



Manitoba Health, Seniors and Long-Term Care ("MHSLTC") Health Service Delivery Organization ("SDO") Finance Review

December 2024



Scope of Limitations

We have completed our review based on information provided by the 4 Service Delivery Organizations (SDOs) and MHS LTC, noting the following:

1. We do not assume any responsibility or liability for losses incurred by the SDOs, MHS LTC, or any other parties as a result of the circulation, publication, or reproduction or use of this report contrary to the provisions of this report.
2. Our work does not constitute an audit as defined by the Chartered Professional Accountants of Canada. Consequently, said work, and the resulting report, does not constitute an auditor's opinion. Further, our work cannot be used to provide assurance that it revealed all errors, omissions, or irregularities.
3. This Report must be considered as a whole and selecting portions of the report, or the factors noted by us, without considering all factors and analyses together could create a misleading view of the process underlying this report. The preparation of this report was a complex process and considers various scenarios and is not necessarily susceptible to partial analysis or summary description. Any attempt to do so could lead to undue emphasis on any particular factor, calculation, or analysis.
4. This report has been based on information, documents and explanations that have been provided to us and therefore the validity of our conclusions rely on the integrity of such information as listed in our scope of review. We were not under any obligation or agreement to investigate the accuracy of any third-party information, nor have we performed any investigative procedures to independently verify the accuracy of any third-party information.
5. Should any of the information provided to us not be factual or correct, or should we be asked to consider different information or assumptions, our conclusions could differ from that expressed herein, and the differences could be significant.
6. Data provided has not been independently verified.
7. We reserve the right, but will be under no obligation, to review this report, and if we consider it necessary, to revise this report in light of any information which becomes known to us after the date of this report.



Disclaimer

No opinion, counsel, or interpretation is intended in matters that require legal, tax or other appropriate professional advice. It is assumed that such opinion, counsel, or interpretations have been, or will be, obtained outside of the scope of this report. The absence of independent verification of the information supplied in respect of both historical and projected information, in some cases can limit potential findings. It is likely that there will be restrictions or limitations in the resulting data that could impact the accuracy of our report and therefore we have indicated in our report the source of the data that was obtained by us but disclaim any responsibility for its accuracy. The scope of this work was not responsible for implementing the findings and therefore, the ability to realize the potential efficiencies identified is based on the ability to implement the opportunities. Our work does not and will not result in the expression of an opinion or other form of assurance.

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Executive Summary

Introduction | Background



Background

- Under the *Health System Governance and Accountability Act*, and the terms of the accountability agreements, the Health Service Delivery Organizations (“SDOs”) are expected to operate within the annual budget allocated to them by the minister.
- Over the last several years, SDO’s have not been able to achieve balance and have been reporting operating deficits.
- The accumulated deficits have reached the level where it has become unsustainable for the SDOs on their own and government intervention may be required.
- In addition, the ongoing deficits of the SDOs are putting the Government of Manitoba’s overall goal of a balanced summary budget by the end of its current term (2026/27) at risk.



Scope

- Deloitte was selected to undertake an in depth evaluation of the governance, budgeting and fiscal management practices of the identified SDOs in order to identify gaps and provide recommendations to address those gaps with best practices.
- Through this review, a plan of action will be developed that mitigates the gaps and is both practical and achievable within the prevailing broad economic and human resources challenges in the province.
- The four SDOs under review include: Northern Regional Health Authority (“NRHA”), Prairie Mountain Health Authority (“PMH”), Interlake Eastern Regional Health Authority (“IERHA”) and CancerCare Manitoba (“CCMB”).
- The time frame under review includes fiscal years ending March 2019 - 2024. Any documentation reviewed after March 2024 contains information relating to the time frame under review.

Introduction | Approach

Approach

Review of the governance, budgeting and fiscal management practices of the SDOs and identify weaknesses, provide recommendations for improvement including devising a draft plan for the department's consideration and approval for implementation to mitigate the issues identified, if any.



Phase 1: Planning

- Aligned expectations and timelines with MHSLTC and SDOs.
- Performed preliminary trend analysis to identify the drivers of the deficit.
- Developed hypotheses by reviewing process documentation around current governance, budgeting and fiscal management processes at the SDOs.
- Interviewed selected SDOs' senior management and Board chairs to understand current state processes and identify specific areas of inquiry.



Phase 2: Assessment

- Developed assessment criteria based on budgeting and fiscal management practices and relevant legislation/funding agreements in areas such as:
 - Compliance to the Accountability Agreement
 - Governance from Board of Directors and Executive leadership
 - Budget preparation and monitoring, including cashflow forecasting
 - Delegation of authority and expense management
 - See Appendix A for full list of Criteria and Sub Criteria assessed
- Validated criteria through feedback from the SDOs and MHSLTC.
- Developed procedures to assess the SDOs' compliance with the assessment criteria. Procedures included inquiry, trend analysis, and the review of key documentation such as, but not limited to, funding letters, budgets, invoices, policies, and briefing notes.
- Obtained and examined evidence to support compliance against our criteria assessment.
- Depending on the nature of the exceptions noted in our assessment, we performed additional procedures to understand the root cause. This may include additional inquiry and additional support requested from management.
- Compared the governance, budgeting, and fiscal management processes of the SDOs to leading practices to provide practical recommendations.



Phase 3: Reporting

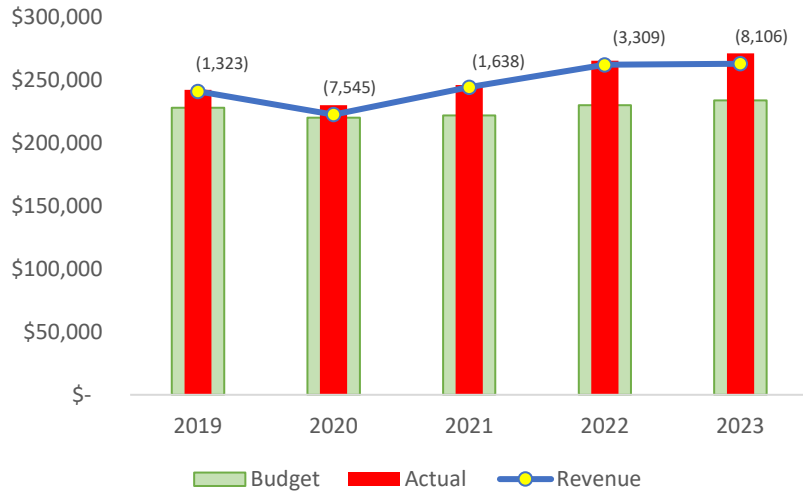
- Consolidated findings.
- Validated the findings with the SDOs.
- Developed recommendations to help the SDOs to address gaps and areas of improvements based on leading practices.
- Developed a practical implementation plan.
- Drafted and finalized the report by incorporating feedback from the SDOs and MHSLTC.

Executive Summary | Deficit Analysis

An analysis was conducted of the revenue to expense deficits, and year-over-year budget to actual variances for each of the SDOs.

NRHA

TOTAL BUDGETED EXPENSE TO ACTUAL EXPENSE VARIANCES WITH REVENUE LINE (IN THOUSANDS \$)



OPERATING & CAPITAL SURPLUS (DEFICIT) COMPARISON

Fiscal Year	Total Surplus (Deficit) With Amortization (In Thousands \$)	Total Surplus Without Amortization (In Thousands \$)
2019	(1,323)	7,725
2020	(7,545)	996
2021	(1,638)	6,090
2022	(3,309)	4,310
2023	(8,106)	549

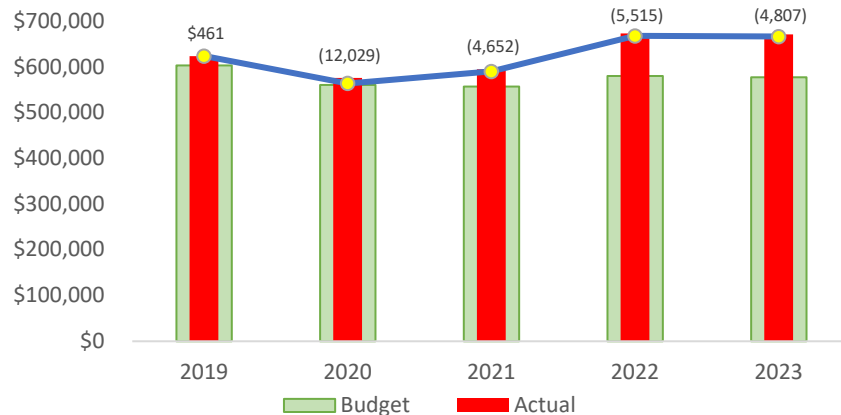
Trend analysis

The provided table and graph illustrate the yearly deficit and surplus in total expenses compared to total revenues received from 2019 to 2023. Over the past 5 years, NRHA has consistently operated at a deficit when considering both total expenses and total revenue. However, excluding amortization, NRHA would be in a surplus. The largest deficit was in 2023, this was primarily due to increases in salary rates and the growing demand for staff in the northern regions. The following expense categories were identified as the largest deficit drivers:

- **Personnel Services:** A significant portion of these costs can be attributed to physician staffing, third-party staff agencies, and other visiting care providers. In October 2021, NRHA entered into a collective agreement with the Manitoba Nurses Union (“MNU”), which introduced rate increases for nurses and required lump sum retro payments for previous years due to the delayed implementation of the agreement. This expense was not included in the budget; however, they were subsequently funded by MHSLTC.
- **Transportation:** The cost increase in this category is due to the remote nature of the patients, necessitating transport to different regions, and a shortage of land ambulances which resulted in a higher use of air ambulance.
- **Supplies and Services:** The increase can be attributed to the ongoing rise in demand for medical products, such as general medical supplies, tube feeds catheters, as well as the increased cost of gloves across all sites and the growing utilization of nitrile gloves, resulting from COVID-19.

PMH

TOTAL BUDGETED EXPENSE TO ACTUAL EXPENSE VARIANCES WITH REVENUE LINE (IN THOUSANDS \$)



OPERATING & CAPITAL SURPLUS (DEFICIT) COMPARISON

Fiscal Year	Total Surplus (Deficit) With Amortization (In Thousands \$)	Total Surplus Without Amortization (In Thousands \$)
2019	461	21,083
2020	(12,029)	9,087
2021	(4,652)	16,701
2022	(5,515)	14,641
2023	(4,807)	15,527

Trend analysis

The provided table and graph illustrate the yearly deficit and surplus in total expenses compared to total revenues received from 2019 to 2023. With the exception of 2019, when PMH achieved a surplus of \$461K, there was a consistent deficit between the total expenses and total revenue. As shown in the table, when considering amortization, PMH has had a deficit for the past 4 years, but without amortization PMH would be in a surplus. The largest deficit occurred in 2020 due to the unforeseen expenses related to COVID-19. The following expense categories were identified as the largest deficit drivers:

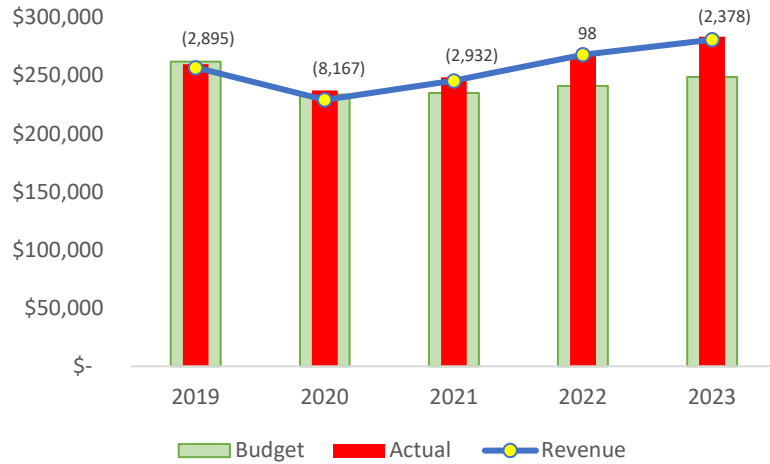
- **Personnel Services:** The cost drivers in this category include agency costs due to COVID-19 staffing vacancies and the renegotiated collective agreement PMH entered in October 2021 with the Manitoba Nurses Union (“MNU”), which introduced rate increases for nurses and required lump sum retro payments for previous years due to the delayed implementation of the agreement. This expense was not included in the budget; however, they were subsequently funded by MHSLTC.
- **Transportation:** The cost drivers in this category include increases to air ambulance costs from contracted out services and an increase in agency travel costs.
- **Supplies:** The increase to cost in this category is primarily driven by inflation and the rise in demand and price of medical supplies.

Executive Summary | Deficit Analysis

An analysis was conducted of the revenue to expense deficits, and year-over-year budget to actual variances for each of the SDOs.

IERHA

TOTAL BUDGETED EXPENSE TO ACTUAL EXPENSE VARIANCES WITH REVENUE LINE (IN THOUSANDS \$)



OPERATING & CAPITAL SURPLUS (DEFICIT) COMPARISON

Fiscal Year	Total Surplus (Deficit) With Amortization (In Thousands \$)	Total Surplus Without Amortization (In Thousands \$)
2019	(2,895)	9,270
2020	(8,167)	4,164
2021	(2,932)	9,567
2022	98	12,796
2023	(2,378)	10,204

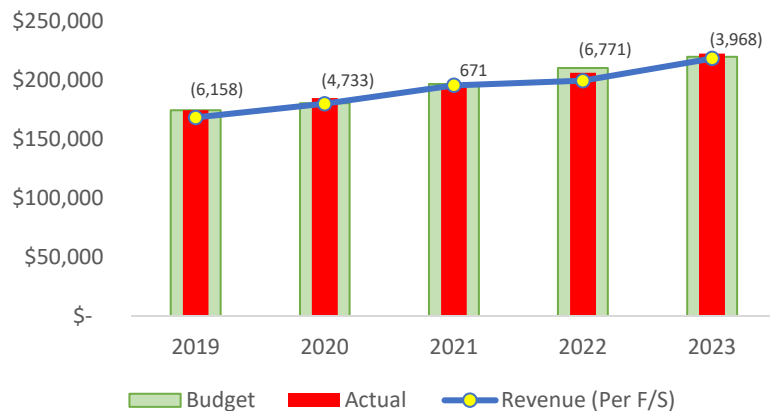
Trend analysis

The provided table and graph illustrate the yearly deficit and surplus in total expenses compared to total revenues received from 2019 to 2023. With the exception of 2022, when IERHA achieved a surplus of \$98K, there was a consistent deficit between total expenses and revenue. As shown in the table, when considering amortization, IERHA has had a deficit for 4 out of 5 years, but without amortization, IERHA would be in a surplus. The largest deficit occurred in 2020 due to unforeseen expenses related to COVID-19. The following expense categories were identified as the largest deficit drivers:

- **Salaries:** The main cost drivers in this category are overtime costs, third-party staffing agencies, and salary rate hikes and a collective agreement IERHA entered into in October 2021 with the Manitoba Nurses Union (“MNU”), which introduced rate increases for nurses and required lump sum retro payments for previous years due to the delayed implementation of the agreement. This expense was not included in the budget; however, they were subsequently funded by MHS LTC.
- **COVID-19:** The COVID-19 pandemic led to increased demand for medical supplies and additional staff for COVID-19 care, including vaccine administration. This expense category also includes COVID-19 premiums introduced in 2021 to retain staff.
- **Supplies:** The drivers in this category include, a rise in utilization of the self and family managed care program, high demand for medical and surgical supplies, inflation in supply costs, and increased expenses related to plant operation supplies and services.

CCMB

BUDGET EXPENSE TO ACTUAL EXPENSE VARIANCES WITH REVENUE LINE (IN THOUSANDS \$)



OPERATING & CAPITAL SURPLUS (DEFICIT) COMPARISON

Fiscal Year	Total Surplus (Deficit) With Amortization (In Thousands \$)	Total Surplus Without Amortization (In Thousands \$)
2019	(6,158)	(53)
2020	(4,733)	593
2021	671	4,509
2022	(6,771)	(2,198)
2023	(3,968)	683

Trend analysis

The provided table and graph illustrate the yearly deficit and surplus in total expenses compared to total revenues received from 2019 to 2023. With the exception of 2021, when CCMB achieved a surplus of \$671K, there was a consistent deficit between total expenses and revenue. As shown in the table, when considering amortization, CCMB has had a deficit for 4 out of 5 years, but without amortization, CCMB would generally be in a surplus. The largest deficit occurred in 2020 due to the introduction of a new program, new nursing collective agreements and increase in general administrative expenses. The following expense categories were identified as the largest deficit drivers:

- **Compensation:** A collective agreement CCMB entered into in October 2021 with the Manitoba Nurses Union (“MNU”), which introduced rate increases for nurses and required lump sum retro payments for previous years due to the delayed implementation of the agreement. This expense was not included in the budget; however, they were subsequently funded by MHS LTC.
- **General Administration:** The increase in this category can be attributed to the implementation of various initiatives aimed at supporting staff at all levels, in response to the strain caused by COVID-19.
- **Drugs:** The increase in this category can be attributed to the implementation of new drug programs, as well as various new initiatives launched within the provincial oncology program.

Executive Summary | Maturity Assessment

The Leading Practice Framework assists in identifying the maturity of the business and finance processes of an organization. The scale moves from developing to leading. Each SDO was engaged on each of the 57 dimensions on a rating scale between 1 – 4, where 1 is developing and 4 is leading. The below reflects the average score within each category. Further details on the 57 dimensions can be found in Appendix B.



Executive Summary | Findings Summary


Based on our review of the governance, budgeting and fiscal management practices of the SDOs, we have summarized our findings into the following themes:

Governance / Accountability

- There are significant challenges in how SDOs work with government to ensure both a balanced budget and the achievement of delivering high standards of clinical care across the populations they serve.
- There are challenges in classifying cost savings initiatives, sharing of information about potential savings opportunities, and transparency around budgeting, cash flow and other items.
- While all parties are working to a similar goal, over time, the processes, approaches and culture appear to have shifted to a point where collaboration between organizations can, at times, appear to be at odds. This creates governance challenges in holding each SDO accountable to its mandate.

Processes and Controls

- The current finance processes are mostly manual, such as AP processing, AR monitoring, preparation of budget, compilation of reporting packages to MHS LTC, etc.
- There is no integration between budgets and the general ledger to obtain more timely information. The budgets and monthly variance analysis are prepared manually in excel.
- AP manually validates that invoices are approved in accordance with the Delegation of Authority (“DOA”) Policy.
- The Procurement and DOA policies are inconsistent across the SDOs and the compliance to those policies are manually enforced, leading to higher risks of non-compliance and errors.



Accountability Culture
Accountability is not just a technical exercise around accountability agreement structure or budgeting/reporting requirements, but rather the expectations, approach and culture around achieving the intended outcomes.

Budgeting/Forecasting Process

- There are significant challenges balancing budgets and addressing both increasing and changing demands of the health system.
- The SDOs covered by this report do not use zero-based budgeting, and instead use historical costs as the basis for the next years budget.
- More rigorous analysis and due-diligence about where cost savings may or may not be found is being requested by government as deficits increase.
- The current processes do not provide the flexibility and adaptability that is required to meet the needs of government and the health system.
- The SDOs do not perform long term cash flow forecasting. Some are performing daily or weekly forecasting manually to address significant short-term needs.

Finance Function Modernization

- Most of the finance teams are focused on transaction processing and data preparation and only limited roles (significantly less than the leading practice of 40-50%) focusing on data analysis and providing business insights/collaborating with the programs, due to manual processes.
- With the significant increase in contingent labour, the AP departments, in particular, have now become responsible for a larger volume of transactions.
- There are significant challenges in recruiting and retaining talent within the finance teams.

Executive Summary | Recommendations Summary

1 Recommendation: Strengthen Financial Accountability Approach

MHSLTC, working with other government stakeholders, Shared Health and the other SDOs, should develop a process that:

- Strengthens the financial accountability and governance process for SDOs and creates a stronger accountability culture, where all are held accountable to supporting their mutual responsibility to the mandates of the government.
- Updates/refreshes guiding principles and expectations.
- Strengthens the current performance management framework with formal linkages between financial management and system performance.
- Defines expectations for all parties and approaches to escalation where necessary.
- Strengthens financial accountability and governance interfaces and vehicles between government and the SDOs - creates collaborative opportunities to transparently and strategically share data and opportunities to address common challenges and emerging/escalating patient needs.
- Clearly defines definitions of key items and process to address 'disagreements' in interpretations (e.g. classifying cost savings initiatives).
- Clearly addresses process to balance where care delivery and a balanced budgets are at odds (e.g. how to address clinical service reductions to balance the budget).
- Establishes expectations for financial management practices such as budgeting, forecasting and cash flow management.
- Develops a process to address gaps in identified capability needs for key areas of financial maturity (e.g., value tracking, reinvestment of savings, forecasting, etc.).

As part of this process, and based on the findings in this report, consider refreshing the financial accountability model within the Accountability Agreements to increase flexibility and define appropriate parameters that will encourage more transparent financial processes and collaboration between parties.

2 Recommendation: Budgeting for Health System Improvement

Due to the challenges in balancing budgets and addressing both increasing and changing demands, the SDO's should consider adopting a zero-based budgeting ("ZBB") approach. Given the challenges noted in this report, it may not be practical to complete ZBB annually however, at a minimum, we recommend that this be completed every 2 years to align with the AOP ("Annual Operating Plan") timeline. In an environment where healthcare improvement is expected, the benefits of ZBB include:

- *Flexibility and Adaptability:* ZBB allows the SDO to be more flexible and adaptable in response to changing circumstances. ZBB forces a thorough evaluation of all expenses, making it easier to identify areas where adjustments may be necessary. This would allow for some level of scenario planning and be particularly helpful for budgeting areas such as air ambulance and agency usage.
- *Improve Resource Allocation:* ZBB enables a comprehensive review of all expenses and funding requests, ensuring the resources are allocated to areas with the highest priority and impact. The SDOs could identify and eliminate unnecessary or redundant expenditures, redirecting those resources towards critical areas such as patient care, research, or infrastructure development that aligns with their AOP.
- *Increased Accountability and Transparency:* ZBB fosters a culture of accountability and transparency across the whole organization. By requiring each department and program to justify their budget requests, ZBB ensures that decision-makers have a clear understanding of the value and impact of each expenditure.
- *Enhanced Strategic Planning:* ZBB encourages departments to align their budget requests with organizational goals and strategic priorities outlined as part of the AOP. This approach promotes a holistic view of resource allocation and facilitates strategic planning by focusing on outcomes and results rather than maintaining the status quo.

Executive Summary | Recommendations Summary

3 Recommendation: Finance Function Modernization

Processes and Controls:

Finance teams are occupied with manual finance processes. We recommend both short-term and longer-term activities.

In the short-term:

- Review finance processes for areas of redundancy that can be optimized immediately.
- Each SDO should identify areas of potential standardization and automation opportunities that could be designed as part of the planning process for the S4/HANA implementation, such as:
 - Benchmarking and standardizing finance policies (i.e. procurement and DOA policies) to allow for consistency and easier implementation
 - Design automated workflows and controls for accounts payable and invoice approvals
 - Standardizing the chart of accounts to provide more accurate and consistent reporting, including certain system generated reports and dashboards
 - Leverage budgeting and forecasting capabilities within S4/HANA to integrate with the general ledger to provide more real time information and reduce the data preparation time

In the medium to long term:

- Undertake a finance operating model refresh for each of the SDOs to support effective decision making, use of data etc. This would consist of a review of roles and responsibilities, evaluating the number of staff in the right roles based on volume of requirements, evaluating if certain transactional processes could be centralized into a shared service for all SDOs, such as accounts payable, accounts receivables, and general ledger accounting. This will allow each SDO to focus on program support/management and business insight assessment.
- Implement the automation opportunities previously identified as part of the S4/HANA implementation.

Finance Team

- Designating certain resources to focus on providing business insight analysis would be ideal; however, in the short-term, cross train staff to be able to perform both the transaction processing and data analysis.
- Continue to provide development programs and training to enhance the skills and capabilities of the Finance team to aid with talent retention and succession planning.

4 Recommendation: Cash Flow Optimization

There are several leading practices that the SDOs can adopt to enhance their forecasting process.

- Leveraging technology to automate certain steps of the forecasting process can improve the accuracy and reliability of their forecasts. Software can integrate with multiple processes, such as accounts payable and procurement, to gather relevant data and provide up-to-date information.
- It is crucial to include only the cash flows that are certain to be received in the forecasting process. Including funding that an SDO is unsure about will not be a true representation of their cash flow position.
- Certain SDOs are performing weekly or daily cashflow forecasting, but it should be completed over a longer period (i.e. 3-6 months outwards). This would help identify shortages earlier and allow the SDOs to have proactive conversations with MHSBTC regarding their cash flow concerns.

Government and the SDOs should also consider a thorough examination (e.g. a working group) of the connections between funding, working capital and cash flow, as well as the existing process between the organizations that is impeding cash flow forecasting, transparency, and predictability for both parties.



Detailed Assessment

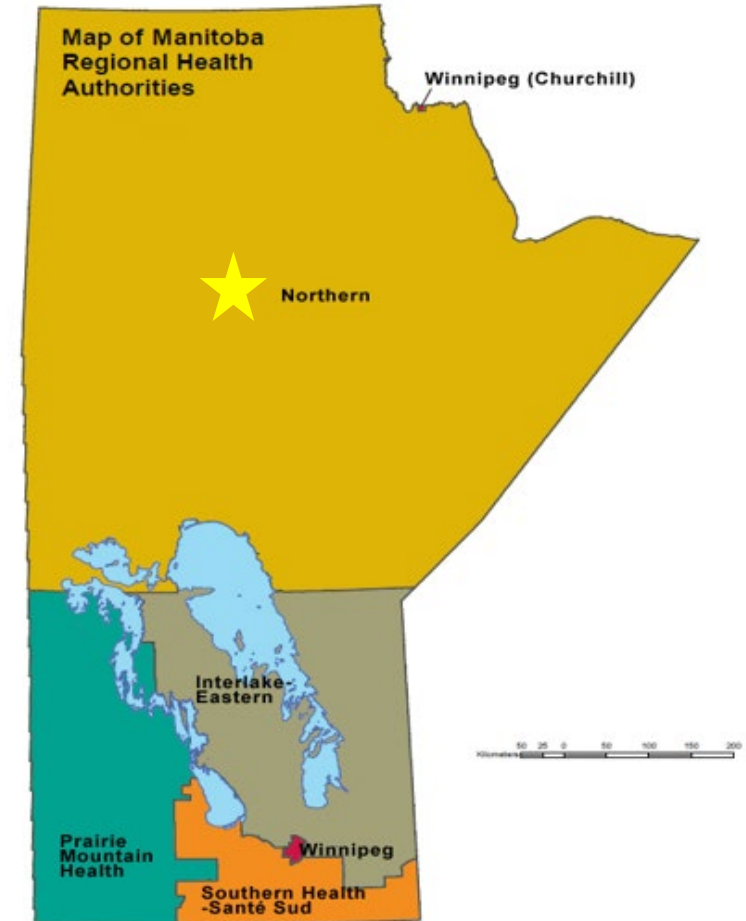


Northern Regional Health Authority ("NRHA")

NRHA | Background

- NRHA was established in May 2012 when the former NOR-MAN and the Burntwood RHAs merged.
- The NRHA provides services to two cities (Thompson and Flin Flon); six towns (The Pas, Gillam, Grand Rapids, Leaf Rapids, Lynn Lake, Snow Lake); one Rural Municipality (Kelsey); one Local Government District (Mystery Lake); multiple hamlets and cottage settlements making up “unorganized territories”, 26 First Nations Communities; and 16 Northern Affairs Communities. The Northern Health Region’s population of 74,175 is spread over 396,000 km, accounting for just under 6% of the provincial population.
- As in all major provinces, delivery of services in the north and in remote geographies requires special attention and funding considerations given its unique context.

- Some of the specific challenges NRHA faces with regards to operational and cost management are related to its geographical location and demographic composition, these include:
 - The NRHA is the largest geographical region in the Province with the least dense population.
 - Remote and isolated communities that makes it challenging to provide accessible healthcare services to all residents.
 - Limited healthcare and skilled resources due to a lower concentration of healthcare and other professionals, and healthcare facilities when compared to more densely populated areas.
 - Given that 40% of the region’s population reside on reserve, there are challenges in ensuring continuity of care between off-reserve and on-reserve health services.



Financial Analysis

NRHA | Expenses Trend & Variance Analysis

We have analyzed NRHA's expenditures categorized by type. The following table provides a breakdown of expenses by type for the years 2019 to 2023, accompanied by sparkline analysis of the actual expense trends.

TABLE 1: ACTUAL EXPENDITURES BY TYPE (IN THOUSANDS \$)

	2019	2020	YoY Growth	2021	YoY Growth	2022	YoY Growth	2023	YoY Growth	Trend	CAGR
Personnel Services	\$ 171,081	\$ 166,870	-2%	\$ 175,799	5%	\$ 192,980	10%	\$ 193,383	0%		2%
Transportation	\$ 28,202	\$ 26,553	-6%	\$ 24,685	-7%	\$ 30,394	23%	\$ 32,025	5%		3%
Communication	\$ 958	\$ 383	-60%	\$ 371	-3%	\$ 280	-25%	\$ 369	32%		-17%
Supplies and Services	\$ 15,042	\$ 20,351	35%	\$ 24,419	20%	\$ 23,228	-5%	\$ 23,155	0%		9%
Other Operating	\$ 9,433	\$ 5,281	-44%	\$ 8,447	60%	\$ 7,895	-7%	\$ 9,068	15%		-1%
Grants and transfer payments	\$ 3,346	\$ -	-100%	\$ -	0%	\$ -	0%	\$ -	0%		-100%
Minor Capital	\$ 2,758	\$ 495	-82%	\$ 2,011	306%	\$ 627	-69%	\$ 1,934	208%		-7%
Amortization	\$ 8,873	\$ 8,541	-4%	\$ 7,727	-10%	\$ 7,619	-1%	\$ 8,656	14%		0%
Interest Expense (Debt Servicing)	\$ 2,487	\$ 1,694	-32%	\$ 2,574	52%	\$ 2,434	-5%	\$ 2,621	8%		1%
Total Expenses	\$ 242,180	\$ 230,168	-5%	\$ 246,031	7%	\$ 265,458	8%	\$ 271,211	2%		2%

★ Actual expenses input used in analysis are based on figures provided by NRHA management.

- Personnel services, the largest expense category, includes salaries, benefits, remoteness allowances, shift premiums, and overtime pay. The year-over-year (“YoY”) growth rate for these expenses saw a significant shift, increasing to 5% in 2021, and further rising to 10% in 2022. A substantial portion of these costs can be attributed to physician staffing, third-party staffing agencies, and other visiting care providers. A portion of the 10% increase in year-over-year growth in 2022 can also be attributed to the collective agreement with the Manitoba Nurses Union (“MNU”), which introduced rate increases for nurses and necessitated lump sum retro payments for the previous years due to the delayed implementation of the new collective agreement. These costs were not included in the budget; however, they were subsequently funded by MHSLTC.
- Transportation has a compound annual growth rate (“CAGR”) of 3% with a significant increase in year-over-year growth rate of 23% in 2022. This cost increase can be attributed to the remote nature of the patients requiring transport to different regions and a shortage of land ambulances, which resulted in a higher use of air ambulance.
- Supplies and services has the largest CAGR at 9%. There are a few cost drivers in the category including household service supplies, professional services, medical supplies and utilities. The increase in 2020 and 2021 can be attributed to the ongoing rise in demand for medical products, such as general medical supplies, tube feeds catheters, as well as the increased cost of gloves across all sites and the growing utilization of nitrite gloves, resulting from the COVID-19 pandemic.

★ See finding #1 for further analysis.

