Public Hearing: Department of Health

The Chair: — I would like to welcome you all here this morning, and particularly welcome the Department of Health and officials with Mr. Adams.

Before we begin, I would like to bring to your attention a housekeeping matter that I think is something that we might as well deal with right away. And that is that next week the legislative staff have organized orientation meetings for the MLAs (Member of the Legislative Assembly) in regard to the implementation of the McDowell commission report. And I think that it would be appropriate that our meeting does not conflict with that. So I have a motion by Mr. Aldridge:

> That notwithstanding the regular meeting times adopted on March 19, 1996, the Standing Committee on Public Accounts shall not meet June 4, 1996, but shall reconvene to the call of the Chair.

It's moved by Mr. Aldridge.

We've left it with the reconvening at the call of the Chair. If we agree that next meeting is not appropriate, as we go the following two weeks, we could be getting into a very heavy legislative period, I understand. So maybe it would be appropriate that we call that as we get closer to it, in terms of meetings while the session is still in place.

So if there are no further . . . are there any comments or discussion on this motion? If not, are you ready for the question? All those in favour? That's carried. Thank you very much.

Without any further time taken, I would like to first of all offer a bit of an apology to Mr. Adams. After the auditor's report last week, I certainly had intended to give you an opportunity to respond on behalf of the department, and we got a little carried away. So I would certainly, before that happens again today, like to welcome you and your officials and to ask you if you would have a brief presentation to make to us at this time.

Mr. Adams: — Thank you very much. I didn't take any offence at the last meeting. I thought it was very intriguing to hear what the general discussion was about accountability of boards, and I learned a fair bit from that.

Mr. Chair, I'd first like to introduce again to you the staff with me. Kathy Langlois, our executive director of finance and management services. And to her right, Barry Lacey, the director of administration of our finance and management services branch. And to my left is Naomi Mellor, who is the director of our integrated financial services; that's mainly the district service area of our department. And Lois Borden, to her left, the executive director of the district support branch.

First, can I say to you that I was generally encouraged by the auditor's report of our activity this year. The report does recognize that we are in a developmental stage and an evolutionary stage and that a lot of people and a lot of parts of the institutions of government are contributing to making the management of the district program a singularly important event, not only for Saskatchewan, but as a model for other parts of Canada.

I think you're aware that we have visitors very routinely from across Canada and other parts of the world to come and see some of the new things that we're putting in place and to see how these elements are developing, so they can copy them — I'd like to think that they would buy them, but for the moment, copy them — in other parts of the world and take them into their own systems.

With respect to the main parts of the report, the auditor does recognize that there is significant progress that has taken place with the districts and that it is no small event to integrate all of the pieces of the system that we are integrating in order to better approach local needs and that the management challenges to that are very substantial.

I think that the very bottom line for me is, no matter how you look at this piece, district boards are now more accountable in a variety of ways, and those heath programs are more accountable than at any time in the past.

The decision-making process is also an enormous amount more transparent, and that where people in the past didn't even know what decisions were being taken, all you have to do is read the newspaper every day to find out that they do know what decisions are being contemplated now. And there are legislated opportunities for them to have public meetings as well as to have informal meetings so that on the accountability side of the health initiatives, while the systems aren't yet perfect — and we don't claim they are — every direction is moving in the way of greater and greater public accountability and more and more precise information.

The other point I'd like to make about how quickly we can move is . . . so much is happening in this system at any point in time, in any single day or month, that there are limits to what the boards can do by way of their time, to take any one subject and drive it to ultimate completion. And the area that I know that several of you have spoken to us about in the past is the area of standards and ultimate accountability in measurements.

And a fair bit more work has been done on this, but I don't want to let you believe that the work of either setting standards or developing measures against those standards is yet very far advanced. We of course have all of the standards and all of the measurements that any other place in Canada has had for 20 years or more.

So we've got all those. We use all those. But our hope was to go a good deal further than that and to find acceptable measures of health status that have not been tried in our country before and apply them here. And work is progressing there, but it is not at the stage that I would consider is approaching fulfilment.

The other achievement that — we talked about it last year a bit — was an issue that we thought we were moving towards was

the area of making sure that we had service agreements with all the districts. And last year we didn't have those all in place. We do now and that we're getting those service agreements to be a good deal more precise about what is expected.

But we are also putting service agreements or that system in place with all other agencies or institutions that the district does business with and, I might say, also the department so that you will find in coming years the department's approach to doing business with third parties has picked up on this idea of written service agreements as opposed to the old system of purely a grant system and letters of understanding. We're moving to service agreements which really are contractual.

We have done something else this year, which the auditor mentioned last time, in respect of the audit of Crowns, and that is we have in fact put in place an accountability framework between ourselves and the districts. That document has had input from a lot of people including the auditor, I believe.

It's a published document. If you haven't got it, it's not long to read, but there's a copy of it. This document is a beginning statement of obligations of the minister and obligations of the districts and the relationship between those agents. It certainly is a good starting point to begin to teach and to begin to discuss the accountability relationships between district boards and the department, the Minister of Health and the Assembly.

We will probably go a step further than that in the coming year in that we've got to push this issue of accountability down another step. We've got to push it between the districts and the affiliated institutions, and we have some other players out in the field that are important that need to understand better their relationships to the whole system as well.

So we will take the concept of accountability frameworks and enhance it further and get it more widespread.

We have some activities which I want to identify, that we will be undertaking in the coming months as a bit of a background to what questions you might ask here. As I said, not everything is finished. We'll be doing . . . we are going to do a lot more work on defining internal district board reporting requirements. That is, we'd like more precise information about some of the activities there. I believe that the districts need it, and you would as well. So we will be more precise about that in the coming year.

We have established an internal committee to review annual reports and develop ways of improving them with the districts. Most districts this year actually have annual reports, but the auditor's remarks about reports and content can give us some guidance to go a bit further on that. And I think that is one area that we want to put more time.

We've had some concern by the department, but also the districts themselves, about certain financial management issues that the auditor discovered or identified. We have put in place a system of financial management review — it's a financial management review project — and have hired some professional business consultants to spend time with each of the districts to review their financial management processes and their reporting and give some guidance to them about improvements. And that work, I think, is ongoing now, probably will be completed by the early summer.

And along with that, we have regular advisory boards with the districts and the department and SAHO (Saskatchewan Association of Health Organizations). This is one of the more important agenda items: to assure that those districts are under the most appropriate level of financial control.

Now I wanted to talk to you more generally about one thing that you were raising last meeting that I had an opinion on, which is somewhat different from the auditor's approach, and that is the matter of what you're auditing with respect to governing boards. And I don't for the moment think that there should be any relaxation of a governing board knowing their mandate and their legislative authority and financial authority, and to know their financial obligations.

But when you're dealing with district boards, if you only knew that, if you were perfect in those fields, the boards would still not be very successful necessarily . . . That district boards have program leadership obligations and public leadership obligations in respect to the health system, what the vision out there looks like for a district. And they are a motivating force. A governing board is a motivating force for the entire corporation and for the public.

So that I would . . . as we're working with the boards and in our own internal review processes this coming year, we are going at those issues that you've raised, but it's going beyond that. We think that each of the boards have got to have the capability for leadership of the program and leadership of their mandate, and not only within the corporation but especially with respect to the public. They've also got to have a capacity for them to develop a vision for where they want their corporation to head.

So they have a planning responsibility and a vision development responsibility which is very vital. While the general vision, the framework of that, is laid down by the provincial government and indeed is published, within that, each district has more to do to identify where it thinks its district health corporation is moving and how that fits with the needs of the people there so that the capacity for a district board to be able to undertake the activity of long-term planning and visioning is something that we want to assure they can do.

A third feature is that district boards must be able to ensure that systems of accountability are in place between the CEO (chief executive officer) and themselves, or the corporation and themselves, but in a variety of fields, not just on money. And I stress the word "system" because it is the system that they are responsible to put in place and that system should generate flags to them from time to time about achievement or underachievement. We do not think the district boards should be on every item or 95 per cent of the activity of the district every month. It is to be watching, or having a system bring to them the areas of risk, risk and achievement, so that they can become a . . . the talent of the board can be brought to play on issues which are a risk factor for the corporation. So how a

board goes about developing those accountability systems to themselves is important to us.

