

# Appendix

# 4

## Reports of appointed auditors

Appendix 4 contains the reports of appointed auditors that we have not relied on and the report of the appointed auditor indicates a matter or issue that should be reported to the Assembly.

Appendix 4 does not contain the reports of appointed auditors that indicate a matter or issue to report to the Assembly when we have not yet done our work. Appendix 2 contains a list of work not done.

<u>Crown Agency</u>	<u>Page</u>
Saskatoon District Health Board	4-2
Lloydminster District Health Board	4-6
Moose Jaw-Thunder Creek District Health Board (appointed auditor's reports not yet issued)	

## Appendix 4

### **SASKATOON DISTRICT HEALTH BOARD YEAR ENDED MARCH 31, 2001**

#### Auditors' Report to the Directors of Saskatoon District Health Board

We have examined the system of internal control of Saskatoon District Health Board in effect as at March 31, 2001. We did not examine certain aspects of internal control concerning the effectiveness, economy and efficiency of certain management decision making processes. The criteria for the examination of this system of internal control consisted of the control environment and control systems described in the Canadian Institute of Chartered Accountants Handbook.

Our examination was conducted in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an examination to obtain reasonable assurance whether the system of internal control established and maintained by management is sufficient to meet the control objectives referred to below. Such an examination includes obtaining an understanding of the system of control and performing tests of controls to determine whether the internal controls exist and operate effectively.

The management of the Saskatoon District Health Board is responsible for establishing and maintaining a system of internal control to achieve the control objectives noted in a) to d) below. In fulfilling this responsibility, estimates and judgement by management are required to assess the expected benefits and related costs of control procedures. Pursuant to our responsibilities under Section 11(1) of The Provincial Auditor Act, we are required to determine if there is a system of internal control in effect which provides management with reasonable, but not absolute, assurance that:

- a) the accounts are faithfully and properly kept to permit the preparation of financial statements in accordance with the appropriate basis of accounting;
- b) all public money is fully accounted for and properly disposed of and the rules and procedures applied are sufficient to ensure an effective check on the assessment, collection and proper allocation of public money;
- c) transactions are executed in accordance with management's authorization, public money expended is applied to the purpose for which it was appropriated by the Legislature and the expenditures have adequate statutory authority; and
- d) essential records are maintained and the rules and procedures applied are sufficient to safeguard and control public money against loss from unauthorized use or disposition.

Because of the inherent limitations in any system of internal control, errors or fraud may occur and not be detected. Also, projections of any evaluation of the system of internal control to future periods is subject to risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate.

Our examination disclosed the following conditions to the system of internal control of the Board and affiliates as at March 31, 2001 which in our opinion, based upon the above criteria, resulted in more than a relatively low risk that errors or fraud in amounts that would be material in relation to the Board may occur and not be detected within a timely period.

### **Affiliates Reporting**

The following items represent internal control weaknesses identified for organizations affiliated with the Board:

#### *Segregation of Incompatible Functions*

One affiliated organization reported inadequate segregation of responsibility between cash handling and accounting functions.

#### *Authorization and Review*

One affiliated organization reported weaknesses in authorization and review procedures with respect to payroll information.

#### *Financial Reporting*

Two affiliated organizations reported that accounting procedures were inadequate to generate accurate monthly financial reports

#### *Policies and Procedures*

One affiliated organization reported that documentation of accounting and authorization policies and procedures was insufficient.

Chartered Accountants  
June 29, 2001

## Appendix 4

### **SASKATOON DISTRICT HEALTH BOARD YEAR ENDED MARCH 31, 2001**

Auditors' Report to the Directors of Saskatoon District Health Board

We have made an examination to determine whether the Saskatoon District Health Board complied with the provisions of the following legislative and related authorities pertaining to its financial reporting, safeguarding of assets, spending, revenue raising, borrowing and investing activities during the year ended March 31, 2001:

- The Health Districts Act
- The Health Facilities Licensing Act
- The Hospital Standards Act
- St. Paul's Hospital (Grey Nuns) of Saskatoon Act
- The Housing and Special Care Homes Act
- The Trustee Act
- Related regulations regarding the above legislation
- Orders-in-Council issued pursuant to the above legislation

Our examination was made in accordance with Canadian generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, the Saskatoon District Health Board has complied, in all significant respects, with the provisions of the aforementioned legislative and related authorities during the year ended March 31, 2001 except as described in the following paragraphs:

#### **Program reporting requirements**

Subsection 35(2) of the Health Districts Act requires the Board to submit to the Minister reports on health board's services and activities and their costs and the health status of the residents and the effectiveness of the Board's programs.

The Board prepares a "Report to the Community" which includes an analysis of health status and health needs of the residents of Saskatoon along with the goals and objectives of the District. In addition, for 2000-2001 reports were delivered to the public through a series of news letters and community board meetings. The Board has also prepared a strategic plan for 2001-2002 which includes information about services to be provided and their cost.

The Provincial Auditor of Saskatchewan has indicated that he does not believe that current reporting meets the full intent of the legislation. However, no prescribed format for reporting this information currently exists and therefore we have concluded that the reports prepared by the Board comply with the legislation.

### **Affiliate Reporting**

One affiliated organization did not provide Saskatoon District Health Board with audited financial statements, an auditors' report on internal controls nor an auditors' report on legislative compliance as required under their operating agreement and Section 26.1 of the Health Districts Act.