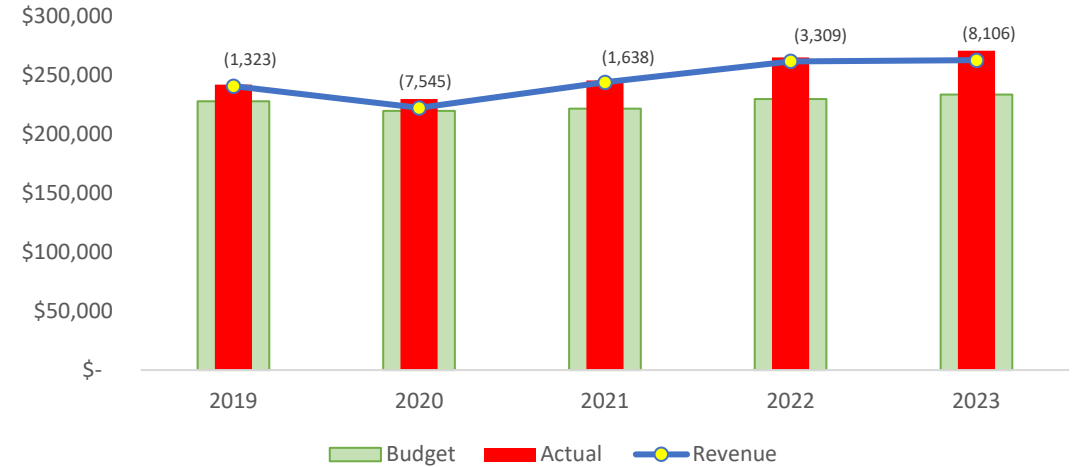
NRHA | Expenses Trend & Variance Analysis

The following tables provide a year-over-year budget to actual variances and a chart with the total budget to actual expense figures for each year.

TABLE 2: TOTAL BUDGETED EXPENSE TO ACTUAL EXPENSE VARIANCES (IN THOUSANDS \$)

	2019	2020	2021	2022	2023
Personnel Services	\$ 580	\$ (1,300)	\$ (9,893)	\$ (24,996)	\$ (22,103)
Transportation	\$ (8,709)	\$ (7,646)	\$ (6,025)	\$ (5,683)	\$ (6,135)
Communication	\$ (264)	\$ 6	\$ 19	\$ 110	\$ 28
Supplies and Services	\$ 6,810	\$ (934)	\$ (3,914)	\$ (2,224)	\$ (2,335)
Minor Capital	\$ (379)	\$ (794)	\$ (1,559)	\$ (131)	\$ (1,337)
Other Operating	\$ (2,837)	\$ 4,027	\$ (3,898)	\$ (3,347)	\$ (4,289)
Grants and Transfer Payments	\$ (3,346)	\$ -	\$ -	\$ -	\$ -
Amortization	\$ (1,306)	\$ 345	\$ 1,162	\$ 1,071	\$ (927)
Interest Expense (Debt Servicing)	\$ (2,240)	\$ (3,657)	\$ (54)	\$ (198)	\$ (188)
Total Expense	\$ (11,690)	\$ (9,954)	\$ (24,163)	\$ (35,397)	\$ (37,285)

TABLE 3: TOTAL BUDGETED EXPENSE TO ACTUAL EXPENSE VARIANCES WITH REVENUE LINE (IN THOUSANDS \$)



★ Budget and actual expenses input used in analysis are based on figures provided by NRHA management.




- In table 2, the total budget to actual expenses from 2020 to 2023 consistently showed an unfavorable variance, with each year's variance larger than the previous year. The most significant variance was observed in 2023, totaling \$37M.
- In table 3, the graph shows in brackets the total revenue to expense deficit. When comparing the actual expenses by type to the total revenues received each year, there has been a consistent deficit between the total expenses by type and total revenues received from 2019 to 2023. The largest deficit occurred in 2023, where the actual expenses exceeded the total revenues by \$8M. This was a result of the increase in salaries rates and overtime which led to higher salary expenses. It is important to note that although the funding received is less than the actual expenditures incurred, it is still more than the total budgeted expenditures for the year and exceeds the budgeted revenues each year.
- Personnel services in table 2 shows the highest budget to actual expense deficit in 2022 due to the retroactive payments that were required and increase in salary rates because of the MNU collective agreements. These costs were not included in the budget; however, they were subsequently funded by MHSLTC.
- In table 2, transportation shows the highest budget to actual deficit in 2019 due to the remote location of patients requiring transport to a different region and a shortage of land ambulances, which resulted in a higher use of air ambulance.
- Supplies and services in table 2, shows the highest deficit in 2021 due to increased demand during COVID-19. These costs were not included in the original budget; however, they were subsequently funded by MHSLTC, which is shown in Table 3.
- Table 4 shows the breakdown of the revenue to expense total with and without amortization considered. To conduct the total revenue to total expense analysis, amortization was included in the total expense calculation. With amortization considered, NRHA has a deficit the past 5 years. Without amortization, NRHA would be in a surplus.

TABLE 4: OPERATING & CAPITAL SURPLUS (DEFICIT) COMPARISON

Fiscal Year ("FY")	Total Surplus (Deficit) With Amortization (In Thousands \$)	Total Surplus Without Amortization (In Thousands \$)
2019	(1,323)	7,725
2020	(7,545)	996
2021	(1,638)	6,090
2022	(3,309)	4,310
2023	(8,106)	549

★ See finding #1 for further analysis.



Detailed Findings

#	Criteria	Finding	Recommendation Reference
Accountability Agreement			
1.	<p>1.1.1: The HA operates within the annual budget allocated to it by Manitoba. (Performance requirement F)</p> <p>1.1.2: In program planning, the HA addresses the provincial expectation to redirect Services as appropriate and continue to deliver Services within the funding level provided without affecting the delivery of Services. (Performance requirement F)</p>	<p>Theme:   </p> <p>NRHA has built their budget with assumptions that may not be realistic, which has contributed to their deficit. This is evidenced through the following examples:</p> <ul style="list-style-type: none"> NRHA includes “anticipated funding” in their budget, which is not confirmed by MHS LTC until after the budget is submitted. NRHA bases this amount from conversations with MHS LTC, where they are provided with the anticipated amount. Certain expense line items are purposely underbudgeted to balance the budget such as agency, overtime, air ambulance and supply costs. For agency costs, it was noted that vacant positions are budgeted for rather than agency costs on the hope that positions could be filled, although likely unrealistic. It was noted that Program Managers and Directors provide input to the CFO regarding assumptions for budgeted line items. These true costs are not built into the budget, making it difficult to hold staff accountable to stay within unrealistic budgeted expense limits. <p>Over the past five years, NRHA has consistently operated in a deficit (considering both operating and capital) while striving to maintain the current level of care provided to the communities it serves. Delivering services within the allocated funding has become progressively more challenging. This is primarily due to the percentage increase in salaries and benefits, transportation, supplies, and services increasing at a rate significantly higher than funding is increasing. Several cost drivers have caused actual costs to surpass NRHA’s budget, these include:</p> <ul style="list-style-type: none"> Personnel services, which is the largest expense category for NRHA, encompasses various components such as salaries, benefits, remoteness allowances, shift premiums, and overtime pay. The year-over-year growth rate changed from a decrease of -2% in the previous year to an increase of 5% in 2021, and further increased to 10% in 2022. According to NRHA’s SBAR briefing note dated April 21, 2023, one of the primary factors driving these costs is the additional expenses incurred for travel and accommodations for physicians who do not reside in the North. To compensate them for the time lost due to extensive travel, NRHA is obligated to provide a travel stipend, as well as cover travel/accommodation costs for all healthcare providers specifically in isolated sites. To address the shortage of physicians in the region and the lack of incentive for them to relocate, NRHA implemented a new travelling physician model. This model includes allowances and accommodations for physicians who must travel from outside of the region. However, the implementation of the travelling model has had implications for on-call services. Physicians who do not live in the region can only be on-call if they are physically present near the main sites. If they are not in the area, they must be compensated to be available when called. Consequently, this has led to an increase in the overall costs of salaries for NRHA. The declining numbers of health care aides (“HCAs”), RPN’s, LPN’s, NP’s, and Allied Health Professionals residing in the North have also contributed to a rise in staffing vacancies. To address these vacancies, NRHA has relied on agency staff and Shared Health Travel Nurses, both of which require additional premiums. 	<p>1.1 1.2.a 1.2.b 1.2.c</p>





NRHA | Findings: Governance

#	Criteria	Finding	Recommendation Reference
Accountability Agreement (continued)			
1.	<p>1.1.1: The HA operates within the annual budget allocated to it by Manitoba. (Performance requirement F)</p> <p>1.1.2: In program planning, the HA addresses the provincial expectation to redirect Services as appropriate and continue to deliver Services within the funding level provided without affecting the delivery of Services. (Performance requirement F))</p>	<ul style="list-style-type: none"> On October 14, 2021, MNU entered a new collective bargaining agreement with NRHA. This agreement included negotiated wage increases for nurses, averaging 1.17% per year for a period of seven years starting 2017. The agreement also introduced increases in overtime pay, weekend premiums, and holiday shift premiums for nurses. According to the collective agreement, overtime worked in excess of 80 hours bi-weekly increased to 2 times the basic salary. Overtime worked on a recognized holiday was increased to 2.5 times the basic salary. The shift weekend premium was raised from an additional \$1.75 an hour to \$2.00 an hour. The night shift premium was increased to an extra \$3.50 an hour from \$2.50 extra. A weekend premium of \$2.00 an hour was also introduced. Due to the agreement being signed four years after the contract start date, NRHA was obligated to make retroactive lump-sum payments in the fiscal year for the wage increases that nurses were entitled to in the previous years. These retroactive payments further contributed to the increased expenses in personnel services during the specified period. Transportation costs remain a significant and unpredictable cost driver with a CAGR of 3%, and an increase in year-over-year growth rate from -7% in 2021 to 23% in 2022. This cost increase can be attributed to a high number of sick patients and the remote nature of patients requiring transport to different regions for medical treatment, coupled with a shortage of land ambulances, which has resulted in a much higher use of air ambulance. Air ambulance costs are difficult to control due to the nature of the rural locations of the hospitals requiring these services coupled with the “hold and wait” practice, which requires the air ambulance to wait for the patient at the hospital they were brought to. Additionally, it is very difficult to budget and forecast for air ambulance due to the lack of a provincial contract and integration between Finance and the Shared Health dispatchers that order the ambulances but do not provide complete cost details until the invoices are subsequently received. Through review of the Manitoba Ambulance Services Program: Funding for Inter-Facility Transportation Policy, only land ambulance is completely reimbursed by MHSLTC, resulting in NRHA having to cover any portion of these costs that are not later reimbursed from additional funding requests, despite NRHA not having any control over these costs. It has been noted by management and through review of evidence that NRHA is actively performing analysis to identify cost savings relating to the use of different vendors, although NRHA does not have control over the usage of different vendors that could provide for these cost savings. Supplies and services increased significantly by 14% from 2019 to 2020, and again by 12% from 2021 to 2020. The increase in 2020 can be attributed to the ongoing rise in demand for medical products, such as general medical supplies, tube feeds catheters, as well as the increased cost of gloves across all sites and the growing utilization of nitrile gloves, resulting from COVID-19. There are various costs which NRHA has categorized as medical remuneration where to date MHSLTC has not agreed to fund. For example, a surgeon was hired in The Pas in 2015, and his position has remained unfunded although the surgeon is required for NRHA to continue to deliver services to patients. Based on interviews with management, NRHA cannot currently deliver services within the funding level, and have not found realistic opportunities to redirect services without impacting service delivery and quality of care. 	<p>1.1 1.2.a 1.2.b 1.2.c</p>








NRHA | Findings: Governance

#	Criteria	Finding	Recommendation Reference
Accountability Agreement (continued)			
2.	<p>1.1.3: Unless otherwise agreed to by Manitoba in writing and approved by Manitoba, the HA will use all funding received pursuant to the Agreement to provide the Services. (Performance requirement G)</p> <p>1.1.4: In the circumstances where the HA is in receipt of approved directed incremental funding as it relates to items specifically intended also for a Service Provider, such as wage increases, the commensurate amount is passed along to the Service Provider. In this circumstances, the HA ensures that the Service Provider utilizes the incremental funding as directed and intended. (Performance requirement H)</p>	<p>Theme: </p> <p>Based on the evidence examined, NRHA is using the directed incremental funding as intended, as evidenced through the submission of invoices from NRHA to MHSBTC related to a funding letter for wellness and licensure reimbursement incentives. On September 14, 2023, MHSBTC issued a funding letter to NRHA for the Health Human Resource Action Plan: 2023/24 Wellness and Licensure Reimbursement Incentives for Physician and Clinical Assistants of Manitoba outlining the funding to be allocated to the Wellness and Licensure Reimbursement Incentives, for the total of \$2,214 (Wellness) and \$2,811 (Licensure), respectively and for FY 24/25 \$2,811 (Licensure) for a total of \$7,836. On November 28, 2023, NRHA incurred \$1,500 of expenses related to Wellness, then on May 2, 2024, NRHA incurred an additional \$500 related to Wellness and \$432 of the Licensure Reimbursement Incentive. It has been noted that invoices have been provided to MHSBTC, however the payment of these amounts have not yet been received by NRHA.</p>	No further action required
3.	<p>1.1.5: Funding provided by the HA for salaries of the executive management of Health Care Organizations and Health Corporations are in accordance with guidelines approved by Manitoba. (Performance requirement J)</p>	<p>Theme: </p> <p>There is no clear guidance or parameters on the salaries of executive management within the accountability agreement. As a result, NRHA is under the assumption that salaries of the executive management are in accordance with approved guidelines by Manitoba.</p>	1.2.b








NRHA | Findings: Governance

#	Criteria	Finding	Recommendation Reference
Accountability Agreement (continued)			
4.	<p>1.1.6: Manitoba's written approval is received before the HA assumed any debt or payment obligations from a foundation of other third party. (Performance requirement K)</p> <p>1.1.7: The HA does not enter into any contractual agreements that may have a material impact on its operating costs and may lead to additional funding requests from Manitoba, without prior consultation and approval from Manitoba. (Performance requirement L)</p>	<p>Theme:  </p> <p>NRHA does not always obtain approval from MHSBTC prior to committing to new or renewal of contracts unless they require incremental funding. Through interviews with management, it has been noted that Shared Health is the approver for significant contracts unless they are operational contracts for less than 1 year, or services are required in areas where there is challenge in hiring staff. There is currently no threshold mandated in the Accountability Agreement to outline when approval is needed from MHSBTC, therefore obtaining approval from MHSBTC is subjective in nature. Written approval is required before NRHA assumes any debt or payment obligations from a foundation or other third party.</p>	1.2.c
5.	<p>1.1.8: If the HA receives funding for anything related to the Services, from any other provincial or federal government department of any third party including a foundation or ancillary services, the HA discloses to the Department the details of the source of such funding and how the funding is related to the Services. (Performance requirement - Schedule B)</p>	<p>Theme:  </p> <p>For all funding received for anything related to the services from any provincial or federal government department or any third party including a foundation or ancillary services, NRHA discloses in their financial statements the source of the funding and how the funding is related to the services.</p>	No further action required






NRHA | Findings: Governance




#	Criteria	Finding	Recommendation Reference
Board of Directors			
6.	1.1.9: The Board ensures that the organization's obligations under the Accountability Agreement are met.	<p>Theme: </p> <p>The Chair of the Board signs the Accountability Agreement; however, the accountability requirements are not formally communicated to the other Board members and there is no formalized process to monitor if the obligations under the Accountability Agreement are met.</p>	1.3
7.	<p>1.2.1: The SDO has adequate Board Governance policy that requires an updated Skills Matrix to identify competencies of existing members and regular assessment of the need for new Board members.</p> <p>1.2.4: The audit committee and/or Finance Committee is led by individual with financial expertise (e.g. CPA or equivalent designation) and is composed of independent members with financial expertise.</p>	<p>Theme:    </p> <p>NRHA has adequate Board Governance policies that includes an updated Skills Matrix to identify competencies of existing members and regular assessment of the need for new Board members. There is no specific requirement in needing Board members to have a financial designation, such as a CPA, however, the skills matrix includes the need for members who demonstrate strong business acumen and/or financial literacy.</p> <p>The Finance Committee Chair does not have a finance or audit certification although, they have 27 years of experience in the financial industry. Per the Terms of Reference, the members of the Finance Committee are not required to have specific finance or accounting experience. This demonstrates that the committee appears to be led by an individual with sufficient experience.</p> <p>Per discussion with management, members of the Board must declare any potential conflict(s). Per review of the October 2023 Finance minutes, it was evident that management did ask the Board to declare potential conflicts regarding to the topics in the agenda; however, no conflict were noted. Additionally, all members must sign an annual conflict of interest disclosure form which has been reviewed.</p>	2.1.a
8.	1.2.2: The Board reviews the financial statements, budget vs actual comparisons, summary of cost drivers, and forecasts on a monthly basis.	<p>Theme:  </p> <p>Based on a review of the Board's meeting minutes, it does not appear that variances are being discussed, although the drivers of the key variances and review of financial materials are noted in the Financial Condition Briefing Note issued by the CEO as of January 31, 2024, and are listed in the Board Report Excels for December 2023 and January 2024. Through review of the Executive Committee, Audit Committee, Governance Committee and Finance Committee minutes from 2019 to 2023, it has been noted that the documentation of discussion in these meetings is very limited. Although, through interviews with management, three main documents are presented to the Board including the Financial Statements, Briefing Notes and Board expenses which indicates that actuals and cost drivers are discussed. In the review of the August 2023 meeting minutes, it was noted that the CFO does present the budget to the Finance Committee and delivers a full presentation of the budget to the Board – although there is no detailed documented discussion from the Finance Committee meeting.</p>	2.2.a

NRHA | Findings: Governance






#	Criteria	Finding	Recommendation Reference
Board of Directors (continued)			
9.	1.2.3: The Board regularly evaluates its own performance and the performance of individual Board members, taking steps to improve effectiveness.	<p>Theme:   </p> <p>Per the evidence reviewed, the Board members complete a monthly Board evaluation form at the end of each meeting and provide it to the Board Secretary who compiles the results and provides a summary to the Board Chair and CEO. Results are then circulated with the agenda for the following meeting with a specific agenda item to discuss the results. This was evidenced through the review of the Monthly Board Meeting Evaluation document from September 2023. There is also a self-assessment performed once a year by each Board member which is provided to the Executive Director, Planning & Corporate Services who compiles the results and provides them to the Board Chair and CEO. The results are included with the package for the annual Board Retreat with a specific agenda item to discuss the results and suggestions for change which was reviewed. The Knowledge, Skills and Experience Inventory is used to identify the Director’s core Board knowledge, skills and experience as well as their desired knowledge, skills and experience. Each Board member completes this annually.</p>	2.1.b
Executive Leadership Committee (“ELC”)			
10.	1.3.1: The ELC/EMT/SLT/ELT meets at least bi-weekly to review financial reports and to discuss strategies for managing costs, including identifying areas for cost savings and efficiencies.	<p>Theme:  </p> <p>Through review of the ELC meeting notes from August 2021, December 2022, and September 2023 it was noted that the CFO provides updates regarding any new projects and financial concerns. Through interviews with management, it was noted that variances are not discussed at the ELC meetings, and per review of the ELC meeting notes, the same finding has been noted.</p> <p>Through interviews with management, it was noted that the cadence of the meetings has changed from bi-weekly to monthly, this is evident through the review of ELC meetings from 2021 to 2023 showing the same pattern.</p>	2.2.a
11.	1.3.2: Action items and decisions are recorded, tracked, and followed up on in subsequent meetings to ensure completion and accountability.	<p>Theme:  </p> <p>From the evidence provided, there is an up-to-date action list with items from 2020 to 2024, although there is no agreed-upon date of completion listed for the items. Through review of the ELC meeting minutes, the action list is an agenda item that is brought up for review and updates as of December 2022. As well, under the action list agenda item, it was observed that there is a follow up action noted to share the action list post meeting and request any additional updates. Prior to December 2022, actions were noted but follow up on the action items was not clearly defined as an agenda item.</p>	2.2.b

NRHA | Findings: Fiscal Management





#	Criteria	Finding	Recommendation Reference																									
Finance Team																												
12.	<p>1.3.3: The business case/briefing note approval process is followed by program managers for all new initiatives or increases in programming and is approved by ELC/EMT/SLT/ELT</p>	<p>Theme:  </p> <p>From interviews with management, it was noted that due to cash flow constraints, business cases are no longer being presented and discussed at ELC. Prior to this, business cases were discussed at monthly meetings and approval decisions were made at the ELC level through a vote.</p>	2.2.d																									
13.	<p>2.1.1: The finance and accounting teams possess the necessary skills and experience to provide appropriate financial oversight and are involved in the review and treatment of all complex/non-standard transactions.</p> <p>2.1.2: Roles and responsibilities have been defined and enforced at the operational level and are well aligned with overall finance and corporate goals.</p>	<p>Theme:   </p> <p>Through interviews with management, the Finance team does not always possess the necessary skills and experience to provide appropriate financial oversight. This is largely due to the difficulties found in recruitment and retention in the region. NRHA attempts to hire individuals with qualifications and experience, but often this is extremely challenging. These retention challenges make it difficult to find efficiencies in existing processes due to high turnover and vacancies. As a result, there are not enough Financial Analysts to work collaboratively with Program Managers to understand variances.</p> <p>Separately, in building the budget, the Director does reach out to Program Managers and provides the budget assumptions to the CFO. It was noted that Finance considers the inclusion of this information but often does not accurately reflect it in the budget. This sets unrealistic expectations as it was noted that the budget does not accurately reflect the actual operational realities, which results in unrealistic budget expectations, of which the Program Managers struggle to meet. Although Finance roles and responsibilities have been defined, they have not been enforced due to the manual nature of the finance processes, which results in key members performing more transactional processing rather than focusing on business insights. Due to the manual nature of NRHA’s processes and relatively limited staff (see chart below), it is difficult for Finance staff to focus on business insights.</p> <table border="1"> <thead> <tr> <th>SDO</th> <th>Number of Finance FTEs (Director and below)</th> <th>Revenue (FY 22/23)</th> <th>Finance FTEs / Total Revenue</th> <th>Rank Based on Finance FTEs/Total Revenue (Least to Most)</th> </tr> </thead> <tbody> <tr> <td>NRHA</td> <td>13.2</td> <td>\$263,104,886</td> <td>0.0000050%</td> <td>1</td> </tr> <tr> <td>PMH</td> <td>35.6</td> <td>\$663,808,000</td> <td>0.0000054%</td> <td>2</td> </tr> <tr> <td>CCMB</td> <td>16</td> <td>\$218,140,571</td> <td>0.0000073%</td> <td>3</td> </tr> <tr> <td>IERHA</td> <td>23.64</td> <td>\$280,562,968</td> <td>0.0000084%</td> <td>4</td> </tr> </tbody> </table>	SDO	Number of Finance FTEs (Director and below)	Revenue (FY 22/23)	Finance FTEs / Total Revenue	Rank Based on Finance FTEs/Total Revenue (Least to Most)	NRHA	13.2	\$263,104,886	0.0000050%	1	PMH	35.6	\$663,808,000	0.0000054%	2	CCMB	16	\$218,140,571	0.0000073%	3	IERHA	23.64	\$280,562,968	0.0000084%	4	1.4 2.3
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#	Criteria	Finding	Recommendation Reference																				
Delegation of Authority (DOA) & Expense Management																							
14.	<p>2.2.1: The Delegation of Authority policy and authorization limits are clearly defined and effectively communicated throughout the organization.</p> <p>2.2.2: The process for updating the DOA is conducted in a timely and accurate manner, ensuring that it reflects current organizational structures and responsibilities.</p>	<p>Theme:   </p> <p>NRHA has a formal DOA policy in place which was last updated in 2014. Although it has not been recently updated, NRHA has commented that the policy is discussed and there has been no need to change the limits currently in place. However, the current DOA does not reflect some exceptions that do not follow the DOA approval process. An example we noted included transportation invoices which does not require approval in accordance with the DOA policy but rather only require a warrant attached to verify the expense for processing without further approvals.</p> <p>The DOA policy is also communicated to employees upon orientation; however, it is not clear whether there are reminders about the correct application of the policy after the employee has been onboarded.</p> <p>The DOA Policy for NRHA outlines the approval authorities for various purchase amounts within the health region. In comparison to the other SDOs, there are differences in the thresholds set at each level. The thresholds for all SDOs are highlighted below:</p> <table border="1"> <thead> <tr> <th></th> <th>NRHA</th> <th>PMH</th> <th>IERHA</th> <th>CCMB</th> </tr> </thead> <tbody> <tr> <td>Board</td> <td>> \$200,000</td> <td>> \$100,000</td> <td>> \$500,000</td> <td>> \$2,000,000</td> </tr> <tr> <td>CEO</td> <td>< \$200,000</td> <td>≤ \$100,000</td> <td>≤ \$500,000</td> <td>≤ \$2,000,000</td> </tr> <tr> <td>CFO</td> <td>< \$100,000</td> <td>≤ \$50,000</td> <td>≤ \$250,000</td> <td>≤ \$500,000</td> </tr> </tbody> </table> <p>As shown in the table, it can be observed that NRHA has thresholds that are higher at each level than PMH, yet these thresholds are still considerably lower than the IERHA and CCMB thresholds.</p>		NRHA	PMH	IERHA	CCMB	Board	> \$200,000	> \$100,000	> \$500,000	> \$2,000,000	CEO	< \$200,000	≤ \$100,000	≤ \$500,000	≤ \$2,000,000	CFO	< \$100,000	≤ \$50,000	≤ \$250,000	≤ \$500,000	1.5.a
	NRHA	PMH	IERHA	CCMB																			
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CFO	< \$100,000	≤ \$50,000	≤ \$250,000	≤ \$500,000																			








NRHA | Findings: Fiscal Management

#	Criteria	Finding	Recommendation Reference
Delegation of Authority (DOA) & Expense Management (continued)			
15.	2.2.3: Invoices are approved in accordance with the delegation of authority.	<p>Theme:   </p> <p>It has been noted that there are instances found where the wrong person is signing off on expenses and, in some cases, where personnel are signing off on their own expenses. Additionally, manual processes are used to ensure signs offs are being performed in accordance with the policy, which increases the risk of not identifying an error.</p> <p>During the testing of 30 samples of expense transactions to ensure compliance with the Delegation of Authority Policy, the following was found:</p> <ul style="list-style-type: none"> • There were 10 invoices that only had a signature and no printed approver name leading to difficulty in determining the name and position of the authorizer indicating an issue in the manual approval process. • There were 10 instances where the transaction amount recorded in the GL differed from the amount stated on the invoices. • There were 6 invoices which contained a warrant number without the related warrant attached. A warrant is needed to match the warrant number on the invoice in order to be approved. However, we were not able to obtain the evidence to validate this. 	1.5.b
16.	2.2.4: There is a competitive bid policy in place whereby bids (quotes/proposals) are solicited and evaluated in accordance with pre-established evaluation criteria.	<p>Theme:  </p> <p>NRHA's procurement policy states that materials management will determine the most appropriate acquisition method for purchases. Capital quotes over \$2,000 require approval from a senior manager and Chief Financial Officer. Non-capital purchases more than \$10,000 but less than \$100,000 require quotations from three or more suppliers. Non-capital purchases over \$100,000 requires approval from the senior manager and chief financial officer and a request for proposal. Products and services in excess of \$25,000, requires a public procurement process with a few exceptions. Through the review of the procurement policy and an example of a purchase budgeted for over \$25,000, it was noted that NRHA did obtain 4 quotes from furniture manufacturers to provide for a competitive bidding process. It is important to note that there is a difference between NRHA's procurement policy and MHS LTC's requirements. The Government of Manitoba mandates that all goods over \$2,500 and all services over \$75,000 must follow the electronic tendering process. Therefore, NRHA's procurement policy does not fully align with the requirements set by the Government of Manitoba.</p>	1.5.c





NRHA | Findings: Budgeting & Forecasting

#	Criteria	Finding	Recommendation Reference
Strategic Planning			
17.	<p>3.1.1: There is a strategic planning process in place to drive prioritization and budget allocations and the budget is clearly linked to the organizations strategic plan and accountability agreement.</p> <p>3.1.2: The framework by which plans are set, decisions are made, and objectives are set are clearly documented, communicated and understood, as well as the means of monitoring the achievement of those objectives.</p>	<p>Theme:  </p> <p>Through interviews with management, it was noted that there is no formal Enterprise Performance Management framework to measure progress against their 2023-2028 Strategic Plan. Without a tool to monitor NRHA's performance against the strategic objectives, it is more difficult to identify improvement areas and in turn, strategies to improve progress towards meeting strategic objectives. Management has noted that this has been discussed for several years, although they do not have the staff to support the level of manual effort required in developing the tool, gathering the data and monitoring progress.</p>	2.4
Budget Preparation			
18.	<p>3.2.1: The budget preparation process is well-defined, includes program managers in the preparation, and includes clear guidelines and timelines for budget submission.</p> <p>3.2.3: The budget is based on realistic assumptions and reliable data (external & internal). i.e., External (clinical needs/demands, demographic changes) and internal information (strategic initiatives, projects)</p>	<p>Theme:  </p> <p>The budget from the prior year is the starting point of the budgeting process. Zero based budgeting is not utilized in the organization. Based on interviews with management, when assumptions are built into the budget, Program Managers provide feedback to the Directors who communicate directly with the CFO. Oftentimes, the expected expenses reflected in the budget are not accurately capturing the communicated reality from the Program Managers and Directors. This is largely due to the expectations that the expenses would exceed the projected funding and result in an unbalanced budget. Therefore, to balance the budget, NRHA reduces certain line items and omits others to result in a balanced budget with the inclusion of the expected funding increase. In FY24/25, the amount of the expected funding increase was 2% compared to the confirmed increase in funding of 0.5%. Ultimately, this has resulted in the development of unrealistic budgets, which has led to year-over-year deficits. This also leads to the inability to hold Program Managers and Directors accountable to their budgets.</p>	<p>1.2.a</p> <p>1.6.a</p>



NRHA | Findings: Budgeting & Forecasting

#	Criteria	Finding	Recommendation Reference
Budget Preparation			
19.	3.2.2: There is a combination of both top-down targets for key drivers (financial and operational) and bottom-up input to develop the completed budget meeting the targets.	Theme:  There are no internal targets utilized in the development of the budget. The prior year budget is utilized as a base, and only MHSBTC targets are leveraged.	1.2.a
20.	3.2.4: The budget is effectively challenged and then approved by the Board of Directors.	Theme:   From interviews with management and the Chair of the Board, it does appear that the Board is asking questions and challenging the budget, as it was mentioned that the Board has identified that the budget does not seem realistic, but it is unclear if the Board has requested that management meet certain targets or change their current method in developing the budget. From review of the Audit Committee minutes from all meetings in 2023, there is no evidence that the budget is being challenged as there is a lack of detailed documentation.	1.6.a
21.	3.2.5: There are standardized templates utilized for budget preparation and ongoing variance reporting.	Theme:   Budgets are built using standardized templates, although this process is very manual. Additionally, NRHA utilizes the standardized summary budget templates and financial forecast reporting templates that are mandated by MHSBTC for use, which is consistent amongst all SDOs.	1.6.b
Budget Monitoring			
22.	3.3.1: Budgets to actual analysis is being prepared on a frequent basis (monthly at minimum) and include variance explanations on the magnitude of the variance, root causes, comparison to historical data, mitigating actions, and future expectations.	Theme:   Variance analysis is occurring monthly and quarterly through the Financial Forecast Report (“FFR”). There is insufficient evidence to conclude if major variances are being addressed with mitigating actions, if they are, it is unclear if they are being addressed in a timely manner.	1.7

NRHA | Findings: Budgeting & Forecasting

#	Criteria	Finding	Recommendation Reference
Budget Monitoring (continued)			
23.	3.3.2: Finance management is meeting with Program Managers on a monthly basis to obtain explanations for variances between budget and actuals.	<p>Theme:  </p> <p>Program Managers are meeting with Financial Analysts to communicate variances on an ad hoc basis to obtain variance explanations. The number of Finance staff amounts to 13.2 FTEs, in determining the total staff over Revenue for the Year ended March 2023, NRHA has the lowest number of staff over Revenue compared to the other SDOs under review. This could result in Finance having a lack of understanding of the root causes of the variances and lead to more difficulty in forecasting and the development of accurate assumptions. It was noted that Finance will sometimes attend the daily huddles between Program Managers and Directors, although this is not a formalized process and does not always result in discussion of variances.</p>	1.7
24.	3.3.3: The budget monitoring process is well-defined and includes mechanisms for addressing budget overruns or shortfalls, ensuring that corrective actions are taken promptly.	<p>Theme:  </p> <p>The budget monitoring process is not well-defined nor documented and does not include mechanisms to address short term overruns or shortfalls with prompt corrective action. Due to the manual nature of the process, it is difficult to maintain a standardized process and takes additional manual labor time and effort to compile the data for monitoring. Per management interviews, data analytics have just started to be utilized to analyze variances less manually. Based on documentation reviewed, it appears that no corrective actions have been taken by Managers or ELC members in response to this information.</p>	1.6.b

NRHA | Findings: Budgeting & Forecasting

#	Criteria	Finding	That is n
Forecasting (continued)			
25.	<p>3.4.1: Cash flow forecasts are prepared and analyzed on a monthly and quarterly basis that accurately identify the variances that occur throughout the fiscal year.</p>	<p>Theme: </p> <p>NRHA does not perform long-term cash flow forecasting, however they perform forecast analysis as often as 3-4 times a week, as short term (weekly) cash needs are substantial. This is partially a result of the significant delay in collection of payment for outstanding accounts receivable from MHSBTC and other funders, and a lack of insight into the amount and timing of certain costs such as air ambulance costs. For example, an October 2023 funding letter from MHSBTC to NRHA was reviewed which showed a \$6M “cash advance” for the following: 2023/24 Northern Isolation Retention, 2023/24 Undergraduate Nurse Employee Expense, 2023/24 Provincial Nursing Station Expense and 2023/24 Flin Flon Usage Settlement. Through interviews with NRHA management, it was noted that this funding provided by MHSBTC was not a cash advance, but rather funding due from outstanding accounts receivables related to invoices that had previously been submitted to MHSBTC.</p> <p>Through review of the monthly Appendix E reconciliations and invoices provided to MHSBTC from NRHA, we noted that there have been significant delays in payment received from MHSBTC. Examples of invoices provided from NRHA from October 2022 show expenses incurred by NRHA that were outstanding up to receiving the funding in October 2023. Overall, the unpredictability of the timing of the collection of outstanding accounts receivable, makes it challenging for NRHA to develop longer term realistic cash flow forecasts as the priority is to focus on the short-term needs. Despite this, communication of forecasts and cash calls from NRHA to MHSBTC do appear to be unpredictable and can change in urgency due to short term cash needs. Further, expected reimbursement related to transportation costs in First Nations communities has not come through from FNIHB which has resulted in increased bad debt, putting additional pressure on cash flow. Through review of the financial statements from 2021 to 2023, the accumulated bad debt amounts to \$8,971,925.</p>	<p>1.8 2.5</p>
26.	<p>3.4.2: Forecasts are prepared and reviewed monthly to reflect changes in the business environment or organizational circumstances and reflect the intended use of funding.</p> <p>3.4.3: Forecasting reports are distributed to relevant stakeholders, providing timely and accurate information on projected financial performance.</p>	<p>Theme: </p> <p>Monthly and quarterly forecasting is performed through the Financial Forecast Report (“FFR”). The quarterly FFR is more robust than the monthly report and contains variance explanations. The forecasts are prepared by the Financial Reporting Officer, then reviewed by the Director of Finance, the CFO, the Board and ultimately is shared with MHSBTC.</p> <p>It has been identified that the AOP is the sole tool being used for long term forecasting. Although it is not a requirement, there is no separate longer term (3-5 year) forecasting exercise performed.</p>	<p>1.8</p>



Prairie Mountain Health Authority (“PMH”)

PMH | Background

- PMH was established in June 2012 when the Manitoba government merged the former regional health authorities of Assiniboine, Brandon, and Parkland.
 - PMH's jurisdiction extends over an area of 67,000 square kilometers, stretching from the 53rd parallel down to communities near the United States border, including Melita, Deloraine, and Killarney. From east to west, the region encompasses communities along the Saskatchewan/ Manitoba border, such as Benito, Elkhorn, and Russell, as well as areas surrounding Waterhen Lake, Lake Manitoba, and Treherne.
 - Delivery of services in the more remote locations within PMH's jurisdiction require special attention given their unique considerations.
- PMH encounters several challenges related to the size of the geography and available services in relation to the region's population.
 - Per the 2022/2023 annual report there is limited availability of key resources to serve a large geography and dispersed population. For example:
 - There are significant HHR challenges for many types of health professionals requiring the use of contingent labour.
 - There is a lack of access to capital. For example, there are two MRI and two CT scan machines for the entire geography/population.
 - There is a requirement for a mobile clinic to visits four underserved communities.



