  
Level 2  
Government Administration Building  
Avarua  
Rarotonga

**Banker**

ANZ Banking Group Limited  
Avarua  
Rarotonga

**Solicitor**

Crown Law Office  
Avarua  
Rarotonga



## 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.

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

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

In my opinion, these financial statements fairly reflect the financial position and operations of the Ministry of Health for the year ended 30 June 2020.



---

Mr Bob Williams  
**Secretary**



---

Honourable Vainetutai Rose Toki-Brown  
**Minister of Health**

---

09 April 2021  
**Date**

---

09 April 2021  
**Date**



## Independent Auditor's Report

To the readers of the financial statements of the Ministry of Health for the year ended 2020

### Report on the audit of the financial statements

#### Opinion

In my opinion, the accompanying financial statements of the Ministry of Health ("the Ministry") on pages 7 to 28:

- i. present fairly in all material respects the Ministry's financial position as at 30 June 2020 and its financial performance and cash flows for the year ended on that date; and
- ii. comply with generally accepted accounting practices as defined by the Ministry of Finance and Economic Management Act 1995-96 and International Public Sector Accounting Standards (IPSAS) issued by the International Public Sector Accounting Standards Board.

We have audited the accompanying financial statements which comprise:

- the statement of financial position as at 30 June 2020;
- the statement of financial performance, the statement of changes in equity, the statement of appropriations and cash flow statement for the year then ended; and
- notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

My audit was completed on 9 April 2021. This is the date on which my opinion is expressed.

The basis for my opinion is explained below. I outline the responsibilities of the Secretary and my responsibilities for the financial statements and audit of the Ministry. I also comment on other information and explain my independence.

#### Basis for opinion

I carried out my audit in accordance with International Standards of Supreme Audit Institutions (ISSAI), which incorporate ISSAI 130 Code of Ethics issued by the International Organization of Supreme Audit Institutions (INTOSAI Code of Ethics). My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of this report.

I have fulfilled my responsibilities in accordance with ISSAI. Other than in my capacity as auditor I have no relationship with, or interests in, the Ministry. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### Responsibilities of the Secretary for the financial statements

The Secretary, on behalf of the Ministry is responsible for:

- the preparation and fair presentation of the financial statements in accordance with IPSAS;
- implementing necessary internal control to enable the preparation of a set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements of the Ministry as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes my opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAI will always detect a material misstatement. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions readers make based on the financial statements of the Ministry.

As part of an audit in accordance with ISSAI, I exercise professional judgement and maintain professional skepticism throughout the audit. Also:

- I identify and assess the risks of material misstatement of the financial statements of the Ministry, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, because fraud can involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- I obtain an understanding of internal control relevant to the audit 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 internal control used by the Secretary to prepare the financial statements of the Ministry.
- I evaluate the appropriateness of accounting policies used, and the reasonableness of accounting estimates and related disclosures made by the Secretary.
- I conclude on the appropriateness of using the going concern basis of accounting that has been used by the Secretary to prepare the financial statements of the Ministry, up to the date of my auditor's report, based on the audit evidence I have obtained.
- I evaluate the overall presentation, structure, and content of the financial statements of the Ministry, including the disclosures, and whether the financial statements of the Ministry represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Secretary among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that I identify during my audit.

I am responsible for expressing an independent opinion on the financial statements of the Ministry and reporting that opinion to you based on my audit. My responsibility arises from the Public Expenditure Review Committee and Audit Act 1995-96.

### Other Information

The Secretary is responsible for the other information. The other information comprises the information included on pages 1 to 28 but does not include the annual financial statements of the Ministry and my auditor's report thereon.

My opinion on the financial statements of the Ministry does not cover the other information and I do not express any form of audit opinion or assurance conclusion on that information.

In connection with my audit of the financial statements of the Ministry, my responsibility is to read the other information. In doing so, I consider whether the other information is materially inconsistent with the financial statements of the Ministry or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on my work, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

### Independence

While carrying out this audit, my staff and I have complied with ISSAI 130 Code of Ethics issued by the International Organization of Supreme Audit Institutions (INTOSAI Code of Ethics), and we have fulfilled our other ethical responsibilities in accordance with these requirements.



