

Chapter 19

Regional Health Authorities

1.0 MAIN POINTS

This chapter reports the results of our annual audit of 11 regional health authorities (RHAs). A separate chapter reports the results of our annual audit of Regina Qu'Appelle RHA because we audit it directly.

Four of the 11 RHAs' 2015 financial statements are reliable. Cypress, Five Hills, Heartland, Prairie North, PA Parkland, Kelsey Trail, and Sun Country continued to not follow Canadian generally accepted accounting principles for the public sector when accounting for healthcare facilities acquired under shared ownership agreements with the Ministry of Health. Because each of those financial statements contained significant errors, the auditor's report on each of those financial statements is qualified. Subsequent to the completion of the RHAs' 2015 financial statements, Treasury Board decided to support the RHAs changing their accounting of shared ownership agreements, for the future financial statements, to align with the views of their auditors.

Nine of the 11 RHAs complied with authorities governing their activities. Two RHAs, Mamawetan Churchill River and Keewatin Yatthé did not have written agreements, as the law requires, for giving money to other healthcare organizations who provided healthcare services on their behalf.

Five of the 11 RHAs had effective controls to safeguard public resources. Heartland, Mamawetan Churchill River, PA Parkland, and Sun Country need to better protect their information technology (IT) systems and data. Mamawetan Churchill River and Sunrise also need to have up-to-date and tested disaster recovery plans. Mamawetan Churchill River has been slow in addressing our past recommendations, some that we first made in 2004. Continued weaknesses in controls increase the risk of errors and misappropriations without ready detection.

2.0 INTRODUCTION

The Regional Health Services 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 11 RHAs discussed in this chapter, the names of their appointed auditors, and the key financial results for 2014-15.

Figure 1—2015 Appointed Auditor and Financial Highlights by Regional Health Authority

Regional Health Authority	Appointed Auditor at March 31, 2015	2014-15 Revenues	2014-15 Annual Surplus (Deficit)	Fund Balance at March 31, 2015
(in millions)				
Cypress	Stark & Marsh LLP	\$ 180.4	\$ 43.7	\$ 130.0
Five Hills	Virtus Group LLP	\$ 167.7	\$ 11.1	\$ 66.3
Heartland	KPMG LLP	\$ 109.7	\$ 2.2	\$ 65.2
Kelsey Trail	NeuPath Group, PC Inc.	\$ 129.0	\$ (0.1)	\$ 50.7



Regional Health Authority	Appointed Auditor at March 31, 2015	2014-15 Revenues	2014-15 Annual Surplus (Deficit) (in millions)	Fund Balance at March 31, 2015
Keewatin Yatthé	MNP LLP	\$ 29.6	\$ (0.6)	\$ 22.5
Mamawetan Churchill River	Deloitte LLP	\$ 32.2	\$ (0.3)	\$ 9.9
Prairie North	Cameron Odishaw La Cock	\$ 284.4	\$ 2.21	\$ 53.7
Prince Albert Parkland	MNP LLP	\$ 238.7	\$ 2.8	\$ 75.3
Saskatoon	KPMG LLP	\$ 1,191.6	\$ (21.3)	\$ 360.2
Sun Country	Virtus Group LLP	\$ 163.4	\$ 6.9	\$ 75.3
Sunrise	Collins Barrow PQ LLP	\$ 225.5	\$ (1.9)	\$ 25.1

Source: Audited financial statements of each regional health authority.

3.0 AUDIT CONCLUSIONS AND SCOPE

In our opinion, for the year ended March 31, 2015:

- › **The financial statements for Keewatin Yatthé, Mamawetan Churchill River, Saskatoon, and Sunrise are reliable. The financial statements for Cypress, Five Hills, Heartland, Kelsey Trail, 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 11 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 related to Mamawetan Churchill River and Keewatin Yatthé:**

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 Executive Government Administration Act
 Each RHA's Bylaws
 Orders in Council issued pursuant to the above legislation

- › **Each of the 11 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 published by CPA Canada to make our judgments about the effectiveness of the RHAs' controls. The control framework defines control as

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

comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

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

Sections 4.1 to 4.7 set out areas where improvements were needed at March 31, 2015. Figure 2 compiles those areas by regional health authority.

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				
Five Hills			X				
Heartland		X	X				
Kelsey Trail			X				
Keewatin Yatthé	X				X		
Mamawetan Churchill River	X	X		X		X	X
Prairie North			X				
Prince Albert Parkland		X	X				
Saskatoon							
Sun Country		X	X				
Sunrise				X			

4.1 Mamawetan Churchill River and Keewatin Yatthé Need Agreements with Healthcare Organizations

We recommended that Cypress Regional Health Authority comply with *The Regional Health Services Act* when providing funding to healthcare organization in the region. (2014 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

Status – Implemented

During 2014-15, Cypress did not provide funding to any healthcare organization without a properly signed agreement.



