

Chapter 7 Healthcare Affiliates

1.0 MAIN POINTS

For each of the 2020–21 annual audits of 36 healthcare affiliates, all had effective rules and procedures to safeguard public resources for 2020–21.

The 2020–21 financial statements for each of these healthcare affiliates are reliable.

However in 2020–21, one of the 36 healthcare affiliates (All Nations' Healing Hospital Inc. in Fort Qu'Appelle) did not seek permission from the Minister of Health for two capital projects exceeding \$100,000 as required by law.

2.0 INTRODUCTION

The Provincial Health Authority Act and related regulations establish the roles and responsibilities for 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 2** of this Report includes a list of the healthcare affiliates. Most affiliates provide health services for long-term care patients; 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 the 36 healthcare affiliates for 2019–20 and 2020–21.³

Figure 1—Healthcare Affiliates' Combined Financial Results

	2020–21	2019–20
	(in millions)	
Net Financial Assets^A	\$ (2.2)	\$ (30.8)
Non-Financial Assets^B	127.8	146.2
Grants from the Saskatchewan Health Authority ^C	239.8	215.6
Other Revenue (e.g., Federal Government grants, food service revenue)	60.2	65.3
Total Revenue	\$ 300.0	\$ 281.2
Total Expense	\$ 290.7	\$ 280.1
Annual Surplus	\$ 9.3	\$ 1.1

Source: Adapted from audited healthcare affiliates' financial statements for the year ended March 31, 2021; *Provincial Auditor Saskatchewan 2020 Report – Volume 2*, Chapter 6, for year ended March 31, 2020.

^A Net financial assets (e.g., cash, receivables) less liabilities (e.g., accounts payable, debt).

^B Non-financial assets such as capital assets (e.g., buildings).

^C The increase in 2020–21 grants for the affiliates was due to COVID-19 pandemic funding provided by the Ministry of Health.

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 2020–21 Business Plan*, p. 38.

³ These figures do not include St. Paul's Hospital because they are consolidated into the financial statements of the Saskatchewan Health Authority.



Each year, the Saskatchewan Health Authority contracts healthcare affiliates to supply about 2,450 beds and health services.⁴ The Saskatchewan Health Authority paid \$239.8 million in 2020–21 (\$215.6 million in 2019–20) to 36 healthcare affiliates.⁵

3.0 AUDIT CONCLUSIONS

Our Office worked with appointed auditors (see **Appendix 2**) to carry out the audits of the healthcare affiliates. We followed the framework in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*.⁶

In our opinion, for the year ended March 31, 2021:⁷

- **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. below:**

The Provincial Health Authority Act
The Facility Designation Regulations
The Provincial Health Authority Administration Regulations
The Special-Care Homes Rates Regulations, 2011

The Housing & Special-Care Homes Regulations
The Trustees Act, 2009
The Health Labour Relations Reorganization (Commissioner) Regulations
Orders in Council pursuant to the above legislation

- **The financial statements of each healthcare affiliate are reliable**
- **Each healthcare affiliate had effective rules and procedures to safeguard public resources**

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

This section set out each recommendation including the date on which the Standing Committee on Public Accounts agreed to the recommendation, the status of the recommendation at March 31, 2021, and the healthcare affiliates' actions up to that date.

⁴ *Saskatchewan Health Authority 2020–21 Business Plan* p. 38.

⁵ These figures do not include St. Paul's Hospital (a healthcare affiliate located in Saskatoon) 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 because of its close relationship with this affiliate.

⁶ See our website at www.auditor.sk.ca

⁷ 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 11 for the results of the annual audit of the Authority.

4.1 All Nations' Healing Hospital Inc.—Minister Approval for Projects Over \$100,000 Required

We recommended the All Nations' Healing Hospital Inc. seek the permissions required by The Provincial Health Authority Act and The Provincial Health Authority Administration Regulations when undertaking projects valued at greater than \$100,000. (2020 Report – Volume 2, p. 47, Recommendation 1; Public Accounts Committee has not yet considered this recommendation as of October 29, 2021)

Status—Not Implemented

During 2020–21, All Nations' Healing Hospital Inc. in Fort Qu'Appelle continued to not seek permission from the Minister of Health for capital projects exceeding \$100,000 as required under *The Provincial Health Authority Act* and *The Provincial Health Authority Administration Regulations*. In 2020–21, the Hospital failed to seek permission from the Minister of Health for two capital projects exceeding \$100,000.

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

4.2 Raymore Community Health and Social Centre—Cost and Amortization of Capital Assets Appropriately Recorded in Financial Statements

We recommended the Raymore Community Health and Social Centre record and amortize the cost of its tangible capital assets in its financial statements. (2020 Report – Volume 2, p. 48 Recommendation 2; Public Accounts Committee has not yet considered this recommendation as of October 29, 2021)

Status—Implemented

Raymore Community Health and Social Centre appropriately recorded and amortized the cost of its tangible capital assets (e.g., equipment, furniture) in its financial statements for the year ended March 31, 2021.

Previously, the Centre had not recorded capital transactions in its financial statements since its inception. The Centre opened in 1981; it offers various services (e.g., foot care, blood pressure monitoring, blood sugar monitoring, lab services) to residents of Raymore and surrounding area.⁸

Properly recording and amortizing the cost of all tangible capital assets in the Centre's financial statements present an accurate picture of the true cost of providing services in the year and complies with Canadian public sector accounting standards.

⁸ www.rqhealth.ca/facilities-details/raymore-community-health-and-social-centre-about (21 September 2020).

