



MINISTRY OF HEALTH

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

MINISTRY OF HEALTH

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

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MINISTRY OF HEALTH

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

DIRECTORY

Minister

Honourable Vainetutai Rose Toki-Brown
Minister of Health

Head of Ministry / Title

Bob Williams
Secretary of Health

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MINISTRY OF HEALTH

STATEMENT OF RESPONSIBILITY

In terms of Section 30 of the Ministry of Finance and Economic Management Act 1995-96, we are 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.

In our opinion, these financial statements fairly reflect the financial position and operations of the Ministry of Health for the year ended 30 June 2021.



Bob Williams
Secretary of Health

23 September 2022
Date



Honourable Vainetutai Rose Toki-Brown
Minister of Health

23 September 2022
Date



Independent Auditor's Report

To the readers of the financial statements of the Ministry of Health for the year ended 2021.

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 26:

- i. present fairly in all material respects the Ministry's financial position as at 30 June 2021 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 2021;
- 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 23 September 2022 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;
- 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; and
- overseeing the Ministry's financial reporting process

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 26 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.



Desmond Wildin
Acting Director of Audit
Rarotonga, Cook Islands



MINISTRY OF HEALTH

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2021

In New Zealand Dollars	Notes	Actual 2021 \$	Budget 2021 \$	Actual 2020 \$
Revenue				
Funding from the Crown		16,222,062	16,222,062	15,060,876
Trading Revenue	2	262,019	150,000	414,087
Aid Revenue	10	1,441,045	90,000	629,719
Other Revenue		565	-	9,791
Total Revenue		17,925,692	16,462,062	16,114,473
Expenditure				
Personnel Expenses	3	11,640,314	11,173,111	9,829,883
Change in Provision for Doubtful Debts		54,144	-	-
Depreciation and Amortisation Expenses	11, 12	1,033,792	900,000	891,722
Bad Debts Written Off		-	-	31,044
Aid Expenses	10	359,044	90,000	439,268
Other Expenses	4	4,199,032	4,298,951	3,840,686
Total Expenditure		17,286,326	16,462,062	15,032,603
Operating Balance before Gains and Losses (OBEGAL)		639,366	-	1,081,870
Other Gains / (Losses)				
Gain/(Loss) on Disposal of Assets		(58,771)	-	(52,967)
Total Other Gains / (Losses)		(58,771)	-	(52,967)
Net Surplus / (Loss)		580,595	-	1,028,903

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 2021

In New Zealand Dollars	Notes	Actual 2021 \$	Actual 2020 \$
Assets			
Current Assets			
Cash and Equivalents	5	10,850	11,000
Trust Accounts		254,902	437,396
Prepayments		12,912	12,912
Inventory	6	4,095,635	3,371,372
Debtors and Other Receivables	7	2,831,990	3,676,482
<i>Total Current Assets</i>		7,206,289	7,509,162
Non-Current Assets			
Property, Plant, and Equipment	11	6,738,179	4,865,485
Intangible Assets	12	-	19,845
<i>Total Non-Current Assets</i>		6,738,179	4,885,329
Total Assets		13,944,467	12,394,490
Liabilities			
Current Liabilities			
Creditors and Other Payables	8	2,815,372	3,552,992
Aid Liabilities		267,141	485,082
Employee Entitlements	9	858,724	381,325
Payments on Behalf of Crown Liability for Pharmaceuticals		408,883	594,209
<i>Total Current Liabilities</i>		4,350,120	5,013,608
Total Liabilities		4,350,120	5,013,608
Net Assets		9,594,347	7,380,883
Equity			
Contributed Capital		12,846,636	10,067,956
Accumulated Surplus / (Deficit)		(3,252,289)	(2,687,073)
Total Equity	13	9,594,347	7,380,883

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

MINISTRY OF HEALTH
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2021

In New Zealand Dollars	Notes	Actual 2021 \$	Actual 2020 \$
Balance at 1 July		7,380,883	4,143,484
Net Surplus / (Deficit) for the Year		580,595	1,028,903
Capital funding from the Crown		1,979,424	580,745
Covid-19 Medical Response Funds from Crown	18	799,255	2,583,559
Depreciation payable to the Crown		(1,033,792)	(891,722)
Excess Trading Revenue to be Repaid to Crown		(112,019)	(64,087)
Balance as at 30 June	13	9,594,347	7,380,883