Obviously this number .03 sort of relates to number .04, and that is boards are ultimately accountable for the work and the services of their corporation. And every corporation has got some degree of . . . some risk factors that have to be managed and accounted for on a routine basis so that we believe that a system of helping boards identify risk to their program, to the success of their corporation, and helping them with ways of . . . teaching them ways that they can assess risk, assess options to reduce risk is also important.

And of course . . . and this is where the auditor has been saying the same language as I will, and that is they've got to ensure also a system of fiduciary responsibility and accountability. I think the emphasis on the boards in the past year has been a little too much on the one factor of fiduciary responsibility and accountability, and some of their responsibilities that go into the direction-setting and their leadership field have not been looked at as closely. And we will be doing that with some outside help ourselves in the coming months.

With regard — and I won't talk for ever this morning — with regard to the health needs assessment which was discussed last meeting, the department does agree that the needs assessment process is important to the success of health districts, and we do support the auditor's recommendations. Now you may have dealt with that item by your resolutions last week, but I just want to confirm that we are in agreement with the approach you took last week.

Now beyond that, I think I'll stop and, Mr. Chair, you can then direct questions as you wish.

The Chair: — Thank you very much, Mr. Adams. I think, as a process — and please correct me if I'm off base — I would entertain some general questions perhaps to Mr. Adams, but then once we get into the recommendations, I would like to hold you fairly closely to the recommendations at hand rather than letting you then wander all over the place again.

So in this first instance I think I will allow some latitude in terms of general questions, and when we get actually dealing with the specific recommendations . . . we'll be picking up on page 156. The motion last time dealt with numbers .16, .17, and .18. When we get to the specific recommendations, that's where we're at.

So I recognize Mr. Pringle had his hand up for a question. Is this general or would you . . .

Mr. Pringle: — No, maybe I'll pass but stay on the list. I wanted to make some comments and speak to the recommendations.

The Chair: — Okay. Is there any other of the members?

Mr. Thomson: — District health boards are considered I guess relatively autonomous organizations in the government. They don't directly report to the Department of Health. Is that correct?

Mr. Adams: — Yes, they are instruments of legislation which report to the minister through the department.

Mr. Thomson: — But they're not a Crown agency or Crown corporation?

Mr. Adams: — No, they're self-standing corporations.

Mr. Thomson: — Thank you. I guess my question to the auditor then is, in terms of the audit of the district health boards, is this a special situation where this audit occurred last year or will it be an ongoing audit practice for us to be reviewing district health board expenditures?

Mr. Strelioff: — Chair, members, our audits, our participation in the audits of district health boards occurred last year and is occurring this year. In the future we anticipate that the basic financial management issues will be in hand in the next two or three years. And at that point we plan to move to a more cyclical basis of participating in the audits of all district health boards. But our involvement in the district health boards is an ongoing responsibility.

Mr. Thomson: — I'm curious about that. Does the auditor also participate then in the audits of the universities and municipalities?

Mr. Strelioff: — We do the audit of the universities, not municipalities.

Mr. Thomson: — What would differentiate the organizations then? Why would you audit district health boards but not audit municipalities?

Mr. Strelioff: — There are three main reasons why we're examining the district health boards. One is that the Legislative Assembly has assigned very important responsibilities of the district health boards to the minister, and the minister to the Legislative Assembly. And of course our job is to examine how the minister and the department carries out its responsibilities.

The second reason is that the district health boards administer over a billion dollars of public money provided by the Legislative Assembly.

And the third reason is that the importance, the significance attached to the district health board initiative was made clear to me by the Board of Internal Economy last year when they directed my office to participate in the audits of all 29 district health boards at that point.

Mr. Thomson: — The role then of the district health boards differ from the role of say school boards in terms of your audit perspective.

Mr. Strelioff: — We are not participating in the audits of school boards. The structures and accountabilities of district health boards and their relationship to the minister is different than school boards. For example, school boards have the ability

to tax and do tax through the property tax system, whereas 95 per cent or close to 95 per cent of the revenues of district health boards are straight from the Legislative Assembly. So there's different financial and accountability relationships.

The accountability framework or guide that Mr. Adams referred to provides a good basis for identifying the responsibilities of the district health boards to the department, or to the minister through the department, and the minister to the Assembly.

Mr. Thomson: — So the reason then that the Provincial Auditor's office probes into the district health boards is because of the relationship of the minister to the boards. Is that correct?

Mr. Strelioff: — The relationship between the district health boards and the minister, and then the minister to the Assembly. So that was the first reason — the important responsibilities that each have. And two, the district health boards administering a billion dollars of public money that the Assembly moves out through the department to the district health boards. And the third reason was the guidance provided by the Board of Internal Economy.

Mr. Thomson: — Just advise me then, because the numbers aren't immediately in my mind. Roughly how much of the provincial budget is spent by third parties?

Mr. Strelioff: — What do you mean by third parties?

Mr. Thomson: — Well not under direct control of the government but under control of say education boards, municipalities, health boards.

Mr. Strelioff: — Well do you consider . . .

Mr. Thomson: — I guess various NGOs (non-governmental organizations) as well; the universities. I'm not . . . do you consider district health boards third parties or . . .

Mr. Strelioff: — I would, yes.

Mr. Thomson: — Pardon?

Mr. Strelioff: — Yes.

Mr. Thomson: — Or you can exclude that and give me the other number.

Mr. Strelioff: — I don't know if I can pull that number out of Social Services, Education, third parties. I couldn't provide that number. The definition of a third party would have to be very precise.

Mr. Thomson: — Well I guess rather than perhaps as a third party of non-Crown agencies or Crown-controlled corporations or the executive government is maybe a more precise way of doing it.

But I'll leave that. I guess what I'm asking here is what makes the district health boards different that we would probe into their affairs rather than probe into the affairs of the municipalities or the school boards or the various NGOs that we fund, in some cases wholly fund.

Mr. Strelioff: — As a Public Accounts Committee or as my office . . . as a Public Accounts Committee, you have the decision to make as to what you decide to examine. So why is my office examining district health boards versus school boards? It's an important question.

We have not examined school boards directly. We do examine the Department of Education's oversight and responsibilities vis-a-vis school boards, but we haven't examined school boards in a direct way. And my colleague was just saying to me that we have examined the reports of school boards received by the Department of Education and have noted that they need significant improvement.

Mr. Thomson: — Is that in one of your reports to the . . .

Mr. Strelioff: — Pardon?

Mr. Thomson: — Does that appear then . . . have you commented on that in previous reports?

Mr. Strelioff: — In the Department of Education chapter in this report that you have. And then let's see which . . . I don't know, 204 there's references to the . . . so that's within the Department of Education; 204 talks about the reporting responsibilities of school divisions, universities.

Mr. Thomson: — Could you advise me how many hours your staff would have spent on the audit of the district boards and what the approximate cost of the audit was?

Mr. Strelioff: — We can get that information back to you.

Mr. Toth: — Thank you, Mr. Chairman. Sorry for being just a tad late, but tire shops in this city don't operate as smoothly and as efficiently and as quickly as they do in the country.

A Member: — Another attack on urban Saskatchewan.

Mr. Toth: — Just stating a fact.

Anyway, we'll get some facts in the auditor's report. In the *Leader-Post*, April 30, 1996 I noticed a comment about the fact that when the auditor brought forward his report about health boards, it talked about the fact that he was concerned that boards don't have chief executive officers with appropriate training and experience. And I would take that as being not really having the appropriate expertise to deal with a number of the decisions or maybe some of the guidelines that have been laid out.

And I'm not exactly sure. Maybe, Mr. Strelioff, you could explain a little bit of what you meant by that. And maybe the department could address that concern, and where we are today with regards to that concern.

Mr. Adams: — Before the auditor explains himself, could I be clear about the question. I understood the auditor was speaking

about chief financial officers, not CEOs, not chief executive officers. Then perhaps after you've . . .

Mr. Strelioff: — Chair, and members, Mr. Toth, in paragraph .52 to .58 of the spring report in chapter 9, we refer to the need to make sure that there's chief financial officers with appropriate training and experience, and that in our examinations of some of the district health boards we came to the conclusion that some of the district health boards really needed to strengthen their chief financial officer function.

