

Chapter 19

Regional Health Authorities

1.0 MAIN POINTS

This chapter reports the results of our annual audits for 10 regional health authorities (RHAs). In Chapters 18 and 23, we report the results of our annual audits for Regina Qu'Appelle RHA and Saskatoon RHA respectively.

Heartland, Cypress, and Mamawetan Churchill RHAs continue to make progress towards strengthening their processes. Keewatin Yatthé, Prairie North, and Prince Albert Parkland RHAs have not yet addressed some of the recommendations we first made three years ago. These recommendations relate to controlling bank accounts and protecting information technology systems and data. Kelsey Trail, Five Hills, Sun Country and Sunrise RHAs have effective controls to safeguard public resources.

Most RHAs complied with authorities governing their activities and all RHAs had reliable 2012 financial statements.

This chapter also provides an update on the status of previous recommendations agreed to by the Standing Committee on Public Accounts (PAC).

2.0 INTRODUCTION

The Regional Health Services Act (Act), makes the 12 Regional Health Authorities (RHAs) responsible for the planning, organization, delivery, and evaluation of health services in their health regions.

To complete our audits, we worked with RHAs' appointed auditors using the framework recommended in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors* (www.auditor.sk.ca/rrd.html).

The following lists the 10 RHAs that we discuss in this chapter and their appointed auditors. We report Regina Qu'Appelle RHA and Saskatoon RHA in Chapters 18 and 23 respectively.

Regional Health Authority	Appointed Auditor (at March 31, 2012)
Cypress	Stark & Marsh
Five Hills	Virtus Group LLP
Heartland	KPMG LLP
Kelsey Trail	Neupath Group, PC Inc.
Keewatin Yatthé	MNP LLP
Mamawetan Churchill River	Deloitte & Touche LLP
Prairie North	Menssa Baert Cameron Odishaw La Cock
Prince Albert Parkland	MNP LLP
Sun Country	Virtus Group LLP
Sunrise	Parker Quine LLP



For the year ended March 31, 2012, the RHAs reported in this chapter had operating revenues totalling \$1.34 billion and expenses totalling \$1.32 billion. They also had capital fund revenues totalling \$15.01 million and expenses totalling \$45.91 million. These RHAs held assets totalling \$747.05 million. Each RHA's annual report includes its audited financial statements.

3.0 AUDIT CONCLUSIONS AND FINDINGS

In our opinion, for the year ended March 31, 2012:

- › **Each of the ten regional health authorities had effective rules and procedures to safeguard public resources except for the matters described in this chapter**
- › **Each of the ten regional health authorities complied with the following authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the matter described in this chapter:**

The Critical Incident Regulations
The Health Information Protection Act
The Health Labour Relations Reorganization (Commissioner) Regulations
The Housing and Special-care Homes Regulations
The Regional Health Services Act
The Regional Health Services Administration Regulations
The Special-care Homes Rates Regulations, 2011
The Trustee Act, 2009
The Tabling of Documents Act, 1991
Each RHA's Bylaws
Orders in Council issued pursuant to the above legislation

- › **The financial statements for each of the ten regional health authorities are reliable**

3.1 Control Bank Accounts

We recommended that Prairie North Regional Health Authority follow its processes to control bank accounts when making payments to employees. (2008 Report – Volume 3; Public Accounts Committee agreement December 8, 2008)

Status – We continue to make this recommendation.

We found that employees of Prairie North continued to ignore the established processes. We found many instances where the employees' time cards were not approved prior to payroll processing.

We recommended that Keewatin Yatthé Regional Health Authority follow its established processes to control its bank accounts. (2009 Report – Volume 2; Public Accounts Committee agreement October 4, 2012)

Status – Implemented.

Keewatin Yatthé now follows the established processes to control bank accounts. We found no exceptions in our testing of purchases and payroll.

We recommended that Prince Albert Parkland Regional Health Authority follow its established processes to control its bank accounts. (2009 Report – Volume 2; Public Accounts Committee agreement October 4, 2012)

Status – We continue to make this recommendation.

PA Parkland did not always follow the established processes to control its bank accounts. We found many instances where employees' time cards were not approved prior to payroll processing.

Lack of timely approval of employee time cards and supplier invoices increases the risk of errors and fraud without ready detection.

3.2 Protect Information Technology Systems and Data

We recommended that Mamawetan Churchill River Regional Health Authority establish information technology policies and procedures based on a threat and risk analysis. (2004 Report – Volume 3; Public Accounts Committee agreement October 26, 2005)

Status – We continue to make this recommendation.