Allen Parker  
Director of Audit  
Rarotonga, Cook Islands



**MINISTRY OF HEALTH**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
**FOR THE YEAR ENDED 30 JUNE 2020**

In New Zealand Dollars	Notes	Actual 2020 \$	Budget 2020 \$	Actual 2019 \$
<b>Revenue</b>				
Funding from the Crown		15,060,876	15,060,876	14,054,149
Trading Revenue	2	414,087	350,000	501,842
Other Revenue		9,791	-	3,177
Aid Revenue	10	629,719	284,545	624,806
<b>Total Revenue</b>		<b>16,114,473</b>	<b>15,695,421</b>	<b>15,183,975</b>
<b>Expenditure</b>				
Personnel Expenses	3	9,829,883	10,143,618	9,689,474
Depreciation and Amortisation	11,12	891,722	886,614	791,642
Bad Debts Written Off		31,044	-	-
Other Expenses	4	3,840,686	4,380,644	3,313,597
Aid Expenses	10	439,268	284,545	381,671
<b>Total Expenditure</b>		<b>15,032,603</b>	<b>15,695,421</b>	<b>14,176,385</b>
<b>Operating Balance before Gains and Losses (OBEGAL)</b>		<b>1,081,870</b>	<b>-</b>	<b>1,007,590</b>
<b>Other Gains / (Losses)</b>				
Foreign Exchange Gain / (Loss)		-	-	-
Gain/(Loss) on Disposal of Assets		(52,967)	-	(32,351)
<b>Total Other Gains / (Losses)</b>		<b>(52,967)</b>	<b>-</b>	<b>(32,351)</b>
<b>Net Surplus/ (Loss)</b>		<b>1,028,903</b>	<b>-</b>	<b>975,239</b>

Explanations of major variances against the budget are provided in Note 19.

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

**MINISTRY OF HEALTH**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2020**

In New Zealand Dollars	Notes	Actual 2020 \$	Actual 2019 \$
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Equivalents	5	11,000	9,900
Trust Accounts		437,396	339,362
Prepayments		12,912	13,151
Inventory	6	3,371,372	1,074,716
Debtors and Other Receivables	7	3,676,482	2,197,490
Aid Receivables		-	10,243
<b>Total Current Assets</b>		<b>7,509,162</b>	<b>3,644,862</b>
<b>Non-Current Assets</b>			
Property, Plant, and Equipment	11	4,865,485	4,424,858
Intangible Assets	12	19,844	49,609
<b>Total Non-Current Assets</b>		<b>4,885,329</b>	<b>4,474,467</b>
<b>Total Assets</b>		<b>12,394,491</b>	<b>8,119,329</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Creditors and Other Payables	8	3,552,992	2,524,875
Payments on behalf of Crown Liability for Pharmaceuticals		594,209	578,750
Aid Liabilities	10	485,082	388,885
Employee Entitlements	9	381,325	483,335
<b>Total Current Liabilities</b>		<b>5,013,608</b>	<b>3,975,845</b>
<b>Total Liabilities</b>		<b>5,013,608</b>	<b>3,975,845</b>
<b>Net Assets</b>		<b>7,380,883</b>	<b>4,143,484</b>
<b>Equity</b>			
Contributed Capital		10,067,956	6,903,652
Accumulated Surplus / (Deficit)		(2,687,073)	(2,760,168)
<b>Total Equity</b>	13	<b>7,380,883</b>	<b>4,143,484</b>

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 2020**

In New Zealand Dollars	Notes	Actual 2020 \$	Actual 2019 \$
Balance at 1 July		4,143,484	3,366,535
Net Surplus / (Deficit) for the year		1,028,903	975,240
Capital Funding from the Crown		3,164,305	840,364
Depreciation Payable to the Crown		(891,722)	(886,814)
Excess Trading Revenue to be Repaid to Crown		(64,087)	(151,842)
<b>Balance as at 30 June</b>	<b>13</b>	<b>7,380,883</b>	<b>4,143,484</b>

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 2020**

In New Zealand Dollars	Actual 2020 \$	Actual 2019 \$
<b>Cash Flows From Operating Activities</b>		
Receipt of Funding from the Crown	13,856,066	13,111,266
Receipt from Clients	255,092	470,550
Receipt from Aid Donors	535,465	455,642
Payments to Employees	(9,931,893)	(9,888,695)
Payment of Aid Expenses	(439,268)	(430,692)
Payments to Suppliers	(6,018,572)	(3,639,330)
<b>Net Cash Flows from / (used in) Operating Activities</b>	<b>(1,743,110)</b>	<b>78,741</b>
<b>Cash Flows from Investing Activities</b>		
Purchase of Property, Plant and Equipment	(1,255,270)	(884,110)
<b>Net Cash Flows from / (used in) Investing Activities</b>	<b>(1,255,270)</b>	<b>(884,110)</b>
<b>Cash Flows From Financing Activities</b>		
Capital Funding from Crown	580,745	840,364
Covid-19 Medical Response Fund	2,583,559	-
Cash from Trust Accounts	-	49,021
Cash Recalled by Crown	(66,791)	(33,330)
<b>Net Cash Flows from / (used in) Financing Activities</b>	<b>3,097,513</b>	<b>856,055</b>
<b>Net Increase / (Decrease) in Cash and Equivalents</b>	<b>99,134</b>	<b>50,686</b>
Opening Cash Balances	349,262	298,576
<b>Closing Cash and Equivalents</b>	<b>448,396</b>	<b>349,262</b>
<b>Reconciliation of Closing Cash Balances</b>		
Cash at Bank	11,000	9,900
Trust Accounts	437,396	339,362
	<b>448,396</b>	<b>349,262</b>