Financial Analysis

PMH | Expenses Trend & Variance Analysis

We have analyzed PMH's expenditures categorized by type. The following table provides a breakdown of expenses by type for the years 2019 to 2023, accompanied by sparkline analysis of the actual expense trends.

ACTUAL EXPENDITURES BY TYPE (IN THOUSANDS \$)

	2019	2020	YoY Growth	2021	YoY Growth	2022	YoY Growth	2023	YoY Growth	Trend	CAGR
Personnel Services	\$ 479,045	\$ 448,980	-7%	\$ 461,884	3%	\$ 527,651	14%	\$ 521,473	-1%		2%
Transportation	\$ 6,906	\$ 6,221	-11%	\$ 5,602	-10%	\$ 12,155	117%	\$ 13,961	15%		15%
Communication	\$ 3,160	\$ 651	-385%	\$ 642	-1%	\$ 631	-2%	\$ 732	16%		-25%
Supplies and Services	\$ 60,294	\$ 70,510	14%	\$ 72,708	3%	\$ 81,509	12%	\$ 83,299	2%		7%
Other Operating	\$ 22,795	\$ 11,958	-91%	\$ 13,812	16%	\$ 13,021	-6%	\$ 10,678	-18%		-14%
Grants/Transfer Payments	\$ 21,788	\$ 7,743	-181%	\$ 8,097	5%	\$ 8,548	6%	\$ 9,871	15%		-15%
Minor Capital	\$ 3,704	\$ 3,953	6%	\$ 5,094	29%	\$ 4,362	-14%	\$ 5,785	33%		9%
Amortization	\$ 20,622	\$ 21,116	2%	\$ 21,353	1%	\$ 20,156	-6%	\$ 20,334	1%		0%
Interest Expense (Debt Servicing)	\$ 4,811	\$ 4,714	-2%	\$ 5,466	16%	\$ 5,016	-8%	\$ 4,994	0%		1%
Total Expenses	\$ 623,125	\$ 575,846	-8%	\$ 594,658	3%	\$ 673,049	13%	\$ 671,127	0%		1%

★ Actual expenses input used in analysis are based on figures provided by PMH management.

- Personnel Services represent the largest expense type, with a low compound annual growth rate ("CAGR") of 2%. However, between 2021 and 2022, there was a significant increase in expenses with a year-over-year ("YoY") growth rate of 14%. This increase can be attributed to the rise in agency costs due to staffing vacancies caused by COVID-19 and the implementation of a collective agreement with the Manitoba Nurses Union ("MNU"). This created a higher demand for healthcare services, leading to the hiring of agency staff and increased costs. The late signing of the collective agreement resulted in retroactive payments and wage increases for nurses. These costs were not included in the budget; however, they were subsequently funded by MHSLTC.
- The cost of transportation significantly increased from 2021 to 2022, with a year-over-year growth rate of 117%. In 2023, this expense category increased by an additional 15%. This category also has the highest CAGR at 15%. The increase in costs in 2022 can be attributed increase in air ambulance costs from contracted out services and agency travel cost.
- The increase in supply costs from 2019 to 2020 was primarily driven by inflation and overall increase in price of medical supplies. The 12% increase in costs from 2021 to 2022 is due to increased demand for personal protective equipment (PPE) and cleaning supplies during the COVID-19 pandemic.

★ See finding #1 for further analysis.

PMH | Expenses Trend & Variance Analysis

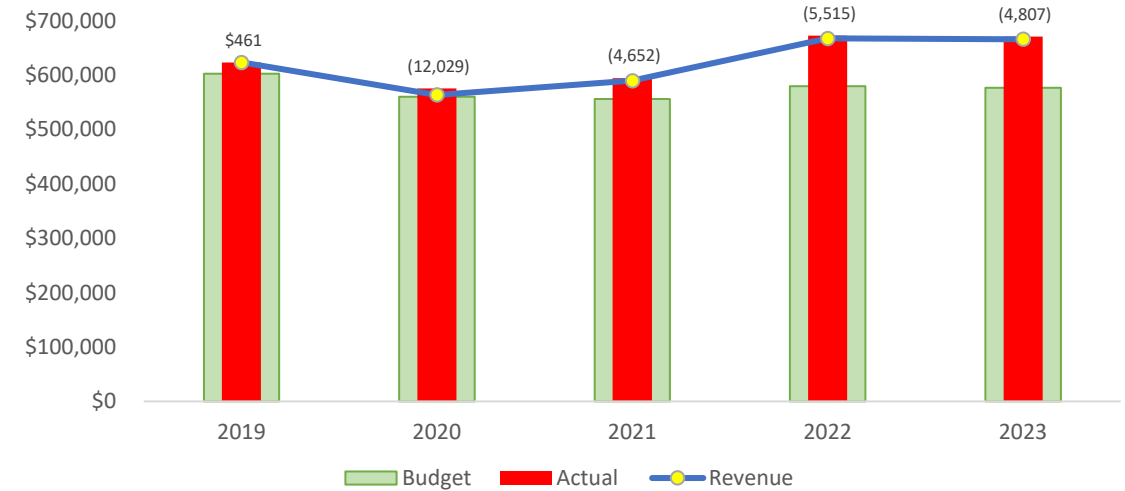
The following tables provide a year-over-year budget to actual variances and a chart with the total budget to actual expense figures for each year.

TABLE 2: TOTAL BUDGETED EXPENSE TO ACTUAL EXPENSE VARIANCES (IN THOUSANDS \$)

	2019	2020	2021	2022	2023
Personnel Services	(\$4,511)	\$25,946	(\$9,624)	(\$78,457)	(\$73,314)
Transportation	\$690	\$1,240	(\$2,050)	(\$5,724)	(\$7,530)
Communication	\$178	\$2,664	\$205	\$177	(\$112)
Supplies and Services	\$5,864	(\$6,623)	(\$8,807)	(\$10,468)	(\$9,120)
Other Operating	(\$8,091)	\$2,022	(\$3,875)	\$1,115	\$743
Grants/Transfer Payments	(\$1,739)	\$12,306	(\$6,014)	(\$268)	(\$1,504)
Debt Servicing	(\$4,724)	(\$2,304)	(\$806)	\$153	(\$499)
Amortization	(\$2,468)	(\$4,236)	(\$3,907)	\$416	(\$1,145)
Minor Capital	(\$2,465)	(\$1,850)	(\$3,651)	(\$285)	(\$1,708)
Total	(\$17,266)	\$29,164	(\$38,528)	(\$93,341)	(\$94,189)

★ Budget and actual expenses input used in analysis are based on figures provided by PMH management.

TABLE 3: TOTAL BUDGETED EXPENSE TO ACTUAL EXPENSE VARIANCES WITH REVENUE LINE (IN THOUSANDS \$)






- In table 2, the total budget to actual expenses from 2020 to 2023 consistently showed an unfavorable variance. There was a substantial rise in actual expenses, more than doubling, between 2021 and 2022, and this upward trend persisted in 2023. The most significant variance was observed in 2023, where the actual expenses surpassed the budgeted expenses by a substantial amount of ~\$94M. This increase in total expense deficit can be attributed to the increase in actual expenses in the Personnel Services, Transportation costs, and Supplies and Services expense categories as noted in the previous slide.
- In table 3, the graph shows in brackets the total revenue to expense deficit. When comparing the actual expenses by type to the total revenues received each year, there has been a consistent deficit between the total expenses by type and total revenues received from 2020 to 2023. The largest deficit occurred in 2020, where the actual expenses exceeded the total revenues by \$12M. This was a result of the unforeseen increase in expenses due to COVID-19. It is important to note that although the funding received falls short of the actual expenditures, it is still above the total budgeted expenditures for the year and above the budgeted revenues each year.
- Personnel Services in table 2 shows the highest budget to actual expense deficit in 2022 due to the retroactive payments that were required, increase in agency costs and increase in salary rates because of the MNU collective agreements. Most of the costs were not included in the budget; however, they were subsequently funded by MHSLTC.
- Transportation in table 2 shows the highest budget to actual deficit in 2023 due to increases in demand for air ambulance services (see finding #1 for further analysis).
- In Table 2, the category of supplies and services exhibits the highest deficit in 2022, primarily attributed to the increased demand for supplies resulting from the COVID-19 pandemic.
- To conduct the total revenue to total expense analysis, amortization was included in the total expense calculation. With amortization considered, PMH has a deficit the past 4 years. Without amortization, PMH would be in an operating surplus. Table 4 shows the breakdown of the revenue to expense total with amortization considered on the left column and without amortization on the right column.

★ See finding #1 for further analysis.

TABLE 4: OPERATING & CAPITAL SURPLUS (DEFICIT) COMPARISON

Fiscal Year ("FY")	Total Surplus (Deficit) With Amortization (In Thousands \$)	Total Surplus Without Amortization (In Thousands \$)
2019	461	21,083
2020	(12,029)	9,087
2021	(4,652)	16,701
2022	(5,515)	14,641
2023	(4,807)	15,527

Detailed Findings

#	Criteria	Finding	Recommendation Reference
Accountability Agreement			
1.	<p>1.1.1: The HA operates within the annual budget allocated to it by Manitoba. (Performance requirement F)</p> <p>1.1.2: In program planning, the HA addresses the provincial expectation to redirect Services as appropriate and continue to deliver Services within the funding level provided without affecting the delivery of Services. (Performance requirement F)</p>	<p>Theme:   </p> <p>From 2019 to 2023, it was observed that PMH provided MHS LTC with balanced budgets to meet the requirements of the Accountability Agreement.</p> <p>During interviews with management, it was identified that budgeted positions may not always be filled, although they continue to be included in the budget anticipating that those positions will eventually be filled. This led to underbudgeting for Personnel Services related to agency costs, which were meant to compensate for these vacancies.</p> <p>PMH has been in a deficit (considering both operating and capital) for four out of five years from 2019 to 2023 in delivering its existing services. While acknowledging that reducing services is a last resort, PMH has faced difficulties in delivering services within the provided funding level. These challenges primarily stem from recruitment and retention of medical practitioners, including nurses and health care aides (“HCAs”), as well as inefficiencies within certain operational processes. As a result, there has been a notable increase in certain expense categories. Additional details include:</p> <ul style="list-style-type: none"> Based on the review of the briefing note titled 23/24 Budget Status, PMH put forward a proposal to close 118 acute care beds across 16 sites. The objective of this proposal is to decrease the anticipated operating deficit, as the presence of these beds and the vacant staff positions have greatly contributed to the operating deficit in prior years. However, it was deemed not feasible to implement prior to the implementation of Home and Community Care Modernization due to the need to ensure that there are enough beds available to meet current demand. PMH management also suggested closing 3 emergency departments, namely Carberry, Glenboro, and Melita, to further cut costs. However, during an interview with PMH management, it was revealed that the closure of these sites cannot be implemented at this time. This is reportedly due to the requirement to maintain the current level of service delivery in the region. As a result, several of these locations are facing staffing issues, leading to an increased reliance on agency nurses and overtime. This is supported by financial trend analysis and the commentary below. Per management, none of the proposed strategies outlined in the briefing note have been approved thus far. Per review of the 2021 and 2022 audited financial statements, between 2021 and 2022, there was a significant increase in Personnel Services, totaling approximately \$66M. Per interviews and review of the 2020-2024 Agency Cost Dashboard and expense type spreadsheets provided by management, it was determined that the increase was mainly driven by overtime in salaries and wages, as well as nursing and HCAs agency costs. It was also noted that prior to 2023, agency travel expenses were categorized under Transportation expenses, which means that prior to the FY 23, the increase in Personnel Services expenses attributable to agency costs was solely due to agency salaries. This expense category experienced a 14% increase in expenses between 2021 and 2022. This could be attributed to a substantial rise in agency salaries incurred to close the gap caused by the vacancies in direct care staff, which increased by approximately \$3M. However, in 2023, there was a decrease in costs amounting to approximately \$6M. This was due to a stabilization of salaries costs that were reflected in the budget. 	<p>1.1 1.2.a 1.2.b 1.2.c</p>



PMH | Findings: Governance

#	Criteria	Finding	Recommendation Reference
Accountability Agreement (continued)			
1.	<p>1.1.1: The HA operates within the annual budget allocated to it by Manitoba. (Performance requirement F)</p> <p>1.1.2: In program planning, the HA addresses the provincial expectation to redirect Services as appropriate and continue to deliver Services within the funding level provided without affecting the delivery of Services. (Performance requirement F)</p>	<ul style="list-style-type: none"> According to the agency cost dashboard, there was a significant increase in agency costs from \$12M in 2021 to \$23M in 2022. The expense amount doubled again in 2023 to \$41M. Per the briefing note titled 23/24 Budget Status provided by PMH management, the significant increase in agency costs from 2022 to 2023 were deemed to be COVID-19 related due to impact of increased sick time and staffing vacancies resulting from COVID-19 staffing requirements during site outbreaks. The largest cost driver within agency costs is agency salaries, accounting for 77% of the total agency costs in 2021, 71% in 2022, and 48% of the total costs in 2023. Agency travel is the second largest cost driver, representing 23% of the total cost in 2021, 29% in 2022, and 34% of the total costs in 2023. Agency travel time, which includes costs to reimburse agency nurses for travel time, makes up 18% of the total agency costs in 2023. Per the briefing note, PMH began tracking travel time separately as agency costs have a significant travel component based on many of the agency staff travelling from Winnipeg. As noted in the briefing document, the travel portion adds an estimated 40% to the worked time costs for agency staff. It is worth noting that agency travel costs were previously included in Transportation expenses, constituting about 50% of the total expenses in this category. However, in 2023, these costs were moved to Personnel Services. As of 2023, agency costs made up approximately 8% of the total expenses within Personnel Services. Based on the 2022 and 2023 audited financial statements, transportation costs experienced a significant increase, totaling over \$7M from 2022 to 2023. However, as of 2023, agency transportation costs were no longer classified as Transportation expenses. Consequently, the increase from 2022 to 2023 was significantly lower at \$1.8M, compared to the increase from 2021 to 2022, which amounted to \$6.5M. Based on a review of the Board minutes and interviews with management, it was noted that air ambulance costs have been increasing since 2019. Previously, transportation from other regions to Winnipeg was primarily done through ground transportation. However, due to a shortage of and ambulance staff, Shared Health began operating Emergency Medical Services (“EMS”) in 2022 and outsourced air transportation services. This shift resulted in a significant reliance on air transport for most medical transportation needs. The uncertainty of demand for these services, have presented challenges for accurately forecasting and controlling costs. As a result, transportation costs have been consistently underbudgeted in forecasts. On October 14, 2021, MNU entered a new collective bargaining agreement with PMH. This agreement included negotiated wage increases for nurses, averaging 1.17% per year for a period of seven years starting 2017. The agreement also introduced increases in overtime pay, weekend premiums, and holiday shift premiums for nurses. According to the collective agreement, overtime worked in excess of 80 hours bi-weekly increased to 2 times the basic salary. Overtime worked on a recognized holiday was increased to 2.5 times the basic salary. The shift weekend premium was raised from an additional \$1.75 an hour to \$2.00 an hour. The night shift premium was increased to an extra \$3.50 an hour from \$2.50 extra. A weekend premium of \$2.00 an hour was also introduced. Due to the agreement being signed four years after the contract start date, PMH was obligated to make retroactive lump-sum payments in the fiscal year for the wage increases that nurses were entitled to in the previous years. These retroactive payments further contributed to the increased expenses in Personnel Services during the specified period. 	<p>1.1 1.2.a 1.2.b 1.2.c</p>





PMH | Findings: Governance

#	Criteria	Finding	Recommendation Reference
Accountability Agreement (continued)			
1.	<p>1.1.1: The HA operates within the annual budget allocated to it by Manitoba. (Performance requirement F)</p> <p>1.1.2: In program planning, the HA addresses the provincial expectation to redirect Services as appropriate and continue to deliver Services within the funding level provided without affecting the delivery of Services. (Performance requirement F)</p>	<ul style="list-style-type: none"> Based on interviews with management, the \$8M increase in supply costs from 2021 to 2022 was primarily driven by inflation. During the COVID-19 pandemic, the prices of certain items, such as gloves, rose significantly due to increased demand. The need for more personal protective equipment (PPE), cleaning supplies, and other resources to accommodate the higher patient volume resulting from COVID-19 contributed to this cost increase. Utility costs also rose by \$1M. As communicated by management, these utility costs could vary significantly depending on the severity of the weather conditions. For instance, colder winters or hotter summers led to higher heating and cooling expenses. <p>Based on interviews with management, PMH cannot currently deliver services within the funding level, and have not found realistic opportunities to redirect services without impacting service delivery and quality of care.</p>	<p>1.1 1.2.a 1.2.b 1.2.c</p>





PMH | Findings: Governance

#	Criteria	Finding	Recommendation Reference
Accountability Agreement (continued)			
2.	<p>1.1.3: Unless otherwise agreed to by Manitoba in writing and approved by Manitoba, the HA will use all funding received pursuant to the Agreement to provide the Services. (Performance requirement G)</p> <p>1.1.4: In the circumstances where the HA is in receipt of approved directed incremental funding as it relates to items specifically intended also for a Service Provider, such as wage increases, the commensurate amount is passed along to the Service Provider. In this circumstances, the HA ensures that the Service Provider utilizes the incremental funding as directed and intended. (Performance requirement H)</p>	<p>Theme: </p> <p>Based on the evidence examined, PMH is using the directed incremental funding as intended, as evidenced through the review of a funding template, which was selected as a sample, that outlined expenses for FY 23/24 related to a funding letter for the Manitoba Provincial Pain Program. On July 25, 2023, MHSBTC issued a funding letter to PMH to support the expansion of the Provincial Pain Program resources and infrastructure which outlined supplementary funding related to additional human resources. MHSBTC authorized \$637,854 of one-time operating funding and \$309,106 of one-time equipment costs for FY23/24 with 75% of the operating funding to be provided and 100% of the equipment funding provided during the fiscal year. PMH noted that they received this funding on July 14, 2023. Through review of a funding template received by PMH which was sent to MHSBTC in May 2024, the total operating expenses for the FY 23/24 amounted to \$480,697 which amounts to just over the 75% of supplementary operating funding of \$478,390.50. It was noted that PMH has created a receivable for the difference.</p>	No further action required
3.	<p>1.1.5: Funding provided by the HA for salaries of the executive management of Health Care Organizations and Health Corporations are in accordance with guidelines approved by Manitoba. (Performance requirement J)</p>	<p>Theme: </p> <p>There is no clear guidance or parameters on the salaries of executive management within the accountability agreement. As a result, PMH is under the assumption that salaries of the executive management are in accordance with approved guidelines by Manitoba.</p>	1.2.b

PMH | Findings: Governance

#	Criteria	Finding	Recommendation Reference
Accountability Agreement (continued)			
4.	<p>1.1.6: Manitoba's written approval is received before the HA assumed any debt or payment obligations from a foundation of other third party. (Performance requirement K)</p> <p>1.1.7: The HA does not enter into any contractual agreements that may have a material impact on its operating costs and may lead to additional funding requests from Manitoba, without prior consultation and approval from Manitoba. (Performance requirement L)</p>	<p>Theme:  </p> <p>PMH is not obtaining approval from MHSBTC for all contracts unless it requires additional incremental funding. There is currently no threshold mandated in the Accountability Agreement, therefore obtaining approval from MHSBTC is subjective in nature. Written approval is required before PMH assumes any debt or payment obligations from a foundation or other third party.</p>	1.2.c
5.	<p>1.1.8: If the HA receives funding for anything related to the Services, from any other provincial or federal government department or any third party including a foundation or ancillary services, the HA discloses to the Department the details of the source of such funding and how the funding is related to the Services. (Performance requirement - Schedule B)</p>	<p>Theme:  </p> <p>For all funding received for anything related to the services from any provincial or federal government department or any third party including a foundation or ancillary services, PMH discloses in their financial statements the source of the funding and how the funding is related to the services.</p>	No further action required





PMH | Findings: Governance




#	Criteria	Finding	Recommendation Reference
Board of Directors			
6.	<p>1.1.9: The Board ensures that the organization's obligations under the Accountability Agreement are met.</p> <p>1.2.2: The Board reviews the financial statements, budget vs actual comparisons, summary of cost drivers, and forecasts on a monthly basis.</p>	<p>Theme: </p> <p>Per interviews with the Chair of the Board, it was noted that the Finance Committee reviews the Accountability Agreement in depth and the Board reviews it at a high level to try to identify ways to meet the performance requirements. The Board acknowledges that PMH is unable to meet all the performance requirements. While they are concerned, they do not want to reduce service delivery. The Board does actively discuss items brought forth by management including variances, such as closing sites to increase efficiencies and reduce agency and overtime costs. This was evidenced through review of the Board meeting minutes in February 2023. It was also noted through interviews with the Chair of the Board that the Finance Committee reviews variances in depth prior to presentation to the Board, which is evidenced through the review of the Finance Agenda from February 2023.</p>	1.3
7.	<p>1.2.1: The SDO has adequate Board Governance policy that requires an updated Skills Matrix to identify competencies of existing members and regular assessment of the need for new Board members.</p> <p>1.2.3: The Board regularly evaluates its own performance and the performance of individual Board members, taking steps to improve effectiveness.</p>	<p>Theme:   </p> <p>Through review of the Board Evaluation Process document and the Board Member Self Evaluation summary for 2022/2023, it was noted that the Board assesses the need for new Board members on an annual basis, surveys the Board as a whole, and solicits feedback from individual Board members, but there is no skills matrix used to identify competencies in new and existing Board members. As well, the self-assessment is limited to the Board members' current committee, interest in additional committees, educational interests and light commentary. This limits the ability of the Board to self-assess and determine whether there are gaps in the composition of the Board and the skills of the Board members. Through review of the November 2021 meeting minutes, the Board has identified that post meeting evaluations are required for accreditation and on a quarterly basis themes and actions for improvement will be brought forth for discussion. Through review of the February 2023 meeting minutes, a future meeting was to be planned around annual meetings with each Board member to discuss the self-evaluation process and Board chair evaluation process.</p>	3.1




PMH | Findings: Governance

#	Criteria	Finding	Recommendation Reference
Board of Directors			
8.	<p>1.2.4: The audit committee and/or Finance Committee is led by individual with financial expertise (e.g. CPA or equivalent designation) and is composed of independent members with financial expertise.</p>	<p>Theme:    </p> <p>The Finance Committee Chair has their CPA, CMA and MBA along with extensive experience including 12 years as the CFO of a company. This demonstrates that the committee appears to be led by an individual with sufficient experience. As well, at every meeting any member with a potential conflict is required to announce it at the beginning of a meeting to ensure independence. Additionally, on an annual basis, PMH provides a statement to their auditor declaring the Board’s independence.</p>	No further action required
Executive Management Team (“EMT”)			
9.	<p>1.3.1: The ELC/EMT/SLT/ELT meets at least bi-weekly to review financial reports and to discuss strategies for managing costs, including identifying areas for cost savings and efficiencies.</p>	<p>Theme: </p> <p>Through interviews with management, it is noted that the EMT does meet bi-weekly to discuss strategies for managing costs and identifying potential efficiencies, as evidenced through the review of the EMT meeting minutes from March and April 2024.</p>	No further action required







PMH | Findings: Governance

#	Criteria	Finding	Recommendation Reference
Executive Management Team (“EMT”) (continued)			
10.	1.3.2: Action items and decisions are recorded, tracked, and followed up on in subsequent meetings to ensure completion and accountability.	<p>Theme:  </p> <p>Through review of the 2024 Action Log provided, action items are tracked in a log and disseminated at EMT meetings. The Action Log tags the assigned member, the status of the action and the completion status and at each meeting, members tagged to action items are held accountable as the EMT inquires about the status of the action item. This is evident through the review of the EMT meeting minutes from March 2024 which shows “Action Items and Unfinished Business – Action items previously sent to EMT” as an agenda item with the log embedded within the document.</p>	No further action required
11.	1.3.3: The business case/briefing note approval process is followed by program managers for all new initiatives or increases in programming and is approved by ELC/EMT/SLT/ELT	<p>Theme:  </p> <p>Per interviews with management, the EMT will review a simple spreadsheet which contains the narrative, background and financial impact of the business case and the EMT will come together as a group and decide whether to approve it. If approved, the CFO will communicate it to the Director of Finance, and the person who put forth the business case is notified of the approval. In situations where Finance is not directly notified, they will reach out to the EMT to determine whether it was approved. Business cases are tracked in an excel, as evidenced through review of the document. This shows the total operating budget requested, one time funding requested, whether it was approved, how much was approved, and if not approved the reason why, and actions for the future for that business case.</p>	No further action required


#	Criteria	Finding	Recommendation Reference																									
Finance Team																												
12.	<p>2.1.1: The finance and accounting teams possess the necessary skills and experience to provide appropriate financial oversight and are involved in the review and treatment of all complex/non-standard transactions.</p> <p>2.1.2: Roles and responsibilities have been defined and enforced at the operational level and are well aligned with overall finance and corporate goals.</p>	<p>Theme:   </p> <p>Since the start of COVID-19 back in 2019, management has noted that Finance and Program Managers are no longer meeting to discuss variances monthly. Rather, Financial Coordinators upload monthly reports to a shared repository where Program Managers can access and review the reports. It has been noted through interviews with management that Financial Coordinators will check in via email with Program Managers to question variances. For new business cases, Program Managers are receiving assistance from Finance mainly by email related to assumptions for new spend. Therefore, the Program Managers and Finance are not working as closely as they used to be.</p> <p>Although the roles and responsibilities of Finance have been defined, they have not been enforced due to the manual nature of the finance processes, which results in key members performing more transactional processing rather than focusing on business insights.</p> <p>Through interviews with management, it has been noted that PMH’s Finance team is operating out of 3 different locations. This is due to the previous amalgamation of regions which has resulted in three separate offices. It was noted through interviews, that while more staff are working from home and utilizing tools to share information virtually, the manual nature of many of the finance processes could result in increased inefficiencies.</p> <table border="1"> <thead> <tr> <th>SDO</th> <th>Number of Finance FTEs</th> <th>Revenue (FY 22/23)</th> <th>Finance FTEs / Total Revenue</th> <th>Rank Based on Finance FTEs/Total Revenue (Least to Most)</th> </tr> </thead> <tbody> <tr> <td>NRHA</td> <td>13.2</td> <td>\$263,104,886</td> <td>0.0000050%</td> <td>1</td> </tr> <tr> <td>PMH</td> <td>35.6</td> <td>\$663,808,000</td> <td>0.0000054%</td> <td>2</td> </tr> <tr> <td>CCMB</td> <td>17.25</td> <td>\$218,140,571</td> <td>0.0000079%</td> <td>3</td> </tr> <tr> <td>IERHA</td> <td>23.64</td> <td>\$280,562,968</td> <td>0.0000084%</td> <td>4</td> </tr> </tbody> </table>	SDO	Number of Finance FTEs	Revenue (FY 22/23)	Finance FTEs / Total Revenue	Rank Based on Finance FTEs/Total Revenue (Least to Most)	NRHA	13.2	\$263,104,886	0.0000050%	1	PMH	35.6	\$663,808,000	0.0000054%	2	CCMB	17.25	\$218,140,571	0.0000079%	3	IERHA	23.64	\$280,562,968	0.0000084%	4	<p>1.4</p> <p>3.2</p>
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#	Criteria	Finding	Recommendation Reference																				
Delegation of Authority & Expense Management																							
13.	<p>2.2.1: The Delegation of Authority policy and authorization limits are clearly defined and effectively communicated throughout the organization.</p> <p>2.2.2: The process for updating the DOA is conducted in a timely and accurate manner, ensuring that it reflects current organizational structures and responsibilities.</p>	<p>Theme:   </p> <p>Based on a review of policies, PMH has a DOA policy that was last updated in August 2023. It was noted through interviews with management that the DOA policy is included in an orientation package given to the Program Managers and Directors when they start by their team. When Finance meets with new managers, they will sometimes discuss the policy and answer questions they may have, but this process is not formally documented or mandated. For accounts payable, the team will assist the new individual in recognizing the signatures to determine if the person is signing in accordance with the policy. If there were to be a change in the policy, then this would be communicated in a weekly newsletter although the updates to the policy are not shared specifically with individuals. The DOA policy is stored in the Policies and Documents section of the PMH Intranet, ensuring easy accessibility for PMH employees to reference.</p> <p>PMH has different thresholds for their DOA, one for budgeted recurring spend and one for non-budgeted spend. The non-budgeted spend thresholds are significantly lower than the other SDOs. This threshold differs from the other SDOs, as shown in the table below even though PMH has the largest budget:</p> <table border="1"> <thead> <tr> <th></th> <th>NRHA</th> <th>PMH</th> <th>IERHA</th> <th>CCMB</th> </tr> </thead> <tbody> <tr> <td>Board</td> <td>> \$200,000</td> <td>> \$100,000</td> <td>> \$500,000</td> <td>> \$2,000,000</td> </tr> <tr> <td>CEO</td> <td>< \$200,000</td> <td>≤ \$100,000</td> <td>≤ \$500,000</td> <td>≤ \$2,000,000</td> </tr> <tr> <td>CFO</td> <td>< \$100,000</td> <td>≤ \$50,000</td> <td>≤ \$250,000</td> <td>≤ \$500,000</td> </tr> </tbody> </table> <p>The CEO can approve goods and services exceeding \$2,000,000 if the spend is included in the budget. For payments of recurring commitments falling between \$1,000,000 and \$2,000,000, the Regional Lead Corporate Services is authorized to approve. However, the Accounts Payables team does not have a process to monitor if the spend is within the department’s budget to ensure the appropriate approvals are obtained before processing the invoice for payment.</p>		NRHA	PMH	IERHA	CCMB	Board	> \$200,000	> \$100,000	> \$500,000	> \$2,000,000	CEO	< \$200,000	≤ \$100,000	≤ \$500,000	≤ \$2,000,000	CFO	< \$100,000	≤ \$50,000	≤ \$250,000	≤ \$500,000	1.5.a
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PMH | Findings: Fiscal Management