Mamawetan Churchill River needs to establish policies and procedures for timely identification and removal of user access. Also, it needs to update its computer software systems on a timely basis for known security risks.

We recommended that Prairie North Regional Health Authority follow its processes to grant and remove user access to its IT systems and data. (2011 Report – Volume 2; Public Accounts Committee agreement October 4, 2012)

Status – We continue to make this recommendation.



Prairie North has made good progress. However, it needs to improve its procedures to ensure timely removal of users who no longer need access to its system and data. Also, managers should regularly monitor and remove inactive accounts.

We recommended that Prince Albert Parkland Regional Health Authority follow its processes to grant and remove user access to its IT systems and data. (2011 Report – Volume 2; Public Accounts Committee agreement October 4, 2012)

Status – We continue to make this recommendation.

PA Parkland needs to follow its processes and ensure timely removal of access to its systems and data for those who no longer need it (see Chapter 48).

We recommended that Keewatin Yatthé Regional Health Authority improve its processes to grant and remove user access to its IT systems and data. (2011 Report – Volume 2; Public Accounts Committee agreement October 4, 2012)

Status – We continue to make this recommendation.

During the year, Keewatin Yatthé did not made any improvement in this area.

We recommended that Heartland Regional Health Authority adequately protect its information technology systems and data. (2009 Report – Volume 3; Public Accounts Committee agreement June 18, 2010)

Status – We continue to make this recommendation.

Heartland needs to improve its processes to ensure timely removal of access to its systems and data for those who no longer need it. It also needs to establish processes to ensure IT equipment is secure and protected.

Lack of adequate policies to grant and remove user access to IT systems and data and non-compliance with established policies increases the risk of inappropriate and unauthorized changes to the systems and data.

3.3 Disaster Recovery Plan and Testing Needed

We recommended that all regional health authorities establish disaster recovery plans and test those plans to ensure their effectiveness. (2009 Report – Volume 3; Public Accounts Committee agreement June 18, 2010)

Status – We continue to make this recommendation.

During 2012, we reassessed each RHA's disaster recovery planning. We concluded that Five Hills, Keewatin Yatthé, Kelsey Trail, and Prairie North had complete and tested DRPs. Heartland needs to update and test its DRP.

Cypress, Mamawetan Churchill River, PA Parkland, and Sun Country each need to complete documenting their DRPs and test them to assess their effectiveness.

Sunrise has documented its DRP but it needs to test it to assess its effectiveness.

Not having up-to-date and tested DRPs increases the risk that systems and data may not be available when needed. To have a robust DRP, RHAs must work with their service provider, eHealth.

3.4 Assess Need for Internal Audit Function

We recommended that Prairie North Regional Health Authority assess the need for an internal audit function. (2009 Report – Volume 3; Public Accounts Committee agreement June 18, 2010)

Status – We continue to make this recommendation.

During the year, Prairie North made no progress towards addressing this recommendation.

Prairie North's Board of Directors and its senior management need to know if the control systems they have established are sound enough to meet their objectives and if Prairie North employees comply with established policies. An internal audit function can provide assurance to the Board and senior management that appropriate controls are in place and are operating effectively.

3.5 Controlling Capital Assets

We recommended that Keewatin Yatthé Regional Health Authority count its capital assets and agree its capital asset records to its accounting record regularly. (2008 Report – Volume 3; Public Accounts Committee agreement December 8, 2008)

Status – We continue to make this recommendation.

During the year, Keewatin Yatthé made no progress to address this recommendation.

Keewatin Yatthé has \$33.7 million in capital assets. Because it does not count its assets and compare them with its capital asset records, it does not know if all of its capital assets exist or if its accounting records are accurate. Inaccurate capital asset records could result in wrong decisions about equipment purchases and disposals.



3.6 Compliance with Legislation Needed

Keewatin Yatthé needs to comply with *The Housing and Special-care Homes Regulations*.

The Housing and Special-care Homes Regulations, in force under *The Regional Health Services Act*, require RHAs to deposit, for safekeeping, in a designated residents' trust account any cash received from residents of their special-care homes. Keewatin Yatthé does not have a designated residents' trust account. Instead, Keewatin Yatthé deposits cash received from residents of its special-care homes in its own operating bank account. This practice is not consistent with *The Housing and Special-care Homes Regulations*. At year-end, Keewatin Yatthé included about \$30,000 that belonged to residents of its special-care homes in its operating bank account.