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



MINISTRY OF HEALTH

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2021

In New Zealand Dollars	Actual 2021 \$	Actual 2020 \$
Cash Flows From Operating Activities		
Crown Appropriation	16,286,315	13,856,066
Receipt from Clients	280,144	255,092
Receipts from Aid Donors	141,103	535,465
Payments to Employees	(11,162,915)	(9,931,893)
Payments of Aid Expenses	(359,044)	(439,268)
Payments to Suppliers	(4,181,095)	(6,018,572)
Net Cash Flows from / (used in) Operating Activities	1,004,508	(1,743,110)
Cash Flows from Investing Activities		
Purchase of Property, Plant and Equipment	(1,985,921)	(1,255,270)
Net Cash Flows from / (used in) Investing Activities	(1,985,921)	(1,255,270)
Cash Flows From Financing Activities		
Capital funding from Crown	1,979,424	580,745
Covid-19 Medical Response Fund from Crown	-	2,583,559
Funds Returned to Crown	(1,070,310)	-
Cash Recalled by Crown	(110,345)	(66,791)
Net Cash Flows from / (used in) Financing Activities	798,769	3,097,513
Net Increase/(Decrease) in Cash and cash equivalents	(182,644)	99,134
Opening Cash Balances	448,396	349,262
Closing Cash Balance	265,752	448,396
Reconciliation of Closing Cash Balance		
Cash at Bank	10,850	11,000
Aid Trust Account	254,902	437,396
	265,752	448,396

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

MINISTRY OF HEALTH

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2021

In New Zealand Dollars	Actual 2021 \$	Actual 2020 \$
Reconciliation of net surplus / (deficit) to net cash flows from operating activities		
Reported Surplus	580,595	1,028,903
Add / (less) Non-cash items		
Depreciation and amortisation expense	1,033,792	891,722
Change in employee entitlements	305,762	(169,406)
Change in Provision for Doubtful Debts	54,144	(339,487)
Aid Revenue for Assets	-	(47,312)
Change in Cash Recall	110,345	14,856
Depreciation Repayable	(873,023)	-
<i>Total Non cash items</i>	1,211,615	1,379,276
Add / (less) movements in statement of financial position items		
(Increase) / decrease in Accounts Receivable	(62,943)	191,502
(Increase) / decrease in Crown Receivables	937,276	(1,204,811)
(Increase) / decrease in Prepayments	-	239
(Increase) / decrease in Cash Recall	(110,345)	25,968
(Increase) / decrease in VAT Receivable	26,359	(100,231)
(Increase) / decrease in Inventory	(825,728)	(2,296,656)
(Increase) / decrease in Aid Receivable	-	10,243
Increase / (decrease) in Accounts Payable	59,903	87,767
Increase / (decrease) in Aid Liabilities	(217,942)	96,197
Increase / (decrease) in Payroll Accruals	171,637	67,396
Increase / (decrease) in POBOC Liability	(185,325)	-
<i>Net movements in working capital items</i>	(207,107)	(3,122,386)
Net Cash Flows from Operating activities	1,004,508	(1,743,110)

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

MINISTRY OF HEALTH
STATEMENT OF APPROPRIATIONS
FOR THE YEAR ENDED 30 JUNE 2021

In New Zealand Dollars

		Appropriation	Revenue/ Expenditure	Surplus / (Deficit)
Year Ended 30 June 2021		Voted	Actual	
Output 1:	Public Health	2,640,735	2,160,197	480,538
Output 2:	Oral Health	988,724	958,054	30,670
Output 3:	Primary Care	2,700,504	3,792,931	(1,092,427)
Output 4:	Hospital Health	7,788,280	8,155,981	(367,701)
Output 5:	Planning and Funding	2,253,819	1,918,889	334,930
		16,372,062	16,986,052	(613,990)
Included in the Appropriation Vote:				
	Trading Revenue	150,000	262,019	112,019
	Other Revenue	-	565	565
	Net Aid Revenue	-	1,082,001	1,082,001
Net Surplus				580,595
Year Ended 30 June 2020				
Output 1:	Public Health	1,988,049	2,228,312	(240,263)
Output 2:	Oral Health	1,041,324	565,991	475,333
Output 3:	Primary Care	1,035,366	9,914	1,025,452
Output 4:	Hospital Health	9,457,520	10,367,915	(910,395)
Output 5:	Planning and Funding	1,538,617	1,124,170	414,447
		15,060,876	14,296,302	764,574
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
Net Surplus				1,028,903

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



MINISTRY OF HEALTH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

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 Comprehensive Revenue and Expenses.

