

District Health Boards

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Glossary

Goal – general statements of desired ends to be achieved over an unspecified period of time.

Health need – the capacity to benefit from health care interventions whether to protect, improve, or restore health status.

Objective – measurable, time-defined ends or results to be achieved that lead to the achievement of each goal.

Outcome – consequence or end result of activities.

Performance measure – a factor chosen to monitor success in achieving objectives.

Performance target – targets are quantifiable estimates of results that are expected over a specific time period.

Restricted fund – funds that are subject to certain restrictions and are not available to a district for general use.

Introduction

The Government created 32 health districts under *The Health Districts Act* (Act). The Act requires the districts to deliver health services. Their responsibilities include:

- ◆ assessing the health needs of persons to whom they provide services;
- ◆ planning, managing, delivering, and integrating the provision of health services;
- ◆ promoting health and wellness; and
- ◆ reporting publicly on the health status of the districts' residents and on the effectiveness of the districts' programs.

Financial summary

We obtained the following financial information from the audited financial statements of the 32 districts. The combined revenue and expenses of the districts for the years ended March 31, 2001 and 2000 are:

	Operating Fund	Capital Fund	Restricted Fund	Total 2001	Total 2000
(in thousands of dollars)					
Revenue	\$ 1,495,330	\$ 76,134	\$ 2,240	\$ 1,573,704	\$ 1,484,730
Expense	1,483,499	90,266	457	1,574,222	1,502,859
Surplus (Deficit)	11,831	(14,132)	1,783	(518)	(18,129)
Beg. fund balance	(61,365)	856,679	24,182	819,496	837,625
Transfers	(7,445)	11,801	(4,356)	---	---
End fund balance	\$ (56,979)	\$ 854,348	\$ 21,609	\$ 818,978	\$ 819,496

The total assets, liabilities, and fund balances of the 32 districts at March 31, 2001 and 2000 are:

	2001	2000
(in thousands of dollars)		
Assets	\$ 1,134,760	\$ 1,140,625
Liabilities	315,782	321,129
Fund balances:		
Operating funds	(56,979)	(55,442)
Capital funds	854,348	850,708
Restricted funds	21,609	24,230
Total liabilities and fund balances	\$ 1,134,760	\$ 1,140,625

Our audit conclusions and findings

For the year ending March 31, 2001, we audited 10 of the 32 districts. For nine of those districts, we carried out our audit responsibilities by working with the auditors hired by the districts. We performed the audit work at the Regina District Health Board.

For the districts we worked with other auditors on, we followed the framework recommended in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors* (to view a copy of this report, see our website at <http://www.auditor.sk.ca/rrd.html>). Together with the health districts' auditors, where applicable, we formed the opinions set out below.

Exhibit 1 lists the 10 districts we audited in 2000-2001. The exhibit also shows the districts that we plan to audit for the year ending March 31, 2002 and future years.

Exhibit 1:

Audit rotation for health districts

Districts selected for the year ended March 31, 2001

For the year ending March 31, 2001, we audited Regina and Saskatoon; two of the four mid-sized districts (Moose Jaw-Thunder Creek and Prince Albert); and six smaller districts (Assiniboine Valley, Living Sky, Lloydminster, North Valley, South East, and Twin Rivers).

Districts selected for the year ending March 31, 2002 and future years

We plan, each year, to audit the two largest districts; two of the four mid-sized districts; and six smaller districts.

For the year ending March 31, 2002, we plan to audit Regina and Saskatoon; two of the four mid-sized districts (Battlefords and East Central); and six smaller districts (Parkland, Pasquia, North Central, Rolling Hills, South Central, and Touchwood Qu'Appelle).

In our opinion, for the ten districts that we examined for the year ended March 31, 2001, the districts' financial statements are reliable.

In our opinion, for nine of the ten districts that we examined for the year ended March 31, 2001:

- ◆ **the districts had adequate rules and procedures to safeguard and control their assets, except where we report otherwise in this chapter; and**
- ◆ **the districts complied with the authorities governing their activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing, except where we report otherwise in this chapter.**

The districts' appointed auditors and our Office formed the opinions referred to above with three exceptions.

The reports of the appointed auditor of the Saskatoon District Health Board did not report the need for the District to report on its performance as noted on pages 132 to 135 and 137 to 138. In the appointed auditor's opinion, the District's internal and external reports were adequate. We disagreed.

The reports of the appointed auditor of the Lloydminster District Health Board did not report the need for the District to improve its internal financial information to the board of directors and to comply with the law as noted on pages 132 to 133 and 137 to 138. In the appointed auditor's opinion, the District's internal financial information is adequate and the District complied with the law. We disagreed.

We did not rely on the appointed auditor of the Moose Jaw-Thunder Creek District Health Board to determine whether the District had adequate rules and procedures to safeguard and control its assets or whether the District complied with the law. The appointed auditor did not do sufficient work for us to form our opinions on those matters.

Where we are unable to rely on the work and reports of appointed auditors, *The Provincial Auditor Act* requires us to do additional audit work.

