

Chapter 19

Regional Health Authorities

1.0 MAIN POINTS

This chapter reports the results of our audits of 10 of the 12 regional health authorities (RHAs). Chapters 18 and 25 report the results of our audits of the remaining two RHAs—Regina Qu'Appelle RHA and Saskatoon RHA, respectively.

Four of the 10 RHAs had reliable financial statements; Cypress, Five Hills, Heartland, Prairie North, PA Parkland, and Sun Country RHAs did not follow Canadian generally accepted accounting principles for the public sector in that they did not properly account for healthcare facilities built or acquired under shared ownership agreements with the Ministry of Health. As a result, the auditors' reports on each of these 2014 financial statements is qualified because each of those financial statements contained significant errors.

Seven of the 10 RHAs complied with authorities governing their activities; Cypress, Mamawetan Churchill River, and Keewatin Yatthé did not. Each one of these three RHAs did not have a written agreement for providing funding to other healthcare organizations, as the law expects.

Most RHAs continue to make progress towards improving their processes. Five RHAs need to do more to better protect their information technology systems and data. Four RHAs do not have up-to-date or tested disaster recovery plans. While Mamawetan Churchill River is also improving some processes, it needs to do more to control its payroll costs for amounts paid as overtime.

2.0 INTRODUCTION

The Regional Health Service Act (Act) created 12 regional health authorities in Saskatchewan. The Act makes RHAs responsible for the planning, organization, delivery, and evaluation of health services in their respective health regions. **Figure 1** lists the 10 RHAs discussed in this chapter, the names of their appointed auditors, and the key financial results for 2013-14.

Figure 1 — Regional Health Authority and Appointed Auditor

Regional Health Authority	Appointed Auditor at March 31, 2014	2013-14 Revenues	2013-14 Annual Surplus (Deficit)	Fund Balance at March 31, 2014
(in millions)				
Cypress	Stark & Marsh LLP	\$ 142.1	\$ 6.3	\$ 86.4
Five Hills	Virtus Group LLP	163.4	10.0	55.2
Heartland	KPMG LLP	114.5	9.1	62.9
Kelsey Trail	NeuPath Group, PC Inc.	130.8	3.5	50.5
Keewatin Yatthé	MNP LLP	28.0	(0.9)	23.1
Mamawetan Churchill River	Deloitte LLP	30.3	(0.1)	10.2



Regional Health Authority	Appointed Auditor at March 31, 2014	2013-14 Revenues	2013-14 Annual Surplus (Deficit)	Fund Balance at March 31, 2014
(in millions)				
Prairie North	Menssa Baert Cameron Odishaw La Cock	278.2	(1.9)	51.5
Prince Albert Parkland	MNP LLP	230.0	1.3	72.4
Sun Country	Virtus Group LLP	162.5	11.2	68.4
Sunrise	Collins Barrow PQ LLP	219.6	(4.2)	27.1

Source: Audited financial statements of each regional health authority.

3.0 AUDIT CONCLUSIONS AND SCOPE

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

-) The financial statements for Kelsey Trail, Keewatin Yatthé, Mamawetan Churchill River, and Sunrise are reliable. The financial statements for Cypress, Five Hills, Heartland, Prairie North, Prince Albert Parkland, and Sun Country contain significant errors related to accounting for certain healthcare facilities as described in Section 4.3.**
-) Each of the 10 regional health authorities listed in Figure 1 complied with the following authorities governing their activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the matters 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

-) Each of the 10 regional health authorities listed in Figure 1 had effective rules and procedures to safeguard public resources except for the matters described in this chapter.**

To complete our audits, we worked with each of the RHAs' appointed auditors using the framework recommended in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*.¹

We used the control framework developed by the Canadian Institute of Chartered Accountants to make our judgments about the effectiveness of the RHAs' 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.

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

For Mamawetan Churchill River, we did additional work to assess its documentation of medication administered to patients. Our work consisted of observation and discussion with management and staff at Mamawetan Churchill River, and testing of selected procedures.