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 2020**

	<b>Actual 2020 \$</b>	<b>Actual 2019 \$</b>
In New Zealand Dollars		
<b>Reconciliation of Net Surplus / (Deficit) to Net Cash Flows from Operating Activities</b>		
<b>Reported Surplus</b>	1,028,903	975,239
<b>Add / (less) Non-Cash Items</b>		
Depreciation and Amortisation	891,722	791,642
Change in Employee Entitlements	(169,406)	(206,239)
Change in Provision for Doubtful Debts	(339,487)	-
Aid Revenue for Assets	(47,312)	(227,962)
Cash Recall	14,856	(33,330)
(Gain) / Loss on Impairment of Assets	-	32,351
<i>Total Non Cash items</i>	1,379,276	1,331,701
<b>Add / (less) Movements in Statement of Financial Position Items</b>		
(Increase) / decrease in Accounts Receivable	191,502	(35,189)
(Increase) / decrease in Crown Receivables	(1,204,811)	(942,881)
(Increase) / decrease in Sundry Debtors	-	918
(Increase) / decrease in Trust Accounts	-	(49,021)
(Increase) / decrease in Prepayments	239	(12,738)
(Increase) / decrease in Cash Recall	25,968	33,330
(Increase) / decrease in VAT Receivable	(100,231)	15,355
(Increase) / decrease in Inventory	(2,296,656)	(199,994)
(Increase) / decrease in Aid Receivable	10,243	(200)
Increase / (decrease) in Accounts Payable	87,767	(128,356)
Increase / (decrease) in Aid Liabilities	96,197	58,798
Increase / (decrease) in Payroll Accruals	67,396	7,018
<i>Net movements in Working Capital items</i>	(3,122,386)	(1,252,960)
<b>Net Cash Flows from Operating Activities</b>	<b>(1,743,110)</b>	<b>78,741</b>

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



**MINISTRY OF HEALTH**  
**STATEMENT OF APPROPRIATIONS**  
**FOR THE YEAR ENDED 30 JUNE 2020**

In New Zealand Dollars

<b>Year Ended 30 June 2020</b>		Appropriation Voted	Revenue/ Expenditure Actual	Surplus / (Deficit)
Output 1:	Community Health	1,988,049	2,228,312	(240,263)
Output 2:	Oral Health Services	1,041,324	565,991	475,333
Output 3:	Primary Care	1,035,366	9,914	1,025,452
Output 4:	Hospital Health Services	9,457,520	10,367,915	(910,395)
Output 5:	Planning & Funding	1,538,617	1,124,170	414,447
		<b>15,060,876</b>	<b>14,296,301</b>	<b>764,575</b>
Included in the Appropriation Vote:				
	Trading Revenue	350,000	414,087	64,087
	Other Revenue	-	9,791	9,791
	Net Aid Revenue	-	190,451	190,451
<b>Net Surplus / (Loss)</b>				<b>1,028,903</b>

**Year Ended 30 June 2019**

Output 1:	Community Health Services	2,187,485	2,133,671	53,814
Output 2:	Hospital Health Services	10,861,256	10,836,738	24,518
Output 3:	Funding & Planning	1,427,161	928,408	498,753
		<b>14,475,902</b>	<b>13,898,816</b>	<b>577,086</b>
Included in the Appropriation Vote:				
	Trading Revenue	350,000	501,842	151,842
	Other Revenue	-	3,177	3,177
	Net Aid Revenue	-	243,134	243,134
<b>Net Surplus / (Loss)</b>				<b>975,239</b>

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 2020**

**Note 1: Statement of Accounting Policies**

**Reporting Entity**

These financial statements are for the Ministry of Health which is considered to be an agency of the Crown. It has therefore designated itself a public entity for financial reporting purposes.

**Statement of Compliance**

These financial statements have been prepared in accordance with the Ministry of Finance and Economic Management Act 1995-96 and the International Public Sector Accounting Standards issued by the International Public Sector Accounting Standards Board (IPSASB).

**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.

**Summary of Significant Accounting Policies**

Significant accounting policies are included in the notes to which they relate. Significant accounting policies that do not relate to a specific note are outlined below.

**Income Tax**

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.

**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.

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



**MINISTRY OF HEALTH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2020**

**Note 1: Statement of Accounting Policies (continued)**

**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.

**Statement of Cash Flows**

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.

**Value Added Tax (VAT)**

Items in the financial statements are presented exclusive of VAT, except for receivables and payables which are presented on a VAT - inclusive basis. Where VAT is not recoverable as input tax, it is recognised as part of the related asset or expense. The net amount of VAT recoverable from or payable to Revenue Management Division (RMD) is included as part of receivables or payables in the statement of financial position.