#	Criteria	Finding	Recommendation Reference
Delegation of Authority & Expense Management			
14.	2.2.3: Invoices are approved in accordance with the delegation of authority.	<p>Theme:    </p> <p>While there is a policy in place regarding the signing authority for financial commitments, Section A of the Policy states that Directors, Managers, Supervisors, and their delegates are authorized to purchase goods and services from Materials Management as long as it is within their approved operating budget. (See finding #13)</p> <p>During the testing of a 30 sample of expense transactions to ensure compliance with the Delegation of Authority Policy, the following was found:</p> <ul style="list-style-type: none"> • There was an instance where an invoice could not be provided due to offsite storage, resulting in difficulty accessing the invoice. • There were 5 invoices that only had a signature and no printed approver name leading to difficulty in determining the name and position of the approver. • There were three instances where the transaction amount recorded in the GL differed from the amount stated on the invoices. Upon discussing this with management, it was noted that the discrepancy is due to the inclusion of GST rebates in the invoices. The expense amount is recorded net of the rebates, while the rebates themselves are recorded as a receivable. 	1.5.b
15.	2.2.4: There is a competitive bid policy in place whereby bids (quotes/proposals) are solicited and evaluated in accordance with pre-established evaluation criteria.	<p>Theme:  </p> <p>PMH's procurement policy states that all purchases will be conducted through a competitive bid process. For general purchases ranging from \$1,000 to \$4,999, a minimum of one documented quote is required. For purchases between \$5,000 and \$99,999 a minimum of three documented quotes is required. Purchases exceeding \$25,000 must adhere to the Manitoba's electronic tendering process. Through review of the procurement policy and analysis of one example of purchases with a budget exceeding \$25,000, it was observed that PMH complied with the policy by implementing a formal Request for Proposal (RFP) process. In this instance, PMH followed the Manitoba public tendering process, which mandates the use of electronic tendering. Upon examination of the submitted tenders, it was evident that each tender consisted of three to four bids, all of which provided a comprehensive breakdown of the proposed costs. It is important to note that there is a difference between PMH's procurement policy and MHSBTC's requirements. The Government of Manitoba mandates that all goods over \$2,500 and all services over \$75,000 must follow the electronic tendering process. Therefore, PMH's procurement policy does not fully align with the requirements set by the Government of Manitoba.</p>	1.5.c

PMH | Findings: Budgeting & Forecasting

#	Criteria	Finding	Recommendation Reference
Strategic Planning			
16.	<p>3.1.1: There is a strategic planning process in place to drive prioritization and budget allocations and the budget is clearly linked to the organizations strategic plan and accountability agreement.</p> <p>3.1.2: The framework by which plans are set, decisions are made, and objectives are set are clearly documented, communicated and understood, as well as the means of monitoring the achievement of those objectives.</p>	<p>Theme: </p> <p>Through interviews with management, there is a strategic planning process in place to drive prioritization of strategic objectives and budget allocation. During the budget development process, the EMT will typically prioritize strategic objectives based on a variety of factors including cost, complexity, availability of human and financial capital, and competing initiatives. It was also noted that strategic planning discussions also occur throughout the year. Prioritization and budget allocations are presented to the Board first to ensure support.</p> <p>Through interviews with management and review of evidence, it was noted that there is a formal Enterprise Performance Management framework that has been put in place recently to identify progress against strategic objectives outlined in the Strategic Plan. Through review of the quarterly Strategic Plan tracking document, it has been noted that PMH is manually tracking against their goals through the utilization of indicators including comparing the current to target, change since the previous quarter and the addition of further reasoning to explain the trends. Meetings to discuss tracking initiatives are done annually when the Annual Progress Report is being developed between April and September.</p>	No further action required





PMH | Findings: Budgeting & Forecasting

#	Criteria	Finding	Recommendation Reference
Budget Preparation			
17.	<p>3.2.1: The budget preparation process is well-defined, includes program managers in the preparation, and includes clear guidelines and timelines for budget submission.</p> <p>3.2.2: There is a combination of both top-down targets for key drivers (financial and operational) and bottom-up input to develop the completed budget meeting the targets.</p> <p>3.2.3: The budget is based on realistic assumptions and reliable data (external & internal). i.e. External (clinical needs/demands, demographic changes) and internal information (strategic initiatives, projects)</p>	<p>Theme:   </p> <p>The budget from the prior year is the starting point of the budgeting process. Zero based budgeting is not utilized in the organization. From interviews with management, PMH will attribute an expected increase in funding based on MHSBTC assumptions, although this is not confirmed. When assumptions are built into the budget, Program Managers are usually contacted by the Financial Analysts for a validation session. Due to system updates required to BudgetMeistro, PMH’s budgeting software, this did not occur prior to the submission of the budget to MHSBTC for FY 24/25. This could allow for greater inaccuracy in assumptions built into the budget. As well, non-union vacant positions are purposely left vacant, as EMT approval is required to post the position. These vacancies are then built into the budget, and often not filled during the year. This practice can cause variances, as the expected cost of a salaried nurse is much less than that of an agency nurse. It has been noted that only if positions are left vacant for several years, discussions are conducted on whether that position should be removed completely.</p> <p>Additionally, PMH has an internal target they work towards in building the budget which is a 4% reduction in salaries, although it is difficult to attain this goal with increasing costs. Externally, PMH leverages MHSBTC targets in the development of their budgets.</p> <p>Historically, to balance the budget, PMH has been reflecting the difference between funding and expenses as anticipated funding. PMH initially submitted an unbalanced budget for FY 24/25 to MHSBTC for transparency purposes, but they were required to re-submit a balanced budget. MHSBTC requested PMH to resubmit their budget with adjustments, including reducing the expected funding increase from 2% to 0.5%. This reduction in expected funding, coupled with the balanced budget requirement, widened the gap between revenue and expenses for PMH, prompting them to seek additional anticipated funding to balance their budgeted expenses.</p>	<p>1.2.a 1.6.a</p>



PMH | Findings: Budgeting & Forecasting


#	Criteria	Finding	Recommendation Reference
Budget Preparation (continued)			
18.	<p>3.2.3: The budget is based on realistic assumptions and reliable data (external & internal). i.e. External (clinical needs/demands, demographic changes) and internal information (strategic initiatives, projects)</p>	<p>Theme: </p> <p>Through interviews with management, it was noted that some cost savings strategies had been outlined in a briefing note that was submitted to MHS LTC, although none of the suggestions have been approved or implemented. Through review of the briefing note titled 23/24 Budget Status, PMH had identified that their deficit could not be mitigated through simply finding internal efficiencies alone, they require either additional funding from MHS LTC or significant service reductions/facility closures to offset the deficit. This includes incremental funding from MSH LTC to offset the increase in agency and overtime costs, the reduction of PCH and care beds and additional efforts by the province in recruitment and retention. Without consideration of approval from MHS LTC of these items prior to building the budget, these cannot be factored into both decreasing the budget going forward and helping reduce costs in FY 24/25.</p>	1.2.a
19.	<p>3.2.4: The budget is effectively challenged and then approved by the Board of Directors.</p>	<p>Theme:  </p> <p>Per interviews with management, new spend is challenged through a business case process where the EMT tables any business cases, discusses them and then approves them. Once approved, this new spend will flow into the budget. Through review of the Business Cases 2024-2025 excel and the EMT minutes from March and April 2024, new spend is being discussed and challenged through this process. Through the evidence obtained and through interviews with management, there is no evidence of old spend being challenged prior to 2024. Management has put forth a strategy to have Directors perform a deeper dive into their own areas to identify potential areas of savings within old spend.</p>	1.6.a

PMH | Findings: Budgeting & Forecasting


#	Criteria	Finding	Recommendation Reference
Budget Monitoring			
20.	<p>3.2.5: There are standardized templates utilized for budget preparation and ongoing variance reporting.</p>	<p>Theme:  </p> <p>Per inquiry with management, there are templates for business cases and budgeting is performed directly in BudgetMeistro, therefore offline templates are not utilized but rather the system takes direct inputs. For ongoing variance reporting, PMH utilizes the standardized summary budget templates and financial forecast reporting templates that are mandated by MHSBTC for use, which is consistent amongst all SDOs. It is noted that both the budgeting and variance reporting processes are very manual in nature.</p>	1.7
21.	<p>3.3.1: Budgets to actual analysis is being prepared on a frequent basis (monthly at minimum) and include variance explanations on the magnitude of the variance, root causes, comparison to historical data, mitigating actions, and future expectations.</p> <p>3.3.2: Finance management is meeting with Program Managers on a monthly basis to obtain explanations for variances between budget and actuals.</p>	<p>Theme:  </p> <p>Through interviews with management and with a Director, it had been noted that since COVID-19, Program Managers have not been meeting regularly with Finance to discuss variances. Without regularly scheduled meetings, it is more difficult for Finance to collaborate with Program Managers to address or support the identification of areas to potentially change in operations to better manage costs. Additionally, this impacts the ability to build accurate assumptions into the budget.</p>	3.3

PMH | Findings: Budgeting & Forecasting

#	Criteria	Finding	Recommendation Reference
Budget Monitoring (continued)			
22.	<p>3.3.3: The budget monitoring process is well-defined and includes mechanisms for addressing budget overruns or shortfalls, ensuring that corrective actions are taken promptly.</p>	<p>Theme:  </p> <p>According to interviews with management, there does not seem to be strong or formalized mechanisms to address short-term (less than 3 month) budget overruns. While there are discussions regarding potential actions that could be taken to prevent the overrun from getting worse, there is no formal action or documentation that seems to be enforced or followed up on. Through review of the briefing note submitted to MHS LTC titled 23/24 Budget Status, PMH is identifying strategies to try to mitigate longer term (over 3 month) overruns from occurring. Through review of the action log and EMT minutes from March and April 2024, it is noted that the EMT is actively reviewing the overtime and agency cost dashboards which show the cost drivers and increases in these costs over time. Although, no actions related to managing these increases are documented.</p>	1.7

#	Criteria	Finding	Recommendation Reference
Forecasting			
23.	<p>3.4.1: Cash flow forecasts are prepared and analyzed on a monthly and quarterly basis that accurately identify the variances that occur throughout the fiscal year.</p>	<p>Theme: </p> <p>Through interviews with management, it was noted that cash flow forecasting was not being performed until March 2024. A cash flow concern was triggered due to the timing of repayment from MHSBTC toward the end of FY 23/24 as there is only one payment from MSHBTC in March, compared to two payments in all other months. Beyond this, the year-over-year deficits have started to contribute to a deterioration of PMH's cash flow strength along with both PMH's delayed provision of invoices to MHSBTC and MHSBTC's delayed payment once PMH does submit these invoices. Through interviews with management, PMH has noted outstanding accounts receivable from MHSBTC of over \$36M as of March 2024. From review of invoices relating to 2023 Weekend Super Premiums, both PMH and MHSBTC were responsible for delays. The Q2 invoice provided in October to MHSBTC, resulted in delayed payment occurring in March 2024. An advance from MHSBTC was received in November 2023, which covered a portion of the Q3/Q4 invoice. The Q3 and Q4 invoices submitted March 2024, shows a delay in submission from PMH of the Q3 invoice, and the remaining portion not covered by the advance is outstanding from MHSBTC.</p> <p>It had been noted that PMH provides both a quarterly and year end reconciliation regarding medical remuneration costs to MHSBTC. Per management and MHSBTC, it is expected that PMH will be required to repay MHSBTC from 2019-2023, although the review of 2019 has not yet been completed by MHSBTC. Through review of the G/L Account balances for the fiscal years 2019-2023, the expected amalgamated total would be a due to MHSBTC of \$2.7M. With the addition of FY 23/24, the sum would result in a due from MHSBTC of \$1.1M. This delay could result in additional cash flow pressures once settled, as the due to amounts from 2019-2023 will require PMH to pay MHSBTC prior to receiving funds from MHSBTC for FY 23/24. As well, this process requires decision making for the repayment of items years after they have been incurred which further contributes to the uncertainty of cash flow. Additionally, the forecasting process mainly compares the funding timing payment of accounts payables, rather than a comprehensive cash flow analysis which could result in inaccurate cash flow projections.</p>	1.8

PMH | Findings: Budgeting & Forecasting

#	Criteria	Finding	Recommendation Reference
Forecasting (continued)			
24.	<p>3.4.2: Forecasts are prepared and reviewed monthly to reflect changes in the business environment or organizational circumstances and reflect the intended use of funding.</p> <p>3.4.3: Forecasting reports are distributed to relevant stakeholders, providing timely and accurate information on projected financial performance.</p>	<p>Theme: </p> <p>Per inquiry with management, forecasting is performed monthly and takes 3-4 days to prepare. The process is very manual and does not currently utilize any automated systems. Two employees are involved in preparing the forecast (i.e., FFR), which is sent to the CFO for review, then to the Board and ultimately to MHSLTC. Unlike the other SDOs, there are no Directors or Program Managers involved in the preparation of the forecast. Forecasts are based on the summary budget and reforecasts are performed when there are increases in specific items such as the approval of a new program or increase in funding. The resulting costs and revenue are then extrapolated over the rest of the year. Changes in the business environment are updated based solely on the preparer’s knowledge at the time of preparation. As there are so few employees involved in the preparation of the forecast, it is possible that not all relevant information is being captured. As well, it had been noted that this process has not been formally documented which makes it more difficult to ensure consistency in the preparation of the forecast.</p> <p>Additionally, it has been identified that currently the AOP is the sole tool being used for long term forecasting. Although it is not a requirement, there is no separate longer term (3-5 year) forecasting exercise performed.</p>	1.8



Interlake Eastern Regional Health Authority ("IERHA")

IERHA | Background

- IERHA covers a vast percentage of land in Manitoba, spanning 61,000 square kilometers.
- The geography extends from the Ontario Border in the east, to the 53rd parallel in the north, and from the eastern shores of Lake Manitoba in the west to just below the Trans-Canada Highway eastwards to Ontario in the south.
- A substantial part of the region falls within the northern territory and is considered remote, only accessible via air, water, or a winter road system.
- Many aspects of the service delivery profile of IERHA parallel the Northern region with many of the same service delivery challenges. As in all major provinces, delivery of services in the north and in remote geographies requires special attention and funding considerations given its unique context.

- Some of the specific challenges being faced by IERHA per the 2022/2023 annual report include:
 - An aging demographic that contributes to an increased demand for healthcare services, more specifically in primary care, community care, emergency care, long-term care, and other housing options for seniors.
 - Some significant risks which include workforce shortages, challenges in managing patient flow, and an aging infrastructure.
 - The geographical distance and associated travel time between points of care contribute to challenges in achieving accessible healthcare.



Financial Analysis

IERHA | Expenses Trend & Variance Analysis

We have analyzed IERHA's expenditures categorized by type. The following table provides a breakdown of expenses by type for the years 2019 to 2023, accompanied by sparkline analysis of the actual expense trends.

TABLE 1: ACTUAL EXPENDITURES BY TYPE (IN THOUSANDS \$)

	2019	2020	YoY Growth	2021	YoY Growth	2022	YoY Growth	2023	YoY Growth	Trend	CAGR
Salaries	\$ 181,680	\$ 163,179	-10%	\$ 164,431	1%	\$ 178,855	9%	\$ 195,802	9%		4%
Medical Remuneration	\$ 14,615	\$ 15,008	3%	\$ 14,490	-3%	\$ 14,314	-1%	\$ 14,879	4%		0%
Purchased Services	\$ 9,300	\$ 9,783	5%	\$ 9,523	-3%	\$ 9,889	4%	\$ 10,655	8%		2%
COVID-19	\$ -	\$ 196	0%	\$ 9,329	4653%	\$ 13,407	44%	\$ 8,242	-39%		111%
Supplies	\$ 12,287	\$ 12,415	1%	\$ 12,039	-3%	\$ 12,810	6%	\$ 14,173	11%		3%
Drug costs	\$ 2,301	\$ 2,181	-5%	\$ 2,220	2%	\$ 2,450	10%	\$ 2,383	-3%		2%
Other Expenses	\$ 22,441	\$ 17,341	-23%	\$ 17,966	4%	\$ 17,679	-2%	\$ 18,770	6%		2%
Amortization	\$ 12,165	\$ 12,331	1%	\$ 12,499	1%	\$ 12,698	2%	\$ 12,056	-5%		0%
Interest (Debt Servicing)	\$ 5,025	\$ 4,915	-2%	\$ 6,064	23%	\$ 5,870	-3%	\$ 5,919	1%		4%
Total Expenses	\$ 259,815	\$ 237,350	-9%	\$ 248,561	5%	\$ 267,972	8%	\$ 282,881	6%		4%

★ Actual expenses input used in analysis are based on figures provided by IERHA management. Several expense categories were combined for the purpose of this analysis.

- Salaries represent the highest expense type primarily consisting of salaries, benefits, remoteness allowances, shift premiums and overtime pay. In 2022, there was a significant shift in the year-over-year ("YoY") growth rate, increasing from 1% in the previous year to a growth rate of 9%. This percentage further increased by 9% in 2023. A substantial portion of these costs are attributed to overtime costs, Manitoba Nurses Union ("MNU") retroactive settlements, increased rates, and third-party staff agencies which are used to cover sick, statutory holiday, and vacation time.
- The COVID-19 category has the highest CAGR at 111%. It shows a significant year-over-year growth rate of 4653% in 2022. This growth is mainly attributed to the increased demand for medical supplies that were essential for safe care and compliance with the COVID-19 health care mandates. These supplies include items such as masks, gowns, and gloves, sanitizers and other relevant supplies. This category also includes COVID-19 salaries incurred from hiring additional staff to fill vacant positions related to COVID-19 care, such as administering vaccines, and the introduction of COVID-19 premiums in 2021 as an incentive to retain existing staff.
- Supplies show a significant year-over-year growth rate from -3% in 2021 to 6% in 2022, and again by 11% in 2023. These increases are primarily driven by the rise in program usage of the self and family managed care program, increased demand and utilization of medical and surgical supplies, inflation in supply costs, and increases in costs associated with plant operation supplies and services.

★ See finding #1 for further analysis.

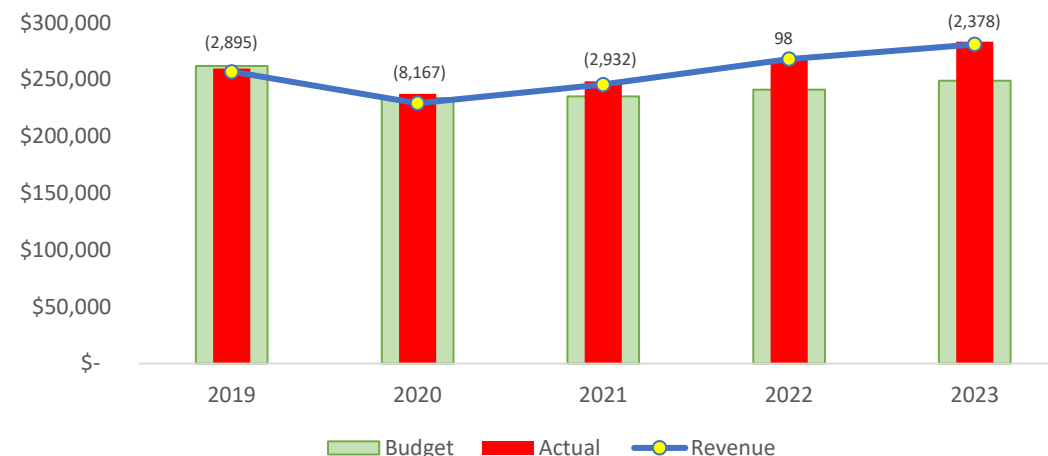
IERHA | Expenses Trend & Variance Analysis

The following tables provide a year-over-year budget to actual variances and a chart with the total budget to actual expense figures for each year.

TABLE 2: TOTAL BUDGETED EXPENSE TO ACTUAL EXPENSE VARIANCES (IN THOUSANDS \$)

	2019	2020	2021	2022	2023
Salaries	\$ 1,925	\$ (2,349)	\$ (3,014)	\$ (13,175)	\$ (25,983)
Medical Remuneration	\$ 1,560	\$ 738	\$ 1,256	\$ 1,152	\$ 1,396
Purchased Services	\$ (122)	\$ 10	\$ 883	\$ (622)	\$ (862)
COVID-19	\$ -	\$ (196)	\$ (9,329)	\$ (13,407)	\$ (6,978)
Supplies	\$ (459)	\$ (736)	\$ (204)	\$ (478)	\$ (1,337)
Other Expenses	\$ (1,568)	\$ (1,260)	\$ (1,911)	\$ 329	\$ (576)
Drug costs	\$ (101)	\$ (31)	\$ (70)	\$ (187)	\$ (14)
Amortization	(2)	21	(97)	(338)	449
Interest (Debt Servicing)	\$ 1,029	\$ 161	\$ (939)	\$ (120)	\$ (25)
Total	\$ 2,263	\$ (3,643)	\$ (13,425)	\$ (26,845)	\$ (33,930)

TABLE 3: TOTAL BUDGETED EXPENSE TO ACTUAL EXPENSE VARIANCES WITH REVENUE LINE (IN THOUSANDS \$)



★ Budget and actual expenses input used in analysis are based on figures provided by IERHA management. Several expense categories were combined for the purpose of this analysis.




- As shown in table 2, unforeseen COVID-19 expenses were incurred in 2020 and 2021. These costs were not accounted for in the budget, resulting in significant unfavorable variances between the budget and actual expenditures.
- In table 3, the graph shows in brackets the total revenue to expense deficit. When comparing the actual expenses by type to the total revenues received each year, there has been a consistent deficit between the total expenses by type and total revenues received from 2019 to 2023, except for 2022 where IERHA ended the year with a surplus of \$98K. The largest deficit occurred in 2020, where the actual expenses exceeded the total revenues by \$8.1M. This was a result of the unforeseen increase in expenses due to COVID-19. It is important to note that although the funding received falls short of the actual expenditures, it is still above the total budgeted expenditures for the year and above the budgeted revenues each year.
- Salaries in table 2 shows the highest budget to actual expense deficit in 2023 due to the increase in salary rates because of the MNU collective agreements and increase in third-party agency costs. These expenses were not included as part of the budget; however, they were subsequently funded by MHS LTC.
- Supplies and services in table 2, shows the highest deficit in 2023 due to rise in program usage of the self and family managed care program, increased demand and utilization of medical and surgical supplies, inflation in supply costs, and increases in costs associated with plant operation supplies and services.
- As shown in table 2, the COVID-19 category shows the highest deficit in 2022. To address the staffing shortages and increasing staffing vacancies caused by the pandemic, IERHA hired staff specifically for COVID-19 related tasks. This category also includes costs for supplies and services that can be specifically attributed to the COVID-19 pandemic.
- Table 4 shows the breakdown of the revenue to expense total with amortization considered on the left column and without amortization on the right column. To conduct the total revenue to total expense analysis, amortization was included in the total expense calculation. With amortization considered, IERHA has been in a deficit for four out of the past five years. Without amortization, for all five years IERHA would be in a surplus.

★ See finding #1 for further analysis.

TABLE 4: OPERATING & CAPITAL SURPLUS (DEFICIT) COMPARISON

Fiscal Year ("FY")	Total Surplus (Deficit) With Amortization (In Thousands \$)	Total Surplus Without Amortization (In Thousands \$)
2019	(2,895)	9,270
2020	(8,167)	4,164
2021	(2,932)	9,567
2022	98	12,796
2023	(2,378)	10,204

Detailed Findings

#	Criteria	Finding	Recommendation Reference
Accountability Agreement			
1.	<p>1.1.1: The HA operates within the annual budget allocated to it by Manitoba. (Performance requirement F)</p> <p>1.1.2: In program planning, the HA addresses the provincial expectation to redirect Services as appropriate and continue to deliver Services within the funding level provided without affecting the delivery of Services. (Performance requirement F)</p>	<p>Theme:   </p> <p>From 2019 to 2023, it was observed that IERHA provided MHSLTC with balanced budgets to meet the requirements of the Accountability Agreement. However, during interviews with management, it was identified that budgeted positions that were not expected to be filled continued to be included in the budget. This led to underbudgeting for salaries expenses related to agency costs, which were meant to compensate for these vacancies. However, per management, this is necessary for IERHA’s operations so that when those positions are able to be recruited into, the budget remained earmarked as available to be used.</p> <p>On the expense side, IERHA emphasized that close monitoring is being conducted, but there is currently no specific plan in place to reduce services and expenses. However, the primary focus is on identifying opportunities to enhance service provision to communities in need. It was noted that all COVID-19 programs have been concluded, except for those approved by MHSLTC, such as vaccinations.</p> <p>IERHA has operated in a deficit (considering both operating and capital) in delivering its existing services for four out of the five years from 2019 to 2023. While acknowledging that reducing services is a last resort, IERHA has faced difficulties in delivering services within the provided funding level. As reported by management, these challenges primarily stem from issues related to retaining and recruiting medical practitioners, including nurses and health care aides (“HCAs”), vacancies in staffing, as well as inefficiencies within certain operational processes. As a result, there has been a notable increase in certain expense categories, which include:</p> <ul style="list-style-type: none"> Salaries, which primarily consist of staff wages, benefits, shift premiums, and overtime pay, represent the highest expense category. In 2022, there was a significant change in the year-over-year growth rate, increasing from 1% in the previous year to a growth rate of 9%. This cost increased by an additional 9% in 2023. A significant portion of these costs can be attributed to various factors such as overtime expenses, the utilization of third-party staffing agencies to cover sick time, statutory holidays, vacation time, and the accrual of retroactive payments for MNU due to the implementation of the collective agreement at the end of 2021. 	<p>1.1 1.2.a 1.2.b 1.2.c</p>



IERHA | Findings: Governance

#	Criteria	Finding	Recommendation Reference
Accountability Agreement (continued)			
1.	<p>1.1.1: The HA operates within the annual budget allocated to it by Manitoba. (Performance requirement F)</p> <p>1.1.2: In program planning, the HA addresses the provincial expectation to redirect Services as appropriate and continue to deliver Services within the funding level provided without affecting the delivery of Services. (Performance requirement F)</p>	<ul style="list-style-type: none"> On October 14, 2021, MNU entered a new collective bargaining agreement with IERHA. This agreement included negotiated wage increases for nurses, averaging 1.17% per year for a period of seven years starting 2017. The agreement also introduced increases in overtime pay, weekend premiums, and holiday shift premiums for nurses. According to the collective agreement, overtime worked in excess of 80 hours bi-weekly increased to 2 times the basic salary. Overtime worked on a recognized holiday was increased to 2.5 times the basic salary. The shift weekend premium was raised from an additional \$1.75 an hour to \$2.00 an hour. The night shift premium was increased to an extra \$3.50 an hour from \$2.50 extra. A weekend premium of \$2.00 an hour was also introduced. Due to the agreement being signed four years after the contract start date, IERHA was obligated to make retroactive lump-sum payments in the fiscal year for the wage increases that nurses were entitled to in the previous years. The Finance Committee financial update in May 2022 acknowledged the accrual of retroactive payments for the collective agreement. The Board's review of the financial package during the same month highlighted that the MNU retroactive payments were impacting the clinical sectors. These payments were found to significantly contribute to the variance between the budgeted and actual expenses for IERHA. It was also noted that the signed collective agreement led to rate increases, resulting in additional costs in the salaries expense category. According to the 2021/2022 Other Reporting Entity ("ORE") report, dated July 6, 2022, which was submitted by IERHA's Chief Financial Officer ("CFO") to MHSTLC, the estimated settlement for the MNU nursing contract resulted in an unfavorable budget to actual variance of approximately \$12.9M. The report also mentioned an unfavorable variance of \$2M for the settlement paid to other collective bargaining units under the Manitoba Government and General Employees Union, who also reached a collective bargaining agreement during the same period, necessitating retroactive payments. As stated in the 2022/2023 ORE report, the contract settlements paid during that year resulted in an unfavorable variance of approximately \$18.5M. The ORE report submitted on June 20, 2023, for FY 22/23 reveals that the salary and benefits overtime and agency costs were utilized to address vacancies throughout the region, leading to an unfavorable budget to actual expense variance of approximately \$5.8M. These costs were primarily incurred due to the high vacancy rates experienced across IERHA, particularly in the acute care and long-term care sectors. Both the IERHA May 2022 Finance Reporting Package and the Board's review of the May 2022 Financial Update highlighted the severe impact of high vacancy rates on the acute care and long-term care sectors. Consequently, there was a heavy reliance on agency staffing and overtime pay to mitigate the effects of these vacancies. 	<p>1.1 1.2.a 1.2.b 1.2.c</p>





IERHA | Findings: Governance

#	Criteria	Finding	Recommendation Reference
Accountability Agreement (continued)			
1.	<p>1.1.1: The HA operates within the annual budget allocated to it by Manitoba. (Performance requirement F)</p> <p>1.1.2: In program planning, the HA addresses the provincial expectation to redirect Services as appropriate and continue to deliver Services within the funding level provided without affecting the delivery of Services. (Performance requirement F)</p>	<ul style="list-style-type: none"> The COVID-19 pandemic led to high vacancy rates in nursing and other healthcare positions due to increased demand for care and staffing shortages. To address these staffing shortages and the growing number of vacancies resulting from the pandemic, a premium was introduced in 2021 as an incentive to retain staff. The May 2022 Board Financial Update also emphasized that salaries in 2022 were negatively impacted by the costs associated with COVID-19. According to the ORE report submitted on June 11, 2021, for FY 20/21, the expenses related to COVID-19 salaries resulted in an unfavorable variance of approximately \$7.2M. This variance increased to approximately \$9M in FY 2021/22, however, it decreased to approximately \$5M in 2023. The decrease in COVID-19 salary costs in 2023 can be attributed to the slowdown in demand for COVID-19 related services. Another factor contributing to the increase in expenses in 2021 and 2022 is the cost of supplies and services related to COVID-19. As stated in the 2020/2021 ORE report, supply costs for COVID-19 resulted in an unfavorable variance of \$1.3M in this category. This growth can be attributed to the heightened demand for medical supplies necessary for COVID-19 care, such as masks, gowns, gloves, and other relevant items. Additionally, an unfavorable variance of \$784K was recorded in minor capital expenses specifically related to COVID-19 safety and security projects that were not initially budgeted for. According to the ORE reports, in FY 21/22, the supplies utilized for the COVID-19 response and vaccination sites resulted in an unfavorable variance of \$895K. In FY 22/23, the unfavorable variance increased to \$1.25M, which includes the costs of provincial pandemic supplies. According to the May 2022 Board Forecast Report, approximately \$12.1M was spent on the COVID-19 response work in 2022. However, due to the uncertainties surrounding the demand during the pandemic, it was challenging to accurately predict the costs required to cover the expenses related to COVID-19. This was noted in an IERHA briefing note to the Deputy Minister dated July 30, 2021. Supplies show an increase in year-over-year growth, from -3% in 2021 to 6% in 2022, and further rising to 11% in 2023. Per the 2021/2022 ORE report, the self and family managed care program saw a rise in program usage, resulting in an unfavorable budget to actual expense variance of \$453K. Increased demand and utilization of medical and surgical supplies, coupled with inflation in these supply costs, led to an unfavorable variance of \$1.6M. The costs associated with plant operation supplies and services also increased, resulting in an unfavorable variance of \$524K. As per the 2022/2023 ORE report, the unfavorable variance of \$1.7M can be largely attributed to inflation. Other expenses experienced a notable cost increase from 2022 to 2023, with a year-over-year growth rate of 6%. According to the 2022/2023 ORE report, this increase was primarily driven by higher insurance costs, course registration expenses, and expenditures on training/publication materials, resulting in an unfavorable variance of \$596K. <p>Based on interviews with management, IERHA cannot currently deliver services within the funding level, and have not found realistic opportunities to redirect services without impacting service delivery and quality of care.</p>	<p>1.1 1.2.a 1.2.b 1.2.c</p>