4.0 KEY FINDINGS AND RECOMMENDATIONS

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

Sections 4.1 to 4.7 set out areas where improvements were needed at March 31, 2014. **Figure 2** compiles those areas by regional health authority. **Sections 4.8 to 4.13** notes areas where regional health authorities have improved their processes or practices and have fully implemented our past recommendations.

Figure 2—Compilation of Outstanding Recommendations by Regional Health Authority

Regional Health Authority	4.1 Agreements with Healthcare Organizations	4.2 Protection of IT Systems	4.3 Accounting for Healthcare Facilities	4.4 Up-to-date and Tested Disaster Recovery Plan	4.5 Control of Capital Assets	4.6 Support and Approval of Staff Overtime	4.7 Review and Approval of Financial Records
Cypress	X		X	X			
Five Hills			X				
Heartland		X	X	X			
Kelsey Trail							
Keewatin Yatthé	X	X			X		
Mamawetan Churchill River	X	X		X		X	X
Prairie North			X				
Prince Albert Parkland		X	X				
Sun Country		X	X				
Sunrise				X			

4.1 Cypress, Mamawetan Churchill River, and Keewatin Yatthé—Each Need Agreements with Healthcare Organizations

Cypress and Mamawetan Churchill River each need to comply with *The Regional Health Services Act* to provide funding to healthcare organizations (HCO).²

The above two RHAs use various HCOs to provide healthcare services to residents. *The Regional Health Services Act (Act)* does not allow RHAs to provide funding to HCOs

² Healthcare organizations means affiliates or other prescribed organizations that operate special care homes designated pursuant to *The Facility Designation Regulations* and includes healthcare organizations that are not designated.



without written agreements. These RHAs have written agreements with most but not all of their HCOs.

In 2013-14, each of these RHAs provided funding to various HCOs without written agreements. Cypress provided \$1.8 million to a HCO; Mamawetan Churchill River provided \$145,000 to another HCO. Accordingly, Cypress and Mamawetan Churchill River did not comply with the Act.

1. We recommend that Cypress Regional Health Authority comply with *The Regional Health Services Act* when providing funding to healthcare organizations in the region.

2. We recommend that Mamawetan Churchill River Regional Health Authority comply with *The Regional Health Services Act* when providing funding to healthcare organizations in the region.

We recommended that Keewatin Yatthé Regional Health Authority comply with *The Regional Health Services Act* when providing funding to healthcare organizations in the region. (2013 Report – Volume 2; Public Accounts Committee agreement March 26, 2014)

Status – Not Implemented

Although Keewatin Yatthé has signed an agreement with the HCO to which it had provided funding in 2012-13 without an agreement, it provided \$292,000 in 2013-14 to another HCO without a signed agreement. Accordingly, it did not comply with the Act.

4.2 Sun Country, Heartland, Keewatin Yatthé, Mamawetan Churchill River, and PA Parkland— Each Need Better Protection of IT Systems and Data

As noted in this section, the following five RHAs (Sun Country, Heartland, Keewatin Yatthé, Mamawetan Churchill River, and PA Parkland) each need to better protect their information technology (IT) systems and data.

Delays in removing unneeded access to systems and data increase the risk of inappropriate access to systems and data. Non-compliance with or lack of established policies increases the risk of inappropriate and unauthorized changes to IT systems and data.

Staff at Sun Country did not always follow its policy to remove user access to inactive accounts. Sun Country requires staff to remove user access for individuals whose accounts remained inactive for more than 60 days. During the year, staff did not always

follow this policy. We noted that staff did not promptly remove access for 7 out of 15 inactive accounts that we tested. At March 31, 2014, some of those accounts had been inactive for more than two years.

3. We recommend that Sun Country Regional Health Authority follow its established policy to remove unneeded user access to its information technology systems and data.

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 – Partially Implemented

During the year, Heartland did some work to improve the confidentiality, integrity, and availability of its IT systems and data. It implemented new processes to remove user access to its systems and data for those who no longer needed it, and to review and monitor its system administrator's activity. However, Heartland continues to need to restrict physical access to its IT equipment.

