

# Peterborough Regional Health Centre – Financial Update

Central East LHIN Board Meeting  
January 28, 2015

System Finance and Performance Management

# Overview

- Purpose
- PRHC's Current Financial Health
- Accounting Review Timelines and Processes
- PRHC's Enhanced Risk Mitigation Actions and Planning
- Next Steps
- Motion

# Purpose

To provide the Central East LHIN Board with information shared by PRHC on the Hospital's current financial status and details of improvements to its financial risk mitigation approach.

# PRHC's Current Financial Health in a System Context

- PRHC has reported a measurable prior-year improvement in its financial position:
  - Previous operating fiscal periods
  - Working funds position improved from -\$22M to +\$32.6M

# PRHC's Current Financial Health in a System Context

- PRHC reports that its changed financial position has positive implications for the future:
  - Greater resource stability and availability needed to meet increasing demands for services
  - Enhanced ability to support regional programs and integration
  - Improved capacity to support the collective drive to higher quality as part of Health System Funding Reform (HSFR) and Quality-Based Procedures (QBP)
  - Improved terms in the next Hospital Service Accountability Agreement (2015/16)

# Accounting Review Timelines and Processes

- PRHC indicates that its improved financial health arose from its discovery of accounting errors earlier this fiscal year
- This discovery prompted additional review processes in the Hospital and at the Ministry of Health and Long-Term Care (MOHLTC)
- The Hospital has reported its review process included:
  - Engagement of incumbent independent external auditor (July)
  - Engagement of an independent accounting firm (July)
  - Hospital's preliminary confirmation of errors and disclosure of external auditor and accounting firm findings to the LHIN (August)
  - Documentation of accounting errors (August/September)
  - Preparation of draft restated Audited Financial Statements and review with LHIN (October/November)
  - Financial Statements as of March 31, 2014, re-issued (December)

# Accounting Review Timelines and Processes

- The MOHLTC's review process relates to the Hospital's participation in the provincial Working Funds Deficit Initiative, and included:
  - Receiving initial information from the LHIN that PRHC's share in the Initiative could be affected by possible accounting errors (August)
  - Supporting the LHIN's request for a delay in the receipt and review of PRHC's 2014/15 Q1 Working Funds Deficit Initiative report (August)
  - Receiving the LHIN's review of PRHC's Q1 report (September)
  - Receiving confirmation of PRHC's plan to reimburse Working Funds received for the 2013/14 fiscal year (October/November)
  - Receiving the LHIN's review of PRHC's 2014/15 Q2 Working Funds Deficit Initiative report (December)
  - Working directly with the Hospital to confirm recoverable funding and assure appropriateness of use of relief relative to prior years' deficits (December-ongoing)

# Enhanced Risk Mitigation Planning and Actions

- PRHC has reported it is taking a series of actions to respond to the findings, including:
  - Strengthening Internal Controls
  - Strengthening Policies
  - Collaboration
  - Education
  - Human Resources

Engaged Communities.  
Healthy Communities.

# Enhanced Risk Mitigation Planning and Actions

- Strengthening Internal Controls
  - Reviews of performance
    - Expand and improve standardized and departmental / program reports available as management tools for leaders (e.g., Community-wide scheduling report for outpatient clinic visits)
    - Ensure all complex financial risk areas have qualified detail reviewers who report to others responsible for evaluating assumptions and estimates
    - Enhanced Board-approved capital budgeting process

# Enhanced Risk Mitigation Planning and Actions

- Strengthening Internal Controls
  - Reconciliation processes
    - Increase frequency to monthly and improve clarity and backup supporting balance sheet items, including Manager review
    - At least quarterly, all reconciliations reviewed by a second level reviewer
  - Security of assets
    - Double sign off for all cash disbursements
  - Approvals, authorizations and verifications
    - Quarterly reporting of significant estimates in the Financial Statements (e.g. allowance for doubtful accounts, volume-based revenue deferrals)

# Enhanced Risk Mitigation Planning and Actions

- Strengthening Policies
  - Development and documentation of best practice financial and supply chain policies & procedures with regular reviews
  - Tighter banking controls
- Collaboration
  - Encourage more, and more frequent, inter-department information sharing, consultation and education
- Education
  - Expand areas of knowledge and cross training in Finance department
  - Design and deliver Board & Senior Team education on “conservatism” and the nature of estimates
  - Review ongoing financial education program (e.g., HSFR, PCOP) involving finance, clinical and leadership staff

Engaged Communities.  
Healthy Communities.

# Enhanced Risk Mitigation Planning and Actions

- Human Resources
  - Position descriptions that are current and clearly written
  - Review talent management best practices
  - Consider additional financial expertise on Board and Board Committees

Engaged Communities.  
Healthy Communities.

## Next Steps

- As part of its provincial review of all hospitals participating in the Working Funds Deficit Initiative, the Ministry will confirm whether relief funding received by PRHC for 2012/13 and 2013/14 complied with eligibility requirements
- PRHC is expected to meet the fundamental obligations of the Working Funds Deficit Initiative:
  - Ongoing annual balanced budgets, prior to accounting for any funds provided under this Initiative
  - Healthy performance on other financial indicators

## Next Steps

- The LHIN and the Hospital will negotiate improved performance expectations in the 2015/16 HSAA compared to the current agreement
- The LHIN will continue to monitor the Hospital's performance to ensure it provides accessible services, advances regional programs and integration, drives HSMR and QBP implementation within and beyond its facility, maintains a balanced budget position, and meets its HSAA obligations
- The LHIN will continue to review the Hospital's quarterly Working Funds Deficit Initiative reports

# Questions?

Engaged Communities.  
Healthy Communities.