IERHA | Findings: Governance

#	Criteria	Finding	Recommendation Reference
Accountability Agreement (continued)			
2.	<p>1.1.3: Unless otherwise agreed to by Manitoba in writing and approved by Manitoba, the HA will use all funding received pursuant to the Agreement to provide the Services. (Performance requirement G)</p> <p>1.1.4: In the circumstances where the HA is in receipt of approved directed incremental funding as it relates to items specifically intended also for a Service Provider, such as wage increases, the commensurate amount is passed along to the Service Provider. In this circumstances, the HA ensures that the Service Provider utilizes the incremental funding as directed and intended. (Performance requirement H)</p>	<p>Theme: </p> <p>Based on the funding letter received by IERHA from MHSLTC in January 2021 titled “Expenditures related to COVID-19” which provides one-time funding for FY 20/21 of \$2.7M and the COVID-19 Costs Template from March 2021, which was sent from IERHA to MHSLTC, it appears as though the funding received was put into a pool to cover general COVID-19 costs and that the funds were not specifically reconciled to a specific position or expense. As evidenced through review and interviews with management, the \$2.7M obtained from MHSLTC is shown on its own as revenue, but expenses are not directly reconciled against this as there were a multitude of costs incurred relating to COVID-19. The sum of the March 2021 expenses is shown as \$1.07M, while the year-to-date expenses amount to \$8.2M.</p>	1.1 4.1
3.	<p>1.1.5: Funding provided by the HA for salaries of the executive management of Health Care Organizations and Health Corporations are in accordance with guidelines approved by Manitoba. (Performance requirement J)</p>	<p>Theme: </p> <p>There is no clear guidance or parameters on the salaries of executive management within the accountability agreement. As a result, IERHA is under the assumption that salaries of the executive management are in accordance with approved guidelines by Manitoba.</p>	1.2.b

IERHA | Findings: Governance

#	Criteria	Finding	Recommendation Reference
Accountability Agreement (continued)			
4.	<p>1.1.6: Manitoba's written approval is received before the HA assumed any debt or payment obligations from a foundation of other third party. (Performance requirement K)</p> <p>1.1.7: The HA does not enter into any contractual agreements that may have a material impact on its operating costs and may lead to additional funding requests from Manitoba, without prior consultation and approval from Manitoba. (Performance requirement L)</p>	<p>Theme:  </p> <p>IERHA does not always obtain approval from MHSBTC prior to committing to new or renewal of contracts, although it was noted by management in practice, they will obtain approvals if the spend is greater than \$100,000, including lease commitments. For those requiring incremental funding, IERHA must always seek approval from MHSBTC. As there is currently no threshold mandated in the Accountability Agreement to outline when approval is needed from MHSBTC, obtaining approval from MHSBTC is subjective in nature. Written approval is required before IERHA assumes any debt or payment obligations from a foundation or other third party.</p>	1.2.c
5.	<p>1.1.8: If the HA receives funding for anything related to the Services, from any other provincial or federal government department of any third party including a foundation or ancillary services, the HA discloses to the Department the details of the source of such funding and how the funding is related to the Services. (Performance requirement - Schedule B)</p>	<p>Theme:  </p> <p>For all funding received for anything related to the services from any provincial or federal government department or any third party including a foundation or ancillary services, IERHA discloses in their financial statement the source of the funding and how the funding is related to the services.</p>	No further action required





IERHA | Findings: Governance

#	Criteria	Finding	Recommendation Reference
Board of Directors			
6.	<p>1.1.9: The Board ensures that the organization's obligations under the Accountability Agreement are met.</p>	<p>Theme: </p> <p>The Chair of the Board signs the Accountability Agreement; however, there is no formalized process to monitor if the obligations under the Accountability Agreement are met. An example of an obligation that IERHA is not fulfilling under the Accountability Agreement is operating within the budget allocated by MHSBTC, since IERHA has operated with a deficit. As well, IERHA provided an unbalanced budget to MHSBTC for FY24/25 for transparency purposes as it was considered the most accurate representation of IERHA's financial situation. As this goes against the Accountability Agreement, MHSBTC required IERHA to resubmit a balanced budget.</p>	<p>1.3 4.2.b</p>
7.	<p>1.2.1: The SDO has adequate Board Governance policy that requires an updated Skills Matrix to identify competencies of existing members and regular assessment of the need for new Board members.</p> <p>1.2.4: The audit committee and/or Finance Committee is led by individual with financial expertise (e.g. CPA or equivalent designation) and is composed of independent members with financial expertise.</p>	<p>Theme:    </p> <p>Per interviews with management and a review of documentation, it is evident that a Skills Matrix is being utilized to identify competencies of existing members, although this is not required per the policy. Additionally, it was noted that regular assessment of the need for new Board members is occurring. There is no specific requirement for Board members to have a financial designation, such as a CPA or CFA, however, the IERHA Board of Directors Skills, Knowledge and Training Matrix does identify the following knowledge/experience as assets; finance/analysis/budget, annual financial planning cycle, financial responsibilities of the Board, business and/or organization experience which are related to finance.</p> <p>The Finance Committee Chair does not have finance or audit certifications such as their CPA or CFA, although it was noted that the Finance Committee Chair has held several senior management positions within the Government of Manitoba and has over 25 years of experience in the public and private sector, after having obtained a masters in economics. This demonstrates that the committee appears to be led by an individual with sufficient experience.</p> <p>For independence purposes, any member with a conflict is expected to remove themselves from the discussion. Additionally, the Oath of Office form for the Audit Committee and Finance Committee Chairs were reviewed and showed no conflict of interest at appointment of the members.</p>	<p>4.2.a 4.2.d</p>




IERHA | Findings: Governance




#	Criteria	Finding	Recommendation Reference
Board of Directors (continued)			
8.	1.2.2: The Board reviews the financial statements, budget vs actual comparisons, summary of cost drivers, and forecasts on a monthly basis.	<p>Theme: </p> <p>Through the review of the Board Packages from February 2023, April 2022 and November 2021, and the meeting minutes, it is evident that the Board is reviewing the financial statements, variances, cost drivers and forecasts monthly, although the meeting minutes are not detailed enough alone to determine all that was presented in the Board Package.</p>	4.2.c
9.	1.2.3: The Board regularly evaluates its own performance and the performance of individual Board members, taking steps to improve effectiveness.	<p>Theme:  </p> <p>Per the evidence reviewed and interviews with the Board Chair, evaluations are conducted of the Board as a whole and self-evaluations are also performed against the Skills Matrix to identify areas for improvement. Through the review of the May 2023 meeting minutes, the Board acknowledged that the self-evaluation and Chair’s evaluation would be sent out in the following meeting, asking the members to complete it prior to the June meeting. The Board Skills, Knowledge and Training Matrix was also communicated to be sent out at the May meeting, with the deadline of the June meeting to complete although it was noted that this was optional to complete. In this meeting the Chair emphasized the matrix as a tool for annual re-evaluation and encouraged continuing education and development to develop and enhance skills and knowledge of the Board members individually and collectively. Through review of the June 2023 meeting minutes, it was noted that a summary of the results of the Board member self-assessments, Board Chair evaluation and CEO evaluation was to be shared in-camera during the meeting.</p>	4.2.a

IERHA | Findings: Governance







#	Criteria	Finding	Recommendation Reference
Senior Leadership Team (“SLT”)			
10.	<p>1.3.1: The ELC/EMT/SLT/ELT meets at least bi-weekly to review financial reports and to discuss strategies for managing costs, including identifying areas for cost savings and efficiencies.</p> <p>1.3.3: The business case/briefing note approval process is followed by program managers for all new initiatives or increases in programming and is approved by ELC/EMT/SLT/ELT.</p>	<p>Theme:  </p> <p>Through interviews with management and review of the SLT meeting minutes from April 2024 that includes discussion related to FY 23/24, it was noted that the SLT team meets weekly to review financial reports and discuss cost saving strategies. Through interviews with management, the review of a Briefing Note and Decision Brief, it is evident that Program Managers and SLT are following the briefing note and approval processes.</p>	No further action required
11.	<p>1.3.2: Action items and decisions are recorded, tracked, and followed up on in subsequent meetings to ensure completion and accountability.</p>	<p>Theme:  </p> <p>From a review of the evidence provided, there is an up-to-date action list with items from 2020 to 2024. Although there is no agreed-upon date of completion listed for the items, there is a column which indicates “next update” with the name of the lead for that item, which indicates that the person responsible is being held accountable. Through review of the SLT meeting minutes from April 2024, action items are discussed with further decisions/actions documented.</p>	4.3

IERHA | Findings: Fiscal Management



#	Criteria	Finding	Recommendation Reference																									
Finance Team																												
12.	<p>2.1.1: The finance and accounting teams possess the necessary skills and experience to provide appropriate financial oversight and are involved in the review and treatment of all complex/non-standard transactions.</p> <p>2.1.2: Roles and responsibilities have been defined and enforced at the operational level and are well aligned with overall finance and corporate goals.</p>	<p>Theme:   </p> <p>Based on interviews with Finance leadership, the Finance team and Program Managers meet to discuss assumptions related to the budget on a regular basis. Program Managers are also involved in monthly variance reporting meetings with Finance to discuss budget to actuals, forecasts, changes to or adjustments that need to be made and explanations for variances.</p> <p>Through review of the Finance team composition, in comparison to other SDOs, IERHA has the second highest number of FTEs and the highest % of FTEs over total revenue based on FY 22/23. Although the roles and responsibilities have been defined, they have not been enforced due to the manual nature of the finance processes, which results in key members performing more transactional processing rather than focusing on business insights. While the number of FTEs has been presented in the table below, the relative performance, number of Finance sites and support of business objectives has not been evaluated.</p> <table border="1"> <thead> <tr> <th>SDO</th> <th>Number of Finance FTEs</th> <th>Revenue (FY 22/23)</th> <th>Finance FTEs / Total Revenue</th> <th>Rank Based on Finance FTEs/Total Revenue (Least to Most)</th> </tr> </thead> <tbody> <tr> <td>NRHA</td> <td>13.2</td> <td>\$263,104,886</td> <td>0.0000050%</td> <td>1</td> </tr> <tr> <td>PMH</td> <td>35.6</td> <td>\$663,808,000</td> <td>0.0000054%</td> <td>2</td> </tr> <tr> <td>CCMB</td> <td>17.25</td> <td>\$218,140,571</td> <td>0.0000079%</td> <td>3</td> </tr> <tr> <td>IERHA</td> <td>23.64</td> <td>\$280,562,968</td> <td>0.0000084%</td> <td>4</td> </tr> </tbody> </table> <p>Both the CFO and the Director of Finance have their CPA and over 20 years of relevant experience, which show that they are both qualified in overseeing the Finance function.</p>	SDO	Number of Finance FTEs	Revenue (FY 22/23)	Finance FTEs / Total Revenue	Rank Based on Finance FTEs/Total Revenue (Least to Most)	NRHA	13.2	\$263,104,886	0.0000050%	1	PMH	35.6	\$663,808,000	0.0000054%	2	CCMB	17.25	\$218,140,571	0.0000079%	3	IERHA	23.64	\$280,562,968	0.0000084%	4	<p>1.4</p> <p>4.4</p>
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#	Criteria	Finding	Recommendation Reference																				
Delegation of Authority (DOA) & Expense Management																							
13.	<p>2.2.1: The Delegation of Authority policy and authorization limits are clearly defined and effectively communicated throughout the organization.</p> <p>2.2.2: The process for updating the DOA is conducted in a timely and accurate manner, ensuring that it reflects current organizational structures and responsibilities.</p>	<p>Theme:   </p> <p>IERHA has a DOA policy that was last updated in 2022, with limits clearly defined. Through interviews with management, the policy has not effectively been communicated to staff, as there has been significant staff turnover. It has been noted that the communication of the policy is reliant on the Director and VP to share it with staff, although it is available from a central repository. Additionally, all new hires are required to review all key policies as part of their orientation, which includes the DOA policy, and attest that this has been completed. Through review of the Standard Employment Agreement, policies are to be reviewed annually as well. Managers and Directors are responsible to ensure that their new hires are aware of the DOA policy, and are responsible for signing the new hires' attestation, although management has communicated that annual reminders and further education would be helpful for staff.</p> <p>The DOA Policy for IERHA outlines the approval authorities for various purchase amounts within the health region. In comparison to the other SDOs, there are differences in the thresholds set at each level. The thresholds for all SDOs are highlighted below:</p> <table border="1"> <thead> <tr> <th></th> <th>NRHA</th> <th>PMH</th> <th>IERHA</th> <th>CCMB</th> </tr> </thead> <tbody> <tr> <td>Board</td> <td>> \$200,000</td> <td>> \$100,000</td> <td>> \$500,000</td> <td>> \$2,000,000</td> </tr> <tr> <td>CEO</td> <td>< \$200,000</td> <td>≤ \$100,000</td> <td>≤ \$500,000</td> <td>≤ \$2,000,000</td> </tr> <tr> <td>CFO</td> <td>< \$100,000</td> <td>≤ \$50,000</td> <td>≤ \$250,000</td> <td>≤ \$500,000</td> </tr> </tbody> </table> <p>As shown in the table, it can be observed that IERHA has thresholds that are higher at each level than PMH and NRHA, yet these thresholds are still considerably lower than the CCMB thresholds.</p>		NRHA	PMH	IERHA	CCMB	Board	> \$200,000	> \$100,000	> \$500,000	> \$2,000,000	CEO	< \$200,000	≤ \$100,000	≤ \$500,000	≤ \$2,000,000	CFO	< \$100,000	≤ \$50,000	≤ \$250,000	≤ \$500,000	1.5.a
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IERHA | Findings: Fiscal Management

#	Criteria	Finding	Recommendation Reference
Delegation of Authority (DOA) & Expense Management (continued)			
14.	2.2.3: Invoices are approved in accordance with the delegation of authority.	<p>Theme:    </p> <p>Based on our assessment, there were some instances found where unauthorized individuals signed off on invoices. As manual processes are used to ensure signs offs are being performed in accordance with the policy, the risk of not identifying an error is increased.</p> <p>We reviewed 30 invoices to validate that the expenses are approved in accordance with the DOA policy. Based on our testing we noted 14 out of 30 invoices did not follow the DOA policy. Through interviews with management, the following was found:</p> <ul style="list-style-type: none"> • 7 invoices contained unauthorized signatures due to CFO vacancy during the period of sign-off. • 7 invoices contained signatures from delegated approvers that had no official signed delegation form authorizing the delegate to sign on behalf of a signatory. <p>In an interview with IERHA, the CFO acknowledged the importance of providing education on the DOA policy to all individuals with a signing authority in the region.</p>	1.5.b 4.5
15.	2.2.4: There is a competitive bid policy in place whereby bids (quotes/proposals) are solicited and evaluated in accordance with pre-established evaluation criteria.	<p>Theme:  </p> <p>IERHA's procurement policy states that all purchases will be conducted through a competitive bid process. For purchases ranging from \$1,000 to \$10,000, a minimum of two documented quotes is required. For purchases between \$10,000 and \$100,000, a minimum of three documented quotes is required. Purchases exceeding \$100,000 must adhere to the Manitoba's electronic tendering process. Through review of the procurement policy and analysis of three examples of purchases with a budget exceeding \$100,000, it was observed that IERHA complied with the policy by implementing a formal Request for Proposal (RFP) process. In each instance, IERHA followed the Manitoba public tendering process, which mandates the use of electronic tendering. Upon examination of the submitted tenders, it was evident that each tender consisted of three to four bids, all of which provided a comprehensive breakdown of the proposed costs. It is important to note that there is a difference between IERHA's procurement policy and MHSBTC's requirements. The Government of Manitoba mandates that all goods over \$2,500 and all services over \$75,000 must follow the electronic tendering process. Therefore, IERHA's procurement policy does not fully align with the requirements set by the Government of Manitoba.</p>	1.5.c



IERHA | Findings: Budgeting & Forecasting

#	Criteria	Finding	Recommendation Reference
Strategic Planning			
16.	<p>3.1.1: There is a strategic planning process in place to drive prioritization and budget allocations and the budget is clearly linked to the organizations strategic plan and accountability agreement.</p> <p>3.1.2: The framework by which plans are set, decisions are made, and objectives are set are clearly documented, communicated and understood, as well as the means of monitoring the achievement of those objectives.</p>	<p>Theme:  </p> <p>Through interviews with management, there is a formal Enterprise Performance Management framework. IERHA has multiple committees which are each aligned with one strategic goal from their most updated Strategic Plan. Each committee has at least two board members, a member from the community and member from SLT. On a monthly to quarterly basis, each committee comes together to provide an update on how they are tracking towards their strategic goals and present to the Board. Overall, this process is very manual and time consuming as IERHA does not have a tool or an automated method to compile the data required for reporting to the Committee.</p>	1.1






IERHA | Findings: Budgeting & Forecasting

#	Criteria	Finding	Recommendation Reference
Budget Preparation			
17.	<p>3.2.1: The budget preparation process is well-defined, includes program managers in the preparation, and includes clear guidelines and timelines for budget submission.</p> <p>3.2.3: The budget is based on realistic assumptions and reliable data (external & internal). i.e. External (clinical needs/demands, demographic changes) and internal information (strategic initiatives, projects)</p>	<p>Theme:  </p> <p>The budget from the prior year is the starting point of the budgeting process. Zero based budgeting is not utilized in the organization. Program Managers and Directors are very involved in the budgeting process, and they come prepared, as they are provided advanced notice of timelines and responsibilities through a memo from the Finance Team. The Finance team starts the official process in November by meeting with the Program Managers to review the staffing templates and proposed budgets, and they touch base with them throughout the process to validate assumptions until the budget is set. Through review, it has been noted that the budget process is formally documented and well defined.</p> <p>In building the budget, IERHA is looking mostly at year-over-year changes of which some utilize realistic assumptions such as increases from collective agreements and inflation of supplies, although other changes come from unknown or unrealistic assumptions such as expected funding increases from MHSBTC and expectations to fill vacant positions, with only partial budgeting for purchased services. This contributes to an unrealistic budget as anticipated funding is not guaranteed and vacant positions are often filled with agency nurses (purchased services) which contributes to higher costs than anticipated and contributes further to year-over-year deficits.</p> <p>Historically, to balance the budget, IERHA has been reflecting the difference between funding and expenses by reducing expenses, specifically compensation. IERHA initially submitted an unbalanced budget for FY 24/25 to MHSBTC for transparency purposes, but they were required to resubmit a balanced budget in accordance with the Accountability Agreement. Although MHSBTC reduced the expected funding from 2% to 0.5%, IERHA did not reduce this on their budget.</p>	1.6.a
18.	<p>3.2.2: There is a combination of both top-down targets for key drivers (financial and operational) and bottom-up input to develop the completed budget meeting the targets.</p>	<p>Theme: </p> <p>There are no internal targets utilized in the development of the budget. The prior year budget is utilized as a base, and only MHSBTC targets are leveraged.</p>	1.2.a





IERHA | Findings: Budgeting & Forecasting

#	Criteria	Finding	Recommendation Reference
Budget Preparation (continued)			
19.	3.2.4: The budget is effectively challenged and then approved by the Board of Directors.	<p>Theme: </p> <p>From interviews with management and the Chair of the Board, it does appear that the Board is asking questions and challenging the budget while management has been providing more detail around cost drivers and variance explanations. The Chair of the Board mentioned that they are committed to ensuring management is doing everything possible to balance the budget, even if it requires difficult decisions like streamlining operations or not filling certain positions. Along with this, the CFO has developed the Finance Program Update which was added to help the Board understand the improvements management is taking to try to implement change. Through review of the Finance Program Updates and meeting minutes from November 2021, May 2022 and February 2023 it is evident that the financial results, variances and other key financial information is being discussed although questions by the Board or details discussed are not documented in the meeting minutes.</p>	1.3 4.2.c
20.	3.2.5: There are standardized templates utilized for budget preparation and ongoing variance reporting.	<p>Theme: </p> <p>IERHA uses excel standardized templates which includes a spreadsheet with several templates for budget expenses by schedule, a template for schedule assumptions, a template for overtime cost estimates, and a template for IT cost estimates. Additionally, IERHA utilizes the standardized summary budget templates and financial forecast reporting templates that are mandated by MHS LTC for use, which is consistent amongst all SDOs. Although these templates increase efficiency and standardization of the processes, the processes are still very manual in nature which leaves room for manual error.</p>	1.6.b

IERHA | Findings: Budgeting & Forecasting

#	Criteria	Finding	Recommendation Reference
Budget Monitoring			
21.	<p>3.3.1: Budgets to actual analysis is being prepared on a frequent basis (monthly at minimum) and include variance explanations on the magnitude of the variance, root causes, comparison to historical data, mitigating actions, and future expectations.</p> <p>3.3.2: Finance management is meeting with Program Managers on a monthly basis to obtain explanations for variances between budget and actuals.</p>	<p>Theme:   </p> <p>Based on interviews with management, budget to actuals variance reporting is performed on a monthly basis in Dynamics. As variance reports are predefined in Dynamics, one staff member runs the report and sends a notice to the rest of the Program Managers and Finance to communicate that the reports are completed and saved. Finance and Program Managers then meet monthly to discuss budget to actuals, forecasts, changes to or adjustments that need to be made to the forecasts and explanations for variances. Sometimes, variance reporting is delayed when IERHA finance staff have competing priorities such as preparing the year end financial statements. They also have access to a dashboard that provides performance indicators in various areas, including Finance. Finance also assists the Program Managers in preparing the financials for the Program Manager's business cases and they provide feedback on assumptions.</p>	No further action required
22.	<p>3.3.3: The budget monitoring process is well-defined and includes mechanisms for addressing budget overruns or shortfalls, ensuring that corrective actions are taken promptly.</p>	<p>Theme:  </p> <p>Through interviews with management and a review of documents, it has been noted that there is a documented budget monitoring process, which is well-defined and that some smaller steps are being taken to address budget overruns. The example provided included breaking down the recording of the agency cost invoices into smaller expense categories such as transport, meal costs, etc. to perform more meaningful analysis and identify further cost cutting measures. Although this is a step in the right direction, this specific example has not contributed to cost savings thus far as the Accountability Agreement requires them to provide the same level of service to patients.</p> <p>Additionally, aligned with the Government of Manitoba directive, MHSLTC does not allow for the resubmission of an updated budget. For this reason, IERHA utilizes an internal updated operating budget to track how they are performing against actuals more realistically.</p>	1.1 1.7

IERHA | Findings: Budgeting & Forecasting

#	Criteria	Finding	Recommendation Reference
Forecasting			
23.	<p>3.4.1: Cash flow forecasts are prepared and analyzed on a monthly and quarterly basis that accurately identify the variances that occur throughout the fiscal year.</p>	<p>Theme:  </p> <p>Per interviews with management, it was noted that when the bank balance falls below \$10M, the CFO is notified by the Director of Finance, which triggers a cash flow forecast to be prepared and analyzed. This was started as IERHA wanted to ensure that they had enough cash on hand to meet their obligations as all SDOs only receive one biweekly payment from MHSBTC in March, compared to the standard two in every other month. This is then covered by a 2 biweekly payments in April. Therefore, IERHA wanted to ensure they had enough cash on hand to provide for all of their obligations. Although the cash flow forecasting process was not previously performed regularly, through interviews with management, it has been noted that IERHA has started to do this on a more formalized basis starting at the end of FY 23/24. According to management, the cash flow forecasting process has not yet been formally documented. The cashflow workbook is currently completed on a monthly basis and includes a rolling 12-month projection.</p>	1.8
24.	<p>3.4.2: Forecasts are prepared and reviewed monthly to reflect changes in the business environment or organizational circumstances and reflect the intended use of funding.</p> <p>3.4.3: Forecasting reports are distributed to relevant stakeholders, providing timely and accurate information on projected financial performance.</p>	<p>Theme:  </p> <p>Through interviews with management, it was noted that reforecasting is not performed, rather a pro-rated amount of the budget is utilized as the forecast which depends on the time of year (i.e., in November, this would be the amount of the budget left over for December to March). This is communicated in the Financial Forecast Report (“FFR”) which is submitted monthly, with a more robust version provided to MHSBTC quarterly. Reforecasting does not consider changes in assumptions or validation with Program Managers although variance explanations are detailed in the FFR provided to MHSBTC.</p> <p>Internally, through interviews with management, IERHA performs a more thorough forecasting process in October or November and adjusts for certain changes, which includes but is not limited to reallocation of expenses to different expense categories, adjusting expenses based on addition or removal of programs, incorporating additional funding, etc. It has been noted that this is not formally shared with MHSBTC but could be to provide further transparency regarding their financial situation.</p> <p>It has also been identified that the AOP is the sole tool being used for long term forecasting. Although it is not a requirement, there is no separate longer term (3-5 year) forecasting exercise performed.</p>	1.7



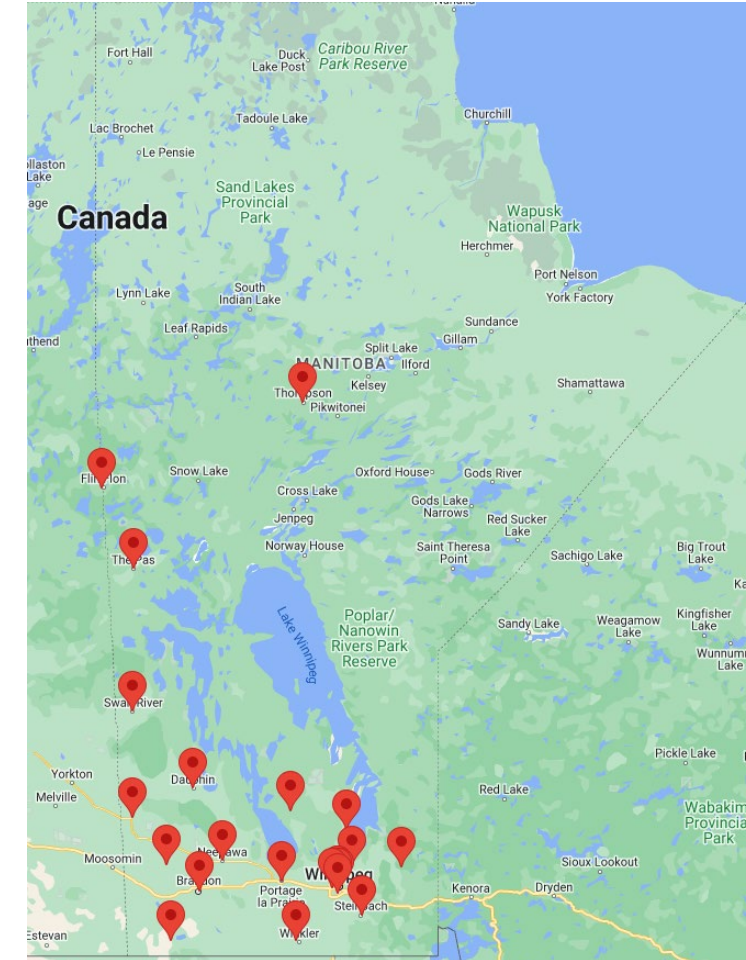
CancerCare Manitoba (“CCMB”)

CCMB | Background

- CCMB is the provincially mandated cancer authority responsible for setting strategic priorities and long-term planning for cancer and blood disorders in Manitoba.
- CCMB also operates a research institute designed to research and translate treatments for Manitoba patients.
- Clinical services are provided for both children and adults, which include prevention, early detection, multidisciplinary cancer treatment, supportive and end-of-life care.
- There are five CCMB locations in Winnipeg alone and various other cancer treatment sites are operated in partnership with local SDOs throughout Manitoba as shown on the map.

- According to the 2022/2023 annual report, CCMB is encountering several specific challenges:
 - Cancer diagnoses have seen a steady increase which will put increased demand on the healthcare system.
 - There is an increasing number of new drugs and therapies for cancer treatments, the costs of which CCMB does not have direct control over.
 - Elevated levels of vacancies, predominantly in front-line positions, is hindering the sustainability of services.
 - The recruitment process is prolonged due to difficulty in finding candidates with the specialized training that is required.
 - Maintaining high-quality care is challenging due to fiscal constraints and limited resources.

CancerCare locations in Manitoba



Financial Analysis

CCMB | Expenses Trend & Variance Analysis

We have analyzed CCMB's expenditures categorized by type. The following table provides a breakdown of expenses by type for the years 2019 to 2023, accompanied by sparkline analysis of the actual expense trends.

TABLE 1: ACTUAL EXPENDITURES BY TYPE (IN THOUSANDS \$)

	2019	2020	YoY Growth	2021	YoY Growth	2022	YoY Growth	2023	YoY Growth	Trend	CAGR
Compensation	\$ 70,589	\$ 70,228	-1%	\$ 71,567	2%	\$ 82,432	15%	\$ 80,186	-3%		3%
Medical remuneration	\$ 17,935	\$ 18,501	3%	\$ 22,948	24%	\$ 19,056	-17%	\$ 19,166	1%		1%
Building occupancy	\$ 2,718	\$ 2,394	-12%	\$ 2,495	4%	\$ 2,654	6%	\$ 3,426	29%		5%
General administration	\$ 3,436	\$ 3,591	5%	\$ 2,805	-22%	\$ 3,875	38%	\$ 5,704	47%		11%
Equipment rentals and maintenance	\$ 3,459	\$ 3,267	-6%	\$ 3,042	-7%	\$ 3,004	-1%	\$ 2,926	-3%		-3%
Supplies and other departmental expenses	\$ 7,436	\$ 7,609	2%	\$ 6,112	-20%	\$ 6,177	1%	\$ 6,090	-1%		-4%
Drugs	\$ 57,842	\$ 69,301	20%	\$ 77,211	11%	\$ 79,823	3%	\$ 95,307	19%		11%
Referred-out services	\$ 3,866	\$ 3,590	-7%	\$ 3,849	7%	\$ 3,753	-2%	\$ 3,892	4%		0%
Amortization	\$ 6,106	\$ 5,327	-13%	\$ 3,838	-28%	\$ 4,573	19%	\$ 4,652	2%		-5%
Interest expense (Debt Servicing)	\$ 895	\$ 735	-18%	\$ 747	2%	\$ 744	0%	\$ 760	2%		-3%
Total Expenses	\$ 174,282	\$ 184,543	6%	\$ 194,615	5%	\$ 206,092	6%	\$ 222,109	8%		5%

★ Actual expenses input used in analysis are based on figures provided by CCMB management.

- Compensation represents the highest expense type primarily consisting of salaries, benefits, shift premiums and overtime pay. In 2022, there was a significant shift in the year-over-year (“YoY”) growth rate, increasing from 2% in the previous year to a growth rate of 15%. The increase in compensation expenses for 2022 can be attributed to new collective agreements, including the Manitoba Nurses Union (“MNU”), which introduced rate increases for nurses and necessitated lump sum retro payments to be made to them for the previous years due to the delayed implementation of the new collective agreement. Rate increases, based on this new collection agreement, were also applied to accruals related to retroactive salaries and benefits for other collective bargaining units (e.g., Facilities and Community Support and Professional Technical Sector) which contributed to the increase in compensation expenses for 2022.
- Medical remuneration shows a significant increase in the YoY rate from 3% in 2020, compared to 24% in 2021. This increase can be attributed to the retroactive payments to physicians in 2021 based on the new Physicians Remuneration Agreement effective June 1, 2020.
- Building occupancy shows a compound annual growth rate (“CAGR”) of 5%, reaching its peak expense in 2023 with a year-over-year growth rate of 29%. The rise in cost can be attributed to the increase in utilities and housekeeping costs in 2023 based on the new higher rates being charged by Shared Health (Health Sciences Centre).
- General administration shows a CAGR of 11%. In 2022, there was a significant increase in the year-over-year rate from -22% in the previous year, to 38% and again in 2023 by 47%. This increase can be attributed to a rise in initiatives to support staff at all levels due to the strain from the COVID-19 pandemic.
- The Drugs category consists of the provincial oncology drug program, neupogen, oral cancer drugs and other drugs. It has a combined annual growth rate of 11% and saw increases in YoY growth starting in 2020 at 20%, further increased in 2021 to 11% and another notable increase in 2023 of 19%. The increase in costs can be attributed to the rising costs of cancer drugs and growing complexity of treatments.

