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Glossary

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

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 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, 2002 and 2001 are:

	Operating Fund	Capital Fund	Community Trust Fund	Total 2002	Total 2001
(in thousands of dollars)					
Revenue	\$ 1,574,057	\$ 64,036	\$ 2,473	\$ 1,640,566	\$ 1,573,704
Expense	(1,590,060)	(100,598)	(744)	(1,691,402)	(1,574,222)
Surplus (Deficit)	(16,003)	(36,562)	1,729	(50,836)	(518)
Beg. fund balance	(58,592)	853,809	21,917	817,134	819,496
Transfers	(5,141)	6,319	(1,178)	---	---
Return of Equity	---	---	(1,520)	(1,520)	---
End fund balance	\$ (79,736)	\$ 823,566	\$ 20,948	\$ 764,778	\$ 818,978

The total assets, liabilities, and fund balances of the 32 districts at March 31, 2002 and 2001 are:

	2002	2001
	(thousands of dollars)	
Assets	\$ 1,119,668	\$ 1,134,760
Liabilities	354,890	315,782
Fund balances:		
Operating funds	(79,736)	(56,979)
Capital funds	823,566	854,348
Restricted funds	20,948	21,609
Total liabilities and fund balances	\$ 1,119,668	\$ 1,134,760

Our audit conclusions and findings

For the year ended March 31, 2002, 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 audited the Regina District Health Board directly.

For the districts where we worked with other auditors, 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 web site 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. Now that the 32 districts have amalgamated into 12 Regional Health Authorities, we will no longer be rotating our audits. Therefore, for the 2002-2003 year, we will be auditing all 12 Regional Health Authorities by working with the auditors hired by each Authority except for the Regina Qu'Appelle Regional Health Authority, which we will audit directly.

Exhibit 1:

Districts selected to audit for the year ended March 31, 2002

For the year ended March 31, 2002, we audited Regina and Saskatoon; all five of the mid-sized districts (Moose Jaw-Thunder Creek, Battlefords, Swift Current, East Central and Prince Albert); and three smaller districts (North Central, South Central, and Prairie West).

In our opinion, for the ten districts that we examined for the year ended March 31, 2002:

- ◆ **the districts' financial statements are reliable;**
- ◆ **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 one exception.

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 103 to 106. In the appointed auditor's opinion, the district's internal and external reports were adequate. We disagree.

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 the Saskatoon District Health Board, our additional work consisted of reviewing the district's accountability reports and discussing areas of concern with management.

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

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

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 management

One of the ten districts we examined, Regina District Health Board, needs to formally define and document its financial information needs. One of the ten districts we examined, Battlefords District Health Board, needs better interim financial information to monitor its performance.

Boards of directors are responsible to oversee the management of the districts' operations. To carry out responsibilities, boards require good financial information.

The Regina District Health Board has not formally defined and documented its financial information needs, nor has it formally delegated authority to senior management in written rules and procedures. The board of directors needs to do both to ensure it receives the information necessary to monitor the district's financial performance.

The interim financial reports the board of the Battlefords District Health Board received were not adequate for decision-making. The interim reports the board received contained detailed information on its revenues and expenses but the interim reports did not include:

- ◆ a statement of financial position (i.e., what the district owns and owes);
- ◆ a statement of cash flows; or
- ◆ financial information on the community trust funds that it manages or the operations of its affiliates

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.

The newly created Regional Health Authorities will need to ensure that they receive good financial information for decision-making. We plan to monitor the Regina Qu'Appelle and Prairie North Regional Health Authorities, where the Regina and Battlefords District Health Boards have been amalgamated, to ensure they have adequate polices and produce good interim financial information.

Health outcomes, measures, and targets

The boards of directors need to improve how they set direction and monitor districts' performance.

To set their direction and monitor performance, boards need to tell management what health outcomes the boards expect and the measures and targets needed to monitor progress in achieving the outcomes.

The boards of Moose Jaw-Thunder Creek, Prince Albert, Swift Current, and Prairie West District Health Boards need to approve their performance measures. They need to tell their management what health outcomes they expect and what measures are required to monitor progress in achieving those outcomes.

In addition, the boards of all districts that we examined need to approve their performance targets. Targets are quantified statements of results that a district expects to achieve in a future period. Targets indicate the desired level of performance including the quantity, quality, and timing.

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 boards' targets. 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.

Regional Health Authorities will need to continue the districts' work in setting direction and monitoring performance. Good internal reports help improve governance and provide a sound basis for reporting on the effectiveness of health services to the Minister and the public. We plan to monitor the Regional Health Authorities and assess if the boards of directors are adequately setting direction and monitoring their authority's performance.

Safeguarding assets

Adequate written and approved rules and procedures needed

Two of the districts that we examined, East Central and Regina District Health Boards, 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 they 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.

We plan to monitor the Regina Qu'Appelle and Sunrise Regional Health Authorities, where the Regina and East Central District Health Boards have been amalgamated, to ensure they have adequate written rules and procedures to safeguard and control the authorities' assets to ensure the:

- ◆ capital asset records are prepared (Regina Qu'Appelle);
- ◆ control of bank accounts (Sunrise); and
- ◆ proper development of information systems (Sunrise).

Complying with the law

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

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

Performance reporting requirements

All ten 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 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 issued guidelines for the preparation of health district annual reports, three-year strategic plans for districts, and performance measures for mothers and infants. These guidelines should help the districts to meet the reporting requirements of section 35(2) of the Act.

Although the information that each district 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.

As we noted earlier, *The Regional Health Services Act* replaced *The Health Districts Act* on August 1, 2002. This new Act also sets out new reporting requirements to the Minister. Consequently, we do not make a recommendation for compliance with *The Health Districts Act*. The improved internal reports described earlier will provide a sound basis for the preparation of the external reports to the Minister required by the new Act.

Public reporting requirements

One of the ten districts we examined, Regina District Health Board, did not hold public meetings during the year ended March 31, 2002. This District did not present the information required by *The Health Districts Act* or its own by-laws.

Section 37 of *The Health Districts Act* requires each district to hold two public meetings a year. At one of these meetings, a district must present an operation and expenditure plan for the next fiscal year and a report on the health status of the residents of the district and the effectiveness of the board's programs. In addition, the Regina District Health Board's by-law 7.06 requires its Board to present the audited financial statements at one of the public meetings.

As we noted earlier, *The Regional Health Services Act* replaced *The Health Districts Act* on August 1, 2002. This new Act also sets out new requirements. Consequently, we do not make a recommendation for compliance with *The Health Districts Act*. The public reporting requirements described earlier will form part of the public meetings required by the new Act.

Approval of the Minister required for renovations to existing hospitals

One of the ten districts we examined, Prairie West District Health Board, did not obtain the Minister's approval for the renovations to the Kindersley Integrated Health Facility costing \$164,000.

The Hospital Standards Regulations requires the district to obtain the Minister's approval before constructing or renovating any facility where the cost of the construction or renovation exceeds \$50,000.

The Prairie West District Health Board submitted plans to the Minister in advance for the renovations to the Kindersley Integrated Health Facility. The Minister's approval for renovations was not received prior to starting the work.

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