Accordingly, Keewatin Yatthé did not comply with *The Housing and Special-care Homes Regulations*.

- 1. We recommend that Keewatin Yatthé Regional Health Authority deposit money received from residents of its Special-care homes in a designated trust account as required by *The Housing and Special-care Homes Regulations* under *The Regional Health Services Act*.**

3.7 Segregation of Duties Needed

Cypress and Kelsey Trail both need to adequately segregate incompatible duties of their employees who use their financial accounting system.

Segregation of duties is not adequate when one employee is in a position to perpetrate and conceal errors or misappropriations. Cypress and Kelsey Trail have not adequately segregated duties of employees who use their financial accounting systems. We noted some employees' authorized access to the financial accounting systems allow them to both enter and approve transactions.

Lack of adequate segregation of incompatible duties increases the risk of errors and fraud without ready detection.

- 2. We recommend that Cypress Regional Health Authority adequately segregate duties of its staff who use its financial accounting system.**

- 3. We recommend that Kelsey Trail Regional Health Authority adequately segregate duties of its staff who use its financial accounting system.**

3.8 Payroll Advances Account Needs Reconciling

Keewatin Yatthé needs to reconcile its payroll advances account.

Keewatin Yatthé's payroll advances account has not been reconciled since 2008. Reconciliation of accounts helps ensure that accounting records are accurate and complete. Keewatin Yatthé cannot determine if their accounts are accurate and complete.

- 4. We recommend that Keewatin Yatthé Regional Health Authority regularly reconcile its payroll advances accounts to its accounting records.**

3.9 Capital Equipment Plans Needed

We recommended that all regional health authorities should prepare capital plans that contain the key elements for capital equipment plans in the public sector.
(2001 Fall Report – Volume 2; Public Accounts Committee agreement February 19, 2002)

Status – We continue to make this recommendation.

RHAs use capital equipment extensively to help meet their strategic goals and objectives. Capital equipment plans help to reduce the risks that capital assets are not in good working order when required or not being used effectively. A capital plan should include the following key elements:

- The capital equipment required to support strategic objectives
- The gap between required and existing capital equipment
- The strategies to manage capital equipment
- The justification for capital equipment strategies
- The financial implication of capital equipment strategies

None of the RHAs have formally approved their capital plans. All RHAs have information about capital equipment they may need over the next three to five years and the costs related to acquiring the equipment. RHAs prioritize the capital equipment needs based on information from their operational units. However, most RHAs have little or no information about how they plan to meet their long-term needs for capital equipment.

Capital funding from the Ministry of Health is the major source of capital revenue for most RHAs. The Ministry provides them annual funding for capital assets. RHAs indicated that they allocate the annual funding from the Ministry to the equipment identified as high priority.

RHAs need to prepare long term capital equipment plans that include all the key elements described above. Lack of a long term capital equipment plan increases the risk



that RHAs may not have the capital equipment they need to meet their goals and objectives.

3.10 Hiring Practices Now in Place

We recommended that the Sun Country Regional Health Authority follow its policies and procedures when hiring management personnel. (2010 Report – Volume 2; Public Accounts Committee agreement January 19, 2011)

Status – Implemented.

We recommended that the Sun Country Regional Health Authority establish policies and procedures for relocation incentives for new hires. (2010 Report – Volume 2; Public Accounts Committee agreement January 19, 2011)

Status – Implemented.

Sun Country followed its established policies and procedures when hiring management personnel. We did not find any instance of non-compliance when we tested recent hiring of management personnel at Sun Country. Also, Sun Country has now established appropriate policies and procedures for relocation incentives for new hires.

4.0 EXHIBITS

4.1 Status of Previous Recommendations of the Standing Committee on Public Accounts

The following exhibit provides an update on recommendations agreed to by PAC that are not yet implemented and are not discussed in this chapter.

PAC Report Year	Outstanding Recommendation	Status
Sunrise Regional Health Authority – Scheduling Nurses (2010 Report – Volume 1)		
2011	12-1 that the Sunrise Regional Health Authority ensure its nursing managers or other authorized staff follow established policies to review and approve nursing staff timesheets.	We plan to do a follow-up in 2013.
2011	12-2 that the Sunrise Regional Health Authority identify and regularly report to the Board the causes of nursing staff overtime costs.	We plan to do a follow-up in 2013.
2011	12-3 that the Sunrise Regional Health Authority implement established strategies for addressing causes of nursing staff overtime costs and provide regular progress reports to the Board.	We plan to do a follow-up in 2013.