MINISTRY OF HEALTH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

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 2020/2021 and the Cook Islands Government Budget Estimates 2020/2021 as approved by the Minister of Finance at June 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

**MINISTRY OF HEALTH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

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.

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 Public Health, Oral Health, Primary Care and Hospital 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 2021 \$	Actual 2020 \$
Revenue under non-exchange transactions		
Patient Fees	211,492	295,932
Other Trading Revenue	50,527	118,155
Total Trading Revenue	262,019	414,087

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 is expensed in the surplus or deficit as incurred.

Breakdown of Personnel Expenses

	Actual 2021 \$	Actual 2020 \$
Salaries and wages	10,654,874	9,738,938
Defined contribution plan - employer contributions	277,300	260,351
Increase / (decrease) in employee entitlements	708,139	(169,406)
Total Personnel Expenses	11,640,314	9,829,883

MINISTRY OF HEALTH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

Note 4: Other Expenses

Breakdown of Other Expense

	Actual 2021 \$	Actual 2020 \$
Legal Fees	65,200	61,729
Communication	167,545	130,457
Expensed Assets	352,005	228,437
Freight and Postage	136,559	53,525
Repairs and Maintenance	585,359	468,137
Fuel and Oil	47,606	44,495
Medical Consumables	1,324,229	995,748
Office Stationery	88,424	77,382
Electricity	458,973	350,164
Entertainment	50,773	63,755
Professional Services	202,199	108,619
Travel	107,648	98,016
Human Resources and Training	131,599	86,527
Advertising, Marketing, and Promotion	14,386	39,993
Uniforms	43,203	59,617
Scholarship Allowance	-	128,683
Subscription	105,152	57,869
Kitchen Supplies	124,905	91,809
Cleaning Supplies	99,222	180,910
General Practitioner Training Programme	-	114,799
Health Specialists Visits	101,499	369,912
Other	(7,453)	30,103
Total Other Expenses	4,199,032	3,840,686

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

	Actual 2021 \$	Actual 2020 \$
Petty Cash	10,850	11,000
Total Cash and Equivalents	10,850	11,000

MINISTRY OF HEALTH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

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

	Actual 2021 \$	Actual 2020 \$
Pharmaceutical Inventory	1,948,523	677,464
Laboratory Inventory	502,262	317,266
Dental Inventory	56,233	56,381
Inventory in transit	1,588,616	2,320,261
Total inventory	4,095,635	3,371,372

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 2021 \$	Actual 2020 \$
Receivables under non-exchange transactions		
Accounts Receivable (gross)	398,255	335,312
Less: Provision for doubtful debts	(54,144)	-
Accounts Receivables (net)	344,112	335,312
Cash Recall	177,042	66,697
VAT Receivable	99,970	126,330
Crown receivable		
Prior Years Crown Receivable	3,148,142	1,943,333
Current Year Crown Receivable	(937,276)	1,204,810
Total Debtors and Other Receivables	2,831,990	3,676,482
Inter-ministry receivables included above to Crown Agencies	145,303	212,816

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

	Gross	2021 Provision	Net	Gross	2020 Provision	Net
Not past due	-	-	-	-	-	-
Past due 0 - 30 days	77,006	(2,805)	74,202	274,127	-	274,127
Past due 31 - 60 days	5,844	(450)	5,394	2,716	-	2,716
Past due over 60 days	315,405	(50,889)	264,515	58,468	-	58,468
Total	398,255	(54,144)	344,112	335,312	-	335,312

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.

MINISTRY OF HEALTH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

Note 7: Debtors and Other Receivables (Continued)

Provision Movement

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

	Actual 2021 \$	Actual 2020 \$
Balance as 1 July	-	(339,487)
Additional Provisions made during the year	(54,144)	-
Debtors and Other Receivables written off during the year	-	339,487
Balance as at 30 June	(54,144)	-

Note 8: Creditors and Other Payables

Accounting Policy

Short-term payables are recorded at the amount payable.