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 – Not Implemented

During the year, although Keewatin Yatthé made some progress, we found several instances where individuals no longer employed by the region continued to have access to Keewatin Yatthé 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 – Not Implemented

During the year, Mamawetan Churchill River followed its process for timely identification and removal of user access. However, some of its employees use generic user accounts to access its systems and data. Also, Mamawetan Churchill River has not completed its work to establish formal policies for change management procedures for its applications and database changes.



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 – Not Implemented

We found nine instances where PA Parkland did not promptly remove access to its systems and data for individuals who were no longer its employees.

4.3 Proper Accounting for Certain Healthcare Facilities Needed

We recommended that Cypress Regional Health Authority, Five Hills Regional Health Authority, Heartland Regional Health Authority, Prairie North Regional Health Authority, Prince Albert Parkland Regional Health Authority, and Sun Country Regional Health Authority follow Canadian generally accepted accounting principles for the Public Sector to prepare their financial statements. (2013 Report – Volume 2; Public Accounts Committee agreement March 26, 2014)

Status – Not Implemented

The 2014 financial statements for six RHAs continue to contain significant errors—Cypress, Five Hills, Heartland, Prairie North, Prince Albert Parkland, and Sun Country (the listed RHAs). As a result, the appointed auditor for each of these RHAs issued a qualified audit opinion³ on the related set of 2014 financial statements.

Each of the listed RHAs, under an agreement with the Ministry of Health (called a shared ownership agreement) received funding to build or acquire certain healthcare facilities. As in the prior year, the listed RHAs did not follow Canadian generally accepted accounting principles for the public sector (Canadian GAAP) in preparing their 2014 financial statements when accounting for transactions under these agreements. Canadian GAAP requires agencies to record transactions to reflect their substance rather than their legal form. The Ministry of Health directed these RHAs to account for these agreements based on their legal form. As a result, the listed RHAs did not correctly account for healthcare facilities under “shared ownership” agreements resulting in significant errors in their 2014 financial statements.

Because the listed RHAs did not correctly account for healthcare facilities under shared ownership agreements, their 2014 financial statements report incorrect amounts at year-end. At the year-end, the financial statements cumulatively understate capital assets by \$114.9 million, overstate accounts payable to the Ministry of Health by \$37.2 million, and understate restricted fund balances by \$152.1 million. Those financial statements also cumulatively understate their revenue for the year and their annual surplus by \$110.3 million.

³ An auditor expresses a qualified opinion when the auditor, having obtained appropriate audit evidence, concludes that misstatements, individually or in aggregate, are material, but not pervasive, to the financial statements.

As reflected in the auditor's report on each of these financial statements, not following Canadian GAAP has resulted in each of the listed RHAs preparing financial statements that contain significant errors.

4.4 Cypress, Heartland, Mamawetan Churchill River, and Sunrise—Each Need Up-to-Date or Tested Disaster Recovery Plans

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 – Implemented (Five Hills, Kelsey Trail, Keewatin Yatthé, Prairie North, Sun Country, and Prince Albert Parkland); Partially Implemented (Cypress, Sunrise); Not Implemented (Heartland, and Mamawetan Churchill River)

Almost all regional health authorities made progress in having complete and tested disaster recovery plans (DRPs). In 2013-14, Five Hills, Kelsey Trail, Keewatin Yatthé, Prairie North, Sun Country, and Prince Albert Parkland each had complete and tested DRPs. Cypress and Sunrise each had partial DRPs but need to complete documenting and testing DRPs to assess their effectiveness. Heartland and Mamawetan Churchill River did not have updated and tested DRPs.

Not having up-to-date and tested DRPs increases the risk that systems and data may not be available when needed.

4.5 Keewatin Yatthé Needs Better Control of its 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 – Partially Implemented

During the year, Keewatin Yatthé completed a count of its information technology equipment, and plans to count the rest of its capital assets by December 2015.



4.6 Mamawetan Churchill River Needs to Check Support and Approval of Staff Overtime

We recommended that Mamawetan Churchill River Regional Health Authority establish a process to control overtime costs resulting from calling staff back to work to provide healthcare services outside their assigned shifts. (2013 Report – Volume 2; Public Accounts Committee agreement March 26, 2014)

Status – Not Implemented

While Mamawetan Churchill River has taken some steps to control its overtime costs resulting from calling staff back⁴ to provide services, it needs to do more work. Although the amount it paid for monthly call-back to staff has decreased, management could not provide us with evidence of its review and approval of:

- › Call-back timesheets prior to processing payroll
- › The monthly call-back payroll
- › The payroll register before making payments to staff

Lack of review and approval of the payroll register prior to making payments could result in system errors or improprieties in payroll without detection.