I guess the newspapers somehow translated that into chief executive officers. I didn't . . . as far as I know, I never said chief executive officers. I was referring to the importance of well-qualified chief financial officers. So I have not made any comments about the experience or quality of the chief executive officers in the district health board community.

Mr. Toth: — In paragraph .56 it talks about two district health boards do not have chief financial officers. In these district health boards, the chief executive officer acts as the CFO (chief financial officer). So maybe that's where that may have come from as well, based on the fact that it's not . . .

Mr. Strelioff: — It could be.

Mr. Adams: — To supplement that, speaking of chief financial officers, what happened originally is the districts in some instances hired people who had come from the old system and the standards for recruiting were not as profiled or tight as they could be. But they did in fact keep local employment where it had previously been sited.

However, against that recommendation, we've checked and we found that three districts have already complied with the wording and the intent of recommendation .57 of the Provincial Auditor, and all the remainder will be following up with those recommendations as a part of this financial management review process that we have instigated and is now underway.

The department does in fact support the Provincial Auditor's recommendations concerning qualifications, and that we have also noted that all chief financial officers hired in recent months have in fact met those standards. So we're dealing with a bit of a retroactive situation that will have to be corrected here.

Mr. Toth: — Basically what you're saying when the district health boards were established under the original legislation, all the appointed board members . . . There weren't the appropriate guidelines in place to make sure that the boards, the appointed boards, government-appointed boards, had an understanding of what the government was really looking for.

Mr. Adams: — No, I didn't say that, Mr. Toth. What I did say is that at the time when boards were being integrated, they tried to use talent where it was in-site without having to go through severances and then rehiring. The department has not laid down the criteria for certain positions. We don't think that's our job. SAHO has taken up that obligation. And we use other experts, like Provincial Auditor, to give us advice on particular positions that are perhaps not uniformly . . . not standardized across the province.

So that the districts did what made sense to them at the beginning, and they did minimize some distress. And if the Provincial Auditor now feels that the standards are not sufficiently standardized, some attempt will be made to fix that.

Mr. Toth: — If I understand you correctly, you're basically saying that district boards utilize some of the people that were already working in the district and may not have totally fit the bill as to what you were looking for in a financial officer.

Mr. Adams: — Some of the people who were selected as chief financial officers would have been, by way of an example, would be either a small hospital administrator or a nursing home administrator. And in the setting that they worked, I won't comment on whether they were doing . . . they were as good as one might have wanted them to be. The point is that they were considered to be the top candidates in the district and they were slotted into some of the positions that were created in setting up the new district corporation.

You know, now, four years later, it's possible to say we can drive up the standards of financial qualification. And in some cases, the decisions that the districts took on recruitment weren't as good as they might have been.

But when you get into that, you can only hope for two things if you're going to change the standards — to three things actually: that the person will quit if they're a long way from the standards; two, that there's some kind of a training initiative that can be offered to bring them up to standard; or three, there's a severance — and severances are costly.

Mr. Toth: — It seemed to me, and I know the local boards or the district boards out my way have certainly used a number of personnel that were involved in the hospitals as administrative staff, and having worked with a couple, I know they were quite conscientious and actually doing a fine job of not just managing a hospital, but certainly what was added to their lap before the district health board came into play. They ended up with the whole health concern in the community, which was the hospital, which was the care home, which was home care.

So they weren't just looking after one facility, and they were actually managing the funds fairly well considering the tightness of the funding.

It seemed to me one of the concerns we had when this original concept came into place was that there weren't adequate guidelines that were really thought out and put into place and now we're . . . and as a result, the Provincial Auditor tells us that we didn't have the qualified people to make sure that the guidelines were being followed. Now you're telling me we're in the process of moving towards that.

I guess I would suggest to you, and we've mentioned this to the minister on many times, that we jumped into a system that we should have given a little more thought to rather than, I guess, it's better late than never in correcting some of the deficiencies that were in the district boards.

Mr. Adams: — I want to draw your attention that the vast majority of the money is in about four districts and that there's not been any suggestion that these districts do not have first class financial management services, and that we're talking about a number of smaller districts where the CEOs found themselves in a position of — I'm talking CEO at this point — trying to put an organization together which was a good deal more challenging, a good deal more complex, and a much larger financial management challenge than any of them out there had ever faced before.

So that you get into a situation like that, and you try the very best you can with talent that is available to you and sometimes you find it is simply beyond the skill of the folk that you've hired to do that job. And this is not a huge, widespread problem. This is not bad at all, and in fact it only involves seven districts out of thirty and none of them are holding the big money.

Mr. Toth: — So what you're saying, that there has been a move to correct some of the shortfalls. I guess one thing Mr. Thomson talked about why the auditor is auditing district health boards. I think when you're looking at about $1.5 billion, it's important that we have at least the Provincial Auditor involved in just checking and overseeing what's taking place in district boards.

I think I'd also have to commend the boards for what they've done in view of the fact — I don't think it matters who the CFO is — when you can set your budget and you can follow the rules and guidelines completely and all of a sudden you find yourself at year end, starting another year and another shortfall coming from the province and you're trying to maintain a level of service.

And well, you mentioned four major district boards getting all the funding. The unfortunate part is there are many, many district boards and . . . where people throughout the province are quite concerned about the services that are available to them. And I don't think that's as a result of the inability of those boards and CFOs to manage their accounts.

Page 155, the internal reports provided . . .

The Chair: — Mr. Toth, if I may, what I've indicated earlier, that we wanted to have an opportunity for people to ask general questions and then we'd move into the specifics and go slowly through them. So if your questions are general I'll entertain that. But once we get into recommendations specifically, I'd like to follow that sequence.

Mr. Toth: — So you're basically suggesting we go through from one . . .

The Chair: — We can go in a general sense and ask general questions now, is what I had a consensus that we should do. And then we should move through with some orderly fashion so that we don't get all over the place and find loose ends all over.

But I certainly will recognize any general comments, questions that you'd like to address at this time.

Mr. Toth: — I was going to address a question to . . . versus items .10, .11, and .12 regarding the internal reports provided to the boards of directors and where the auditor mentioned the reports do not include . . . Is this getting to . . .

The Chair: — That's fine. That's not a recommendation specifically. You can refer anywhere you like.

Mr. Toth: — Reports do not include information essential for evaluating management, that's paragraph .11; performance of safeguarding and controlling district health board assets.

And I think the auditor mentions here that a few boards did not prepare important — he says — did not prepare important internal reports. And I'm wondering what specifically we're talking of here and what steps have been taken to address this. Now I think part of that may have been mentioned just in a response earlier, but maybe I could have the auditor respond to that please.

Mr. Strelioff: — Okay. Mr. Chair, members, Mr. Toth, your comments relate to paragraphs .11 to .15. In '94-95 when we went out to the district health boards, we found that many of them were not receiving rigorous and timely information — financial management information and operational management information — from their management groups.

Things like quarterly reports and semi-annual reports showing what they plan to do compared to what they did do, as well as moving forward on some of the legislative requirements that require district health boards to report on the cost of their services and the effectiveness of their programs. In a general sense one could guess that this was going to happen because the districts were newly formed and had a lot of complex integration and information system development issues to deal with, but they also need to make sure that they address those issues. So we're . . . in 11 to 15, we stress the importance of management providing boards of directors with the information they need to manage.

We also point out that it's a real key responsibility of members of boards to identify what information they need, and that's not that easy when you're beginning a new organization or are a new board member. But to identify the key information that you need and then make sure that your management groups provide that information in a timely way.

Mr. Toth: — Would that information have been available when these boards were originally established or has this been what we've talked a little about, some of the growing pains of these district health boards? It seems to me that many of the boards, appointed boards, and now the elected and appointed, are still in some cases struggling to identify what their real role and goal is.

And I believe the Health department talked about these boards are accountable as well. I think maybe you've made that comment that certainly there are funds given to them that they're accountable for. But are we . . . we're going through a

growing pain. Is that why a few district health boards have not prepared important internal reports?

Mr. Adams: — I want to emphasize that you're making an assumption that the level of performance of the boards today is not as good as they were before we made all the changes. And I think that this is relevant to one of the questions the member was asking about: where was the Provincial Auditor auditing previously and what is the basis upon which he is auditing all these districts now?