The net VAT paid or received from RMD, including the VAT relating to investing and financing activities is classified as a net operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of VAT. All statements of account are exclusive of VAT as the Ministry is VAT registered due to the annual trading income being above the threshold.

**Budget figures**

The budget figures are derived from the Cook Islands Government Budget Appropriation Amendment 2019/2020 and the Cook Islands Government Budget Estimates 2019/2020 Book 2: Ministry Budget Statements as approved by the Minister of Finance at March 2020.

**Critical accounting estimates and assumptions**

In preparing these financial statements, the Ministry has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

> useful lives of property, plant and equipment and intangible assets - refer to Note 11 & 12

**Changes in Accounting Policies**

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

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



**MINISTRY OF HEALTH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2020**

**Note 2: Revenue**

**Accounting Policy**  
The specific accounting policies for significant revenue items are explained below.

**Revenue under non-exchange transactions**

**Funding from the Crown**  
The Ministry is primarily funded from the Crown. This funding is restricted in its use for the purposes of the Ministry meeting the objectives specified in its founding legislation and the scope of the relevant appropriations of the Crown. The Ministry provides services to the crown in the form of the production of certain outputs as disclosed in the Statement of Appropriations on page 12.  
The funding is recognised as revenue at the point of entitlement. This is considered to be the start of the appropriation period to which the funding relates.

The fair value of revenue from the Crown has been determined to be equivalent to the amounts due from the funding arrangements.

**Attendance to overseas externally funded workshops and conferences.**  
All cost associated with attending workshops or conferences which are funded by the host are not recognised as revenue or expenditure by the Ministry.

**Trading Revenue: Provision of Hospital Health and Community Health Services**  
Revenue is measured at fair value of consideration received or receivable for the services provided in the ordinary course of operations. Revenue is stated exclusive of Value added Tax and is recognised when a service is provided. The Ministry earns revenue in the form of patient fees when services are provided to the public on non-commercial terms and are recognised as revenue upon consultation with a medical or dental practitioner.

**Breakdown of Trading Revenue**

	Actual 2020 \$	Actual 2019 \$
<b>Revenue under Non-Exchange Transactions</b>		
Patient Fees	295,932	376,969
Community Health Services Fees	118,155	124,873
<b>Total Trading Revenue</b>	<b>414,087</b>	<b>501,842</b>

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



**MINISTRY OF HEALTH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2020**

**Note 3: Personnel Expenses**

**Accounting Policy**

**Superannuation Schemes**

The Ministry contributes to the Cook Islands National Superannuation Fund and Government Fund. Which is accounted for as a defined contribution scheme and are expensed in the surplus or deficit as incurred.

**Breakdown of Personnel Expenses**

	Actual 2020 \$	Actual 2019 \$
Salaries and Wages	9,738,938	9,621,554
Defined Contribution Plan - Employer Contributions	260,351	274,160
Increase / (Decrease) in Employee Entitlements	(169,406)	(206,240)
<b>Total Personnel Expenses</b>	<b>9,829,883</b>	<b>9,689,474</b>

**Note 4: Other Expenses**

**Breakdown of Other Expenses**

	Actual 2020 \$	Actual 2019 \$
Legal Fees	61,729	70,206
Communication	130,457	145,793
Expensed Assets	228,437	206,728
Freight and Postage	53,525	40,500
Repairs and Maintenance	468,137	328,528
Fuel and Oil	44,495	50,598
Medical Consumables	995,748	628,659
Office Stationery	77,382	40,117
Electricity	350,164	405,610
Entertainment	63,755	54,983
Professional Services	108,619	-
Travel	98,016	86,559
Human Resources and Training	86,527	143,922
Advertising, Marketing, and Promotion	39,993	16,813
Uniforms	59,617	17,474
Scholarship Allowance	128,683	-
Subscription	57,869	56,073
Kitchen Supplies	91,809	89,606
Cleaning Supplies	180,910	127,970
General Practitioner Training Programme	114,799	145,704
Health Specialists Visits	369,912	546,139
Other	30,103	111,616
<b>Total Other Expenses</b>	<b>3,840,686</b>	<b>3,313,597</b>

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



**MINISTRY OF HEALTH  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2020**

**Note 5: Cash and Equivalents**

**Accounting Policy**

Cash is considered to be cash balances on hand and current accounts in banks, net of bank overdrafts and trust accounts with original maturities of three months or less.