Breakdown of Payables and Further Information

	Actual 2021 \$	Actual 2020 \$
Payables under exchange transactions		
Accounts Payable	225,119	165,217
<i>Total payables under exchange transactions</i>	225,119	165,217
Payables under non-exchange transactions		
Crown Payable		
Depreciation Payable	2,266,677	3,139,699
Surplus Payable	211,558	248,076
Excess Trading Revenue	112,019	-
<i>Total payables under non-exchange transactions</i>	2,590,254	3,387,775
Total Creditors and Other Payables	2,815,372	3,552,992
Inter-ministry payables included above to State-Owned Enterprises SOEs	24,721	45,120
Inter-ministry payables included above to Crown Agencies	13,671	3,231

Note 9: Employee Entitlements

Accounting Policy

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.

Breakdown of Employee Entitlements

	Actual 2021 \$	Actual 2020 \$
Accrued salaries and wages	419,597	247,960
Annual leave	439,127	133,365
Total Employee Entitlements	858,724	381,325

MINISTRY OF HEALTH
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2021

Note 10: Aid Revenue and Expenses

Accounting Policy

Aid monies received are recorded in the Statement of Comprehensive Revenue and Expenses 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

	Actual 2021 \$	Actual 2020 \$
Aid Revenue Received:		
New Zealand Aid	151,543	1,197
United Nations Aid	418,167	184,087
Other Aid	871,336	444,435
Total Aid Revenue Received	1,441,045	629,719
Aid Expenses Incurred:		
New Zealand Aid	12,120	-
United Nations Aid	195,312	179,325
Other Aid	151,613	259,943
Total Aid Expenses Incurred	359,044	439,268
Capital Expenditure Funded by Aid		
New Zealand Aid	139,423	1,197
United Nations Aid	222,856	4,762
Other Aid	719,723	184,492
Net Surplus	1,082,001	190,451
Aid Liability		
Opening Balance	485,082	388,885
Plus: Funding received from Development Coordination Division	111,453	59,584
Funding received from Donors	29,650	475,881
Less: Aid Expenses	359,044	439,268
Closing Balance	267,141	485,082

**MINISTRY OF HEALTH
NOTES TO THE FINANCIAL STATEMENTS
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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 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.

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 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	25 - 33%
Motor Vehicles	5 years	20%
Furniture and Fittings	4 - 10 years	10 - 25%
Office Equipment	5 years	20%
Buildings	10 years	10%
Plant and Equipment	5 - 15 years	7 - 20%

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 2021

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 \$
Cost							
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
Accumulated depreciation and impairment losses							
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 dispos:	-	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-	-
Balance as at 30 June 2020	561,125	298,348	1,089,869	5,087,613	315,561	-	7,352,516
Carrying Amount							
As at 30 June 2020	35,870	84,859	352,415	3,154,364	-	1,237,975	4,865,485

Cost							
Balance as at 1 July 2020	596,996	383,207	1,442,284	8,241,977	315,561	1,237,975	12,218,001
Additions	-	-	343,722	1,345,271	61,230	2,119,927	3,870,150
Transfer from work in progress	-	-	-	-	-	(983,508)	(983,508)
Disposals	2,098	219	-	3,251	-	-	5,568
Balance as at 30 June 2021	594,898	382,988	1,786,006	9,583,997	376,791	2,374,394	15,099,075
Accumulated depreciation and impairment losses							
Balance as at 1 July 2020	561,125	298,348	1,089,869	5,087,613	315,561	-	7,352,516
Depreciation	17,596	16,566	162,921	798,615	18,252	-	1,013,948
Accumulated depreciation on dispos:	2,098	219	-	3,251	-	-	5,568
Impairment losses	-	-	-	-	-	-	-
Balance as at 30 June 2021	576,623	314,695	1,252,790	5,882,977	333,813	-	8,360,897
Carrying Amount							
As at 30 June 2021	18,275	68,293	533,217	3,701,020	42,978	2,374,394	6,738,179

Certain amounts in prior period have been reclassified between classes to correct this disclosure.

Capital commitments

There were no property, plant and equipment commitments at year end (2020:nil).