The first thing I'd say to you is when we started in '93 with this, basically that the management practices and techniques, although in an integrated system, were hold-over practices from the old system. And if people and CEOs and boards thought that the previous hospitals were being managed adequately, then the same techniques — about the same techniques — were being used, except we were putting an integrated model together, so it became bigger, more complex. The auditor also did not audit all of those nursing homes, home care systems, and the vast majority of the hospitals; he audited a few of the Crown-owned hospitals.

When we moved into this new process, I must tell you that the department had some misgivings about whether the auditor should be involved at all. Because these districts have legislation which gives them the responsibility of naming an independent auditor, so they all do . . .quite apart from the Provincial Auditor. So they have that obligation.

Now it turns out that after a protracted discussion for some number of months, it was determined by this committee, I believe, and certainly the Provincial Auditor that because there were provincial appointments to these first boards that there was an obligation by the Provincial Auditor to audit the boards. We took the view that that was not necessary but nevertheless did not pursue that argument endlessly.

And we have found in the past year that, with a good deal more cooperation from the Provincial Auditor and the districts, that the Provincial Auditor has been a benefit to the process, that they have been able to provide some insights into accounting and auditing which was not available in the private sector — was not known to them — have been able to provide a degree of rigor and investigation that obviously now we're debating here but is something new to the system, and has applied a degree of standardization over issues of compliance and internal control which the private auditors did not know about.

Now having said that, you can expect that the level of auditing and the level of investigation here is a good deal more rigorous than it ever has been in the health system in the past.

Now having said that, having said that, do we think that there's a whole bunch of incompetent management systems out there that are not doing a very good job? And the answer is no, we do not think that. We are talking about levels of development and levels of sophistication and every year gets better. We find it helpful to have these kinds of recommendations from the auditor, and this is already a year late and we've already implemented a good deal of what he's talking about.

So I don't mean to provide a homily on this subject, but I started my comments by saying that the level of accountability, the level of transparency, and the level of standardization is greater in our system today than ever it has been in the past . . . and is more accountable in Saskatchewan than any other province in the country. So when we start beginning to look at the minutia of four boards here, seven boards there, or what the auditor has stumbled into in one place or another, I mean we are looking at a level of investigation which has never been before you before.

Mr. Toth: — Well maybe we'll get the auditor's response to the question.

Mr. Strelioff: — Mr. Chair, members, and Mr. Toth. The first part of your question referred to, are there problems in the system, in district health boards? Are they related to the newness of the district health boards? From what I've seen, the district health boards, when they began, they didn't exist. That's factual. And the new district, the new boards and management groups, had the responsibility of integrating what were previously 10 to 20 different organizations. And those 10 to 20 different organizations had separate accounting systems, separate management groups, separate programs. And the initial responsibilities of the district was to bring that together in one integrated way, that they could see the district in a holistic way and guide it along.

Well when we were out there in the '94-95 year, we found that a lot of districts had a lot of work to do on that. It wasn't an easy issue. They had just . . . some of the amalgamation agreements and affiliation agreements were very complex and required a lot of time and effort from the boards. And they had a lot of work ahead of them. And Mr. Adams is right; there has been improvements since then. And I hope that the '95-96 audits, which are in process right now, will show that.

But on the other hand, the district health boards are moving through the Legislative Assembly, moving to a higher standard of accountability. In the district health Acts, you've required them to report publicly on the cost of their services and activities and report publicly on the effectiveness of their programs in improving the health status of their community, of their residents. Those two key requirements are very important. They're not there yet, but we're there trying to — and with the department — trying to move those practices along.

Mr. Toth: — So in this report here, how many districts did not prepare the important internal reports that you were talking of. Of course you're just presently reviewing for the upcoming year, so you . . . Well the department's telling us they've addressed some of these, all the concerns, or they're working at it. Can you indicate that most of the boards have now been able to understand what is being meant by these internal reports? And based on your recommendations that . . . As you can see, these boards certainly seem to be understanding and complying with the suggestion coming out of your office.

Mr. Strelioff: — In '94-95, a few of the district health boards, their boards weren't receiving just regular financial information in a rigorous way. Their financial information that was

provided to them was often incomplete and very untimely. There was a few that were really struggling in that area in '94-95.

And then there was about 20 of them that weren't able to provide internal reports comparing what they'd planned to do, say for the first four months or six months, compared to what they actually did. And these district health boards were, I guess, probably relying on information systems in some of the 10 to 20 separate organizations that just wasn't rigorous enough, wasn't strong enough.

And then all district health boards have not yet addressed the issue of providing what the costs of their services and activities are. They're still not able to cost out what their specific services and activities are, which you, through the legislation, have said you want that information. You want that information publicly reported. So they're all not able . . . not there yet on that, and also they all have not yet been able to report on the effectiveness of their programs in improving the health status of their community. The outcome issue, the . . . they're all not there as well. So they've got a lot of work to do, a lot of work of to do.

Mr. Toth: — One thing I'm trying to get an understanding of is what do you specifically mean when you talk about boards determine where they plan to be three months down the road or where they'd like to be. They've got a lump sum of money. Actually it's designated — so much into acute care, so much into heavy care, and so much into home care. And they may have a program with a deficiency. However the legislation does not allow . . . especially from heavy care to move into acute care if that is a service that is needed in the district, and they can see that. And you're talking of them laying out a plan for how they're going to provide the service. What specifically are you talking of in that aspect, Mr. Strelioff?

Mr. Strelioff: — Mr. Chair, members, Mr. Toth, the part about the planning and comparisons, when the boards strike a budget, they would strike a budget for — some of them do it by month — say for the first month. And some of them will do it quarterly. Say here's the types of expenditures we're planning during the first three months on the various types of programs we're going to deliver, and then at the end of the three months, okay, how did we do? How do we compare to what we planned to do for those first three months?

And then if there are significant variances that need to be addressed, they can be addressed in a timely way, and maybe there's a shift in emphasis in the district. And then you go to the next quarter, the next quarter, the next quarter.

So in a sense of what I'm getting at in terms of the comparisons of plan versus actual results, is in their year's activity that they plan to constantly monitor it so that if there's issues that are surfacing when you compare what you plan to do in a financial sense compared to what you actually do, you have the information to decide whether any changes are needed. That type of information requires the underlying information systems, but it's important for managing and leading the organization, and that kind of information just wasn't there in a lot of the cases.

Mr. Toth: — You mention as well — and actually I've had board members have mentioned, have brought this to my attention — the fact that in some cases they don't see their management teams having proper information for them to make sound decisions. And I'm wondering what steps have been taken to address this concern about senior management, making sure they've got . . . and I guess this comes back to laying out a plan because board members wouldn't be certainly knowledgeable of all that information.

It wouldn't be something that comes to them on a daily basis. The funding arrives. The management team comes to the board, and says, okay, here's the money from the district . . . or from the department. There's so much for us to put into heavy care, so much into acute care. However, this past — let's say, for an example — let's say this past quarter due to some illnesses that hit the district, there ended up being a shortfall in the acute care funding because they ended up using more beds in acute care facilities than they actually had funds for.

How do boards deal with that? And I guess, number one, if management comes and says we've got a shortfall here, but as I understand it, if there's a shortfall in the acute care funding because of the fact that the beds were available, the services were available, they provided that service but they can't move . . . they don't have a global pool of money where they can move it to meet the need, how do boards and managers deal with this?

Mr. Adams: — Well you've asked a number of questions and I'll try and pick them off piece by piece.

First of all, going back to your first concern about how we're doing on these boards that didn't complete reports in as full or as accurate a way as possible. With respect to recommendations .16 and .18, the boards have now complied with the observations in .16 and .18. And with respect to .17, they are working along to achieve that as quickly as they can. So that's an informational point.

Now with regards to the district pools of money, keep in mind that 80 per cent of the money that's passed out — it's 80 per cent of the 1 billion — is in an institutional pool and only 20 per cent is in the community services pool. And within those two pools they have complete flexibility and authority to move money around.

So that all that we've said is that you cannot take . . . we restrict the money moving backwards from the 20 per cent community pool back in to support the institutional pool. Now since the proportions of money are so hugely different, if they found some shortfall on the institutional side and tried to patch it up by stealing from the home care or the community or public health nursing pools of money which are in the other side, they would soon eliminate all those community programs.