★ See finding #1 for further analysis.

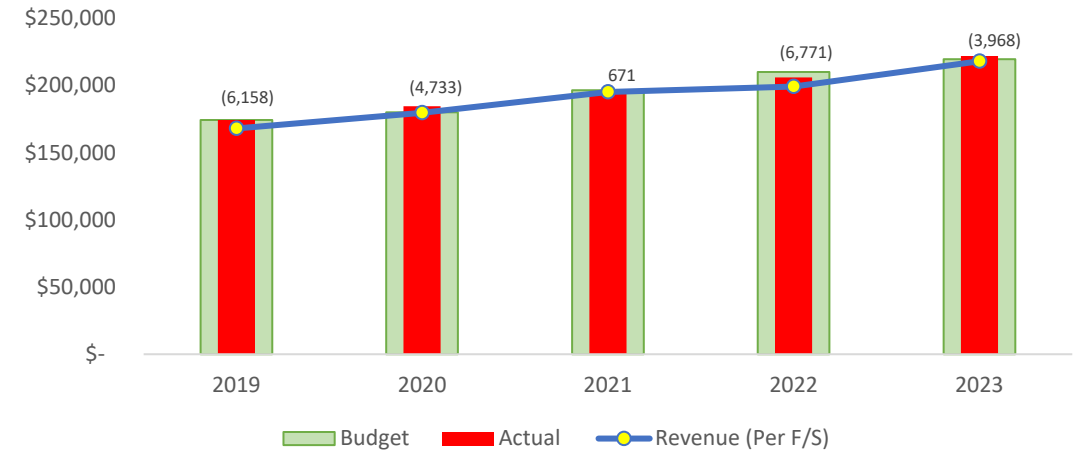
CCMB | Expenses Trend & Variance Analysis

The following tables provide a year-over-year budget to actual variances and a chart with the total budget to actual expense figures for each year.

TABLE 2: BUDGETED EXPENSE TO ACTUAL EXPENSE VARIANCES (IN THOUSANDS \$)

	2019	2020	2021	2022	2023
Compensation	\$ 443	\$ 1,330	\$ 1,966	\$ (8,161)	\$ (2,440)
Medical remuneration	\$ 2,284	\$ 1,574	\$ (2,076)	\$ 3,492	\$ 3,432
Building occupancy	\$ (195)	\$ 267	\$ 161	\$ (110)	\$ (932)
General administration	\$ 376	\$ (158)	\$ 741	\$ (607)	\$ (2,345)
Equipment rentals and maintenance	\$ (315)	\$ (40)	\$ 2	\$ 259	\$ 342
Supplies and other departmental expenses	\$ (522)	\$ (192)	\$ 958	\$ (31)	\$ 155
Drugs	\$ (1,180)	\$ (7,439)	\$ (1,311)	\$ 8,615	\$ (407)
Referred-out services	\$ 42	\$ 146	\$ (46)	\$ 74	\$ (400)
Amortization	\$ (381)	\$ 307	\$ 1,163	\$ 348	\$ 185
Interest expense	\$ (514)	\$ (169)	\$ 253	\$ 73	\$ (37)
Total	\$ 38	\$ (4,373)	\$ 1,811	\$ 3,952	\$ (2,446)

TABLE 3: BUDGET EXPENSE TO ACTUAL EXPENSE VARIANCES WITH REVENUE LINE (IN THOUSANDS \$)



★ Budget and actual expenses input used in analysis are based on figures provided by CCMB management.




- In 2019, 2021 and 2022, the total variance between budgeted and actual expenses was favorable, with the budgeted expenses aligning closely or slightly surpassing the actual expenses for each respective year. However, in 2020 and 2023, actual expenses exceeded the budgeted amount, resulting in unfavorable variances.
- In table 3, the graph shows the total revenue to expense surplus (deficit) figures from 2019 to 2023. When comparing the actual expenses by type to the total revenues received each year, there has been a consistent deficit between the total expenses by type and total revenues received from 2019 to 2023. Except for 2021 where CCMB ended the year with an operating surplus of \$671K, the largest deficit occurred in 2022, where the actual expenses exceeded the total revenues by \$6.7M. This was a result of the introduction of a new drug program, the MNU collective agreements and increase in general administrative expenses.
- Compensation expense in table 2 shows the highest budget to actual expense deficit in 2022 due to the increase in salary rates because of the MNU collective agreements and year-end accruals applied based on the same rates for other collective agreements yet to settle. These additional costs were not included in the budgeted compensation, thus resulting in the variance; however, they were subsequently funded by MHS LTC.
- General administration expense in table 2, shows the highest deficit in 2023 resulting from a rise in initiatives to support staff at all levels due to the strain from COVID-19.
- As shown in table 2, Drugs expense shows the highest deficit in 2020. This increase is attributable to the additional oral cancer drugs that are dispensed at CCMB which resulted into a \$5.2M increase from budget, according to management. Due to complexities associated with oral cancer drugs, CCMB is solely responsible for dispensing these drugs. The increase can also be attributed to increased costs of drugs and complexity of treatments.
- Table 4 shows the breakdown of the revenue to expense total with amortization considered on the left column and without amortization on the right column. It is important to note that to conduct the total revenue to total expense analysis, amortization was included in the total expense calculation. With amortization considered, CCMB has been operating in a deficit for 4 out of the past 5 years. Without amortization, CCMB would be in an operating surplus for 3 out of the 5 years. Please note that both columns exclude government transfers related to capital.




★ See finding #1 for further analysis.

TABLE 4: OPERATING & CAPITAL SURPLUS (DEFICIT) COMPARISON





Fiscal Year ("FY")	Total Surplus (Deficit) With Amortization (In Thousands \$)	Total Surplus Without Amortization (In Thousands \$)
2019	(6,158)	(53)
2020	(4,733)	593
2021	671	4,509
2022	(6,771)	(2,198)
2023	(3,968)	683

Detailed Findings





#	Criteria	Finding	Recommendation Reference
Accountability Agreement			
1.	<p>1.1.1: The HA operates within the annual budget allocated to it by Manitoba. (Performance requirement F)</p> <p>1.1.2: In program planning, the HA addresses the provincial expectation to redirect Services as appropriate and continue to deliver Services within the funding level provided without affecting the delivery of Services. (Performance requirement F)</p>	<p>Theme:   </p> <p>CCMB has operated in a deficit (considering both operating and capital) in delivering its existing services for four out of the five years from 2019 to 2023. While CCMB acknowledges that reducing services should be a last resort, it has encountered challenges in delivering services within the provided funding level. These challenges primarily stem from difficulties in retaining and recruiting medical practitioners, including nurses and health care aides (“HCAs”), as well as vacancies in staffing and inefficiencies within certain operational processes. As a result, there has been a notable increase in certain expense categories, including:</p> <ul style="list-style-type: none"> In 2022, there was a significant shift in the compensation expense year-over-year growth rate, increasing from 2% in the previous year to a growth rate of 15%. The increase can be attributed to the collective agreement with the MNU, which introduced rate hikes for nurses and necessitated lump sum retro payments to be made to them for the previous years due to the delayed implementation of the new collective agreement. Similarly, compensation expenses increased due to accruals made for other collective agreements not yet settled. On October 14, 2021, MNU entered a new collective bargaining agreement with Shared Health. This agreement included negotiated wage increases for nurses, averaging 1.17% per year for a period of seven years starting in 2017. The agreement also introduced increases in overtime pay, weekend premiums, and holiday shift premiums for nurses. According to the collective agreement, overtime worked in excess of 80 hours bi-weekly increased to 2 times the basic salary. Overtime worked on a recognized holiday was increased to 2.5 times the basic salary. The shift weekend premium was raised from an additional \$1.75 an hour to \$2.00 an hour. The night shift premium was increased to an extra \$3.50 an hour from \$2.50. A weekend premium of \$2.00 an hour was also introduced. Due to the agreement being signed four years after the contract start date, CCMB was obligated to make retroactive lump-sum payments in the fiscal year for the wage increases that nurses were entitled to in the previous years. These retroactive payments further contributed to the increased salaries expenses, as well as provides an explanation to the increase in salaries expense year-over-year growth from 2021 to 2022. General administration shows a CAGR of 11%. In 2022, there was a significant increase in the year-over-year rate from -22% in the previous year, to 38% and again in 2023 by 47%. This increase can be attributed to a rise in initiatives to support staff at all levels due to the strain from COVID-19. According to the 2022 annual report, CCMB acknowledged the toll COVID-19 has taken on healthcare staff and made supporting them a top priority for 2021 and 2022. Post-COVID-19 stressors for staff include career disillusionment, transitioning back to the workplace after remote work, and physical and emotional exhaustion from providing frontline care. To address these challenges, CCMB developed a comprehensive plan to support staff at all levels. This includes providing education for frontline workers, facilitating feedback through focus groups for managers, linking physician leaders with administrative leaders for support, and offering resilience education opportunities. CCMB is also collaborating with the Province and Shared Health on an Employee Resilience project to support staff at a provincial level and build resilient workforces post-COVID 19. 	1.1

#	Criteria	Finding	Recommendation Reference
Accountability Agreement (continued)			
1.	<p>1.1.1: The HA operates within the annual budget allocated to it by Manitoba. (Performance requirement F)</p> <p>1.1.2: In program planning, the HA addresses the provincial expectation to redirect Services as appropriate and continue to deliver Services within the funding level provided without affecting the delivery of Services. (Performance requirement F)</p>	<p>Theme:   </p> <ul style="list-style-type: none"> Drug expense show a year-over-year growth rate of 20% in 2020, 11% in 2021, and 19% in 2023. The increase in 2020 and 2021 can be attributed to the increase in cost of drugs. The provincial Systemic Therapy Program (“STP”) was launched in the spring of 2022; however, this did not result in increased costs. According CCMB’s 2022 annual report, the STP was launched following the successful trial of the Radiation Oncology Program. This program focuses on placing the patient at the center and aligning with evidence-based practices in healthcare delivery. The main objective of the STP is to ensure timely access to cancer drugs for all Manitobans, adhering to evidence-based guidelines and current standards. By integrating separate departments such as Nursing and Pharmacy into one coordinated program, the STP aims to enhance patient safety and streamline the process from chemotherapy prescription to drug delivery. This comprehensive approach not only improves the quality of care but also brings about cost efficiencies and effectiveness by addressing the cost drivers of cancer services, particularly the expense of cancer drugs. It is important to note that while drugs are managed by CCMB, they are fully funded for them. <p>Overall, based on interviews with management, CCMB cannot currently deliver services within the funding level, and have not found realistic opportunities to redirect services without impacting service delivery and quality of care.</p>	1.1





CCMB | Findings: Governance







#	Criteria	Finding	Recommendation Reference
Accountability Agreement (continued)			
2.	<p>1.1.3: Unless otherwise agreed to by Manitoba in writing and approved by Manitoba, the HA will use all funding received pursuant to the Agreement to provide the Services. (Performance requirement G)</p> <p>1.1.4: In the circumstances where the HA is in receipt of approved directed incremental funding as it relates to items specifically intended also for a Service Provider, such as wage increases, the commensurate amount is passed along to the Service Provider. In this circumstances, the HA ensures that the Service Provider utilizes the incremental funding as directed and intended. (Performance requirement H)</p>	<p>Theme:  </p> <p>Based on the evidence examined, CCMB received additional funding via a funding letter from MHS LTC to increase access to mammography screening services. This funding letter was dated September 13, 2023, and provides one time funding up to \$709,459 for FY 23/24 including \$1,500 for one-time operating costs. It was noted that 75% of the operating costs including the \$1,500 in one-time costs were to be provided as soon as possible once the funding letter was received by CCMB. Through interviews with management, it was noted that since there was a shortage of mammography technicians and the funding was specifically for expansion including 2.3 FTE technologists and 2.0 FTE clerical support staff, the funding could not be utilized elsewhere. Therefore, the amount received in 23/24 was recorded as deferred revenue until the expenses were incurred, which was evidenced through the review of a reconciliation provided by CCMB. Expenses in FY 23/24 amount to \$141K from review of the transaction listing provided by CCMB which matches to the reconciliation.</p>	1.2.a
3.	<p>1.1.5: Funding provided by the HA for salaries of the executive management of Health Care Organizations and Health Corporations are in accordance with guidelines approved by Manitoba. (Performance requirement J)</p>	<p>Theme:  </p> <p>There is no clear guidance or parameters on the salaries of executive management within the accountability agreement. As a result, CCMB is under the assumption that salaries of the executive management are in accordance with approved guidelines by Manitoba.</p>	1.2.b

CCMB | Findings: Governance






#	Criteria	Finding	Recommendation Reference
Accountability Agreement (continued)			
4.	<p>1.1.6: Manitoba's written approval is received before the HA assumed any debt or payment obligations from a foundation of other third party. (Performance requirement K)</p> <p>1.1.7: The HA does not enter into any contractual agreements that may have a material impact on its operating costs and may lead to additional funding requests from Manitoba, without prior consultation and approval from Manitoba. (Performance requirement L)</p>	<p>Theme:  </p> <p>CCMB is not always obtaining approval from MHS LTC for all contracts unless they required additional incremental funding. There is currently no threshold mandated in the Accountability Agreement, therefore obtaining approval from MHS LTC is subjective in nature. Written approval is required before CCMB assumes any debt or payment obligations from a foundation or other third party.</p>	1.2.c
5.	<p>1.1.8: If the HA receives funding for anything related to the Services, from any other provincial or federal government department of any third party including a foundation or ancillary services, the HA discloses to the Department the details of the source of such funding and how the funding is related to the Services. (Performance requirement - Schedule B)</p>	<p>Theme:  </p> <p>For all funding received for anything related to the services from any provincial or federal government department or any third party including a foundation or ancillary services, CCMB discloses in their financial statements the source of the funding and how the funding is related to the services.</p>	No further action required

CCMB | Findings: Governance




#	Criteria	Finding	Recommendation Reference
Board of Directors			
6.	<p>1.1.9: The Board ensures that the organization's obligations under the Accountability Agreement are met.</p> <p>1.2.2: The Board reviews the financial statements, budget vs actual comparisons, summary of cost drivers, and forecasts on a monthly basis.</p>	<p>Theme:  </p> <p>Per interviews with the Chair of the Board, it was noted that the Board is aware of conflicting interests written into the requirements of the Accountability Agreement, which makes it very difficult to hold management accountable to meeting all of them. The Board has been holding management accountable to identify efficiencies to provide a realistic balanced budget to MHSBTC. Through review of the January 2023 Finance and Audit Committee meeting minutes, it was identified that the operating budget had to be revised to reflect projected operating expenses and noted that to provide a balanced budget, this could only be achieved with additional revenues and/or the reduction of expenses. Through review of the January 2023, May 2022, and November 2021 Finance and Audit Committee meeting minutes and packages, it was evident that variances, statements and cost drivers were discussed. This information is then summarized and presented to the Board by the committee. It appears that communication of cost saving strategies are communicated through the AOP, and to MHSBTC informally, but the full scope of cuts required to balance the budget are not shared with MHSBTC.</p>	1.3
7.	<p>1.2.1: The SDO has adequate Board Governance policy that requires an updated Skills Matrix to identify competencies of existing members and regular assessment of the need for new Board members.</p> <p>1.2.3: The Board regularly evaluates its own performance and the performance of individual Board members, taking steps to improve effectiveness.</p>	<p>Theme:  </p> <p>Through review of the Board of Directors Assessment document, which was revised in September 2023, it was noted that there is a requirement for an annual assessment of the status and performance of the Board of Directors and its Members, as a whole and as individuals, Standing Committees of the Board, the Chair of the Board, and the Chairs of the Standing Committees. Additionally, it is noted in this document that a summary report of the findings is produced which drives proposed actions to address the findings. Through review of the Board/Board Committee Member's Experience Matrix ("Skills Matrix"), when compared to other SDOs, it is clear that value is being placed on the level of experience within the key areas selected rather than just the interest. Through review of the completed skills matrices of the Board members and the Board Chair, it is evident that various Board Members have filled out the Skills Matrix in January/February of 2024.</p>	No further action required




#	Criteria	Finding	Recommendation Reference
Board of Directors (continued)			
8.	<p>1.2.4: The audit committee and/or Finance Committee is led by individual with financial expertise (e.g. CPA or equivalent designation) and is composed of independent members with financial expertise.</p>	<p>Theme:    </p> <p>The Finance Committee Chair has their FCPA and FCMA, and over 40 years of experience in Finance. This demonstrates that the committee is led by an individual with sufficient experience.</p> <p>It was noted that conflict of interests are declared when joining the Board. This was evidenced through the review of the Disclosure of Interests form which was filled out by the Chair declaring no conflicts of interest when joining the board in April 2017. Member with conflicts will excuse themselves from the meeting, if needed.</p>	No further action required
Executive Leadership Team ("ELT")			
9.	<p>1.3.1: The ELC/EMT/SLT/ELT meets at least bi-weekly to review financial reports and to discuss strategies for managing costs, including identifying areas for cost savings and efficiencies.</p>	<p>Theme:  </p> <p>Through interviews with management, it had been noted that CCMB holds bi-weekly ELT meetings, one with the full ELT to discuss higher level financial and operational considerations and one with a subset of the ELT titled the "Executive Operations" group to have a more robust discussion regarding operational issues, financial reporting and potential cost savings and efficiencies. In addition, informal discussions of issues and solutions occur between members of the ELT. Detailed meeting minutes are not usually documented, however key topics are outlined in an agenda, as evidenced through the May 2024 agenda. To identify cost savings, the ELT will go through the AOP and talk about where the pressures are with key topics of conversation including facilities, space and reallocation of positions. As evidenced through the ELT meeting minutes from April 2024, higher level discussion is occurring mainly relating to operational considerations. Through the review of the Executive Operations meeting minutes from May, it is evident that the subset of the ELT team is discussing the financial impact of various items.</p>	5.1.c

CCMB | Findings: Governance

#	Criteria	Finding	Recommendation Reference
Executive Leadership Team ("ELT") (continued)			
10.	1.3.2: Action items and decisions are recorded, tracked, and followed up on in subsequent meetings to ensure completion and accountability.	<p>Theme:   </p> <p>Through review of the February 2024 Action Reminder Meeting Summary provided, action items are tracked in a log and disseminated at ELT meetings. The log notes whether the item is an action/reminder or meeting, provides a description and provides the assigned ELT member although it does not note the timeline or status of the action. Through review of the ELT meeting minutes from April 2024, it is evident that action items are followed up on, as there is a specific meeting agenda item relating to this. As well, it is noted in the meeting minutes that all the action items were completed, which further shows that ELT members are being held accountable to address the action items and additional actions are documented within the minutes.</p>	5.1.a
11.	1.3.3: The business case/briefing note approval process is followed by program managers for all new initiatives or increases in programming and is approved by ELC/EMT/SLT/ELT	<p>Theme:  </p> <p>Per interviews with management, the briefing note process does not always follow the standard protocol. In some cases, items are brought to ELT informally without a briefing note, and other times formal briefing notes are tabled. If a briefing note is received, it will be tabled at the ELT meeting and approval will be decided at the meeting. Through review of the briefing note from November 2023, the main issue is detailed at the top and then further information is provided for context with recommendations to address the issue. Per management, most of the formal briefing notes that are tabled at ELT are brought forth by the Clinical Operations Group and are expected to be put forth outside of CCMB, requiring external approval. Once drafted by the Program Managers, the Portfolio Chief will review the briefing note, and if they support it, will bring it to ELT to be discussed. Per review of the two briefing notes reviewed, discussion of the items could not be evidenced.</p>	5.1.b


CCMB | Findings: Fiscal Management

#	Criteria	Finding	Recommendation Reference																									
Finance Team																												
12.	<p>2.1.1: The finance and accounting teams possess the necessary skills and experience to provide appropriate financial oversight and are involved in the review and treatment of all complex/non-standard transactions.</p> <p>2.1.2: Roles and responsibilities have been defined and enforced at the operational level and are well aligned with overall finance and corporate goals</p>	<p>Theme:   </p> <p>Per the Director of Finance, all Financial Analysts are CPAs and all the accountants below them either have their CPA or are working towards their CPA. CCMB supports the CPAs to obtain their required development hours, encourage them to attend lunch and learns, and offers online training to their finance team. As well, CCMB has recently invested more into training through the creation of a Professional Development Fund funded by CCMB’s foundation, which the Finance team can access to help cover professional development costs. Compared to the other SDOs, CCMB appears to have the greatest emphasis on training.</p> <p>The CFO and the Director of Finance both have their CPAs. The CFO has a Bachelor of Commerce, Honours in Finance and Management Information Systems having then moved up through the Government of Manitoba from Economic Development Officer to Executive Director with over 15 years of relevant experience. The Director of Finance also has over 20 years of relevant experience, having started their career at E&Y in 2001 and working in numerous finance and accounting related roles. Therefore, both have the qualifications for their respective roles.</p> <table border="1"> <thead> <tr> <th>SDO</th> <th>Number of Finance FTEs</th> <th>Revenue (FY 22/23)</th> <th>Finance FTEs / Total Revenue</th> <th>Rank Based on Finance FTEs/Total Revenue (Least to Most)</th> </tr> </thead> <tbody> <tr> <td>NRHA</td> <td>13.2</td> <td>\$263,104,886</td> <td>0.0000050%</td> <td>1</td> </tr> <tr> <td>PMH</td> <td>35.6</td> <td>\$663,808,000</td> <td>0.0000054%</td> <td>2</td> </tr> <tr> <td>CCMB</td> <td>17.25</td> <td>\$218,140,571</td> <td>0.0000079%</td> <td>3</td> </tr> <tr> <td>IERHA</td> <td>23.64</td> <td>\$280,562,968</td> <td>0.0000084%</td> <td>4</td> </tr> </tbody> </table> <p>It was noted by management that due to the manual nature of processes and number of staff; it is difficult for more FTEs to focus on business insight roles. Although, based on the number of FTEs over total revenue, CCMB seems to operating efficiently.</p> <p>As discussed with management, Finance and Program Managers are actively meeting on a monthly basis to discuss results, variances and operations. Financial Analysts will meet with the Program Managers and Directors specific to the areas that they support.</p>	SDO	Number of Finance FTEs	Revenue (FY 22/23)	Finance FTEs / Total Revenue	Rank Based on Finance FTEs/Total Revenue (Least to Most)	NRHA	13.2	\$263,104,886	0.0000050%	1	PMH	35.6	\$663,808,000	0.0000054%	2	CCMB	17.25	\$218,140,571	0.0000079%	3	IERHA	23.64	\$280,562,968	0.0000084%	4	1.4
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#	Criteria	Finding	Recommendation Reference																				
Delegation of Authority & Expense Management																							
13.	<p>2.2.1: The Delegation of Authority policy and authorization limits are clearly defined and effectively communicated throughout the organization.</p> <p>2.2.2: The process for updating the DOA is conducted in a timely and accurate manner, ensuring that it reflects current organizational structures and responsibilities.</p>	<p>Theme:   </p> <p>Per review of the DOA policy, it was last updated in 2023 and clearly defines the limits and signing authority. Per interviews with management, it was noted that when the policy is updated and approved by the Board, it is distributed to Finance, including in the Finance meeting and forwarded to the employees who are responsible for transactional processing via intranet. When the statements are pushed out monthly, the DOA policy is also included as part of the email which shows that it is being communicated to relevant staff.</p> <p>CCMB has different thresholds for their DOA, a threshold for recurring spend, a separate threshold for oncology drug purchases, and a separate threshold for single spend. The single spend thresholds are significantly higher than the other SDOs. This threshold differs from the other SDOs, as shown in the table below:</p> <table border="1"> <thead> <tr> <th></th> <th>NRHA</th> <th>PMH</th> <th>IERHA</th> <th>CCMB</th> </tr> </thead> <tbody> <tr> <td>Board</td> <td>> \$200,000</td> <td>> \$100,000</td> <td>> \$500,000</td> <td>> \$2,000,000</td> </tr> <tr> <td>CEO</td> <td>< \$200,000</td> <td>≤ \$100,000</td> <td>≤ \$500,000</td> <td>≤ \$2,000,000</td> </tr> <tr> <td>CFO</td> <td>< \$100,000</td> <td>≤ \$50,000</td> <td>≤ \$250,000</td> <td>≤ \$500,000</td> </tr> </tbody> </table> <p>Alternatively, the President/CEO can approve recurring purchases for goods and services in which the total value of the commitment exceeds \$2,000,000 with prior board approval. In addition, there was a notable exception in threshold related to oncology drug payments. For oncology drug payments, the Chief of Clinical Operations, CMO or CCSF (CFO) can approve purchases up to \$1,000,000, the Director of Finance can approve purchases up to \$250,000, and the Manager of Finance can approve purchases up to \$100,000. As shown in the table, it can be observed that CCMB has the highest thresholds when compared to the other SDOs.</p>		NRHA	PMH	IERHA	CCMB	Board	> \$200,000	> \$100,000	> \$500,000	> \$2,000,000	CEO	< \$200,000	≤ \$100,000	≤ \$500,000	≤ \$2,000,000	CFO	< \$100,000	≤ \$50,000	≤ \$250,000	≤ \$500,000	1.5.a
	NRHA	PMH	IERHA	CCMB																			
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CCMB | Findings: Fiscal Management





#	Criteria	Finding	Recommendation Reference
Delegation of Authority & Expense Management (continued)			
14.	2.2.3: Invoices are approved in accordance with the delegation of authority.	<p>Theme:  </p> <p>During the testing of 30 samples of expense transactions to ensure compliance with the Delegation of Authority Policy, the following observations were made:</p> <ul style="list-style-type: none"> There was one instance in which a signature was missing for an authorization related to a grant holder. 	1.5.b
15.	2.2.4: There is a competitive bid policy in place whereby bids (quotes/proposals) are solicited and evaluated in accordance with pre-established evaluation criteria.	<p>Theme:  </p> <p>CCMB procurement policy states that purchases will be conducted through a competitive bid process. For purchases less than \$25,000, a minimum of one documented quote is required. For purchases between \$25,000 and \$75,000, a minimum of three documented quotes are required. Purchases exceeding \$75,000 must be acquired through a competitive bid process, coordinated through CCMB Finance; CCMB Purchasing; or a delegate. Through review of the procurement policy and analysis of two examples of purchases, one with a budget exceeding \$75,000 and the other with a budget less than \$75,000 but greater than \$25,000, it was observed that CCMB complied with the policy by implementing a formal Request for Proposal (RFP) process for the purchase greater than \$75,000, and for the purchase less than \$75,000, CCMB received four quotes. It is important to note that there is a difference between CCMB's procurement policy and the Province of Manitoba's procurement policy. The Government of Manitoba mandates that all goods over \$2,500 and all services over \$75,000 must follow the electronic tendering process. Therefore, CCMB's procurement policy does not fully align with the requirements set by the Government of Manitoba.</p>	1.5.c

#	Criteria	Finding	Recommendation Reference
Strategic Planning			
16.	<p>3.1.1: There is a strategic planning process in place to drive prioritization and budget allocations and the budget is clearly linked to the organizations strategic plan and accountability agreement.</p> <p>3.1.2: The framework by which plans are set, decisions are made, and objectives are set are clearly documented, communicated and understood, as well as the means of monitoring the achievement of those objectives.</p>	<p>Theme: </p> <p>CCMB has developed a comprehensive 5-year strategic plan titled the “Roadmap to Cancer Control for Manitoba”, that outlines specific priorities and objectives and details the progress against each one. While the budget is being developed, the CCMB EMT will typically prioritize the strategic goals based on a variety of factors including cost, complexity, availability of human and financial capital and competing initiatives. Once prioritized, the EMT will decide on allocating funding to priorities and present to the Board to ensure support.</p> <p>Through interviews with management and review of evidence, it was noted that there is a formal Enterprise Performance Management framework, which is detailed in the Annual Progress Report and the Roadmap to Cancer Control for Manitoba. Annually, the ELT will discuss how CCMB is progressing towards all these priorities, and each sub-priority rated according to the following scale: green – on track, yellow – some progress, red – no progress. The current tracking process is manual and subjective.</p>	1.1




CCMB | Findings: Budgeting & Forecasting

#	Criteria	Finding	Recommendation Reference
Budget Preparation			
17.	<p>3.2.1: The budget preparation process is well-defined, includes program managers in the preparation, and includes clear guidelines and timelines for budget submission.</p> <p>3.2.2: There is a combination of both top-down targets for key drivers (financial and operational) and bottom-up input to develop the completed budget meeting the targets.</p> <p>3.2.3: The budget is based on realistic assumptions and reliable data (external & internal). i.e. External (clinical needs/demands, demographic changes) and internal information (strategic initiatives, projects)</p>	<p>Theme:  </p> <p>Through review of the “Budget Process” document, the budget preparation process begins approximately three months prior to the submission of the budget to the Finance & Audit Committee for review. The Budget Template is rolled forward to the next budget year and prior year budget figures and the Summary Budget previously submitted to MHSBTC in September are maintained for comparative purposes and used as a starting point. The payroll data is then downloaded, analyzed and included in the budget. Financial Analysts will meet with their assigned departments to validate the changes; however, those with little to no changes from year to year are not always formally consulted. The Financial Analysts then review and examine budget submissions and discuss findings with the Budget Coordinator. Then Senior Management meetings occur where the Director of Finance/Manager meet with the President, CEO, CFO, and Chief of Corporate Services and inform the Budget Coordinator of any changes to be implemented into the budget. There are areas that requires more attention as they have unique considerations; this includes compensation, medical remuneration, cancer drug costs, other expenses, government funding from MHSBTC and other revenue. After this, the interim budget is reviewed and approved by the Director of Finance, the Finance & Audit Committee and the Board. The review by the Finance & Audit Committee is evidenced through the review of the Budget Presentation – Finance and Audit Committee documents from 2022-23 and 2023-24. Once approved, each department is provided with their approved budget. Finally, the budget is uploaded into Great Plains for reporting and tracking purposes. The budget process document aligns with the Manager’s and the Director’s description of the budgeting process per their respective interviews.</p> <p>There are no internal targets utilized in the development of the budget. The prior year budget is utilized as a base, and only MHSBTC targets are leveraged.</p>	1.6.a
18.	<p>3.2.4: The budget is effectively challenged and then approved by the Board of Directors.</p>	<p>Theme:  </p> <p>Per interviews with management, when new spend comes in, Program Managers or Directors will submit a request which is then reviewed for approval by the Chief Financial Officer. This is then communicated to Finance and incorporated into the budget for consideration if approved.</p>	


CCMB | Findings: Budgeting & Forecasting

#	Criteria	Finding	Recommendation Reference
Budget Preparation (continued)			
19.	<p>3.2.5: There are standardized templates utilized for budget preparation and ongoing variance reporting.</p>	<p>Theme:  </p> <p>Per interviews with management, excel is utilized for budgeting, and the final budget is stored and approved in Great Plains. The budgeting process is highly manual with a low degree of automation. Additionally, CCMB utilizes the standardized summary budget templates and financial forecast reporting templates that are mandated by MHSLTC for use, which is consistent amongst all SDOs.</p>	1.6.b
Budget Monitoring			
20.	<p>3.3.1: Budgets to actual analysis is being prepared on a frequent basis (monthly at minimum) and include variance explanations on the magnitude of the variance, root causes, comparison to historical data, mitigating actions, and future expectations.</p> <p>3.3.2: Finance management is meeting with Program Managers on a monthly basis to obtain explanations for variances between budget and actuals.</p>	<p>Theme:  </p> <p>Through interviews with management and with a Director, it was noted that variance reports are provided to Program Managers and Directors from Finance on a monthly basis. Financial Analysts will assist with the meetings and meet with the Directors and Program Managers on a monthly basis, although sometimes this will be pushed to a quarterly basis. Financial Analysts will document variance explanations in excel and provide a summary to the Portfolio Chiefs (i.e. Program Directors) to explain the variances to the Program Managers in more detail. Per the documents provided and discussions with management, the Finance & Audit Committee receive monthly statements and recommend that the statements are presented to the Board. The departments also receive monthly statement of operations from the system Management Reporter. A revised budget may be prepared after the funding document is received from MHSLTC if there are significant changes to the initial funding document, which were not accounted for in the approved budget. This would then go through the same approval process as the initial budget.</p>	1.7 5.2.b