**Breakdown of Cash and Equivalents**

	<b>Actual 2020 \$</b>	<b>Actual 2019 \$</b>
Cash at bank (Australia and New Zealand Banking Corporation)	-	(800)
Petty Cash	11,000	10,700
<b>Total Cash and Equivalents</b>	<b>11,000</b>	<b>9,900</b>

**Note 6: Inventory**

**Accounting Policy**

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

**Breakdown of Inventory**

	<b>Actual 2020 \$</b>	<b>Actual 2019 \$</b>
Pharmaceutical Inventory	677,464	709,437
Laboratory Inventory	317,266	205,103
Dental Inventory	56,381	52,294
Inventory in Transit	2,320,261	107,882
<b>Total Inventory</b>	<b>3,371,372</b>	<b>1,074,716</b>

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



**MINISTRY OF HEALTH  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2020**

**Note 7: Debtors and Other Receivables**

**Accounting Policy**

Short-term receivables are recorded at the amount due, less any provisions for uncollectability.

A receivable is considered uncollectable when there is evidence the amount due will not be fully collected. The amount that is uncollectable is the difference between the amount due and the present value of the amount expected to be collected.

**Breakdown of Debtors and Other Receivables and Further Information**

	Actual 2020 \$	Actual 2019 \$
<b>Receivables under non-exchange transactions</b>		
Accounts Receivable (gross)	335,312	526,816
Less: Provision for Doubtful Debts	-	(339,487)
Accounts Receivables (net)	335,312	187,328
Cash Recall	66,697	40,729
Value Added Tax (VAT) Receivable	126,330	26,099
Crown Receivable		
Prior Years Crown Receivable	1,943,333	1,000,452
Current Year Crown Receivable	1,204,810	942,881
<b>Total Debtors and Other Receivables</b>	<b>3,676,482</b>	<b>2,197,490</b>
Inter-Ministry Receivables included above to Crown Agencies	212,816	3,107

The aging profile of accounts receivable at year end is detailed below:

	2020			2019		
	Gross	Provision	Net	Gross	Provision	Net
Not past due	-	-	-	-	-	-
Past due 0 - 30 days	274,127	-	274,127	1,500	-	1,500
Past due 31 - 60 days	2,716	-	2,716	3,215	-	3,215
Past due over 60 days	58,468	-	58,468	522,101	(339,487)	182,614
	<b>335,312</b>	<b>-</b>	<b>335,312</b>	<b>526,816</b>	<b>(339,487)</b>	<b>187,328</b>

All receivables greater than 30 days in age are considered to be past due.

The assessment for uncollectability is performed on an individual basis, based on past collection history and write offs. All above debtors have been assessed as collectable as all past debts have been collectible and none have been written off.

**Movements in the provision for uncollectability of accounts receivables are as follows:**

	Actual 2020 \$	Actual 2019 \$
Balance as 1 July	(339,487)	(339,487)
Additional Provisions made during the year	-	-
Debtors and Other Receivables written off during the year	339,487	-
<b>Balance as at 30 June</b>	<b>-</b>	<b>(339,487)</b>

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

**MINISTRY OF HEALTH  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2020**

**Note 8: Creditors and Other Payables**

<b>Accounting Policy</b>		
Short-term payables are recorded at the amount payable.		
<b>Breakdown of Payables and Further Information</b>		
	<b>Actual 2020 \$</b>	<b>Actual 2019 \$</b>
<b>Payables Under Exchange Transactions</b>		
Accounts Payable	165,217	92,909
Value Added Tax (VAT) Payable	-	-
<i>Total Payables under Exchange Transactions</i>	165,217	92,909
Inter-Ministry Payables included above to State-Owned Enterprises SOEs	45,120	633
Inter-Ministry Payables included above to Crown Agencies	3,231	-
<b>Payables Under Non-Exchange Transactions</b>		
<b>Crown Payable</b>		
Depreciation Payable	3,139,699	2,247,977
Excess Trading Revenue	248,076	183,989
<i>Total Payables under Non-Exchange Transactions</i>	3,387,775	2,431,966
<b>Total Creditors and Other Payables</b>	<b>3,552,992</b>	<b>2,524,875</b>

**Note 9: Employee Entitlements**

<b>Accounting Policy</b>		
Employee benefits are due to be settled within 12 months after the end of the financial year in which the employee provides the related service and are based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned but not yet taken at balance date, and time off in lieu.		
A liability and an expense are recognised for bonuses where there is a contractual obligation or where there is past practice that has created constructive obligation and a reliable estimate of the obligation can be made.		
<b>Breakdown of Employee Entitlements</b>		
	<b>Actual 2020 \$</b>	<b>Actual 2019 \$</b>
Accrued Salaries and Wages	247,960	180,564
Annual Leave	133,365	302,771
<b>Total Employee Entitlements</b>	<b>381,325</b>	<b>483,335</b>

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

**MINISTRY OF HEALTH  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2020**

**Note 10: Aid Revenue and Expenses**

**Accounting Policy**

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.