So we have tried to place a protection there so that that can't happen, and have confirmed that, I might add, with the health services advisory committee which is the district Chairs and

others in an advisory committee with the minister. They don't want us to move that rule either.

However, as I say, with regard to something happening on the acute care side, the boards have total flexibility to move money within the institutional segment of their budget to balance out. And normally over the course of a year, you get some ups and downs of one program, and there's some balancing act. That's the way large-scale budgets tend to work out. And they also have the capacity to dip into working capital, if they have to, for a short period of time until it works through.

So I think those are the answers to your questions. We are not . . . there's a view that, or some people think that, we are restricting the movement of money in these pools in districts in very, very small amounts. That is, that the acute pool is restricted and the long-term care pool or supportive pool is restricted, and all these others are restricted. That's not true. It is only these two big fields — community services versus everything else. And the flow of money can move one way only.

Mr. Toth: — Well that's interesting because at three recent meetings, it wasn't quite explained in that manner. And if there was an area where some of the boards are feeling frustrated was the need for some heavier care and not having adequate funding. And a couple of cases where boards were certainly looking at having to cut some of the acute care services because of lack of funds and not being able to have, if you would, a global pool of money to utilize as they felt the need in their district certainly demanded. I think that frustration is still out there, and certainly some of the points the auditor is making are points that I'm running into. Boards are feeling the very same way.

And coming back from this other question, I'm not sure. Maybe part of the problem boards are having comes back to this management team and some of the individuals that maybe were hired up front, whether or not they had the adequate expertise to deal with the funding and provide the adequate information that was needed, whereas board members felt they weren't getting all the information and were getting blamed for a lot of things. Maybe it was coming from that management team.

So you're saying now that we do have a lot of boards that have, number one, managers who are finally getting a better understanding or have upgraded themselves or in some cases where boards have appointed new, if you will, CFOs or CEOs or whatever. And in other cases where the managers are beginning to have a better understanding of what their job is, so they make sure they've got the information available. So when the board sits down to make decisions, they know that they're working. They've got adequate information to base their decision making on.

Mr. Adams: — You've stated that well and accurately, but I think I've got to pick up on one point that I've understated. And that is the boards have all the information that they would have had before to make decisions. But in the kind of service we are trying to develop now, it's not full enough.

And they have trouble getting out in front, looking down 2, 3, 4 years and the information that they would like to have to be able to make more precise decisions which have long-term impacts. So it's very difficult, for example, to give them better information than we have at the moment on migration within Saskatchewan.

Now that doesn't mean actual physical moving of the population for residential purposes. But we found this year that a lot more people started moving into the urban areas from the rural areas for primary care services, not referral services. And this had a big impact on the plans of some districts and also a big impact on what money became available to them because the money follows the people for services. That is a type or an illustration of the information that they need to have. They need more accurate information there, or they need more projections of information.

They've also have not, until this year, had the ability . . . or we have not had the ability to project the budget out two or three years. And with the Minister of Finance's budget this year, she's indicated what will be the base budget at least of the health field for two successive years. And it gives us a bit more information about where we're heading which we can pass on to the districts, but that has not been refined either into these globes of money that we allocate. So there is more information that they need.

We have agreed to work with them through the Districts Advisory Committee and through SAHO and then through some of the larger districts that want to get into inter-district planning arrangements. That all of these things we will work with them and see whether more information can come to bear on certain issues that would be more helpful. And I think this is . . . I'm talking now really about sort of an evolution or a development of the kinds of information and the kinds of cooperative planning arrangements that aren't fully in place yet, but are needed in order to make better decisions.

Mr. Toth: — Of the $1.6 billion, is most of this or all of this money basically under the control now of the 30 district health boards, or what proportion of that 1.6 ends up in the hands of the 30 health districts for them to manage?

Mr. Adams: — It's 1 billion. Of the 1.6, 1 billion goes to the districts.

Mr. Toth: — And what happens to the other 6?

Mr. Adams: — Roughly 282 for physicians that we pay directly through MCIC (Medical Care Insurance Commission); there's a drug plan for 65 or 70. We still run the services directly in the far North until they're transferred to new boards this year. Provincial Lab is in there, which is still our obligation. That's, you know, roughly how it works out.

Mr. Toth: — To Mr. Strelioff again, as we're going through the recommendations and some of the suggestions, some of the things you've noticed, I noticed on page 157 where you're talking about a number of district health boards need stronger rules and procedures to safeguard and control bank accounts.

And I'm wondering . . .

The Chair: — Mr. Toth, if we could, before we get into these, we'll go through them and I'll allow everyone a chance to speak on them. I want to stay to the general comments, and I think that Mr. Pringle had a general comment. And then we'll start on page 156 which will pick up right where you're at. Okay?

Mr. Pringle: — Thank you very much, Mr. Chair, and members. Yes, I'd like to make a few comments partly as a result of the briefing we had last time, and also some of the points that Mr. Adams made this morning. I'd like to make a few general comments now and I do have a motion, but I won't present that until everyone has had a chance to speak.

But first of all, to thank Mr. Adams and his staff, health boards and the communities, for the incredible amount of work that has been done to this point in terms of health care reform, and also to commend the Provincial Auditor's office for the support and guidance in that process.

And I was struck by the Provincial Auditor's report last week that I think set the context for the renewal, and that this was a massive undertaking and a very significant transition — which has been reinforced again this morning — in a time where issues are very complex and trying to mesh and integrate various systems, which is complex enough, let alone trying to have an integrated approach to service delivery, which is perhaps even more challenging. And so difficult decisions have been taken and more difficult decisions have to be taken.

I got a little worried about some of Mr. Toth's comments because it struck me that he was really giving the wrong impression of the observations of the Provincial Auditor in that there are massive problems here. And I think really, the Provincial Auditor's report with regard to the district health boards, is a story of success, of progress, of development, and I think that's highlighted in a number of areas. And that in fairness here, it really didn't qualify; some of these were minor relative to the big picture.

So I just wanted to put that on record and clarify that. For example, you're talking about the lack of plans. Well we now know, and this was confirmed last week, that the plans are in place for all the district boards in the '95-96 year. So I think it's important to make that clear.

In general I'm very supportive of the Provincial Auditor's observations and recommendations. And the district health boards and their annual reports are important because we need to be able to have the information to assess performance of the boards.

And that the department and the district health boards have developed a process, a cooperative process, which will lead to even strengthening the annual reports through the enhanced guidelines and also strengthen the financial requirements. And I think that the Provincial Auditor's office could be very helpful here — has been helpful — and that was reinforced again this morning by the deputy minister.

I think in fairness, we have to acknowledge that we have been in the early stages of health care renewal; that the reform had to focus on the needs assessments, the meshing of the various systems, the goal setting, and establishing the plans. And I think now that the management structures are in place, then the focus, as we've seen this morning, is shifting to greater accountability with regard to finances, but also service delivery and performance evaluation and so on.

So from my point of view, and based on the auditor's report and the verbal report we got last week, we now have an important accountability framework that is in place which will strengthen the various reporting and accounting relationships.

The service agreements are very important as well, and they're now established. The annual reports are in place for most districts and we can build on these. And we were advised last time that the needs assessments . . . when the goals setting by the district boards, by all the district boards, was very well done.

And I guess those are starting points; you had to find your problem. And so it has the potential to — and I think we've seen lots of evidence of this — of having local people manage local health care needs and priorize them as best they can, which they're best able to do, is the opportunity to do that. And I think it is important to stress as committee members what the Provincial Auditor does say, and that is that the health care renewal has made our system more accountable than in the past. And that doesn't mean we stop there, but this is where we delve from here. And that we hear the deputy minister saying that two of the three recommendations in this section are already implemented — obviously the auditor will comment on that next year — and the third is in progress. So I think this will allow us to sort of move to the higher standard of accountability which is identified in the report.

So from my point of view I feel pretty good about where things are, how they've progressed. And obviously we're looking at setting out the key health status indicators which is the ultimate in evaluation. I mean this is not easy stuff. You can't look around and find out who's doing this very easily in the human services area. But that's sort of, I think, the area that obviously in the final analysis is what it's all about.

So those are some general comments. I do have a motion that I would like to come back to that . . . or maybe I'll put the motion on the table and then we can discuss it in that context, or would you prefer I come back to it?

