

Chapter 18

Regina Qu'Appelle Regional Health Authority

1.0 MAIN POINTS

Regina Qu'Appelle Regional Health Authority (Regina Qu'Appelle) had reliable financial statements, and it complied with the authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. It had effective rules and procedures to safeguard public resources with the following exceptions. It needs to improve its budgeting and financial reporting processes, establish an internal audit function, strengthen its information technology (IT) security, and establish and test a disaster recovery plan.

2.0 INTRODUCTION

The Regional Health Services Act (the Act) created Regina Qu'Appelle. The Act makes Regina Qu'Appelle responsible for the planning, organization, delivery, and evaluation of health services in its health region or any other area that may be directed by the Minister of Health. The Act makes the Cabinet-appointed Board responsible for administering the affairs and conducting the business of the regional health authority.

Regina Qu'Appelle provides specialized health care for 500,000 residents in southern Saskatchewan (including almost 280,000 who live in the health region). It has over 7,700 employees.

Each year, over 90% of Regina Qu'Appelle's revenue is grants from the Ministry of Health. For the year ended March 31, 2014, Regina Qu'Appelle had revenues of \$1.02 billion (2013: \$0.97 billion) including \$0.93 billion (2013: \$0.88 billion) of grants from the Ministry of Health, and expenses of \$1.04 billion (2013: \$1.01 billion).¹ At March 31, 2014, it held assets of \$0.39 billion (2013: \$0.38 billion) including capital assets of \$0.33 billion (2013: \$0.33 billion) and liabilities of \$0.18 billion (2013: \$0.16 billion).

3.0 AUDIT CONCLUSIONS AND SCOPE

In our opinion, for the year ended March 31, 2014:

- › **Regina Qu'Appelle had effective rules and procedures to safeguard public resources except for the matters reported in this chapter**
- › **Regina Qu'Appelle complied with the following authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

The Critical Incident Regulations
The Health Information Protection Act
The Health Labour Relations Reorganization (Commissioner) Regulations
The Housing and Special-care Homes Regulations

¹ Total of operating and restricted funds from audited financial statements for the year ended March 31, 2014.



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
The Regina Qu'Appelle Regional Health Authority Board Bylaws
Orders in Council issued pursuant to the above legislation

› **Regina Qu'Appelle had reliable financial statements**

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

We examined the effectiveness of Regina Qu'Appelle's financial-related controls used to administer its revenues, expenses, assets, and liabilities. These controls included Regina Qu'Appelle's governance and financial management reporting. Also, we examined the effectiveness of the controls it used to keep reliable financial records and prepare reliable financial reports.

As Regina Qu'Appelle's major expenses consist of payroll and other goods and services, we examined its processes for preparing and processing payroll, and ordering, paying for, and receiving goods and services. We also examined Regina Qu'Appelle's processes to safeguard and control its major medical equipment and information technology (IT) systems and data.

4.0 KEY FINDINGS AND RECOMMENDATIONS

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

4.1 **Timely Approval of Budget Needed**

We recommended that the Board of Directors of the Regina Qu'Appelle Regional Health Authority review and approve future budgets on a timely basis. (2013 Report – Volume 1; Public Accounts Committee has not yet considered this recommendation)

Status – Partially Implemented

Budgets set out the financial expectations of an agency. We expected the Board to receive and approve the budget, subject to the Ministry of Health's approval, prior to the beginning of its fiscal year (April 1). We recognize that the Government typically tables its Budget in mid-March each year; this includes planned expenses on health. As such, we expected the Board to revise its budget, if necessary, when the funding from the Ministry was finalized.

Regina Qu'Appelle's Board approved the budget for 2014-15 on May 28, 2014 – two months after the start of its fiscal year (April 1). By this time, Regina Qu'Appelle had already incurred two months of deficit.

Prior to the beginning of its fiscal year, the Board received an interim financial plan. On March 26, 2014, the Board approved the direction for financial planning for 2014-15. The interim financial plan did not include a detailed budget. Rather, the purpose of the plan was to reflect on the 2013-14 planning process and to provide an early look at the 2014-15 financial information. It included some high-level information on the 2014-15 financial situation (e.g., anticipated operating revenues and expenditures).

4.2 Reasons for Actual-to-Budget Differences Received

We recommended that Regina Qu'Appelle Regional Health Authority include in its monthly financial reports to the Board of Directors complete reasons for differences between the year-to-date budgeted and actual expenses. (2013 Report – Volume 1; Public Accounts Committee has not yet considered this recommendation)

Status – Implemented

During 2013-14, Regina Qu'Appelle improved the monthly financial reports that it provided to the Board by including complete reasons for differences between the year-to-date budgeted and actual expenses. See **Section 4.3** for concerns about the projections included in these reports.