**Breakdown of Aid Revenue and Expenses**

	<b>Actual 2020 \$</b>	<b>Actual 2019 \$</b>
<b>Aid Revenue Received:</b>		
New Zealand Aid	1,197	9,890
United Nations Aid	184,087	231,811
European Union Aid	-	29,166
Other Aid	444,435	353,938
<b>Total Aid Revenue Received</b>	<b>629,719</b>	<b>624,807</b>
<b>Aid Expenses Incurred:</b>		
New Zealand Aid	-	9,890
United Nations Aid	179,325	213,664
European Union Aid	-	29,166
Other Aid	259,943	128,951
<b>Total Aid Expenses Incurred</b>	<b>439,268</b>	<b>381,671</b>
Capital Expenditure Funded by Aid		
New Zealand Aid	1,197	-
United Nations Aid	4,762	18,147
European Union Aid	-	-
Other Aid	184,492	224,987
<b>Net Surplus</b>	<b>190,451</b>	<b>243,136</b>
<b>Aid Liability Reconciliation:</b>		
Opening Balance	388,885	330,087
Plus: Funding received from Development Coordination Division	59,584	120,000
Funding received from Donors	475,881	338,616
Less: Aid Expenses	439,268	381,671
Aid Assets Purchased	-	18,147
<b>Closing Balance</b>	<b>485,082</b>	<b>388,885</b>

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

**MINISTRY OF HEALTH  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2020**

**Note 11: Property, Plant and Equipment**

**Accounting Policy**

Property, plant and equipment is measured at cost less accumulated depreciation and impairment losses.

**Additions**

The cost of purchased property, plant, 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.

Where an asset is acquired through a non-exchange transaction, it is recognised at its fair value as at date of acquisition. An asset acquired below the threshold set by the Cook Islands Government Policy and Procedures Manual is assessed on a case by case basis, and if the asset provides economic benefit for more than one financial year, it will be recognised as an asset.

Cost incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the additional cost will flow to the Ministry and that the cost of the item can be measured reliably.

The cost of day to day servicing of property, plant and equipment are expensed in surplus or deficit as they are incurred.

**Disposals**

Gains and losses on disposals are determined by comparing the sales proceeds with the carrying amount of the asset.

**Depreciation**

Depreciation of property, plant, 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	25 - 33%
Motor Vehicles	5 years	20%
Furniture and Fittings	4 - 10 years	10 - 25%
Office Equipment	5 years	20%
Buildings	10 years	10%

**Impairment of property, plant and equipment**

The Ministry does not hold any cash generating assets. Assets are considered cash generating when their primary objective is to generate a commercial return.

**Non-cash generating assets**

Property, plant and equipment held at cost that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable service amount. The recoverable service amount is the higher of an asset's fair value less cost to sell and value in use.

Value in use is the present value of an asset's remaining service potential. It is determined using an approach based on either a depreciated replacement cost approach, a restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

If an asset's carrying amount exceeds its recoverable service amount, the asset is regarded as impaired and the carrying amount is written down to the recoverable amount. The total impairment loss is recognised in the surplus or deficit. The reversal of an impairment loss is recognised in the surplus or deficit.

**MINISTRY OF HEALTH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2020**

**Note 11: Property, Plant and Equipment (continued)**

**Breakdown of Property, Plant and Equipment and further information**

Movement for each class of Property, Plant and Equipment are as follows:

	Computer Equipment \$	Furniture & Fittings \$	Motor Vehicles \$	Plant & Equipment \$	Buildings \$	Work in Progress \$	Total \$
<b>Cost</b>							
Balance as at 1 July 2018	579,058	378,452	1,195,338	6,847,102	315,561	520,188	9,835,699
Additions	16,740	4,755	125,615	969,666	-	475,376	1,592,152
Transfer from Work in Progress	-	-	-	-	-	(512,432)	(512,432)
Disposals	-	-	-	-	-	-	-
Balance as at 30 June 2019	595,799	383,207	1,320,952	7,816,768	315,561	483,132	10,915,419
<b>Accumulated Depreciation and Impairment Losses</b>							
Balance as at 1 July 2018	484,959	263,695	851,211	3,813,176	315,561	-	5,728,601
Depreciation	50,978	18,086	117,056	575,839	-	-	761,959
Accumulated Depreciation on Disposals	-	-	-	-	-	-	-
Impairment Losses	-	-	-	-	-	-	-
Balance as at 30 June 2019	535,937	281,780	968,266	4,389,015	315,561	-	6,490,561
<b>Carrying Amount</b>							
As at 30 June 2019	59,862	101,427	352,686	3,427,752	-	483,132	4,424,858
<b>Cost</b>							
Balance as at 1 July 2019	595,799	383,207	1,320,952	7,816,768	315,561	483,132	10,915,419
Additions	1,197	-	121,332	425,210	-	1,234,311	1,782,049
Transfer from Work in Progress	-	-	-	-	-	(479,468)	(479,468)
Disposals	-	-	-	-	-	-	-
Balance as at 30 June 2020	596,996	383,207	1,442,284	8,241,977	315,561	1,237,975	12,218,001
<b>Accumulated Depreciation and Impairment Losses</b>							
Balance as at 1 July 2019	535,937	281,780	968,266	4,389,015	315,561	-	6,490,559
Depreciation	25,189	16,568	121,603	698,598	-	-	861,957
Accumulated Depreciation on Disposals	-	-	-	-	-	-	-
Impairment Losses	-	-	-	-	-	-	-
Balance as at 30 June 2020	561,125	298,348	1,089,869	5,087,613	315,561	-	7,352,516
<b>Carrying Amount</b>							
As at 30 June 2020	35,870	84,859	352,415	3,154,364	-	1,237,975	4,865,485