The Chair: — I don't know what the motion is. Does it deal with how you deal with all our recommendations?

Mr. Pringle: — Well what I'm proposing to do is, I've developed a motion that I think deals with the three, .16, .17, and .18, and so in a sense it's grouped, but I think it encompasses those three recommendations.

The Chair: — We have a motion that you made last week or two weeks ago at the last meeting, dealing with .16, .17, and .18.

Mr. Pringle: — Oh, no I . . . we did the other one didn't we on needs assessment last time?

The Chair: — Well I point to the verbatim and I quote: ". . . I would like to propose that we combine recommendation .16, .17, and .18 . . ." with regard to chapter 9, part B.

Do you have part B and part C?

Mr. Pringle: — Yes, thank you.

The Chair: — That's corrected.

Mr. Pringle: — Sorry. Okay, if that's in order, Mr. Chair, members, and we can have more discussion on this, but I would . . . as I said, I concur with the auditor's observations and recommendations.

I would like to move, on this section, seconded by the member from Lloydminster:

> That the Public Accounts Committee support the Provincial Auditor's recommendations; some of the district health boards cited as needing improvement in overseeing senior management; and the department should work towards improving how district health boards oversee their senior management and their internal reporting to ensure that adequate and timely internal reports are prepared for their boards.

I so move.

The Chair: — Thank you, Mr. Pringle. Is there any discussion on the motion?

Mr. Aldridge: — Just a question I'd wanted to direct toward Mr. Adams if I might still do that.

The Chair: — Is it related to this motion or is it a general . . .

Mr. Aldridge: — It would still be with respect to general comments and questioning.

The Chair: — Okay.

Mr. Aldridge: — I guess it can tie in with . . .

The Chair: — It can tie in? Okay.

Mr. Aldridge: — Mr. Adams, you had mentioned earlier on that there was an internal committee that had been struck with . . . I believe within the department? Now this was with respect to, I'm assuming, implementing recommendations coming forward from the Provincial Auditor. I know it followed your comments that you felt work had been progressing, but that it's still not at the stage of fulfilment yet. And in that regard, you had said there was an internal committee. And could you just perhaps go back to that point and just detail that a little bit more for us, who may be on such a committee, if you would?

Mr. Adams: — Yes, Mr. Aldridge, I can do that. And when I spoke of internal committee, I was referring to internal committee with respect to the development and approval of the annual reports. So that's what that committee's about. However I don't think that's what you're really referring to. I think you're talking about the . . . well I should let you tell me what you're talking about, but I believe it has to do with the financial management review project which is to identify the specific and systematic problems that any district might have with respect to financial management and to find solutions for these.

With regard to this particular review . . . and there's a bit more to it. This is where we've employed the consultants. Oh yes, right here, pardon me. For those districts who need some help here, what we've done is we've employed some independent, private sector consultants who will work the districts, be responsible for presenting some suggestions to them, and also share those recommendations for financial management improvement with the department as well.

Now we employed those consultants within the past month, and I believe their work is to be completed within the next . . . end of June. Is that the piece that you wanted more information on?

Mr. Aldridge: — Are the two tied then? Like the internal committee that you made reference to, are these consultants under the direction of this internal committee then with respect to the work they're doing?

Mr. Adams: — No, they're two totally separate things. Let me just go back on . . . when I refer to an internal committee on annual reports, for example, we've got internal committees or joint committees with districts, their boards sometimes, their management, or with SAHO, on a whole variety of topics. And that the . . . so that it's not new for us, for example, to create a working group of districts and department or district/SAHO and department to go at a particular subject and drive it through to completion. And that's the way we're dealing with the annual reports. It's fairly straightforward kind of piece of work. There's nothing unusual there at all.

The financial management review project is a little different. We take very seriously any concerns that might exist over financial capability, financial management capability, and neither SAHO nor us had enough resources to go and do that. But also we wanted to give the districts the clear signal that we weren't coming in to become Big Brother, that we wanted . . . This is an educational piece for them. We wanted independent financial managers to help them, and then we could all sit around and talk about what we're going to do about it. So that's what we've done. We've hired these two consulting firms to go and help all the districts to review their processes.

Mr. Aldridge: — So then I'm to take it then that the hiring of these financial consultants is in no way intended to replace the vigour that may be introduced by the auditor's department in terms of the work they have done so far and that you've acknowledged, in retrospect, has been of great value to the department and the districts.

Mr. Adams: — We see this as a supplemental source of help and from time to time we do this in other fields too. That if we

either haven't got the resources on the staff of SAHO or the department, or you want a different perspective — sometimes seeing a new face out there is important to the districts — that we would use other ways of getting expertise to them.

And this is a hands-on event with respect to this particular project. They're going in to work with districts on very specific financial management issues. It's a supplement.

And the auditor doesn't have the staff, nor does he, I think, have the mandate to go out there and assign people for a protracted period of time to educate or help or to do the actual work of improving financial services. What he's doing is commenting that they should be improved. In his view, they should be improved, but to actually get down to do the nuts and bolts of making that work is really our job, either the department or with the advice that we can employ.

Mr. Aldridge: — Just one other . . . could I get you to elaborate. I know you had referred earlier to the study of risk assessment as it pertains to . . . now I don't know if it was the department itself or within the boards. Could you just go back to that and just elaborate a little bit more about that as it relates to health issues?

Mr. Adams: — What I was saying earlier on in my remarks . . . And it is not that there's a study particularly going on here; it is that last time I was in the room here we heard a report from the auditor about appraising the work of boards of governance. And I think it was the Crown sector boards that were being commented on at some length. And they were focusing on legislative . . . their understanding of legislation and what impacted on them and financial legislation and what impacted.

I was observing that in respect to health districts, that's only one component, in my view, one component of their essential performance. They have to be doing other things, having to do with leadership, and program vision statements, and setting up systems to make sure that they can manage as a board and are knowledgeable about risks that the corporation either has or might face, depending on certain decisions that are taken.

And I was saying that we want to help boards become more knowledgeable about some of these other functions that we think are important, and I think SAHO's executive believes is important. How do you set up systems for risk management? How does a board actually do that? How does a board go about long-term planning so that it can set vision statements?

Now some boards are more equipped at that than others. And some have had some experience in it one way or another, than others. But these are elements that I would want to measure our boards against in time to come. And therefore you can't really measure their performance against these other criteria until you have made sure that they understand the responsibilities in these fields, and that where there are some areas for improvement, to provide them with some training.

Now when I was visiting . . . was speaking at a conference a few weeks ago in Kingston, there was a conference on the governance of what they call the third sector, which is the non-governmental sector — public but non-governmental. And there was a firm that had done a lot of research with about 200 boards — boards of university governance, boards of large corporations like VON (Victorian Order of Nurses), boards of hospitals — in central and eastern Canada. And they found out that most of the boards, when first asked, thought they were doing just a fine job. When they went in and asked them a series of questions about how well they could perform in functional area A, B, and C, like these, it turns out that the boards concluded themselves that about 70 per cent of them weren't doing as well as they needed to.

And so as a result of that kind of finding, then this particular centre, the Centre for Excellence in Governance, went about developing short training pieces to help boards who wanted to learn more, to help them do better in some of these fields. One of the fields was risk management.

It's a long answer to a short question, but what we would hope to do in Saskatchewan is take boards beyond the rather foundation of their responsibility, which has to do with legislation and fiduciary responsibilities — go beyond that and make sure that they have training and capacity and a comfort level in those fields and make sure that they're out there in front leading their corporations as opposed to being led by their CEO and their financial officers.

Mr. Aldridge: — I would maintain that the risk assessment and management process is certainly one that's worthy of more scrutiny by all government boards.

But just going back to also what you stressed as the importance of the individual health boards developing their own leadership from within. You were referring to board members with that remark, I'm sure, rather than as you've just related the senior . . . rather than them just relying on their CEOs.

Mr. Adams: — Yes. I've been speaking about the performance of boards, the elected and appointed people on boards, and how they exert influence over their corporation, their CEOs, and their community, and how they must respond also to those three communities. That was what I referring to.

Mr. Aldridge: — Do you in the future see the leadership coming from within in terms of these boards? Will it be from the elected officials or will it be from appointed?