CCMB | Findings: Budgeting & Forecasting

#	Criteria	Finding	Recommendation Reference
Budget Monitoring			
21.	<p>3.3.3: The budget monitoring process is well-defined and includes mechanisms for addressing budget overruns or shortfalls, ensuring that corrective actions are taken promptly.</p>	<p>Theme:  </p> <p>Per interviews with management, at ELT meetings, discussions are conducted around shifting resources to try and address variances although it is difficult to shift them around in certain areas. As well, CCMB has identified that they could potentially reduce service delivery of prevention services. Although, management has noted that without preventative services, there would be a subsequent increase in treatment services over the longer term. Therefore, the cost savings and impact on the health of the population would not benefit from cutting preventative services and, it was noted that this would go against their beliefs as an organization. Per management, corrective action is not formally taken within the fiscal year to address variances, Financial Analysts solely inquire about the causation in the monthly meetings with the Program Managers/Directors. They have noted that through these meetings, in FY 23/24 they have identified that improvement could occur relating to repurposing positions, equipment and supplies cost management. Per review of the “Budget Process” document, it contains the formal documentation of the budget preparation although, there is a lack of documentation of the budget monitoring process other than relating to monthly reports and budget revisions.</p>	5.2.a
Forecasting			
22.	<p>3.4.1: Cash flow forecasts are prepared and analyzed on a monthly and quarterly basis that accurately identify the variances that occur throughout the fiscal year.</p>	<p>Theme: </p> <p>Per interviews with management, CCMB has not had significant issues with cash flow, but they are actively monitoring their cash balance to ensure there are enough funds based on payment needs. They do not perform formal cash flow forecasting. It was noted that sometimes issues come up in January due to a large volume of purchases in December and from increasing drug costs. As funding is approved at the beginning of the year, increases in drug costs throughout the year aren’t covered by funding, requiring additional funding which is only settled after year end. If they are running into a cash flow issue, they communicate directly with MHS LTC to make them aware of the issue and work with them to resolve the issue. Cheque runs are completed twice a month, as it’s easier to control cash this way and to try and save money from interest. Through interviews with management, it was noted that the organization works with vendors to take advantage of the rebates on supplies and drugs.</p>	1.8

CCMB | Findings: Fiscal Management

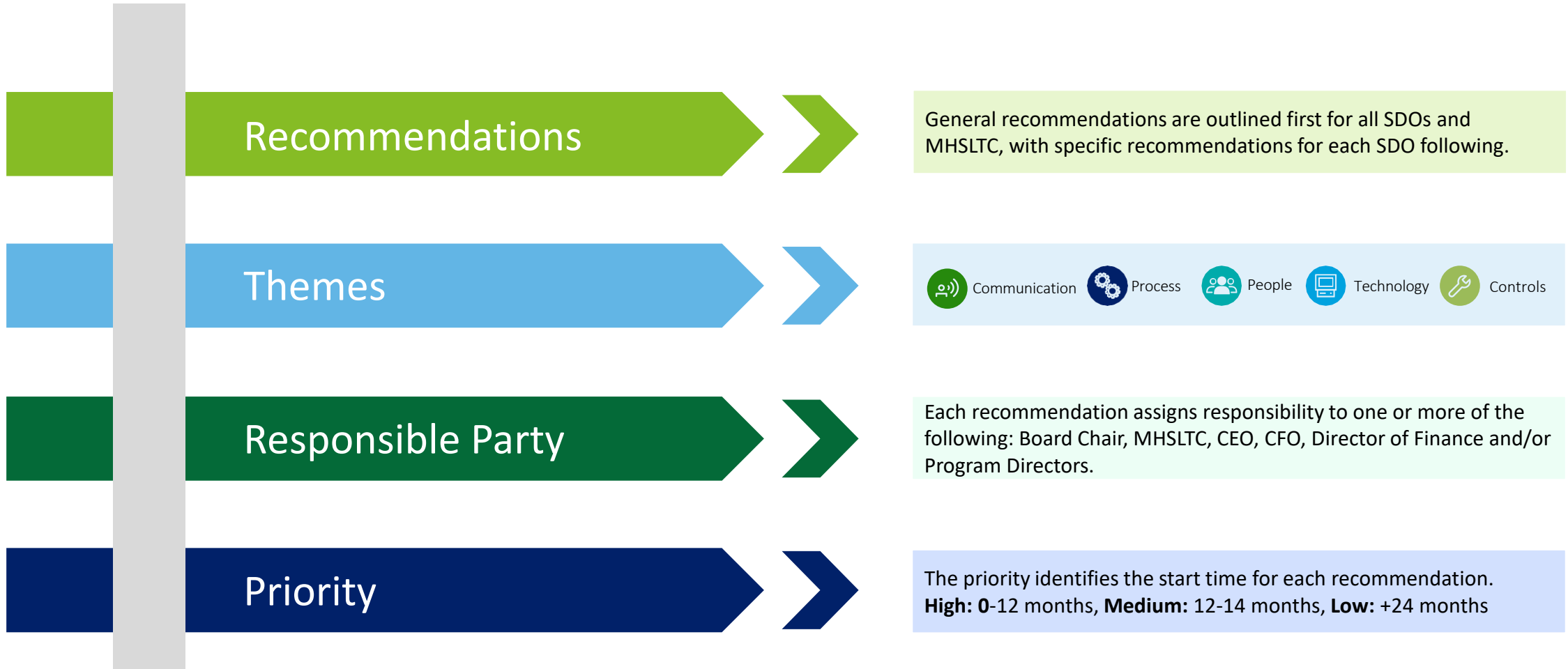
#	Criteria	Finding	Recommendation Reference
Forecasting (continued)			
23.	<p>3.4.2: Forecasts are prepared and reviewed monthly to reflect changes in the business environment or organizational circumstances and reflect the intended use of funding.</p> <p>3.4.3: Forecasting reports are distributed to relevant stakeholders, providing timely and accurate information on projected financial performance.</p>	<p>Theme: </p> <p>Per inquiry with management, forecasting is performed monthly and takes 2-3 days to prepare. Forecasts are prepared by Financial Analysts, with input and review from the Director of Finance and CFO who provide it to the CEO and then the Board for review. This is communicated in the Financial Forecast Report (“FFR”) which goes out monthly to MHS LTC, with a more robust version provided quarterly. Forecasts are readjusted throughout the year for items such as one time funding or changes in compensation from union negotiations. For expenses, forecasts are mainly based on extrapolations. Program Managers and Directors are not involved in the forecasting process at a high level, even though they are responsible for monitoring and managing the expenses in their own area.</p> <p>As well, it has been identified that currently the AOP is the sole tool being used for long term forecasting. Although it is not a requirement, however, there is no separate longer term (3-5 year) forecasting exercise performed.</p>	1.7



Overall Recommendations






Recommendations – Introduction

The following outlines the key columns in the recommendations that follow.









Recommendations | General

The recommendations under this general category are applicable to all SDOs.

Reference	Recommendations	Theme	Responsible Party	Priority
1.1	<p>Strengthen Financial Accountability Approach: As noted throughout this report, there are significant challenges in how SDOs work with government to ensure both a balanced budget and the achievement of delivering high standards of clinical care. While all parties are working to a similar goal, over time, the processes, approaches and culture appear to have shifted to a point where collaboration between organizations can appear, at times, to be at odds. This is evidenced through fundamental disagreements about how to classify cost savings initiatives, sharing of information about potential savings opportunities, and transparency around budgeting, cash flow, and other items. Taken as a whole, the accountability challenge is not just a technical exercise around accountability agreement structure or requirements, but rather the culture and approach to achieving financial accountability needs to be re-set.</p> <p>To address these challenges, we recommend that MHS LTC, working with other government stakeholders, Shared Health and the other SDOs, develop a process that:</p> <ul style="list-style-type: none"> • Strengthens the financial accountability and governance process for SDOs and creates a stronger financial accountability culture, where all are held accountable to supporting their mutual responsibility to the mandates of the government. • Updates/refreshes guiding principles and expectations. • Strengthens the current performance management framework with formal linkages between financial management and system performance. • Defines expectations for all parties and approaches to escalation where necessary. • Strengthens financial accountability and governance interfaces and vehicles between government and the SDOs - creates collaborative opportunities to transparently and strategically share data and opportunities to address common challenges and emerging/escalating patient needs. • Clearly defines definitions of key items and process to address ‘disagreements’ in interpretations (e.g., classifying cost savings initiatives). • Clearly addresses process to balance where care delivery and a balanced budgets are at odds (e.g., how to address clinical service reductions to balance the budget). • Establishes expectations for financial management practices such as budgeting, forecasting and cash flow management. • Develops a process to address gaps in identified capability needs for key areas of financial maturity (e.g., value tracking, reinvestment of savings, forecasting, etc.). 	    	MHS LTC	High




Recommendations | General

The recommendations under this general category are applicable to all SDOs.

Reference	Recommendations	Theme	Responsible Party	Priority
1.2	<p>Accountability Agreement Updates: The current Accountability Agreements have requirements and do not define parameters that will encourage more transparent communications and collaboration between the SDOs and MHSBTC on financial processes and results. This is particularly challenging when the requirements to deliver appropriate services does not align with the need to deliver a balanced budget. We recommend the following updates within Section 5: Performance requirements:</p>		MHSBTC	High
a)	<p>Performance Requirement F states: The HA will operate within the annual budget allocated to it by Manitoba. In program planning, the HA must address the provincial expectation to redirect Services as appropriate and continue to deliver Services within the funding level provided without affecting the delivery of Services.</p> <p>Consider adding a clause (and an associated transparent interface) where the SDO is required to propose potential changes, including to reduction of services to decrease costs, improve efficiencies and sustain a more realistic balanced budget. Manitoba will reserve the rights to approve the proposed changes as part of the AOP and budget approval process. This should be matched with expectations around budgeting and reporting so that government has the confidence that everything has been done to decrease costs before service cuts are considered (see recommendation on budgeting).</p>		MHSBTC	High
b)	<p>Performance Requirement J states: Funding provided by the HA for salaries of the executive management of Health Care Organizations and Health Corporations will be in accordance with guidelines approved by Manitoba.</p> <p>Given there are no existing guidelines, we recommend incorporating or developing salaries guidelines of the executive management of the Health Care Organization and Health Corporations.</p>		MHSBTC	High
c)	<p>Performance Requirement L within the accountability agreement states: The HA does not enter into any contractual agreements that may have a material impact on its operating costs and may lead to additional funding requests from Manitoba, without prior consultation and approval from Manitoba.</p> <p>To incorporate a total contractual threshold on when SDOs will need to obtain approval from MHSBTC prior to entering into any contractual agreements. This will clearly outline a threshold that is considered material to MHSBTC.</p>		MHSBTC	High
1.3	<p>Monitoring of Compliance to Agreement: We recommend that the Chair of the Board discuss with the Board the requirements under the Accountability Agreement at the first meeting of the new fiscal year, as it is their overall responsibility to monitor the SDO's compliance to the Accountability Agreement. In addition, this should be included as an agenda item quarterly, which will provide the opportunity to identify issues and initiate conversations with MHSBTC in advance.</p>	 	Board Chair	High







Recommendations | General

The recommendations under this general category are applicable to all SDOs.

Reference	Recommendation	Theme	Responsible Party	Priority
1.4	<p>Finance Team</p> <p>Most SDOs are experiencing finance resource constraints and due to manual financial processes, they are spending most of their time in processing transactions, data gathering, and report preparation. In leading organizations ~40-50% of a Finance team’s focus is on data analysis, business insight and proactively managing key business decisions. Transactional processing is very often automated, with key processes and controls in place. This is important as the SDOs finance functions are mired in significant manual processes with little use of technology. With the significant increase in contingent labour, the AP departments have now become responsible for a larger volume of transactions. Taken together, the current situation moves the finance function and CFO, further and further from driving strategy and supporting the business, which is especially important when trying to manage change.</p> <p>To mitigate the resource constraint and talent recruitment challenges, it will be beneficial to consider the following in the short term:</p> <ul style="list-style-type: none"> Review the finance processes to identify areas of redundancies that can be optimized immediately. In addition, as part of the exercise, we recommend each SDO to identify areas of potential standardization and automation opportunities that could be designed as part of the planning process for the S4/HANA implementation, such as automating workflows for accounts payable and invoice approvals, standardizing the chart of accounts to provide more accurate and consistent reporting, designing certain system generated reports and dashboards to provide more real time information and reduce the data preparation time, and leveraging automation in budgeting and forecasting capabilities. It is important to note that although the S4/HANA implementation will not happen this fiscal year, it will be important that the SDO finance functions proactively get ‘future ready’ so that they can take full advantage of the technology once implemented. Designating certain resources to focus on providing business insights analysis would be ideal; however, in the short-term, cross train staff to be able to perform both the transactions processing and data analysis. Continue to provide development programs and training to enhance the skills and capabilities of the Finance team to aid with talent retention and succession planning. <p>In the longer term, we recommend the SDOs to:</p> <ul style="list-style-type: none"> Undertake a finance operating model refresh for each of the SDOs to support effective decision making, use of data etc. This would consist of a review of roles and responsibilities, evaluating the number of staff in the right roles based on volume of requirements, evaluate if certain transactional processes could be centralized into a shared service for all SDOs, such as accounts payable, accounts receivables, and general ledger accounting. This will allow each SDO to focus on program management and business insight assessment. Implement the automation opportunities previously identified as part of the S4/HANA implementation. 	  	CFO	<p>Short Term: High</p> <p>Long Term: Medium</p>

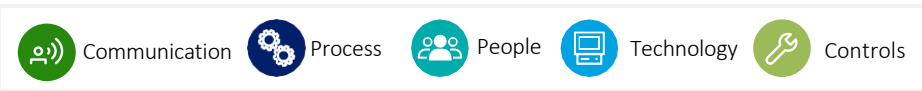
Recommendations | General

The recommendations under this general category are applicable to all SDOs.

Reference	Recommendation	Theme	Responsible Party	Priority
1.5	Delegation of Authority and Expense Management			
a)	<p>The current thresholds for some SDOs may not be reasonable based on the operating budget that they are managing. It is recommended to benchmark the thresholds across all the SDOs to determine the optimal limits based on their spend trend.</p> <p>It is a common practice for a DOA policy to have differing thresholds for budgeted versus non-budgeted spend. However, due to the manual approval and budget monitoring process, it is recommended not to differentiate between budgeted versus non-budgeted spend approval limit until there is a system capable of effectively monitoring spending against pre-established budget limits.</p>		CFO	High
b)	<p>It was noted that the absence of the approver names on some invoices created a challenge in matching the signatures to the corresponding signing authorities. It is recommended that all invoices include both the printed name of the approver and their signature to simplify the matching process and ensure accurate identification of the approving authority.</p> <p>In the long-term, it is recommended that the current manual authorization process is replaced by an automated system. Implementing a system such as S/4HANA would enable SDOs to automate the invoice approval process, leading to improved accuracy and efficiency. Such an automated system is also capable of integrating purchase orders and implementing a three-way match system, which may eliminate the need for invoice approval.</p>	  	Director of Finance	<i>Short-term:</i> High <i>Longer Term:</i> Medium
c)	<p>While it is recommended that the SDOs should benchmark their procurement policies to each other and to the Government of Manitoba, it has been noted that the current thresholds set by the government are relatively low when considering the increase in inflation. MHS LTC should consider taking an active role in promoting and facilitating the realignment of the thresholds set by the Government of Manitoba to adjust for increased costs caused by inflation.</p>	 	MHS LTC	Low

Recommendations | General

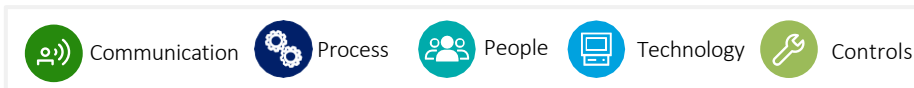
The recommendations under this general category are applicable to all SDOs.



Reference	Recommendation	Theme	Responsible Party	Priority
1.6	Budget Preparation			
a)	<p>Given the challenges in balancing budgets and addressing both increasing and changing demands, the SDO's should consider adopting a zero-based budgeting ("ZBB") approach. Unlike the traditional budgeting approach, where the SDO would use the historical costs from prior year and apply a percentage of increase (or a modified version of this) to the historical costs, zero-based budgeting would require Finance and Program leaders to analyze the costs and benefits of each activity and only include those that are necessary to deliver the services and strategic initiatives outlined in the Annual Operating Plan ("AOP"). This approach requires significant effort as it involves detailed analysis and scrutiny of each cost. Given the challenges noted in this report, it may not be practical to complete annually but, at a minimum, we recommend that this be completed every 2 years to align with the AOP timeline.</p> <p>In an environment where healthcare improvement is expected, the benefits of ZBB include:</p> <ol style="list-style-type: none"> 1. Improve Resource Allocation: ZBB enables a comprehensive review of all expenses and funding requests, ensuring the resources are allocated to areas with the highest priority and impact. By starting from zero and evaluating each budget line item, the SDOs can identify and eliminate unnecessary or redundant expenditures, redirecting those resources towards critical areas such as patient care, research, or infrastructure development that aligns with their AOP. 2. Increased Accountability and Transparency: ZBB fosters a culture of accountability and transparency within Finance, Departments, and essentially the whole organization. By requiring each department and program to justify their budget requests, ZBB ensures that decision-makers have a clear understanding of the value and impact of each expenditure. This level of scrutiny promotes responsible spending habits and discourages wasteful practices. Moreover, ZBB allows for greater transparency in budgeting decisions, as stakeholders can clearly see how funds are allocated and understand the rationale behind budgetary choices. This transparency builds trust among employees, stakeholders, and the public, as they can witness the SDOs commitment to efficient and effective resource management. 3. Enhanced Strategic Planning: ZBB encourages departments to align their budget requests with organizational goals and strategic priorities outlined as part of the AOP. By evaluating each expense from zero, the SDO can ensure that budget decisions are in line with its mission, vision, and long-term objectives. This approach promotes a holistic view of resource allocation and facilitates strategic planning by focusing on outcomes and results rather than maintaining the status quo. For instance, if the SDO aims to improve patient outcomes through innovative approaches, ZBB can help identify potential funding gaps and redirect resources towards initiatives that align with this objective. This proactive approach ensures that budget decisions are driven by strategic intent and contribute to the overall success of the organization. 		<p>CFO Director of Finance</p>	<p>High</p>

Recommendations | General

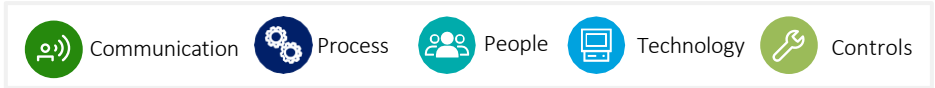
The recommendations under this general category are applicable to all SDOs.



Reference	Recommendation	Theme	Responsible Party	Priority
1.6	Budget Preparation (continued)			
a)	4. Flexibility and Adaptability: ZBB allows the SDO to be more flexible and adaptable in response to changing circumstances. Unlike traditional budgeting methods that often rely on incremental adjustments or change in assumptions, ZBB forces a thorough evaluation of all expenses, making it easier to identify areas where adjustments may be necessary. This would allow for some level of scenario planning that will provide a best- and worst-case scenario. For example, it would be very relevant for budgeting air ambulance and agency usage.		Continued from previous slide	Continued from previous slide
b)	The budget process is completed in excel spreadsheet. The process is manual and takes significant effort to complete. The introduction of automation into budget preparation through technology (i.e. Enterprise Performance Management System) can streamline the process to be more efficient and effective. The integration of real-time financial information from different departments will allow for more accuracy in developing the budget and creates a less manual process, reducing both time and effort taken to prepare the budget. Additionally, technology will allow for drill-down analysis of various aspects of the budget which can help to identify patterns, variances, or places where changes are required. In the short term, we recommend that the SDOs standardize the budget preparation template, framework, and guidelines to incorporate it as part of future technology implementations, such as S/4 HANA.		CFO Director of Finance	High
1.7	Budget Reforecast and Budget Monitoring The final summary budget that is submitted to MHSBTC is subject to changes after submission. The SDOs do submit a re-forecasted budget on a quarterly basis to MHSBTC, but the SDOs are still held accountable to their initial approved summary budget even though there may have been significant changes to the delivery of care (i.e., addition of a new program) as it is a central government requirement. It is recommended that MHSBTC should discuss the policy with the Office of Provincial Comptroller to determine if there is an opportunity to allow SDOs to revise their summary budget if there are significant changes. This will mitigate the risk of surprises and significant variances at the end of the year and allow the SDOs to take corrective actions in a timely manner. The SDOs should still develop and utilize the re-forecasted budgets for variance analysis. In addition, when preparing the quarterly FRR with explanations, it is important to highlight the differences between the actuals compared to the re-forecasted budget to accurately depict the true variances.	 	MHSBTC	High

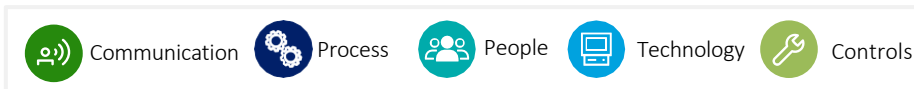
Recommendations | General

The recommendations under this general category are applicable to all SDOs.



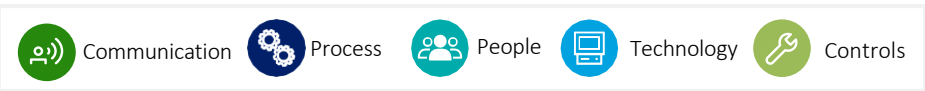
Reference	Recommendation	Theme	Responsible Party	Priority
1.8	<p>Cash Flow Forecasting Even in the absence of cash flow issues, cash flow forecasting remains a critical process that the SDOs should prioritize in alignment with leading practice. There are several leading practices that the SDOs can adopt to enhance their forecasting process.</p> <ul style="list-style-type: none"> Leveraging technology to automate certain steps of the forecasting process can improve the accuracy and reliability of their forecasts. Software can integrate with multiple processes, such as accounts payable and procurement, to gather relevant data and provide up-to-date information. Moreover, there are technologies that can be utilized to project cash flows based on both historical data and future events, and can incorporate external data, such as exchange rates, in the forecasting process. It is crucial to include only the cash flows that are certain to be received in the forecasting process. Including funding that an SDO is unsure about will not be a true representation of their cash flow position. Certain SDOs are performing weekly or daily cashflow forecasting, but from a leading practice perspective, it should be forecasted 3-6 months outwards. This would help identify shortages earlier and allow the SDOs to have proactive conversations with MHSBTC regarding their cash flow concerns. <p>Government and the SDOs should also consider a thorough examination (e.g. via a working group) of the connections between funding, accounts receivable, and cash flow, as well as the existing process between the organizations that is impeding cash flow forecasting, transparency, and predictability for both parties.</p>	 	CFO Director of Finance MHSBTC	High

Recommendations | NRHA



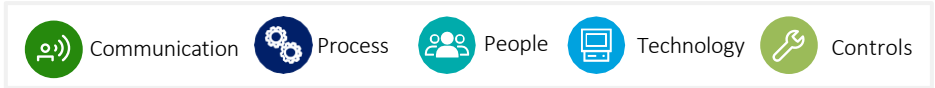
Reference	Recommendation	Theme	Responsible Party	Priority
2.1	Board of Directors			
a)	While the Skills Matrix currently includes the need for members to demonstrate strong business acumen and/or financial literacy, it may be beneficial to consider adding a specific requirement for at least some Board members to have a financial designation, certification, degree, or demonstrates practical financial work experience. This can help enhance the financial expertise within the Board and ensure a comprehensive understanding of financial matters. It is also recommended to offer training and development opportunities for current Board members, especially those who do not have governance experience, financial literacy, or other skill sets that may be missing as a collective board. This can include workshops or courses on financial management, accounting principles, or governance practices. This will help to ensure that Board members can make more informed decisions and provide effective oversight.		Board Chair	High
b)	NRHA should consider conducting regular assessments of the Board’s effectiveness in fulfilling its fiduciary responsibilities. This can include evaluating the Board’s composition, the quality of discussions and decision-making, and the Board’s ability to provide appropriate governance and oversight. This will help identify any gaps or areas for improvement and guide future actions and strategic decisions.		Board Chair	Medium
2.2	Executive Leadership Committee (“ELC”)			
a)	Currently, variance discussions are not being held at ELC meetings. It is important to discuss the monthly variances, at a minimum, to ensure that the ELC is actively monitoring the financial health of NRHA and to ensure that the ELC has the complete financial information to make informed decisions. We recommend that the ELC incorporate discussions on variances as a regular agenda item in the ELC meetings and key discussion points should be documented as part of the minutes. In addition, the ELC should consider increasing the frequency of meetings to bi-weekly. This will allow for more timely and regular discussions on key financial and operational matters and promote better alignment among the team and to address any significant variances earlier.		CEO CFO	High
b)	To address the issue of follow-up on action items and the agreed-upon date of completion, NRHA should consider establishing a realistic timeframe for each task. This should include factors such as the resources needed, dependencies, and potential impact on other ongoing projects or initiatives. Once the deadlines are determined, NRHA should consider clearly documenting these timeframes alongside each action item in the action list. NRHA should also consider assigning ownership of each item to specific individuals during meetings. To ensure consistent progress, NRHA can incorporate follow-up on action items as a recurring agenda item in the ELC meetings.		CEO CFO	High








Recommendations | NRHA



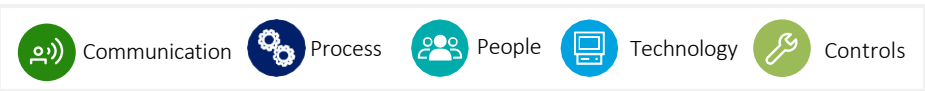
Reference	Recommendation	Theme	Responsible Party	Priority
2.2	Executive Leadership Committee (continued)			
d)	We acknowledge that currently no business cases are being presented or reviewed at ELC meetings due to the cash flow constraints. However, NRHA should continue to implement the business cases review process if the cash flow constraints improve and allow for new spend. By doing so, it will help to ensure that all committee members are provided the opportunity to evaluate the business cases before making an informed decision, either approving or rejecting it.		CEO CFO	Low
2.3	Finance Team To address the issue of the finance and accounting team needing to improve or add the necessary skills and experience, we recommend conducting a skills gap analysis by assessing the existing skills and experience within the finance team. This will help to identify the specific skills and qualifications needed to enhance the finance oversight function.		CFO	Medium
2.4	Strategic Planning NRHA should consider developing an Enterprise Performance Management Framework (“EPM”) that aligns with the strategic objectives set out in the strategic plan. This framework can include key performance indicators that measure progress toward these objectives. By implementing an EPM framework, NRHA will be able to monitor and evaluate performance against strategic objectives. In addition, it is recommended to leverage a technology with the capabilities to automate the monitoring process versus performing this manually.		CEO CFO	Medium
2.5	Cash Flow Forecasting To address the persistent negative cash balance and deficit, NRHA should consider conducting a comprehensive analysis of its cash flow patterns, considering factors such as revenue inflows, expenses, timing of payments, and funding received. This analysis should aim to identify the specific factors contributing to the cash flow challenges, such as negative bank balance, and the timing and amounts of the cash inflow and outflow. NRHA should also consider assessing the adequacy of bi-weekly payments from MHSBTC in covering its expenses, providing clarity on the sufficiency of the current funding received. To enhance cash flow management, NRHA should incorporate long-term cash flow forecasting that extends beyond weekly forecasts. This will help NRHA to better anticipate cash flow challenges and raise the concerns with MHSBTC in advance, to prevent a last-minute request. Other considerations for NRHA can include engaging in discussions with MHSBTC and other funders to address delays in receiving necessary funding, initiating discussions with FNIHB to resolve reimbursement delays for transportation costs, and establishing a structured communication process with MHSBTC to ensure transparent and timely updates on cash flow. NRHA should also consider a joint working group where the cash flow issues and processes around these issues are examined, and recommendations are made jointly on how to improve the process.		CFO MHSBTC	High

Recommendations | PMH



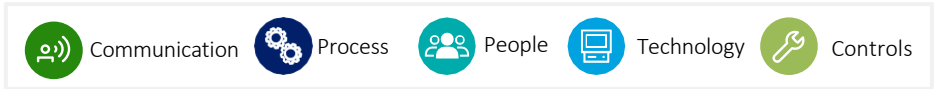
Reference	Recommendation	Theme	Responsible Party	Priority
3.1	<p>Board of Directors</p> <p>A Skills Matrix should be established to assess the range of competencies possessed by the current Board members on an annual basis and to evaluate potential new Board members. Once established, the Board Policy should have this process formally documented to ensure consistency and standardization of the use of the matrix.</p>	 	Board Chair	High
3.2	<p>Finance Team</p> <p>Operating out of three different locations and due to the manual nature of the current processes, PMH's Finance team currently faces challenges in terms of coordination, communication, and collaboration, leading to inefficiencies. To address this, PMH should consider implementing technology to automate some of the workflow and consider centralizing the finance team. This will help to streamline finance operations by automating finance processes and in turn reduce manual errors, save time, and increase overall efficiency. Consolidating the finance function into a centralized team will allow some of the finance team to focus more on business insight activities instead of processing transactions.</p>	 	CFO	Medium
3.3	<p>Budget Monitoring</p> <p>Due to the current capacity constraints on the Finance team, Finance and Program Managers are not meeting as regularly scheduled. It is advisable for the CFO and Program Directors to re-establish the cadence of the monthly meetings between Finance staff and Program Managers. These meetings can be conducted virtually if in-person meetings are not feasible. By doing so, the Finance team will have the opportunity to gain a deeper understanding of the cost drivers that are contributing to monthly variances, thereby enabling more accurate budgeting, forecasting and allow for enhanced operational decisions to control expenditures.</p>	  	CFO Program Directors	High

Recommendations | IERHA



Reference	Recommendation	Theme	Responsible Party	Priority
4.1	<p>Accountability Agreement</p> <p>We recommend IERHA ensure that all incremental funding received by MHSLTC is directly reconcilable to expenses that are spent as directed and intended. This reconciliation should be provided to MHSLTC if required by the funding letter and Accountability Agreement to show the appropriate use of funds.</p>		CFO Director of Finance	Medium
4.2	<p>Board of Directors</p>			
a)	IERHA should consider enhancing the documentation of key processes within their Board Policy, which will allow for standardization. Although there is a Skills Matrix in place, we recommend that the Board Policy should formally include the requirement for a Skills Matrix to be reviewed and/or updated annually to ensure that the necessary competencies and skills of existing members are being assessed. In addition, the completion of the Board Skills, Knowledge and Training Matrix should be mandatory for all Board members to enable a comprehensive understanding of the composition of the Board’s skills and to identify any potential gaps.		Board Chair	Medium
b)	IERHA should consider conducting regular assessments of the Board’s effectiveness in fulfilling its fiduciary responsibilities and formally document the Board Evaluation process into their policy. This can include evaluating the Board’s composition, the quality of discussions and decision-making, and the Board’s ability to provide appropriate governance and oversight. This will help identify any gaps or areas for improvement and guide future actions and decision making.		Board Chair	Medium
c)	We recommend IERHA enhance their board meeting minutes documentation. By documenting the Board meeting minutes more effectively, it can ensure a higher level of detail is captured from the key information presented in the Board Package. This detailed documentation serves as a valuable resource for future reference, providing useful insight in the future and require less time spent on searching for specific details. Additionally, comprehensive minutes help maintain a historical record of discussions, actions, and decisions, promoting transparency and accountability within the organization.		Board Chair	High
d)	We recommend that IERHA update the Board Policy to include a requirement for the Chair of the Finance Committee to be qualified to deal with financial matters, by either having a financial designation, certification and/or degree, or relevant finance work experience, to ensure a comprehensive understanding of financial matters. This will allow for the appropriate level of financial oversight over financial information provided to external stakeholders and to hold management accountable for key financial decisions.		Board Chair CEO	High
4.3	<p>Senior Leadership Team (“SLT”)</p> <p>Including agreed-upon deadlines in the action log is essential for accountability and progress tracking. Clear deadlines hold members responsible, fostering ownership and ensuring timely task completion. Additionally, it allows for easy monitoring of progress, as it creates a sense of urgency for upcoming tasks and enables proactive adjustments to keep the SLT on track in meeting desired goals.</p>		CEO	High

Recommendations | IERHA



Reference	Recommendation	Theme	Responsible Party	Priority
4.4	<p>Finance Team</p> <p>Through an analysis of the existing FTEs, we recommend that IERHA review their finance operating model to align the roles and responsibilities considering the volume of transactions and reporting needs and expected efficiencies through automation. This will allow FTEs to focus more on business insights rather than transactional processing and operational tasks, thereby reducing the potential for human error. As well, key finance processes should be documented thoroughly to ensure the transfer of data to new staff is consistent and access to this documentation should be available to all Finance staff at any given time.</p>		CFO Director of Finance	High
4.5	<p>Delegation of Authority & Expense Management</p> <p>During the period of a CFO vacancy, it was noted that employees with lower authorization limits were approving expenses that exceeded their approval threshold. In such instances, it is recommended that these invoices be escalated to the next highest position, such as the CEO, for approval. This ensures an authority with an approval limit more aligned with that of the CFO reviews and approves the expenses.</p>		Director of Finance	High

Recommendations | CCMB



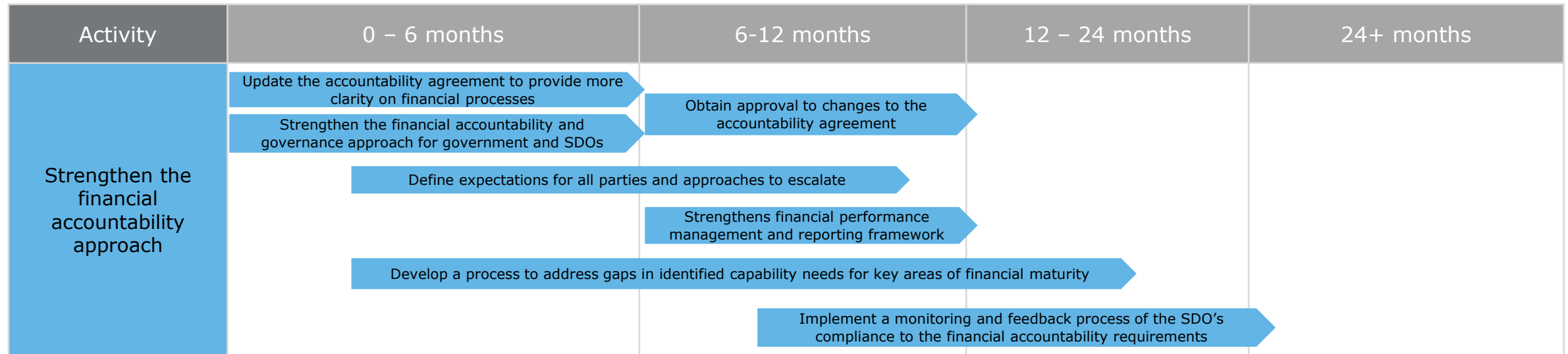
Reference	Recommendation	Theme	Responsible Party	Priority
5.1	Executive Leadership Team (“ELT”)			
a)	To ensure that ELT members are being held accountable, the action log should also include the date the item was noted and include an expected date of completion or status of the item.		CEO CFO	High
b)	A formalized approval process for business cases and briefing notes should be implemented and followed for all new initiatives or increases in spend. This will ensure that a consistent approach is utilized in evaluating the feasibility and alignment of each case with the organization’s goals and resources, and that each potential initiative is effectively evaluated by the committee.		CFO Director of Finance	High
c)	ELT meeting minutes should be documented more effectively, even in informal meetings, to ensure a more comprehensive record of key topics discussed. It is also recommended to minimize the cancellation of meetings to prevent potential challenges in the oversight of critical issues or important discussion points.		CFO Director of Finance	High



Implementation Plan

Implementation Plan

The implementation plan / roadmap below outlines the proposed sequencing and duration of the top 4 recommendations based on priority and effort that will require collaboration between the SDOs and the MHSBTC.