For Saskatoon and Lloydminster districts, our additional work consisted of reviewing the districts' internal financial reports and other accountability reports, and discussing areas of concern with management.

For the Moose Jaw-Thunder Creek District Health Board, we plan to do additional audit work consisting of reviewing the District's system of controls, compliance with the law, and performing such tests as we consider necessary. We plan to report the results of this work in our 2002 Spring Report.

In this chapter, we organize our audit findings and recommendations into four groupings. These groupings reflect important responsibilities of the boards of directors in their role of overseeing the districts' operations. These are:

- ◆ setting direction and monitoring performance;
- ◆ safeguarding assets;
- ◆ complying with the law; and
- ◆ other requirements.

Setting direction and monitoring performance

The boards of directors of all the districts that we examined need to continue to improve how they set direction and monitor their districts' performance.

Financial results

For five of the nine districts that we examined (Living Sky, Lloydminster, Regina, Saskatoon, and Twin Rivers), the boards of directors need better internal financial information to monitor their performance.

The Lloydminster, Regina, and Saskatoon health districts have not formally defined and documented their financial information needs. The boards of directors need to ensure that they receive the information necessary to monitor the districts' financial performance.

For each of the districts named in parenthesis, the interim financial reports that their boards of directors receive need improvement.

- ◆ The interim financial reports are not prepared in accordance with Canadian generally accepted accounting principles. The interim reports do not regularly include the results of operations of the district's affiliates (Regina). The interim financial reports do not include the board's assets and liabilities (Living Sky, Lloydminster, and Twin Rivers).
- ◆ The interim financial reports do not provide adequate explanations of differences between planned results for the period and year-to-date with actual results for the period and year-to-date (Living Sky, Lloydminster, Regina, Saskatoon, and Twin Rivers).
- ◆ The interim financial reports do not include a forecast of expected results to the year-end based on current information (Lloydminster, Regina, and Saskatoon).
- ◆ The interim financial reports are not provided to the boards on a timely basis (Living Sky and Twin Rivers).

We reported similar matters in previous reports to the Legislative Assembly. In January 1999, the Standing Committee on Public Accounts (PAC) considered these matters and agreed with our recommendations for improvement.

1. We continue to recommend, for each of the districts named in parenthesis, that:

- ◆ **boards of health districts formally define and document their financial information needs (Lloydminster, Regina, and Saskatoon).**
- ◆ **boards of health districts receive better and timely interim financial reports to enable them to assess the financial performance of their districts (Living Sky, Lloydminster, Regina, Saskatoon, and Twin Rivers).**

Operating results

In setting direction and monitoring performance, the board needs to advise management what health outcomes the board expects and the measures and targets needed to monitor progress in achieving the outcomes.

The boards of Assiniboine Valley, Living Sky, North Valley, South East, and Twin Rivers health districts need to approve desired outcome measures. They need to tell their management what health outcomes they expect and what measures to monitor progress in achieving those outcomes.

In addition, the boards of all districts we examined, except for Lloydminster, need to approve performance targets. Targets are precise, usually quantified statements of what a district plans to achieve in a future period. Targets indicate the desired level of performance including the quantity, quality, and timing of performance.

To establish the desired performance targets and measures, the districts need to continue to work on assessing the health needs and health status of residents to establish expected long-term health outcomes. Once the boards have set desired performance targets and measures, they will have to consider the effect this will have on the types, costs, and volumes of district services.

The boards then need to receive reports showing the districts' progress toward achieving the board's targets. Although Lloydminster Health District has approved targets, management did not prepare reports during the year showing the district's progress toward achieving the Board's targets. Without progress reports, boards are unable to fully assess the effectiveness of their services in improving the health status of residents. We recognize measuring and reporting on the health status of residents and the effectiveness of services will take time and resources.

We reported this matter in previous reports to the Legislative Assembly. In January 1999, PAC considered this matter and agreed with our recommendations for improvement.

2. We continue to recommend that:

- ◆ **boards of directors continue to formally define and document the health outcomes that the boards expect and the measures needed to monitor progress in achieving the outcomes (Assiniboine Valley, Living Sky, North Valley, South East, and Twin Rivers);**
- ◆ **boards of directors approve the targets needed to monitor progress in achieving the outcomes (Assiniboine Valley, Living Sky, North Valley, Prince Albert, Regina, Saskatoon, South East, and Twin Rivers); and**
- ◆ **districts' internal reports on health outcomes compare actual performance for services delivered to planned performance (all districts).**

Safeguarding assets

Written and approved rules and procedures needed

Three of the districts that we examined (Assiniboine Valley, Regina, and South East) need better written rules and procedures to help safeguard their assets.

Boards of directors must ensure management has established adequate written rules and procedures to safeguard and control the districts' assets. The boards should then approve the rules and procedures. Once adequate rules and procedures are in place, management must ensure that these rules and procedures are followed to safeguard and control the districts' assets.

Written rules and procedures provide for the orderly and efficient conduct of business. They also reinforce the boards' delegation of authority and the responsibilities of all employees. Adequate written rules and procedures help reduce the risk of errors, fraud, breakdowns in control, and unauthorized transactions.

