

Chapter 16

North Sask. Laundry & Support Services Ltd.

1.0 MAIN POINTS

This chapter reports the results of our audit of the North Sask. Laundry & Support Services Ltd. (NSL) for the years ended March 31, 2012 and March 31, 2013.

NSL's financial statements for 2012 and 2013 are reliable and NSL complied with authorities governing its activities. However, NSL did not have effective rules and procedures during 2012 and 2013 to safeguard public resources.

NSL needs to establish effective policies for controlling payments to employees. It also needs to approve all changes to its accounting records and regularly reconcile bank balances to accounting records. Reconciling bank balances helps ensure that accounting records are complete and accurate. Also, the Board of NSL needs to obtain complete and accurate financial information to properly supervise NSL's operations.

During the year ended March 31, 2013, NSL hired a professional accountant. NSL also hired a chief financial officer in May 2013. These two professional accountants have begun to develop and implement effective controls to safeguard public resources.

2.0 INTRODUCTION

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 regional health authorities and other organizations in Saskatchewan.

For the year ended March 31, 2013, NSL had revenue of \$6.2 million (2012 - \$6.6 million), expenses of \$6.9 million (2012 - \$6.6 million), an operating deficit of \$0.7 million (2012 - nil), and held assets of \$6.0 million (2012 - \$7.1 million) at year end.

3.0 AUDIT CONCLUSIONS AND SCOPE

Our Office 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*.¹

We previously reported that our work on NSL for the year ended March 31, 2012 was incomplete because management could not prepare annual financial statements. We have now completed our work for the years ended March 31, 2012 and March 31, 2013.

¹ See our website at www.auditor.sk.ca.



In our opinion, for the years ended March 31, 2012 and March 31, 2013:

- › North Sask. Laundry & Support Services Ltd. did not have effective rules and procedures to safeguard public resources as described in this chapter
- › North Sask. Laundry & Support Services Ltd. complied with the following authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:

The Saskatchewan Business Corporations Act, 1997
The Regional Health Services Act
Orders in Council issued under the above legislation

- › North Sask. Laundry & Support Services Ltd. financial statements for each year are reliable

To do our work, we used the control framework developed by Canadian Institute of Chartered Accountants (CICA) to make our judgments about the effectiveness of NSL'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. Our work consisted of review and evaluation of NSL's controls and the testing of such items as we considered necessary to form our opinions below.

4.0 KEY FINDINGS AND RECOMMENDATIONS

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

4.1 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 – Partially Implemented

NSL has not established effective policies for controlling payments to its employees. NSL has approximately 80 employees. In 2013, NSL spent about \$3.6 million (2012 - \$3.6 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.

At year-end, NSL manually prepared working papers showing each employee's benefits earned and benefits used. As a result, NSL was able to determine how much it owed to its employees for unused vacation pay and other benefits (e.g., banked time) at year-end.

4.2 Accurate and Complete Accounting Records Needed

We recommended that North Sask. Laundry & Support Services Ltd. maintain complete and accurate financial records. (2012 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

Status – Partially Implemented

During the year ended March 31, 2013, NSL hired a professional accountant. NSL also hired a chief financial officer in May 2013. The professional accounting staff made improvements to the financial accounting records during the year. However, we found that the weaknesses identified in the prior year continued to exist. For example, NSL did not reconcile its financial records for amounts others owed to NSL and amounts it owed to others until after year-end.

We recommended that North Sask. Laundry & Support Services Ltd. reconcile its recorded bank balances to the bank's records on a timely basis. (2012 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

Status – Partially Implemented

NSL reconciled its recorded balances to the bank's accounting records. However, these reconciliations were not done on a timely basis. NSL needs to complete regular bank reconciliations on a timely basis to ensure that all transactions have been properly recorded and that the accounting records are accurate.

We recommended that North Sask. Laundry & Support Services Ltd. approve all journal vouchers. (2012 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

Status – Partially Implemented

NSL management began reviewing and approving journal vouchers during the year. Lack of approval of journal vouchers increases the risk that errors and frauds may be perpetrated and concealed without detection.



4.3 Board Needs to Monitor Operations

We recommended that the Board of Directors regularly monitor operations of North Sask. Laundry & Support Services Ltd. (2012 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

Status – Partially Implemented

The Board met regularly to discuss the operations of NSL. However, as described below, the Board did not receive complete, timely, and accurate information during the year.

We recommended that North Sask. Laundry & Support Services Ltd. provide its Board of Directors with accurate and timely interim financial reports. (2012 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

Status – Not Implemented

During the year, the Board did not receive interim financial reports on a timely basis. Because NSL did not maintain accurate and complete financial records until after March 31, 2013, the financial information that the Board received during the year was 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's performance.

We recommended that North Sask. Laundry & Support Services Ltd. comply with its established delegation of authority. (2012 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

Status – Implemented

NSL has established a delegation of authority grid for purchasing goods and services and approving employee expenses. NSL complied with its delegation of authority for approval of transactions.