We recommended that Mamawetan Churchill River Regional Health Authority comply with *The Regional Health Services Act* when providing funding to healthcare organizations in the region. (2014 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

Status – Not Implemented

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

Both Mamawetan Churchill River and Keewatin Yatthé RHAs use various health care organizations (HCOs) to provide healthcare services to residents. *The Regional Health Services Act* (Act) does not allow RHAs to provide funding to HCOs without written agreements. These RHAs have written agreements with most, but not all of their HCOs. In 2014-15, Mamawetan Churchill River gave \$148,000 to a HCO, and Keewatin Yatthé expensed \$292,000 to another HCO without written agreements. Accordingly, Mamawetan Churchill River and Keewatin Yatthé did not comply with the Act.

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

We recommended that Sun Country Regional Health Authority follow its established policy to remove unneeded user access to its information technology systems and data. (2014 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

Status – Not Implemented

Although Sun Country has policies requiring prompt removal of unneeded user access to its information systems and data, staff did not always comply with those policies. We noted that 7 out of the 12 individuals that we tested did not have their access removed in a timely manner.

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 properly secured its IT equipment and established processes to promptly remove unneeded access to information systems and data. However, its staff did not always follow them.

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 – Partially Implemented

During the year, Mamawetan Churchill River followed its process for timely identification and removal of user access. Although Mamawetan Churchill River has established policies and procedures for updating its IT systems and data, it has not yet approved those policies and procedures.

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 for four instances out of the eight that we tested PA Parkland did not promptly remove unneeded access to its information systems and data.

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 – Implemented

During the year, we found that for the individuals we tested, Keewatin Yatthé promptly removed their access to its information systems and data.



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 – Partially Implemented

The 2015 financial statements for seven RHAs contained significant errors—Cypress, Five Hills, Heartland, Kelsey Trail,² Prairie North, Prince Albert Parkland, and Sun Country. As a result, the appointed auditor for each of these RHAs (listed RHAs) issued a qualified audit opinion³ on the related set of 2015 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. The listed RHAs did not follow Canadian generally accepted accounting principles for the public sector (Canadian GAAP) in preparing their 2015 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. In 2014-15, 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 2015 financial statements.

Because the listed RHAs did not correctly account for healthcare facilities under shared ownership agreements, their 2015 financial statements report incorrect amounts at year-end. At year-end, the financial statements cumulatively understate capital assets by \$172.0 million, overstate accounts payable to the Ministry of Health by \$1.5 million, and understate restricted fund balances by \$173.5 million. Those financial statements also cumulatively understate the listed RHAs’ revenue for the year and their annual surplus by \$21.0 million.

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.

Subsequent to the completion of the audits of RHAs, this accounting issue was resolved for future financial statements. Treasury Board, after consultations with the Ministry of Finance and further consideration of this matter, decided to support RHAs changing their accounting for shared ownership agreements starting in 2015-16 to align with the views of their auditors.

² This error was not significant for the 2014 financial statements of Kelsey Trail.

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.

4.4 Sunrise and Mamawetan Churchill River Need to Complete their 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 (Cypress, and Heartland), Partially Implemented (Sunrise), Not Implemented (Mamawetan Churchill River)

During 2014-15, almost all RHAs had a complete and tested disaster recovery plan (DRP) except for Sunrise and Mamawetan Churchill River.

Sunrise made significant progress in 2014-15 but had not yet finalized or tested its DRP. By March 2015, Mamawetan Churchill River had established processes to back-up its IT systems and data, but had not completed its DRP. Once DRPs are complete or finalized, they must be tested to determine whether they work as intended.

Not having up-to-date and tested DRPs increases the risk that IT 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 records regularly. (2008 Report – Volume 3; Public Accounts Committee agreement December 8, 2008)

Status – Not Implemented

During 2014-15, Keewatin Yatthé did not make any progress towards meeting this recommendation. At year-end, it had capital assets totalling \$1.3 million. However, because it does not periodically count its capital assets and compare them to its accounting records, it does not know if those assets exist or where they are located.

Management indicated that Keewatin Yatthé plans to count all 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

During 2014-15, Mamawetan Churchill River made little progress to address this recommendation. At March 2015, it did not approve all time sheets prior to processing payroll, its monthly call-back⁴ payroll, or the payroll register before making payments. Lack of review and formal approval of timesheets, call-back payroll, or 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 – Partially Implemented

In 2014-15, Mamawetan Churchill River continued to develop policies and procedures over management reviewing and approving key financial procedures on a timely basis. Starting in 2014-15, it required a senior manager to review and approve all changes (journal entries) to Mamawetan Churchill River's financial records. It has also drafted a policy related to adding and deleting suppliers on its master vendor list. However, by March 2015, it had not approved or implemented this policy.

Not having complete financial policies and procedures increases the risk of staff not having a full understanding of their responsibilities relating to the key financial procedures and reporting processes.

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.