

Chapter 6 Healthcare Affiliates

1.0 MAIN POINTS

This chapter summarizes the results of the 2019-20 annual audits of 36 healthcare affiliates. Each of the 36 healthcare affiliates had effective rules and procedures to safeguard public resources for 2019-20.

The 2019-20 financial statements of each of these healthcare affiliates are reliable with one exception. Raymore Community Health and Social Centre failed to record or amortize the cost of any tangible capital assets in its 2019-20 financial statements.

Also, one of the 36 healthcare affiliates (All Nations' Healing Hospital Inc.) did not seek approval for two capital projects exceeding \$100,000 each as required by law.

2.0 INTRODUCTION

The Provincial Health Authority Act and related regulations set out the roles and responsibilities of the Ministry of Health, the Saskatchewan Health Authority, and Saskatchewan's 37 healthcare affiliates.¹

The Provincial Health Authority Administration Regulations designates healthcare affiliates, and makes them responsible for providing contracted health services on behalf of the Saskatchewan Health Authority. **Appendix 1** of this Report includes a list of the 37 health care affiliates. Most affiliates provide health services for long-term care patients in the healthcare system; several also provide hospital services in certain areas of the province. These healthcare affiliates employ approximately 3,000 staff.²

Figure 1 provides the combined financial results of 36 healthcare affiliates for 2018-19 and 2019-20.³

Figure 1—Health Care Affiliates' Combined Financial Results

	2019-20	2018-19
	(in millions)	
Net Financial Liabilities^A	\$ (30.8)	\$ (30.2)
Non-financial Assets^{B,C}	\$ 146.2	\$ 145.6
Grants from the Saskatchewan Health Authority	\$ 215.6	\$ 214.8

¹ St. Paul's Hospital (a healthcare affiliate located in Saskatoon) is not included in this chapter because it is consolidated into the financial statements of the Saskatchewan Health Authority.

² *Saskatchewan Health Authority 2019-20 Business Plan*, p. 37.

³ These figures do not include St. Paul's Hospital because they are consolidated into the financial statements of the Saskatchewan Health Authority. The Saskatchewan Health Authority consolidates the financial activities of St. Paul's Hospital into its financial statements given a joint service management arrangement.



	2019-20	2018-19
	(in millions)	
Other Revenue (e.g., Federal Government grants, food service revenue)	65.3	63.3
Total Revenue	\$ 281.2	\$ 278.1
Total Expense	\$ 280.1	\$ 276.4
Annual (Deficit) Surplus	\$ 1.1	\$ 1.7

Adapted from audited healthcare affiliates financial statements for the years ending March 31.

^A Net financial Assets (like cash and receivables) less liabilities (like accounts payable and debt).

^B Non-financial Assets include tangible capital assets such as buildings.

^C Non-financial Assets does not include the tangible capital assets of the Raymore Community Health and Social Centre. As reported in **Section 4.2**, its financial statements do not include this information.

Each year, the Saskatchewan Health Authority contracts with the healthcare affiliates to supply about 2,450 beds and health services.⁴ The Saskatchewan Health Authority paid \$215.6 million in 2019-20 (\$214.8 million in 2018-19) to the 36 healthcare affiliates.

3.0 AUDIT CONCLUSIONS

Our Office worked with appointed auditors (see **Appendix 2**) to carry out the annual integrated audits of the 36 healthcare affiliates.⁵ We followed the framework in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*.

In our opinion, for the year ended March 31, 2020:

- **Each healthcare affiliate complied with the following authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the matter related to All Nations' Healing Hospital Inc.:**

The Provincial Health Authority Act
The Facility Designation Regulations
The Provincial Health Authority Administration Regulations
The Special-care Homes Rates Regulations, 2011
The Trustee Act, 2009
The Health Labour Relations Reorganization (Commissioner) Regulations
The Housing & Special-care Homes Regulations
The Critical Incident Regulations, 2016
 Orders in Council pursuant to the above legislation

- **The financial statements of each healthcare affiliate are reliable except the financial statements of the Raymore Community Health and Social Centre did not account for its tangible capital assets**
- **Each healthcare affiliate had effective rules and procedures to safeguard public resources**

⁴ *Saskatchewan Health Authority 2019-20 Business Plan*, p. 38.

⁵ This Chapter does not include the results of the annual audit of the St. Paul's Hospital because the annual audit of the Saskatchewan Health Authority includes the audit of St. Paul's Hospital. See Chapter 12 for the results of the annual audit of the Authority.

We used standards for assurance engagements published in the *CPA Canada Handbook—Assurance* (including CSAE 3001 and 3531) to conduct our audit. We used the control framework included in *COSO's Internal Control—Integrated Framework* to make our judgments about the effectiveness of each healthcare affiliate'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.

As healthcare affiliates' expenses consist primarily of payroll and other goods and services, each audit included examining processes for preparing and processing payroll, and ordering, paying for, and receiving goods and services.

4.0 KEY FINDINGS AND RECOMMENDATIONS

4.1 All Nations' Healing Hospital Inc.

Approval for Projects Over \$100,000 Required

During 2019-20, All Nations' Healing Hospital Inc. did not seek approval from the Minister of Health for two capital projects exceeding \$100,000 each as required under *The Provincial Health Authority Act* and *The Provincial Health Authority Administration Regulations*.

Not seeking the Minister of Health's approval for larger renovation projects increases the risk money may be spent for items not considered a priority for the healthcare system.

1. **We recommend the All Nations' Healing Hospital Inc. seek the approval required by *The Provincial Health Authority Act* and *The Provincial Health Authority Administration Regulations* when undertaking capital projects valued at greater than \$100,000.**

4.2 Raymore Community Health and Social Centre

Recording of Cost and Amortization of Capital Assets in Financial Statements Required

Raymore Community Health and Social Centre did not record or amortize the cost of any tangible capital assets (e.g., equipment, furniture) in its financial statements for the year ended March 31, 2020. It has never recorded such transactions since its inception. The Centre opened 1981; it offers various services (e.g., foot care, blood pressure monitoring, blood sugar monitoring, lab services) to residents of Raymore and surrounding area.⁶

Raymore Community Health and Social Centre's audited financial statements were qualified for the year ended March 31, 2020 for this matter.

Canadian public sector accounting standards require entities like the Centre to record and amortize the cost of any continuing use of assets with useful economic life extending

⁶ www.rqhealth.ca/facilities-details/raymore-community-health-and-social-centre-about (21 September 2020).



beyond an accounting period. It refers to these assets as tangible capital assets. Accounting for tangible capital assets this way provides a fairer presentation of the cost of business.

Not recording or amortizing the cost of any tangible capital assets in the Centre's financial statements increases the risk the financial statements present a misleading picture of the true cost of providing services in the year and does not comply with public sector accounting standards.

- 2. We recommend the Raymore Community Health and Social Centre record and amortize the cost of its tangible capital assets in its financial statements.**