Mr. Adams: — Oh, I see it coming from both. I mean leadership, I've never found that leadership was . . . came from one single well. What I'm trying to do is to think that the collectivity of all of the members will have supports and training and help and experiences which will make them overall a much more comfortable — for themselves — more comfortable and a much more insightful leadership of the health program in time.

Keep in mind that the boards themselves, the current boards, have only been in place about five months and that they consider themselves quite new. Many of the people who were elected and indeed appointed to boards had no previous experience in the health field, so that there is a fairly intense

period of time for them to become acquainted with their obligations as board members. And then where they feel uncomfortable or they need more training, for that training to be provided.

And I've always said — I've said publicly, and I'm pretty sure I've said to this group here — that I worry that the health reform will be restrained most by the administrators, not by appointed and/or elected board members.

It is the administrators who came from the old system and are frightened to change. And it's got to be the boards who exert the controls and influence over those administrators to make change occur.

Mr. Aldridge: — One further, if I could. Another thing that you had touched on earlier was with respect to service agreements versus letters of understanding and the former being the contractual agreement now is recognized. What about in the case of where those agreements may refer back to a letter of understanding that had been previously undertaken and addressed between two parties. Would then that still be . . . that must then in turn form a part of that contractual agreement?

Mr. Adams: — In most cases, and I can't say all cases because I'd want to see every single one of those former agreements, but most often the previous agreement or memorandum of understanding covered most of the topics of the service agreement but not all of them. So that you would sort of incorporate those understandings in and then add to it some additional requirements to have a more comprehensive and inclusive service agreement.

Let me give you some illustrations. You've got agreements in, an affiliation agreement for example, in St. Paul's Hospital with that district, which is pretty general in its terms and conditions, but they had got into a bit more detail in recent years. And the service agreements that we'll be putting in place this year, which are being approved because of the changes to the district health Act, what will happen is everything that was in the previous agreement is brought forward but they add in some other things about financing provisions and a few things like that. So every previous agreement has to be looked at specifically, but in most cases they just follow forward.

So for example, the agreement that we are requiring under The Health Districts Act has about six points that are requirements. One is to provide for an audit of the affiliate at least once in each fiscal year. Now this is under the district Act and it pertains to affiliates.

Secondly, it sets out the services to be provided by the affiliate. It sets out the funding to be provided by the district health board, and it sets out the term of the agreement and provides for the termination on not less than 90 days notice. And it sets out the process for resolving disputes under the agreement and provides for any other matter that may be prescribed by regulations.

And if you take a look at the old arrangements, very often the services that were to be provided weren't spelled out fully, or alternately there had not been an agreement on the money or something of that nature. And what we're saying now is we've come through that stage; now there's got to be upfront understandings about services, money, auditing, and termination clauses, and dispute resolution. And we've got to regularize the relationship between the districts and the affiliates in that way.

Mr. Aldridge: — One more question, or well maybe I just ask for a comment, is with respect to the various pools of money available to the districts. And then flowing along with some of the discussion earlier and the very fact that these districts are gaining a good deal of financial expertise and management skill as time goes on.

Would it not then seem to make sense that over a period of time there should be consideration given to allow the districts within their own district — given that they've developed those skills — to be able to utilize the money in just some sort of a common pool approach where they might be best to be able to judge and make use of some of these monies that may not be available if they're not able to move it from the community services pool to institutional, for example? If I could just get a comment.

Mr. Adams: — I wouldn't rule out that that will be likely at some point in the future. I wouldn't predict it would be in the coming year.

Although we allocate money by a number of pools, the districts have really only got two pools. The only areas of inflexibility, as I said earlier, are between the 80 per cent of the dollars which are in the institutional pool and then the community pool which is 20 per cent of the dollars. So the only restriction on their flexibility is moving the community money back in. Other than that, they have really a global budget.

Now in time to come, I can image, if the balance of community services ever gets to what it should be, then one can — and there's some feeling of protection out there for those services — then I can see that there could be some small movement between pools.

But you know, the difference . . . the impacts here are phenomenal. If you took one nursing home bed or you took one acute care bed and funded it and took the money to pay for it out of the community-side programing, you can wipe out an entire unit of programing. For example, $1 million can buy you six acute beds in an intermediate size facility; it can buy you 30 long-term care residents in a nursing home; or it can buy you services for 427 home care clients.

Now if you've got . . . You can pare that down to one if you like. So let's say that some small hospital wants to try and reopen some . . . one or six acute care beds for some reason or other but they want to get the money out of the community care pool; you're eliminating the services, in that instance, to 427 home care clients for a year.

And so we don't want to make it easy for that to happen. And we have case examples where they did not put this one-way

valve in in New Zealand and they brought the health system to its knees and nearly crashed it.

We've also had a similar discussion with officials in England where something similar happened there and they wished they'd gone into the one-way valve a good deal sooner because they began to lose their community services as well.

So I can tell you that several people have asked the department and asked the minister to reconsider this one-way valve system within the past few months. And the minister has discussed that openly with the Districts Advisory Committee, which includes the elected and a few of the administrative people from the districts.

They don't want them to do that and we are examining who might be already in a position to be able to handle it if we did remove it. And at the moment we can only find one place. And even the largest districts do not want us to remove that valve. From their point of view, it's a restriction on their ability to move money around, but it's seen as a helpful restriction because they can blame the department for not letting them move money out of community services back into some acute care unit. It's much like the Canada Health Act — we don't always love it but it's kind of neat to have it when we need it.

The Chair: — Members, what I'd like to propose for your consideration is that if we're ready to move to specific recommendation — and Mr. Pringle's suggested motion deals with that — there are a great number of them and if we deal with all of them in the methodology that we have before us with your motion, I think it'll get very cumbersome.

What I would like to do is to go through them in groups to ask the department for their comments in terms of their view of these recommendations. I believe I understood Mr. Adams to say that .16, .17, and .18 of part C are largely being implemented, or are being complied with. That then may temper our response. We may then choose just to note them in our report. If we find one that the department has great objection to and we feel strongly about, then we may want the government to actually adopt it as part of our recommendation.

So there's a number of ways we should deal with it, and they're not necessarily all the same. So with your permission I would like us, if you're ready to move into specific recommendations, for us to move through it page by page or section by section and proceed in that manner. Would that be acceptable, Mr. Pringle?

Mr. Pringle: — Mr. Chair, I can withdraw the motion. I just thought it was a way of sort of moving along because we agree with these, but that's . . .

The Chair: — Maybe even slicker.

Mr. Pringle: — . . . agreement. Sure, just move through them.

The Chair: — Okay. Then if we could proceed on page 156, recommendation .16, .17, .18. I would ask the department for their comments in terms of their view of the auditor's recommendations.

Mr. Adams: — First of all I should say to you, throughout all of the recommendations that we're going to deal with right now, we don't have strenuous objections to any of them. So that to move it along . . . You know, sometimes it's a question of timing as to how quickly we can do it, but we are not in a defensive position about any of them.

On .16, .17, and .18, that's fine. We've implemented .16 and .18 and will do .17.

The Chair: — Given the deputy minister's response, would it be the desire of the committee then that we note this recommendation, and the fact that the department has indicated that they are implementing .16, .17, in the process of .18? Is that agreed? Is that the way you want to handle it?

Mr. Sonntag: — What is happening to the actual . . . what has happened to . . .

The Chair: — Mr. Pringle withdrew the motion.

Mr. Pringle: — Well I'd rather reach consensus if there's a . . . prefer to do that.

A Member: — I think we will.

Mr. Aldridge: — I wouldn't mind having the comments from the Health department officials as we go through as far as which recommendations have in fact been implemented and which ones we're in the process of working on. I believe .16 and .18 were the ones that have been implemented, and .17 is the one that's working on. But I don't think that would slow the process down that much and it would give us a little bit more understanding.

The Chair: — For clarification, it's .16 and .18 that are done?

Mr. Adams: — Yes.

The Chair: — And .17 is being implemented.

Mr. Adams: — Yes.

The Chair: — Given that, can we note this, or do we want this as part of our report? I'm trying to find a way of noting these as we go through because I think we're all in agreement that they should be done. The department is in agreement that two of them are done and the third one is being done. So I think we have a complete consensus here.

Mr. Sonntag: — I think the wording that Mr. Pringle had there, does that address those three points? I think it does.

Mr. Pringle: — I tried to encompass the three recommendations.