**Capital Commitments**

There were no Property, Plant and Equipment commitments at year end (2019:nil).

**MINISTRY OF HEALTH  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2020**

**Note 12: Intangible Assets**

**Accounting Policy**

**Software acquisition**

Computer software licenses are capitalised on the basis of costs incurred to acquire and bring to use the specific software.

Staff training costs and cost associated with maintaining computer software are expensed when incurred. Cost associated with development and maintenance of the Ministry website are expensed when incurred.

**Amortisation**

The carrying value of an intangible asset with a finite life is amortised on a straight line basis over its useful life. Amortisation begins when the asset is available for use and ceases on the date that the assets is derecognised. The amortisation charge for each financial year is expensed in the surplus or deficit.

The useful lives and associated amortisation rates have been estimated as follows:

Acquired computer software	3-4 years	25-33%
----------------------------	-----------	--------

**Impairment of intangible assets**

Refer to the policy for impairment of property, plant and equipment in Note 10. The same approach applies to impairment of intangible assets.

**Breakdown of Intangible Assets and Further Information**

Movement for each class of intangible assets are as follows:

	<b>Acquired Software \$</b>
<b>Cost</b>	
Balance as at 1 July 2018	92,638
Additions	-
Disposals	-
Balance as at 30 June 2019	92,638
<b>Accumulated Amortisation and Impairment Losses</b>	
Balance as at 1 July 2018	13,345
Depreciation	29,683
Accumulated Amortisation on Disposals	-
Balance as at 30 June 2019	43,029
<b>Carrying Amount</b>	
As at 30 June 2019	49,609
<b>Cost</b>	
Balance as at 1 July 2019	92,638
Additions	-
Balance as at 30 June 2020	92,638
<b>Accumulated amortisation and impairment losses</b>	
Balance as at 1 July 2019	43,029
Depreciation	29,765
Accumulated Amortisation on Disposals	-
Balance as at 30 June 2020	72,793
<b>Carrying Amount</b>	
As at 30 June 2020	19,844

**Capital Commitments**

There were no Intangible Asset commitments at year end (2019:nil).



**MINISTRY OF HEALTH  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2020**

**Note 13: Equity**

**Accounting Policy**

Equity is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components:

- > contributed capital
- > accumulated surplus / (deficit)

**Depreciation and Amortisation Payable to the Crown**

The higher of the actual depreciation and amortisation or the budgeted depreciation and amortisation for the year will be repaid to the Crown and is recognised directly in the statement of changes in equity.

**Return of Surplus to the Crown**

The surplus of total liquid assets over total liabilities at the end of each financial year will be repaid back to the Crown if no approval for carry forward has been given and is recognised directly in the statement of changes in equity.

**Excess Trading Revenue to be repaid to Crown**

Any gains received from the sale of an asset is to be repaid to Crown, excess trading revenue earned and unused capital funds to be repaid to Crown.

**Breakdown of Equity**

	Actual 2020 \$	Actual 2019 \$
<b>Contributed Capital</b>		
Balance as at 1 July	6,903,651	6,063,288
Capital Contribution	3,164,304	840,363
<b>Balance as at 30 June</b>	<b>10,067,956</b>	<b>6,903,651</b>
<b>Accumulated Surplus / (Deficit)</b>		
Balance as at 1 July	(2,760,167)	(2,696,751)
Surplus / (Deficit) for the year	1,028,903	975,240
Depreciation Payable to the Crown	(891,722)	(886,814)
Excess trading revenue to be repaid to Crown	(64,087)	(151,842)
<b>Balance as at 30 June</b>	<b>(2,687,073)</b>	<b>(2,760,167)</b>
<b>Total Equity</b>	<b>7,380,883</b>	<b>4,143,484</b>

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





**MINISTRY OF HEALTH  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2020**

**Note 14: Related party transactions**

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 of Health with significant funding in the form of an annual appropriation to assist the Ministry of Health 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.