4.3 Reasonable and Supportable Projections Needed

We recommended that Regina Qu'Appelle Regional Health Authority provide the Board of Directors reliable monthly financial reports that include reasonable and supportable projections of year-end results. (2013 Report – Volume 1; Public Accounts Committee has not yet considered this recommendation)

Status – Not Implemented

While the Board received monthly financial reports throughout the year, the projections included in these reports need improvement.

To be a useful management tool, projections must be reasonable and supportable. During our review of a sample of its monthly financial reports, Regina Qu'Appelle could not provide us with support for the projected deficit included in the reports, or explain why the projected deficit differed significantly from the actual results.



4.4 Improved Monitoring of Financial Reports, but More Work Needed

We recommended that the Board of Directors of Regina Qu'Appelle Regional Health Authority perform regular, timely, and thorough reviews of financial reports. (2013 Report – Volume 1; Public Accounts Committee has not yet considered this recommendation)

Status – Partially Implemented

During 2013-14, while the Board received and reviewed all of the monthly financial reports on a timely basis, as noted in **Section 4.3**, those reports were not adequate. Without adequate information, the Board is unable to perform a thorough review of the financial reports.

As noted in **Section 4.6**, the Board has requested the appointment of an individual with financial expertise to help the Board with its assessment of the financial reports.

4.5 Formal Plan to Address Operating Deficits Needed

We recommended that Regina Qu'Appelle Regional Health Authority develop action plans to address projected operating deficits and provide a formal plan to the Board of Directors for approval. (2013 Report – Volume 1; Public Accounts Committee has not yet considered this recommendation)

Status – Not Implemented

For the year ended March 31, 2014, Regina Qu'Appelle incurred an operating deficit of \$1.6 million (2013: \$19.7 million), as compared to its planned deficit of \$15.0 million (2013: \$2.0 million surplus).

Through our review of various Board documents and minutes, we noted discussions regarding the budget, deficit reduction strategies, and Regina Qu'Appelle's financial status. However, Regina Qu'Appelle had not documented, nor had the Board approved, a formal plan to address the projected operating deficits.

4.6 Board Member with Financial Expertise Requested

We recommended that Regina Qu'Appelle Regional Health Authority request the Ministry of Health to appoint individuals to the Board of Directors with financial expertise necessary to assess financial reports. (2013 Report – Volume 1; Public Accounts Committee has not yet considered this recommendation)

Status – Implemented

In March 2014, the Chair of the Board asked the Minister of Health, by letter, to fill Board vacancies and appoint at least one Board member with an accounting designation to help the Board manage financial risk.

In June 2014, two new individuals were appointed to the Board; however, neither of these individuals have an accounting designation. One position on the Board was vacant at June 30, 2014.

4.7 Internal Audit Function Needed

We recommended that the Regina Qu'Appelle Regional Health Authority Board implement an internal audit function. (2008 Report – Volume 3; Public Accounts Committee agreement December 8, 2008)

Status – Not Implemented

Although the Board of Directors and management support the need to establish an internal audit function, Regina Qu'Appelle has not done so.

Regina Qu'Appelle is a large organization operating at multiple locations. Other large Saskatchewan health authorities have an internal audit function.² An internal audit function could give the Board and senior management assurance on the effectiveness of management processes and compliance with policies and procedures. Also, the function could provide assurance on the effectiveness of IT security controls to protect patient systems and data.

4.8 IT Security Needs Strengthening

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

Status – Partially Implemented

Regina Qu'Appelle had documented some IT security policies and procedures (e.g., granting access and defining password requirements). However, Regina Qu'Appelle did not always follow its procedures for removing unnecessary user accounts on a timely basis.

During our testing, we noted that access for nine individuals no longer employed by Regina Qu'Appelle was not removed on a timely basis. Regina Qu'Appelle took between 10 to 44 days after those individuals' last day of employment to remove their access.

² At March 31, 2014, Saskatoon and Prince Albert Parkland Regional Health Authorities have internal audit functions.



Staff need to follow Regina Qu'Appelle's procedures for removing unneeded user accounts on a timely basis. Lack of compliance with security processes could compromise the confidentiality, integrity, and availability of Regina Qu'Appelle's IT systems and data.

4.9 Establishment and Testing of Disaster Recovery Plan Needed

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

Status – Partially Implemented

The primary function of a disaster recovery plan is to rebuild IT resources after a major disaster or other interruption.

Regina Qu'Appelle relies on IT systems and data to support the delivery of patient care. As noted in our *2013 Report – Volume 2*, Regina Qu'Appelle had identified some staff roles and responsibilities related to disaster recovery, had documented recovery time objectives for key systems, and had identified the need for an alternate computer facility.

At March 31, 2014, Regina Qu'Appelle did not have a complete plan that identifies how it would restore its IT systems and data. Management advised us that Regina Qu'Appelle is working with a consultant to develop a disaster recovery model, including an implementation plan for disaster recovery and the associated costs. It expects this model to be developed by the end of the 2014-15 fiscal year.