**MINISTRY OF HEALTH
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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%
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Impairment of intangible assets

Refer to the policy for impairment of property, plant and equipment in Note 11. 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:

	Acquired Software \$
Cost	
Balance as at 1 July 2019	92,638
Additions	-
Disposals	-
<i>Balance as at 30 June 2020</i>	<i>92,638</i>
Accumulated amortisation and impairment losses	
Balance as at 1 July 2019	43,029
Depreciation	29,765
Accumulated amortisation on disposals	-
<i>Balance as at 30 June 2020</i>	<i>72,793</i>
Carrying Amount	
As at 30 June 2020	19,844
Cost	
Balance as at 1 July 2020	92,638
Additions	-
Disposals	-
Balance as at 30 June 2021	92,638
Accumulated amortisation and impairment losses	
Balance as at 1 July 2020	72,794
Depreciation	19,844
Accumulated amortisation on disposals	-
Balance as at 30 June 2021	92,638
Carrying Amount	
As at 30 June 2021	-

Capital commitments

There were no intangible asset commitments at year end (2020:nil).



**MINISTRY OF HEALTH
NOTES TO THE FINANCIAL STATEMENTS
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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 2021 \$	Actual 2020 \$
Contributed capital		
Balance as at 1 July	10,067,956	6,903,651
Covid-19 Medical Response Funds from Crown	799,255	2,583,559
Capital funding from the Crown	1,979,424	580,745
	12,846,636	10,067,956
Accumulated surplus / (deficit)		
Balance as at 1 July	(2,687,073)	(2,760,167)
Surplus / (deficit) for the year	580,595	1,028,903
Depreciation payable to the Crown	(1,033,792)	(891,722)
Excess trading revenue to be repaid to Crown	(112,019)	(64,087)
Balance as at 30 June	(3,252,289)	(2,687,073)
Total Equity	9,594,347	7,380,883

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

	Actual 2021	Actual 2020
Remuneration	\$ 387,400	\$ 376,000
Full-time equivalent members	5	5

**MINISTRY OF HEALTH
NOTES TO THE FINANCIAL STATEMENTS
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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.

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:

Breakdown of financial instruments

	Actual 2021 \$	Actual 2020 \$
Loans and receivables		
Cash and equivalents	10,850	11,000
Prepayments	12,912	12,912
Debtors and Other Receivables	2,831,990	3,676,482
Aid Trust Accounts	254,902	437,396
<i>Total loans and receivables</i>	<i>3,110,654</i>	<i>4,137,790</i>
Other Liabilities		
Creditors and other Payables	2,815,372	3,552,992
Employee entitlements	858,724	381,325
Aid Trust Liabilities	267,141	485,082
<i>Total other liabilities</i>	<i>3,941,237</i>	<i>4,419,399</i>

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.

**MINISTRY OF HEALTH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

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 (2020: nil).

Contingent assets

The Ministry has no contingent assets at balance date (2020: nil).

Note 17: Events after balance date

There are no significant events after balance date which require attention.

Note 18: Significant Events

Covid-19 Medical Response Fund (MRF)

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. The Act was amended on the 30 November 2020 to Covid-19 Amendment Act 2020 (No 2).

Parliament approved a budget for the year of \$3,000,000 (\$5,000,000 (2020)) for the Covid-19 Medical Response Fund.

The Ministry was the lead implementing agency for the MRF during the 2020 financial year. In the 2021 financial year the lead implementing agency was the Ministry of Finance and Economic Management.

Breakdown of Covid-19 Medical Fund relating to the ministry

Description	2021	2020
Capital assets	159,080	618,528
Personal protective equipment & inventory	640,176	1,974,636
Expensed assets	-	335,937
Total Covid 19 Expenditure	799,256	2,929,101

**MINISTRY OF HEALTH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

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

Trading revenue

Actual trading revenue exceeded budget by \$112,019. This was mainly due to the Ministry services slowly normalising after the impacts of covid while the Ministry has not adjusted its budget amount for some years now.

Aid revenue

Aid revenue was higher than budgeted by \$1,351,045 This was mainly due to the Ministry receiving additional assistance due to covid-19 from donors through donation of inventory of \$367,608, property plant and equipment of \$ 701,985 and expensed assets of \$69,491.

Personnel expense

Actual personnel expense was higher than budget by \$467,203. This was mainly due to staff not being able to take annual leave during the year but instead required to work over time as a result of covid-19.

Depreciation and amortisation expenses

Actual depreciation and amortisation expense was above budget by \$133,792. This was mainly due to the donation and purchase of plant and equipment and motor vehicles over the last three years which have significantly increased the annual depreciation charges without any amendments to the budget appropriation.