

Chapter 12

Health Shared Services Saskatchewan (3sHealth)

1.0 MAIN POINTS

On April 17, 2012, members of Saskatchewan Association of Health Organizations (SAHO) amended SAHO's bylaws and changed its name to Health Shared Services Saskatchewan (3sHealth). Under the new bylaws, a Governing Council, consisting of representatives from the regional health authorities, their affiliates, and the Saskatchewan Cancer Agency, is responsible for appointing a Board of Directors for 3sHealth.

For the year ended March 31, 2013, 3sHealth's financial statements are reliable. It had effective rules and procedures to safeguard public resources and it complied with its governing authorities, except for the matter described in this chapter.

3sHealth's board remuneration policy is not consistent with other public sector agencies. 3sHealth's Board of Directors includes "internal" and "external" directors. The policy defines internal directors as individuals who are involved with the health sector only. Other public sector agencies treat those who work for the Government of Saskatchewan as internal and do not pay them any remuneration.

Although the policy does not set out any compensation for internal directors, 3sHealth paid all directors a monthly retainer and per diem for attending board meetings. 3sHealth indicated that its practice of remunerating all directors of its board is consistent with the Governing Council's unwritten intention.

We recommend that 3sHealth revise its board remuneration policy to make it consistent with other Saskatchewan public sector agencies

2.0 INTRODUCTION

3sHealth is mandated to provide shared services to Saskatchewan healthcare organizations and to certain healthcare organizations outside of the province.

For the year ended March 31, 2013, 3sHealth had revenue totaling \$22.38 million, expenses totaling \$22.33 million, and a surplus of \$0.05 million. At March 31, 2013, 3sHealth held assets of \$18.54 million. 3sHealth's financial statements are included in its 2012-13 annual report.

3.0 BACKGROUND

On April 17, 2012, the membership of the Saskatchewan Association of Health Organizations (SAHO) amended SAHO's bylaws to change its name to Health Shared Services Saskatchewan (3sHealth) and to create its new mandate.



Under the new bylaws, a Governing Council, consisting of representatives from the regional health authorities, their affiliates, and the Saskatchewan Cancer Agency, is responsible for planning and organizing provincial shared services.¹ The Governing Council appoints a Board of Directors to oversee the operations of 3sHealth.

4.0 AUDIT CONCLUSIONS AND SCOPE

In our opinion, for the year ended March 31, 2013:

- › **3sHealth had effective rules and procedures to safeguard public resources except for the matter described in this chapter**
- › **3sHealth complied with the following authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

*An Act to Incorporate Saskatchewan Health-Care Association
3sHealth's Bylaws*

- › **3sHealth had reliable financial statements**

We used the control framework developed by the Canadian Institute of Chartered Accountants (CICA) to make our judgments about the effectiveness of 3sHealth's controls. The CICA defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

5.0 KEY FINDING AND RECOMMENDATION

In this section, we outline key observations from our assessments and the resulting recommendation.

5.1 Board Remuneration Policy Needs Clarity

3sHealth's board remuneration policy is inconsistent with similar policies elsewhere in the Government. Also, 3sHealth did not follow the approved written policy.

The Governing Council has appointed nine directors to 3sHealth's Board; four are internal directors and five are external directors. 3sHealth defines internal directors as individuals who are currently involved with healthcare systems either as employees or members of the board of directors of a regional health authority, its affiliate, or the Saskatchewan Cancer Agency. Therefore, external directors are directors who are not internal directors.

On December 13, 2011, the Governing Council approved a policy setting out remuneration rates for external directors. The rates include per diems and monthly retainers. The policy does not set out any remuneration for internal directors. During 2012-13, we found that 3sHealth paid all directors a monthly retainer and per diem for

¹ www.3shealth.ca/about-3shealth/3shealth-governance (24 September 2013).

attending board meetings, regardless of whether they were internal or external members. During 2012-13, 3sHealth paid internal directors a total of \$60,102. Paying internal directors remuneration does not comply with 3sHealth's approved policy.

On October 22, 2013, 3sHealth indicated that its practice of paying internal and external directors is consistent with the Governing Council's unwritten intention to remunerate all directors of 3sHealth's board. 3sHealth accepts that its current policy is unclear in this regard.

Also, 3sHealth defines internal directors differently than other Saskatchewan public sector agencies (i.e., Crown Investments Corporation and its subsidiary corporations, and Treasury Board agencies). Other public sector agencies consider individuals serving on boards internal if they are employed within the Government of Saskatchewan (i.e., within a Crown corporation, a Ministry, or another agency). Other public sector agencies do not pay internal directors additional remuneration. However, an exception to this policy may be made for individuals who are serving as directors on their personal time with the permission of their employer.

Two directors, who 3sHealth considers external, are employed by the Government. During 2012-13, 3sHealth paid one of those directors a monthly retainer and paid the per diem allowance to the director's employer. For the other director, it paid both the monthly retainer and per diem allowance to the director. In 2012-13, 3sHealth paid these two directors remuneration totalling \$15,771.

3sHealth has not determined whether these individuals are paid by their employer for time spent at 3sHealth, or if these individuals are serving as a director on their personal time. Paying remuneration to directors employed within the Government would result in the Government paying these individuals twice.

- 1. We recommend that Health Shared Services Saskatchewan (3sHealth) revise its Board remuneration policy to make it consistent with other public sector agencies for not remunerating directors employed within the Government of Saskatchewan and comply with the revised policy.**