Mr. Sonntag: — I think it's important that we address the recommendations in our report, all the recommendations of the auditor.

The Chair: — I agree. But I'm suggesting there's different ways in which we address them. We can note them and we can include them as our recommendation. Or we can note that the department is implementing them. So they're not all the same way of addressing them, but I totally agree we have to address them all. That's what I'm struggling with in terms of the best methodology to do that.

Mr. Sonntag: — Well in this particular recommendation, I'm comfortable either way. You can either concur, as you noted, or go with the recommendation that Mr. Pringle has made. I think they both say pretty well the same thing.

The Chair: — Exactly. How do you want to handle it? Do you want to do it as motion on this one since we've got it and it seems to be bogging us down?

Okay, it's the motion as written. Is everyone in agreement? It's agreed. Okay, carried.

Now recommendation .21, Mr. Adams.

Mr. Adams: — Seven of the districts have complied or are in the process of complying with this recommendation. For the remaining six districts, these districts will be following up on this part of the observation, and with the financial management review project which is now under way.

The Chair: — We note then the recommendation. We concur with recommendation .21 and note the degree of implementation as outlined by Mr. Adams.

Agreed? Thank you.

On — and please catch me if I miss something — on recommendation .51.

Mr. Adams: — Three of the health districts have complied or are in the final stages of complying with the recommendation. For the remaining seven, the recommendation will be followed up as a part of the financial management review now under way.

Mr. Sonntag: — How many have complied? — three of seven?

Mr. Adams: — Three out of ten, and seven to be followed up on the financial management review.

The Chair: — Again, we concur with the Provincial Auditor's recommendation and note the progress as outlined by Mr. Adams. Agreed. And .57?

Mr. Adams: — With respect to recommendation .57, three districts have complied or are in the process of complying with the recommendation. For the remainder, this recommendation will be followed up as a part of the financial management review project now under way.

Also the department supports the Provincial Auditor's recommendation regarding the qualifications of CFOs and note that the CFOs hired in recent months have in fact had the appropriate training and experience.

The Chair: — Are we in agreement that we support the Provincial Auditor's recommendation .57 and .58 and that we note the progress as outlined? Agreed. And .64?

Mr. Adams: — All the districts are in the process of developing these rules and procedures.

The Chair: — Again we're in support of the Provincial Auditor's recommendation and note the progress as outlined. Is that agreed? Thank you. And .70.

Mr. Adams: — Two aspects of this response, Mr. Chair. The Health Districts Amendment Act, which is before the House at the moment, contains some major changes relating to affiliates. And that Act will certainly drive the kind of improvements that the Provincial Auditor would like to see when we implement that part of it. That's with respect to affiliates.

The department is currently working with the districts to develop a model operating agreement that the districts and the affiliates can tailor to meet their needs, so that will speed things along in that regard as well.

The Chair: — Again, we support the recommendation of the Provincial Auditor and note the progress as outlined?

Mr. Sonntag: — Just one question for clarification. In noting this, how are you going to be . . . like, in the report, are you going to be taking it verbatim what has been said here by the deputy minister? Or generally, how are we going to be noting this because there should be some reference for members when they're reviewing the report as well. Will you be trying to summarize this in the report and then obviously the interim report, or the report, whatever it is, that we provide to the legislature? We'll have to approve that as a committee anyway so . . .

A Member: — Yes. Okay.

Mr. Sonntag: — All I'm trying to say, Gregory, is that you'll have to . . . somehow you're going to have to try and paraphrase what the deputy minister said in notes.

The Chair: — Okay, we were at .70. Is that agreed? Agreed. Now .74.

Mr. Adams: — In this instance, it applies to one district. And it was an oversight having to do with assets that they were entitled to in an amalgamation agreement. The department will follow up with this district as a part of the financial management review, but also we'll put in place some flags that — for all the other districts — that they'll be aware of this in the case of any future amalgamations.

The Chair: — Again, we support the Provincial Auditor's recommendation and note the progress as outlined. Is that agreed? And .79?

Mr. Adams: — The essence of this problem is a difference of

opinion between the Provincial Auditor and the department about what happens when districts need to borrow money and that we did not have regulations in place to deal with that. And in the department's view, having sought legal advice on it, is that in the absence of regulations then no approval to borrow was necessary. No approval of the minister was necessary to borrow.

The Provincial Auditor's view is somewhat different. In the absence of regulations, he takes the position that districts require approval to borrow any amount of money. So we both have our legal counsel and all of this kind of stuff, and this is one of those things we agreed to disagree on. However it may be a bit pointless to even worry about it because we put regulations in place now, so it will fix the problem for the future.

Mr. Thomson: — What is the nature of the regulations then? Do they concur with the recommendation, or do they vary from the recommendation?

Mr. Adams: — The regulations set a dollar limit beyond which ministerial approval is required. So we don't tie these boys down on, you know, housekeeping amounts of money.

But when you get into sums of money that include, you know, for different purposes, 1.5 of the total amount of the district budget for a fiscal year, that's $200,000. And then they have to get ministerial approval, and another case for something else, 500,000. We can table the schedule if that will be of any help.

The Chair: — I just noted that this complies with the auditor's request as well. So are we . . .

Mr. Thomson: — So I'm just wondering then how we should consider dealing with this recommendation. Is it simply irrelevant? Should we simply pass over it?

The Chair: — Well I think if we note the progress that's made as these regulations are then forwarded, or we can note that it's been complied with to the auditor's satisfaction.

Mr. Thomson: — So then is the auditor in agreement with the department on this particular issue?

Mr. Strelioff: — Mr. Chair, members, the regulations put in place, rules for district health boards to follow when they are borrowing and purchasing capital assets, those rules through regulations weren't in place before. So with the rules through regulations in place, that does provide a better framework for district health boards to make these kinds of decisions. So in putting those regulations forward, we think that's a good step.

Mr. Flavel: — Mr. Chair, can we not just do the same with this, note the auditor's recommendation, with regulations now in place with the health Act, then . . .

The Chair: — I think we can do it in the exact same way because what will happen as we note these and the progress being made, if the progress is not sufficient to address the concerns of the Provincial Auditor in the next report, then he will flag them. And if progress has been made sufficiently in order to satisfy the auditor's concerns, then they won't be listed, and a job will have been done.

Ms. Haverstock: — I'm just curious, Mr. Adams. You made comment on having in the regulations specifics regarding borrowing of money. Can you give us some idea what is in the regulations regarding the buying and selling of real property?

Mr. Adams: — I'd be glad to. We'll give you a copy of this. But for real property, what it says is . . . just a minute . . . is prescribed . . . Just a minute now. It says clause 28(8) that would be the Act: the prescribed amount is the lesser of 1 per cent of the total amount of funding provided by the department to the district health board in the last fiscal year and $500,000. It's the lesser of those two.

The Chair: — I would like to complete our discussion on item .79 if I could. If we word it that we're in agreement with the recommendation of the Provincial Auditor and note the progress as listed by the deputy minister, is that in agreement? Agreed. Thank you. I want to make one comment before we adjourn.

I would like very much . . . next week, we've missed . . . we have other commitments that we have to make. Unless it gets extremely crazy in the House two weeks from today, I would like the department to be available to come back because . . . (inaudible interjection) . . . I'm new, so I don't know. But I've heard stories . . . So that I would like you to be on notice to come back, and we'll confirm that as we get closer to it because I really would like us to attempt to finish the health issues before prorogation or adjournment or whatever of the House.

Mr. Thomson: — Mr. Chair, I was wanting to inquire of the auditor at what point he thought he would be able to report back to us on the type of information that is provided to public utility boards in other jurisdictions that he endeavoured to do on April 30. I just refer to his commitment on page 98 of the verbatim. Perhaps we could have that brought forward at our next meeting.

Mr. Strelioff: — I haven't lost sight of that commitment, and we promise to provide you information on the plans of utilities.

Mr. Sonntag: — I just wanted to know through . . . I suppose through procrastination we — I want to be absolutely clear — are we still not at all considering tabling a report in the legislature this year, this session, in committee? We should almost run it forward in the agenda. I guess it's too late today?

The Chair: — We'll talk about it. Thank you very much, ladies and gentlemen. We are now adjourned.

The committee adjourned at 11:30 a.m.