4.7 Mamawetan Churchill River Needs to Review and Approve its Financial Records

We recommended that Mamawetan Churchill River Regional Health Authority establish a process to review and approve all key financial procedures (e.g., bank reconciliations, journal entries). (2013 Report – Volume 2; Public Accounts Committee agreement March 26, 2014)

Status – Not Implemented

Mamawetan Churchill River continues to develop policies and procedures to ensure management reviews and approve all key financial procedures on a timely basis. It expects to complete this process late in 2014.

Not having complete financial policies and procedures increases the risk of staff not having a full understanding of the financial accounting and reporting processes, their related responsibilities and the risk of errors going undetected.

⁴ Based on the Collective Agreement between the Saskatchewan Association of Health Organizations and the Saskatchewan Union of Nurses 2012-2014, a call back is when an employee is brought back to duty during a stand by duty period. The employee is deemed to be working overtime for the time worked with a guaranteed minimum payment of two hours on each occasion of call back.

4.8 Prince Albert Parkland Signed Agreements with Healthcare organizations

We recommended that Prince Albert Parkland Regional Health Authority comply with *The Regional Health Services Act* when providing funding to healthcare organizations in the region. (2013 Report – Volume 2; Public Accounts Committee agreement March 26, 2014)

Status – Implemented

During the year, PA Parkland did not provide funding to any HCOs without a written agreement.

4.9 Cypress Segregated Key Financial Duties

We recommended that Cypress Regional Health Authority adequately segregate duties of its staff working with its financial accounting system. (2012 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

Status – Implemented

During the year, Cypress addressed this recommendation. It has now segregated duties of staff working with its financial accounting system. Cypress revised staff duties so that one employee cannot both enter and approve transactions in the accounting system.

4.10 Keewatin Yatthé and Prairie North Approving Employee Time Cards

We recommended that Keewatin Yatthé Regional Health Authority follow its processes to pay its employees based on properly approved timecards. (2013 Report – Volume 2; Public Accounts Committee agreement March 26, 2014)

Status – Implemented

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 – Implemented



During the year, Keewatin Yatthé and Prairie North followed their processes to pay their employees based on properly-approved timecards; we did not find any exception during our testing of each of these RHAs' payrolls.

4.11 Prairie North Removing User Access Promptly

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 – Implemented

During the year, Prairie North's process for timely identification and removal of user access worked effectively. During our testing, we found no instances where user access of individuals no longer employed by the Prairie North was not removed promptly.

4.12 Mamawetan Churchill River Documented Medicine Administered to Patients in Patient Files

We recommended that Mamawetan Churchill River Regional Health Authority establish a process to ensure its staff properly document in patient files who prescribed the medication administered. (2013 Report – Volume 2; Public Accounts Committee agreement March 26, 2014)

Status – Implemented

We recommended that Mamawetan Churchill River Regional Health Authority establish processes to ensure medications are only administered to patients who have been registered in its healthcare facilities. (2013 Report – Volume 2; Public Accounts Committee agreement March 26, 2014)

Status – Implemented

During the year, Mamawetan Churchill River designated a healthcare professional to ensure staff properly document, in patient files, the names of healthcare professionals who prescribe the medicine administered. Other than one incident in April of 2013, we found no other exceptions in our testing of patient files. This healthcare professional also ensures drug inventory records document the name of the patient who received medicine and the nurse who administered it. We found no exceptions in our testing of the inventory records.

4.13 Prairie North Created 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 – Implemented

During the year, management of Prairie North presented to its Board of Directors a cost-benefit analysis that assessed the need for an internal audit function. Subsequently, Prairie North hired a professional accountant to perform some of the internal audit functions. The Board's audit and finance committee can direct this individual to work on special audit projects and report findings to the committee.