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:

***Key Management Personnel Compensation***

	<b>Actual 2020</b>	<b>Actual 2019</b>
Remuneration	\$ 376,000	\$ 367,278
Full-time Equivalent Members	5	4

**Note 15: Financial Instruments**

**Accounting Policy**

***Financial Assets***

All financial assets are classified as Loans and Receivables. Loans and receivables are measured at fair value plus transaction cost on initial measurement and subsequently at amortised cost. Interest income and interest expense is recognised in the surplus or deficit.

***Financial Liabilities***

All financial liabilities are classified as Other Liabilities. Other liabilities are measured at fair values less transaction cost on initial measurement and subsequently at amortised cost. Interest income and interest expense is recognised in the surplus or deficit.

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



**MINISTRY OF HEALTH  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2020**

**Note 15: Financial Instruments (continued)**

**Financial instrument categories**

The carrying amounts of financial assets and liabilities in each of the financial instrument categories are as follows:

	<b>Actual 2020 \$</b>	<b>Actual 2019 \$</b>
<b>Loans and Receivables</b>		
Cash and Equivalents	11,000	9,900
Prepayments	12,912	13,151
Debtors and Other Receivables	3,676,482	2,197,490
Trust Accounts	437,396	339,362
Aid Receivables	-	10,243
<i>Total Loans and Receivables</i>	<b>4,137,790</b>	<b>2,570,146</b>
<b>Other Liabilities</b>		
Creditors and Other Payables	3,552,992	2,524,875
Employee Entitlements	381,325	483,335
Aid Liabilities	485,082	388,885
<i>Total Other Liabilities</i>	<b>4,419,399</b>	<b>3,397,095</b>

**Financial Instrument Risks**

The Ministry's activities exposes it to a variety of financial instrument risks, including market risk, credit risk, and liquidity risk.

**Foreign Currency Risk**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign currency rates. The Ministry does not have any foreign currency transactions and therefore there is no currency risk.

**Liquidity Risk**

Liquidity risk is the risk that the Ministry will encounter difficulty raising liquid funds to meet commitments as they fall due. The Ministry manages liquidity risk by continuously monitoring forecast and actual cash flow requirements.

**Market Risk**

Market risk is the risk that changes in market prices (such as foreign exchange rates, interest rates and equity prices) will affect the Ministry income or value of its financial instruments. The Ministry has no financial assets or liabilities that are affected by changes in market prices and therefore there is no market risk.

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



**MINISTRY OF HEALTH  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2020**

**Note 15: Financial Instruments (continued)**

**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: Contingencies**

**Accounting Policy**

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

**Contingent Liabilities**

The Ministry has no contingent liabilities at balance date (2019: nil).

**Contingent assets**

The Ministry has no contingent assets at balance date (2019: nil).

**Note 17: Events after balance date**

There is no significant events after the balance date.

**Note 18: Significant Events**

**1. Covid-19 Medical Response Fund (MRF) expenditure pertaining to the Ministry \$2,929,102 (Total Covid-19 MRF \$5,038,602)**

The Covid-19 Act 2020 was passed by Parliament on 25 March 2020. The Act sets out powers for the Ministry to implement measures to protect, limit and mitigate the spread of Covid-19 and its effect. Parliament approved a budget of \$5,000,000 for the country's Covid-19 Medical Response Fund (MRF).

The Ministry was the lead implementing agency for the Covid-19 Medical Response Fund. Expenditure relating to the Ministry was spent on the following:

Description	Amount
Capital assets	618,528
Personal protective equipment & inventory	1,974,636
Expensed assets	335,937
<b>Total Ministry Covid-19 MRF expenditure</b>	<b>2,929,101</b>

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



**MINISTRY OF HEALTH  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED**

**Note 19: Explanation of major variances against the budget**

Explanations for major variances from Ministry of Health budgeted figures are as follows:

**Statement of Financial Performance**

***Other Expenses***

Actual other expense was lower than budgeted by \$539,958. The Ministry re-phased its cashflow to utilise savings from the personnel budget of \$1.5 million to cover operating expenses to reorientate health services from Rarotonga Hospital to the Tupapa Community Clinic and redeploy the health workforce to work in community settings (Rarotonga Puna). The Ministry was further able to utilise the Medical Relief Fund to cover the purchase of expensed assets totalling \$335,937 which otherwise would have had to come through operating funding. In addition the Ministry purchased medical equipment and assets, personal protective equipment (PPE) and health supplies, engaged in aggressive risk communications during the last quarter to ensure the health system was prepared to respond to the pandemic using the Medical Relief Fund.

***Aid Revenue***

Aid revenue was higher than budgeted by \$345,174. This was mainly due to the Ministry receiving additional assistance due to covid-19 from donors through donation of inventory of \$143,139, property plant and equipment of \$47,312 and expensed assets of \$81,183.

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