We reported a similar matter in previous reports to the Legislative Assembly. In January 1999, PAC agreed with our recommendation for improvement.

3. We continue to recommend that management establish, the boards approve, and management implements written rules and procedures to safeguard and control health districts' assets to ensure the:

- ◆ **preparation of written and tested contingency plans (Assiniboine Valley);**
- ◆ **capital asset records are prepared (Regina);**
- ◆ **control of bank accounts, that is, adequate segregation of duties, and that staff members check invoices for accuracy and completeness and leave evidence of their check (South East);**
- ◆ **control of payroll (i.e., time sheets are signed to verify hours worked) (South East); and**
- ◆ **access to computer systems and data is authorized (South East).**

Operating agreements need improvement

The Lloydminster Health District needs to have an adequate operating agreement with East Central Regional Health Authority 7 (ECRHA 7) to ensure that responsibilities and expectations are clearly understood.

The District provides health services to the Lloydminster Health District area. The District received \$9.7 million from the Alberta Ministry of Health, during the year, to provide these services. The services include operating the Dr. Cooke Extended Care Centre on behalf of ECRHA 7 (Province of Alberta) since April 1, 1995.

In July 1998, the Minister of Health for Alberta and the Minister of Health for Saskatchewan signed a Memorandum of Understanding. Later, ECRHA 7 and the District signed The Bi-Provincial Lloydminster Health

Services Agreement (Agreement). The Agreement sets out general principles. However, the agreement does not adequately:

- ◆ describe the authority and responsibility of the District;
- ◆ describe the financial, operational, and compliance objectives needed to manage the delivery of health care successfully;
- ◆ describe services and activities the District is to provide to achieve the District's and ECRHA 7's objectives; and
- ◆ describe the basis of funding ECRHA 7 will provide to the District.

4. We recommend that the Lloydminster District Health Board improve its operating agreement with East Central Regional Health Authority 7.

Complying with the law

The boards of directors need to ensure management has established adequate rules and procedures to comply with the law including key agreements.

We note two areas where districts did not have adequate rules and procedures to ensure compliance with the law.

Performance reporting requirements

All nine districts that we examined need to continue to improve the information they submit to the Minister and the public to fully comply with *The Health Districts Act* (Act).

Section 35(2) of the Act requires districts to report annually to the Minister on the health status of their residents, and the effectiveness of their programs.

The Department of Health and the districts have prepared a framework to guide districts in measuring and reporting the health status of residents and the effectiveness of district programs. In addition, the Department has issued guidelines for the preparation of health district annual reports, guidelines for the preparation of three-year strategic plans for districts, and guidelines for performance measures for mothers and infants. These

guidelines should help the District to meet the reporting requirements of section 35(2) of the Act.

Although the information that each district examined provides to the Minister and the public has improved, the information does not fully meet the requirements of the Act. To report fully on the health status of residents and the effectiveness of programs, each district needs to set performance targets and measures. Once they set performance targets and measures, each district will need to design information and reporting systems that enable comparisons of actual results to targets.

As we noted earlier, all of the districts examined also need to improve their internal reports. These internal reports would provide a sound basis for the preparation of the external reports to the Minister and the public required by the Act.

We reported this matter in previous reports to the Legislative Assembly. In January 1999, PAC agreed with our recommendation for improvement.

We continue to recommend that health districts continue to work with the Department to ensure that they can provide the Minister and the public with the full range of information required by *The Health Districts Act*.

Other requirements

Two of the nine districts that we examined (Lloydminster and Twin Rivers) need to improve their compliance with the laws as described in our following recommendations.

We reported this matter in a previous report to the Legislative Assembly. In 1996, PAC agreed with our recommendation that the health districts receive the Minister's approval for borrowing money.

- 5. We continue to recommend that health districts receive approval of the Minister for borrowing money in excess of the limits provided by *The Health Districts Act* (Twin Rivers).**
- 6. We recommend that health districts charge rates to special-care home clients in accordance with *The Housing and Special-care Homes Act* (Lloydminster).**

Improper use of assets

During the audit of Living Sky District Health Board, management told us that an employee misused the District's assets. As required by *The Provincial Auditor Act*, we notified the Ministers of Health and Finance of this matter.

An employee used a District vehicle for personal activities and made purchases of computer equipment for personal use totalling \$28,198.

The District detected this misuse of assets, ended the person's employment, notified the police, and recovered the District's assets.

Payee lists

One of the nine districts that we examined (South East) did not publicly report a list of persons who received money from the district and the amounts those persons received. It is usual practice for publicly funded organizations to publish a list of persons who received public money and the amounts.

In 1996, PAC recommended that the Department consult with districts on the preparation of lists of payees, and recommended that the Government report the results of the consultation to the Standing Committee on Public Accounts. The Department has consulted with districts on this matter and most districts now provide this information publicly.

- 7. We continue to recommend that the health districts (South East) publicly report a list of persons who received money from them and the amounts.**

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