

Chapter 16

North Sask. Laundry & Support Services Ltd.

1.0 MAIN POINTS

We have not completed our audit work because North Sask. Laundry & Support Services Ltd. (NSL) has not yet prepared its financial statements for the year ended March 31, 2012. However, we have performed sufficient work to report the following matters relating to NSL's controls.

NSL needs to establish policies and procedures to ensure all amounts recorded in its accounting records are adequately supported. Also, NSL needs to approve all changes to its accounting records and reconcile bank balances to the accounting records on a timely basis. Reconciling bank balances helps ensure that all transactions have been recorded and that accounting records are accurate.

The Board needs to receive timely and reliable interim and year-end financial reports. Incorrect and incomplete financial information could result in incorrect and inappropriate decisions. The Board also needs to monitor whether senior management and staff follow established rules and procedures. We will report the final results of our audit in a future report.

2.0 INTRODUCTION

North Sask. Laundry & Support Services Ltd. (NSL) is a wholly-owned subsidiary of four regional health authorities (Prince Albert Parkland, Prairie North, Kelsey Trail, and Mamawetan Churchill River). It provides laundry services to these health authorities and other organizations in Saskatchewan.

Because it did not maintain accurate accounting records, NSL has not yet prepared its financial statements for the year ended March 31, 2012.

For the previous year ended March 31, 2011, NSL had revenue of \$6.2 million, expenses of \$5.7 million, an operating surplus of \$0.5 million, and held assets of \$7.5 million. Complete financial information for the year ended March 31, 2012 is not yet available.

3.0 AUDIT FINDINGS

We worked with NSL's appointed auditor, MNP LLP, Chartered Accountants, using the framework recommended in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors* (www.auditor.sk.ca/rrd.html).

We have not yet completed our audit because NSL has not prepared financial statements for the year ended March 31, 2012 for audit purposes. We will complete our work when we receive NSL's financial statements and report our findings in our next report.



However, we have performed sufficient work to report the following matters.

3.1 Policies for Controlling Payments to Employees Needed

We recommended that North Sask. Laundry & Support Services Ltd. establish policies and procedures for controlling payments to its employees. (2011 Report – Volume 2; Public Accounts Committee agreement October 4, 2012)

Status – We continue to make this recommendation.

NSL has not established effective policies for controlling payments to its employees. NSL has approximately 80 employees. In 2011, NSL spent about \$3 million on payroll.

As in the past, we noted several instances where employees did not sign their time sheets and their supervisors did not always leave evidence of their review and approval of time sheets. Time sheets determine employees' earnings and their benefit entitlement (e.g., vacations). Incorrect time sheets could result in incorrect payments to employees and inappropriate benefits. In addition, NSL did not maintain reliable records showing each employee's benefits earned and benefits used. As a result, NSL is unable to determine how much it owes to its employees for unused vacation pay and other benefits (e.g., banked time) at year-end.

3.2 Policies and Procedures in Place for Purchasing Goods and Services

We recommended that North Sask. Laundry & Support Services Ltd. have clear policies and procedures for purchasing goods and services. (2011 Report – Volume 2; Public Accounts Committee agreement October 4, 2012)

Status – Implemented.

NSL has implemented clear policies and procedures for purchasing goods and services.

3.3 Accurate and Complete Accounting Records Needed

NSL needs accurate and complete accounting records.

Agencies need accurate interim financial reports to manage their operations. To prepare accurate financial reports, agencies need complete and accurate accounting records. Inaccurate and incomplete financial records could result in incorrect financial reports.

During the audit, we found numerous errors in NSL's accounting records relating to revenue and expenses. For example, management could not support all amounts recorded as owing to NSL or the amounts it owes to others. Nor could management determine grant revenue due from one of its shareholders. In addition, management could not reconcile records for laundry cleaned and amounts billed.

We noted instances where accounting records did not reconcile to the payroll spreadsheets and there was no evidence of review and approval of payroll.

Reconciling recorded bank balances to the bank's records on a timely basis helps ensure that all transactions have been properly recorded and that the accounting records are accurate. We noted that employees did not complete all monthly bank reconciliations between December 2011 to March 2012, until May 2012.

In addition, we noted that none of the changes to the accounting records (through journal vouchers) had evidence of review and approval by management. Lack of approval of journal vouchers increases the risk that errors and frauds may be perpetrated and concealed without detection.

1. We recommend that North Sask. Laundry & Support Services Ltd. maintain complete and accurate financial records.

2. We recommend that North Sask. Laundry & Support Services Ltd. reconcile its recorded bank balances to the bank's records on a timely basis.

3. We recommend that North Sask. Laundry & Support Services Ltd. approve all journal vouchers.

3.4 Credit Cards Use Policy in Place

We recommended that North Sask. Laundry & Support Services Ltd. establish policies setting out who can use corporate credit cards, for what purpose, and the approval process. (2011 Report – Volume 2; Public Accounts Committee agreement October 4, 2012)

Status – Implemented.

NSL has established policies and procedures setting out who can use corporate credit cards, for what purpose, and the approval process.



3.5 Board Needs to Monitor Operations

The Board needs to monitor NSL operations regularly.

The Board did not receive timely financial reports during the year. Because NSL did not maintain accurate and complete financial records, the interim financial reports that the Board received during the year were incomplete and incorrect.

Incorrect and incomplete financial statements could result in incorrect and inappropriate decisions by those who are responsible for monitoring operations and management performance.

NSL has established a delegation of authority grid for senior management. Under the established authority grid, senior management require Board approval prior to making payments to themselves. During the year, the general manager received \$9,600 for accrued vacation time without the Board's knowledge and approval. At the time of our audit work, we noted that this vacation payout was not recorded to reduce the general manager's vacation entitlement.

Also, the established policy requires that senior management's expense claims must be approved by the Board. However, we noted that the general manager's expense claims were paid prior to approval by any of the Board members or the Chair.

Employees of an organization usually learn from the behaviour of their managers. Non-compliance with established policies by senior management gives staff a message that not complying with established policies is acceptable.

4. We recommend that the Board of Directors regularly monitor operations of North Sask. Laundry & Support Services Ltd.

5. We recommend that North Sask. Laundry & Support Services Ltd. provide its Board of Directors with accurate and timely interim financial reports.

6. We recommend that North Sask. Laundry & Support Services Ltd. comply with its established delegation of authority.