Chartered Accountants  
June 29, 2001

## Appendix 4

### **LLOYDMINSTER DISTRICT HEALTH BOARD YEAR ENDED MARCH 31, 2001**

To: Lloydminster District Health Board

We have examined the system of internal control of Lloydminster District Health Board in effect as at March 31, 2001. We did not examine certain aspects of internal control concerning the effectiveness, economy, and efficiency of certain management decision making processes. The criteria for the examination of this system of internal control consisted of the control environment and control systems described in the Canadian Institute of Chartered Accountants Handbook.

Our examination was conducted in accordance with generally accepted auditing standards. Those standards require that we plan and perform an examination to obtain reasonable assurance whether the system of internal control established and maintained by management is sufficient to meet the control objectives referred to below. Such an examination includes obtaining an understanding of the system of internal control and performing tests of controls to determine whether the internal controls exist and operate effectively.

The Management of Lloydminster District Health Board is responsible for establishing and maintaining a system of internal control. In fulfilling this responsibility, estimates and judgement by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system of internal control are to provide management with reasonable, but not absolute, assurance that:

- a) the accounts are faithfully and properly kept to permit the preparation of financial statements in accordance with the appropriate basis of accounting;
- b) all public money is fully accounted for and properly disposed of and the rules and procedures applied are sufficient to ensure an effective check on the assessment, collection and proper allocation of public money;
- c) transactions are executed in accordance with management's authorization, public money expended is applied to the purpose for which it is appropriated by the Legislature and the expenditures have adequate statutory authority, and
- d) essential records are maintained and the rules and procedures applied are sufficient to safeguard and control public money against loss from unauthorized use or disposition.

Because of the inherent limitations in any system of internal control, errors or fraud may occur and not be detected. Also, projection of any evaluation of the system of internal control to future

periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate.

Our examination disclosed the following conditions in the system of internal control of Lloydminster District Health Board as at March 31, 2001 which in our opinion, based upon the above criteria, resulted in more than a relatively low risk that errors or fraud in amounts that would be material in relation to Lloydminster District Health Board may occur and not be detected within a timely period:

**I. The Board's internal reports do not show the expected costs of services and related activities.**

The Board needs to know the expected cost of its services and related activities to set direction and monitor performance.

To set direction and monitor performance, the directors should specify, for each service that it delivers:

- the need the service will satisfy;
- the expected cost of the service and related activities;
- how many services or activities the District expects to deliver; and
- the desired outcome of the service and how the District will measure the outcome.

The directors do not receive internal reports showing all this information. However, more work needs to be done by both the Department of Health and the District before the District can report on this information more fully.

**II. Specific details have to be concluded as addenda to the Bi-Provincial Lloydminster Health Services Agreement.**

Adequate written agreements help ensure there are no misunderstandings of responsibilities and expectations

The Board provides health services to Alberta residents under the Bi-Provincial Lloydminster Health Services Agreement with East Central Regional Health Authority 7 (ECRHA7). This agreement sets out the general principles and process with respect to:

#### Appendix 4

- the health services to be provided and the service areas and/or populations to be served by the Board on behalf of ECRHA7;
- the operating, equipment and capital funding and any other related payments to be provided by ECRHA7 to the Board;
- the management and operation of the Dr. Cooke Extended Care Centre by the Board;
- the management and direction of ECRHA7 employees by the Board; and
- the reporting and accountability requirements in respect of the services provided by the Board on behalf of the ECRHA7.

The lack of addenda to this agreement outlining specific details on some of these matters could result in the Board's financial, operational and compliance with authorities objectives not being met.

Chartered Accountants  
May 10, 2001

**LLOYDMINSTER DISTRICT HEALTH BOARD  
YEAR ENDED MARCH 31, 2001**

To: Lloydminster District Health Board

We have made an examination to determine whether Lloydminster District Health Board complied with the provisions of the following legislative and related authorities pertaining to its financial reporting, safeguarding of assets, spending, revenue raising, borrowing and investing activities during the year ended March 31, 2001.

*The Heath Districts Act* and regulations  
*The Hospital Standards Act*  
The Hospital Standards Regulations  
The Hospital Comprehensive Purchasing Regulations  
*The Housing and Special-care Homes Act*  
The Special-care Homes Rates Regulations  
The Housing and Special-care Homes Regulations  
*The Trustee Act*  
*The Health Facilities Licensing Act*  
The Health Labour Relations Reorganization (Commissioner) Regulations  
Orders in Council issued pursuant to the above Acts  
Health Board bylaws and directives

Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, the Lloydminster District Health Board has complied, in all significant respects, with the provisions of the aforementioned legislative and related authorities during the year ended March 31, 2001 except as follows:

**I. External Reporting Requirements**

The Board did not submit to the Minister some information required by The Health Districts Act.

Subsection 35(2) of the Act requires the District to submit the following information:

- i) a report on the District Health Board's services and activities and their costs; and

## Appendix 4

- ii) a report on the health status of the residents of the Health District and the effectiveness of the District Health Board's programs.

The Annual Report and Health Plan provide information about the District's services and activities and their costs, the health status of residents. However, these reports do not meet the full range of requirements in subsection 35(2) of the Act. More work needs to be done by both the Department of Health and the District before the District can report this information more fully.

### **II. Acquisition of Capital Assets**

The Board purchased equipment without meeting the requirements of the Hospital Standards Regulations.

Regulation 66(3) states that the Hospital may not purchase equipment costing \$2,500 or more without the prior approval of the Minister. The Board purchased some assets prior to obtaining the Minister's approval.

Chartered Accountants  
May 10, 2001