Required Resources

- Project-lead to oversee implementation process between MHSBTC, other government entities and SDOs
- Subject matter expert(s) in financial accountability and delivering a collaborative process and skilled at navigating difficult financial conversations

Risks and Mitigation

- **Limited capacity from MHSBTC to deliver a program and cultural reset of the financial accountability model:** MHSBTC may need to identify a project lead and/or identify a subject matter expert(s) to assist in strengthening the financial accountability approach
- **Clarity on roles and responsibilities:** MHSBTC will need to clarify expectations and rules of engagement for SDOs as well as points for negotiation

Implementation Plan

The implementation plan / roadmap below outlines the proposed sequencing and duration of the top 4 recommendations based on priority and effort that will require collaboration between the SDOs and the MHSLTC.

Activity	0 – 6 months	6-12 months	12 – 24 months	24+ months
Zero based budgeting	Develop a ZBB framework template, approach and guidelines			
		Support/Collaborate with a group of SDOs in Manitoba (e.g., 3 SDOs) to test the framework template, approach and guidelines		
		Refine the ZBB Framework and guidelines based on lesson learned		
			Implement ZBB in the rest of the SDOs in Manitoba	
				Identify and evaluate a technology that can automate the budgeting preparation and monitoring process

Required Resources

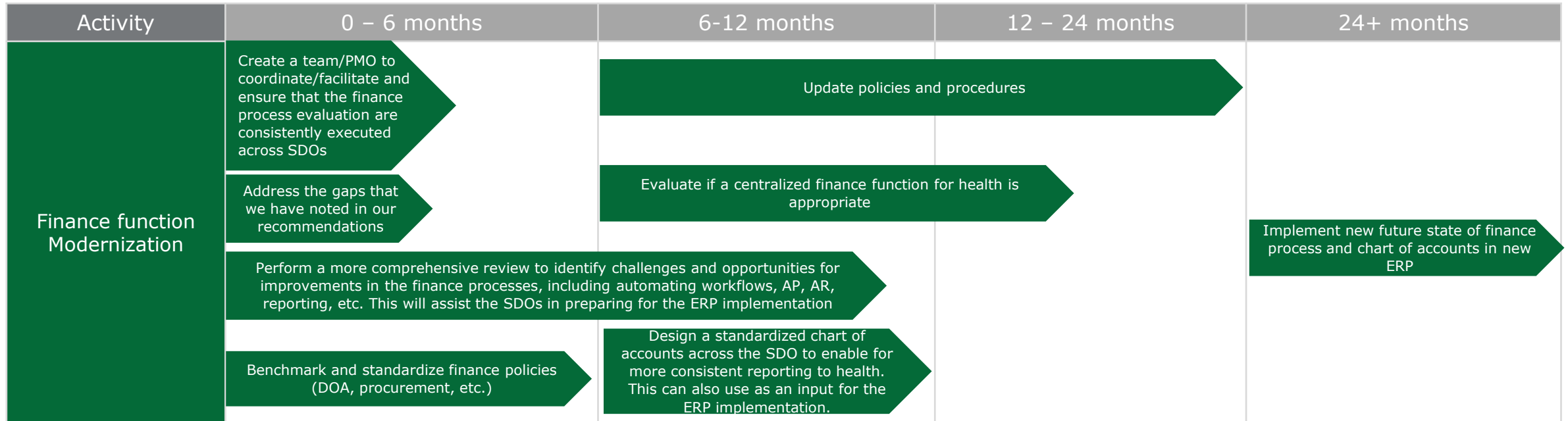
- Project-lead to ensure proper collaboration between MHSLTC and SDOs
- ZBB subject matter expert to help develop the framework, template, approach and guidelines.
- Training to the SDOs on the new framework

Risks and Mitigation

- **Limited capacity from MHSLTC and limited expertise related to ZBB:** MHSLTC may need to identify a project lead and/or identify a subject matter expert (e.g., Southern Health Authority or external advisor) to assist in developing the framework and guidelines.
- **Alignment with program goals and accountability:** Ensure to involve the program managers/leader in this process. The effort/ownership should be an 80% to 20 % split between program owners versus Finance.
- **Limited capacity from SDO:** Each SDO may need to identify project resources that can be utilized to focus on this initiative.

Implementation Plan

The implementation plan / roadmap outlines our proposed sequencing and duration of the top 4 recommendations based on priority and effort that will require collaboration between the SDOs and the MHSLTC.



Required Resources

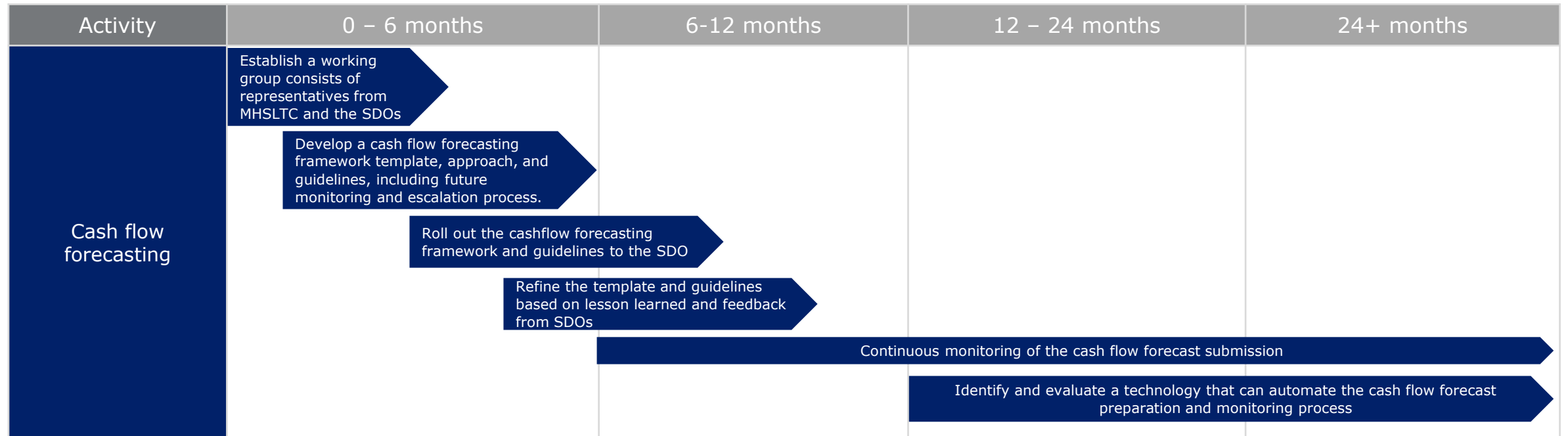
- Dedicated group within Finance to address gaps and identify opportunities
- Collaboration with other departments (Procurement and IT) and SDOs to benchmark and standardize finance policies

Risks and Mitigation

- **Technical challenges in implementing a solution:** Conduct thorough testing and collaborate closely with IT support to address any technical issues.
- **Change management:** Ensure collaboration, open communication, and seek input from the finance team through the process of identifying challenges and opportunities to automate.
- **Limited capacity from SDOs:** Finance and additional resources need to be involved to advise on best practices and recommendations for standardization, however, a thoughtful start date for implementation can help address this risk.

Implementation Plan

The implementation plan roadmap outlines our proposed sequencing and duration of the top 4 recommendations based on priority and effort that will require collaboration between the SDOs and the MHSBTC.



Required Resources

- Collaboration with MHSBTC and SDOs to meet on a set frequency (i.e. monthly, semi-monthly, etc.)
- Develop a sustainable monitoring and escalation process.

Risks and Mitigation

- **Lack of system integration and need to prepare manually:** Develop a simplified template that will enhance the consistency of the information reported to MHSBTC.
- **Limited capacity to review cash flow forecast from MHSBTC:** Include this review activity as part of the month end process when the SDOs submit their monthly reporting process. Dedicate time in MHSBTC calendar to review the cash flow forecast for all SDOs once a month.



Appendix A: Criteria & Sub-criteria

Criteria & Sub-criteria

1. Governance	
1.1 Accountability Agreement - Performance Requirements	
1.1.1	The HA operates within the annual budget allocated to it by Manitoba. (Performance requirement F)
1.1.2	In program planning, the HA addresses the provincial expectation to redirect Services as appropriate and continue to deliver Services within the funding level provided without affecting the delivery of Services. (Performance requirement F)
1.1.3	Unless otherwise agreed to by Manitoba in writing and approved by Manitoba, the HA will use all funding received pursuant to the Agreement to provide the Services. (Performance requirement G)
1.1.4	In the circumstances where the HA is in receipt of approved directed incremental funding as it relates to items specifically intended also for a Service Provider, such as wage increases, the commensurate amount is passed along to the Service Provider. In this circumstances, the HA ensures that the Service Provider utilizes the incremental funding as directed and intended. (Performance requirement H)
1.1.5	Funding provided by the HA for salaries of the executive management of Health Care Organizations and Health Corporations are in accordance with guidelines approved by Manitoba. (Performance requirement J)
1.1.6	Manitoba's written approval is received before the HA assumed any debt or payment obligations from a foundation of other third party. (Performance requirement K)
1.1.7	The HA does not enter into any contractual agreements that may have a material impact on its operating costs and may lead to additional funding requests from Manitoba, without prior consultation and approval from Manitoba. (Performance requirement L)
1.1.8	If the HA receives funding for anything related to the Services, from any other provincial or federal government department of any third party including a foundation or ancillary services, the HA discloses to the Department the details of the source of such funding and how the funding is related to the Services. (Performance requirement - Schedule B)
1.1.9	The Board ensures that the organization's obligations under the Accountability Agreement are met.

Criteria & Sub-criteria

1. Governance

1.2 Governance - Board of Directors

- | | |
|-------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1.2.1 | The SDO has adequate Board Governance policy that requires an updated Skills Matrix to identify competencies of existing members and regular assessment of the need for new Board members. |
| 1.2.2 | The Board reviews the financial statements, budget vs actual comparisons, summary of cost drivers, and forecasts on a monthly basis. |
| 1.2.3 | The Board regularly evaluates its own performance and the performance of individual Board members, taking steps to improve effectiveness. |
| 1.2.4 | The audit committee and/or Finance Committee is led by individual with financial expertise (e.g. CPA or equivalent designation) and is composed of independent members with financial expertise. |

1.3 Governance - Executive Leadership Committee (“ELC”) / Executive Management Team (“EMT”) / Senior Leadership Team (“SLT”) / Executive Leadership Team (“ELT”)

- | | |
|-------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1.3.1 | The ELC/EMT/SLT/ELT meets at least bi-weekly to review financial reports and to discuss strategies for managing costs, including identifying areas for cost savings and efficiencies. |
| 1.3.2 | Action items and decisions are recorded, tracked, and followed up on in subsequent meetings to ensure completion and accountability. |
| 1.3.3 | The business case/briefing note approval process is followed by program managers for all new initiatives or increases in programming and is approved by ELC/EMT/SLT/ELT . |

2. Fiscal Management Practices

2.1 Finance Team

- | | |
|-------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2.1.1 | The finance and accounting teams possess the necessary skills and experience to provide appropriate financial oversight and are involved in the review and treatment of all complex/non-standard transactions. |
| 2.1.2 | Roles and responsibilities have been defined and enforced at the operational level and are well aligned with overall finance and corporate goals. |

Criteria & Sub-criteria

2. Fiscal Management Practices

2.2 Delegation of Authority & Expense Management

- | | |
|-------|------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2.2.1 | The Delegation of Authority policy and authorization limits are clearly defined and effectively communicated throughout the organization. |
| 2.2.2 | The process for updating the DOA is conducted in a timely and accurate manner, ensuring that it reflects current organizational structures and responsibilities. |
| 2.2.3 | Invoices are approved in accordance with the delegation of authority. |
| 2.2.4 | There is a competitive bid policy in place whereby bids (quotes/proposals) are solicited and evaluated in accordance with pre-established evaluation criteria. |

3. Budgeting and Forecasting

3.1 Strategic Planning

- | | |
|-------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 3.1.1 | There is a strategic planning process in place to drive prioritization and budget allocations and the budget is clearly linked to the organizations strategic plan and accountability agreement. |
| 3.1.2 | The framework by which plans are set, decisions are made, and objectives are set are clearly documented, communicated and understood, as well as the means of monitoring the achievement of those objectives. |

3.2 Budget Preparation

- | | |
|-------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 3.2.1 | The budget preparation process is well-defined, includes program managers in the preparation, and includes clear guidelines and timelines for budget submission. |
| 3.2.2 | There is a combination of both top-down targets for key drivers (financial and operational) and bottom-up input to develop the completed budget meeting the targets. |
| 3.2.3 | The budget is based on realistic assumptions and reliable data (external & internal). i.e. External (clinical needs/demands, demographic changes) and internal information (strategic initiatives, projects) |
| 3.2.4 | The budget is effectively challenged and then approved by the Board of Directors. |
| 3.2.5 | There are standardized templates utilized for budget preparation and ongoing variance reporting. |

Criteria & Sub-criteria

3. Budgeting and Forecasting

3.3 Budget Monitoring

- | | |
|-------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 3.3.1 | Budgets to actual analysis is being prepared on a frequent basis (monthly at minimum) and include variance explanations on the magnitude of the variance, root causes, comparison to historical data, mitigating actions, and future expectations. |
| 3.3.2 | Finance management is meeting with Program Managers on a monthly basis to obtain explanations for variances between budget and actuals. |
| 3.3.3 | The budget monitoring process is well-defined and includes mechanisms for addressing budget overruns or shortfalls, ensuring that corrective actions are taken promptly. |

3.4 Forecasting

- | | |
|-------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 3.4.1 | Cash flow forecasts are prepared and analyzed on a monthly and quarterly basis that accurately identify the variances that occur throughout the fiscal year. |
| 3.4.2 | Forecasts are prepared and reviewed monthly to reflect changes in the business environment or organizational circumstances and reflect the intended use of funding. |
| 3.4.3 | Forecasting reports are distributed to relevant stakeholders, providing timely and accurate information on projected financial performance. |



Appendix B: Leading Practice Framework

Leading Practice Framework | Budget Preparation

The Leading Practice Framework assists in identifying the maturity of the business and finance processes of an organization. The scale moves from developing to leading, with the framework providing examples of common practices from one end to another as seen below. This tool has been utilized in the assessment of the maturity of the SDOs' fiscal management, and budgeting and forecasting processes.



Dimensions	Developing	Defined	Advanced	Leading
Are organizational strategy, business plans and individual efforts aligned, and include both financial and non-financial measures?	Budgets are built primarily bottom-up by department/program center.	Budgets are built primarily bottom-up by department/program center, with some high-level top-down mainly financial targets as context.	Advanced - Budgets are developed using model-based calculations using some key business drivers and standard costing data, where applicable. There is a combination of both top-down targets for key drivers (financial and operational) and bottom-up input to develop the completed budget meeting the targets.	Leading - Budgets are developed using model-based calculations using key business drivers and standard costing data, where applicable. There is a combination of both top-down targets for key drivers (financial and operational) and bottom-up input to develop the completed budget meeting the targets.
Are budgets developed using both top-down targets and bottom-up input?	Because the budget is developed primarily bottom-up, the budget does not facilitate an understanding of key business drivers.	Because the budget is developed primarily bottom-up with limited top-down targets, the budget does not facilitate an in-depth understanding of key business drivers.	The budget facilitates a high-level understanding of the economics of the business by making the key business / value drivers explicit.	The budget facilitates an understanding of the economics of the business by making the key business / value drivers explicit.
Is the budget process seen as key to strategic and business plan delivery?	Budgeting process viewed as something required by Finance with little business value.	The budget process is seen as routine activity with substantial business value.	The budget process is seen as core process governing business activity which contributes to some communication and delivery of strategic and business plans.	The budget process is seen as core process governing business activity which contributes to communication and delivery of strategic and business plans.
Are scenario or what-if analysis used to develop and challenge budgets?	Scenario / what-if analysis is not used as part of the budgeting process.	Limited scenario / what-if analysis conducted as part of the budgeting process.	Some Complex scenario / what-if analysis are used to analyze and challenge budget assumptions.	Complex scenario / what-if analysis are used to analyze and challenge budget assumptions.

Leading Practice Framework | Budget Preparation

Developing



Leading

Dimensions	Developing	Defined	Advanced	Leading
Are planned investments and revenues arising from approved projects incorporated into budget?	Reserves built into individual business units but are hidden.	Business-wide corporate reserve built into budget to account for unplanned projects.	Business-wide strategic reserve are used throughout the year to facilitate some of the ongoing approval and re-prioritization of projects.	Business-wide strategic reserve are used throughout the year to facilitate the ongoing approval and re-prioritization of projects.
Are specific external data (e.g. customer purchasing plans), as well as high-level economic forecasts incorporated into budgets?	Little or no external data is considered in developing the targets and the portfolio of strategic initiatives is not considered as part of the budget initiation process.	Some high-level external data (e.g. economic growth, industry growth etc.) is incorporated into the targets. Strategic initiatives are considered but there is no clear link to the budget guidelines.	Targets incorporate some specific external data and the portfolio of strategic initiatives is partially link to the budget process.	Targets incorporate specific external data and the portfolio of strategic initiatives is a central part of the budget process.
Is the level of detail in the budget consistent, standardized, and well calibrated to management requirements?	Budget is more detailed than necessary for management purposes.	Budget level of detail, partially calibrated to business management requirements (focusing on the few key categories required) and does not align with a standardized and consistently used chart of accounts (however, using substantially fewer lines than the chart of accounts).	Budget level of detail calibrated to business management requirements (focusing on the few key categories required) and partially aligned with a standardized and consistently used chart of accounts (however, using substantially fewer lines than the chart of accounts).	Budget level of detail calibrated to business management requirements (focusing on the few key categories required) and aligned with a standardized and consistently used chart of accounts (however, using substantially fewer lines than the chart of accounts).
What is the time frame for budgets developed?	Budget prepared for one-year timeframe with monthly detail.	Budgets produced for two years out.	Multiple year budgets produced (e.g. 3-4 years) – with less detail as you go further out.	Multiple year budgets produced (e.g. 5 years) – with less detail as you go further out.
Can the budget drivers be changed dynamically?	Because the budget is developed primarily bottom-up, the budget does not facilitate an understanding of key business drivers.	Because the budget is developed primarily bottom-up with limited top-down targets, the budget does not facilitate an in-depth understanding of key business drivers.	The budget is developed bottom-up with limited top-down targets; the budget facilitates an understanding of business drivers.	Yes, as required. The budget facilitates an understanding of the economics of the business by making the key business/value drivers explicit that are directly linked to the strategy.

Leading Practice Framework | Budget Preparation

Developing



Leading

Dimensions	Developing	Defined	Advanced	Leading
Is rapid decision making and response across all business units supported by standardized business case templates?	No standardized templates are used to enable business case development; nor is clear guidance provided in terms of required business case content	Standardized templates are used to enable business planning	General guidance is provided in terms of business case content requirements, but various versions and formats of business planning and business case templates are used across the business	Standard templates are available via intra/internet to document plans / initiatives / projects / business cases. Business cases are required for approval of major initiatives / projects
Is forecasting at a different level of detail than the annual planning process?	Budgetary business plans are developed with limited financial intelligence from strategic plan.	Financial intelligence from strategic plan and communication with budgeting.	Budgeting is fully integrated with strategic planning and with limited strategic intents.	Integrated budgeting processes across the company are in line with the corporate strategies and plans.
Is the business financial analysis process well defined? Are tasks and responsibilities aligned?	Nature, extent and definition of a subset of the business financial analysis structures, roles, reporting lines and accountabilities exist, which allows for a degree of financial performance and interpretation on an enterprise-wide basis.	Core business financial analysis structures, roles, responsibilities and competencies are clearly defined and communicated to the finance organization and the business. Core aspects of business financial (as defined) are being performed adequately across all regions.	Broad, customized, enterprise-wide business financial analysis structures (core and extended roles), roles, responsibilities, compensation rewards mechanism defined, communicated and deployed to allow for highly effective performance of these processes on an enterprise-wide basis.	Business analysts at different organizational levels are focused on clearly identified key value drivers of the organization and provide analysis reflecting the relationship between the value drivers at different levels of an organization. Initiatives and projects required to achieve strategic objectives are actively reviewed by a centralized Program Management Office using a structured and standardized project portfolio process, prioritized across the organization
Is the budget re-forecast in a rolling manner at least monthly?	Budgeting process occurs annually with no formal re-forecasting process.	Budgeting process occurs on an annual basis and a re-forecast of the annual budget is prepared at least once during the year.	An on-going rolling forecast process (12-15 months) is conducted monthly and replaces the annual budgeting process.	An on-going rolling forecast process (12-15 months) is conducted monthly and replaces the annual budgeting process.
How are budget aggregations prepared?	Manual collection of distributed templates and spreadsheets for aggregation within a corporate planning organization. Re-keyed.	Automated collection of files with some calculated aggregation in a batch environment.	Automated use of a planning tool for calculated, real-time aggregation within an application. Periodically available for reporting.	Automated using real-time calculations and modeling with revision control and on-demand aggregation. Adjusted based on drivers and project portfolios scenario adjustments and utilized flexible budgeting views to manage range of planning assumptions.

Leading Practice Framework | Budget Monitoring

Developing



Leading

Dimensions	Developing	Defined	Advanced	Leading
Is the budget re-forecast in a rolling manner at least monthly?	Budgeting process occurs annually with no formal re-forecasting process.	Budgeting process occurs on an annual basis and a re-forecast of the annual budget is prepared at least once during the year.	An on-going rolling forecast process (12-15 months) is conducted monthly and replaces the annual budgeting process.	An on-going rolling forecast process (12-15 months) is conducted monthly and replaces the annual budgeting process.
To what extent are projects in the business plan considered in forecasting?	Limited number of key projects are considered in the formulation of the forecast.	Approved projects in the business plan are considered in the formulation of the forecast.	All projects in the business plan are considered in the formulation of the forecast, with some case metrics incorporated into the forecast.	Planned investment, savings, and incremental revenues resulting from approved projects in the business plan are incorporated directly into the forecast.
To what extent are budgets and forecasts across business units shared in the organization?	Budget and forecast information sharing across business units is informal (e-mail, etc.).	Budget and forecast information sharing across business units is structured (intranet, etc.).	Budget and forecast information sharing across business units is structured (intranet, etc.) and a rolling master plan is used for continuous business performance evaluation.	Budget and forecast sharing across business units is structured (intranet, etc.) and analysis of performance reports (e.g. KPIs, financial reports, project tracking) are explicitly reviewed by management to develop "lessons learned" to be used as formal input to strategic planning.
Are standard analysis requirements updated in line with corporate strategy and KPI's? Are market and industry trends used alongside company reports when performing analysis?	Financial performance is monitored and evaluated but not formally communicated nor consistently deployed, thereby promoting misinterpretation and duplication of effort.	Financial performance is monitored, evaluated and communicated consistently at unit, division and corporate levels.	Financial and Business performance monitoring, evaluation and communication is performed consistently at unit, division and corporate levels through integrated financial systems and automated reports.	Strategic, business and financial performance monitoring, evaluation and communication is performed consistently at unit, division and corporate levels through integrated financial systems, automated reports and external sources.
How efficient are the processes for iteration review, adjustments, comments, approvals, etc.?	Communicated manually or by e-mail. Communicated by percentages by financial line items within budget.	Available to participants using PC-based application budgeting tools. Communicated as operational adjustments and some financial line items.	Available to participants over the intranet using a Web-enabled budgeting tool that enables drill-around. Governed by workflow. Communicated as adjustment percentages by operational line items.	Available to participants including vendors and customers via the intra and extranet using a Web-enabled budgeting application tool. Governed by workflow such that final decision maker approval launches final version to data warehousing tools and updates appropriate extra and intranet sites. Accessible in summary form to executives via wireless transmission. Managed within the context of assumptions and scenarios based on the drivers and components of the business models.

Leading Practice Framework | Budget Monitoring

Developing



Leading

Dimensions	Developing	Defined	Advanced	Leading
To what extent are the information distribution processes automated?	The processes for distributing information are time consuming, manually oriented, informal and not highly coordinated.	The processes of information distribution are defined, but irregular and relies on manual controls and certified by appropriate management.	The processes of information distribution are standardized and integrated but are not completely automated and not tailored to the audience.	The information distribution process is based on automated electronic distribution primarily through a Finance portal which acts as a single self-service source of 'certified' financial information to management.
Are the relevant metrics electronically submitted to the users?	Key reporting metrics are not defined, reports are at best standardized. Distribution process is manual.	Some KPI's are defined and send to broad based user group.	KPI's are defined and output is available in electronic form at a number of points during the month and can be accessed from an intranet (self service).	Key reporting metrics like KPI and exception reporting are pushed automatically to designated users through email or other electronic means.
To what extent is the report processes supported by Planning and Management tools, in order to support analytical work?	Limited or inadequate tools and/or systems are used to support the reporting processes.	The information processes and data structures provide some output to analyze and query on data, however, not enough to support business decisions and many manual interventions are required to obtain desired information.	Report process function on past results enable proactive planning and forecast.	Proactive planning and management tools such as Business Intelligence software, Business Planning Tools and Scenario Analysis are available for analytical work.
To what extent are the reports based on real time data?	Financial information is periodic reported by Finance. Process is very inefficient.	Information is reported periodically. Process is efficient and more types of reporting is available. There is a difference between quarterly and monthly reporting.	Some real time information is available, to support most of the relevant decisions.	Real-time information is available to management for analysis and ad hoc reporting is online.

Leading Practice Framework | Budget Monitoring

Developing



Leading

Dimensions	Developing	Defined	Advanced	Leading
<p>To what extent are the standardized reports based on the strategy of the organization?</p> <p>To what extent are the KPI's rolled out to all units?</p> <p>To what extent are responsibilities and procedures for developing and maintaining the reports formalized and defined in order to achieve consistency, transparency and accuracy?</p>	No standardized process to report financial information and key metrics. The defined KPI's differ throughout the organization and do not (directly) contribute to the realization of the strategy; procedures and no clear responsibilities surrounding developing and maintaining the reports	Standard reports are available, but not integrated across business units; procedures and responsibilities for developing and maintaining the reports are defined but inconsistently executed.	Standardized reports are available and rolled out over the business units but are limited aligned with the strategic goals and the KPI's of the organization; procedures and responsibilities for developing and maintaining the reports are defined and integrated but are not fully aligned.	Standardized reports reflecting company strategic goals and KPI's are developed and rolled out to all units; formalized procedures and responsibilities for developing and maintaining the reports are defined and automated to achieve consistency, transparency and accuracy.
To what extent are both financial and non-financial information integrated in the reporting process?	Only financial information is available	Both financial and non-financial information are available, but not integrated.	Integrated financial and nonfinancial information is available, but manual interventions are necessary.	Required non-financial supplementary information for internal reporting, i.e. volume data or other enterprise driver metrics, is handled as part of an integrated management reporting process.
To what extent is the information rapidly available to management?	Information is provided some time (not always predefined) after period completion, leading to additional information requests.	Information is provided some weeks (predefined) after closing the date.	Information is available within a week after closing.	Information is provided rapidly following period completion and near real-time information is available to management, allowing quick response to inquiries.
To what extent does management reporting focus on exception and variance reporting?	Management reports are based on historical information. No standard variance reporting in the management reports available.	Management reports are automated available but additional calculations are necessary and reflect comparison to budget and historical data.	Variance reporting is available in the management reporting, to focus efforts.	Management reporting focuses on exception and variance reporting to increase speed and focus efforts.

Leading Practice Framework | Budget Monitoring

Developing



Leading

Dimensions	Developing	Defined	Advanced	Leading
To what extent is the information standardized and simplified? And to what extent are the reports timely distributed?	The different units use different reports, with different structures, resulting in duplication of efforts and different versions of the truth. The provided information is complex.	In order to simplify and standardize information, several tools (Excel) have to be used. Different structures lead to manual interventions.	Report formats for the different business units are consistent. Reporting information is timely but still somewhat overzealous.	Information is simplified and standardized to make it easily understood and provides management a view to organization drivers in a transparent and timely basis.
To what extent is the reporting based on predefined parameters?	No variance, commentary and signpost reporting available.	Basic signpost reporting available in reporting pack but is not based on predefined parameters and materiality levels.	Predefined parameters in place to build variance, commentary and signpost reporting.	Variance reporting, commentary reporting and signpost reporting are all based on predefined parameters and materiality levels to improve timeliness and reliability.
To what extent are tools available for Management to address preliminary questions and analyze data?	Management reacts very ad hoc, late and indecisive to first-line questions. Strong support is necessary to decide on corrective measures.	First-line questions can be addressed by the Finance department, but more in-depth analysis is performed by specialists.	The available adequate tools enable managers to perform data analysis on their own.	Management has the tools and capabilities to address first-line questions and analysis on their own and acts appropriately on findings.
To what extent has Management the capabilities to address preliminary questions?				

Leading Practice Framework | Cash Flow Forecasting

Developing



Leading

Dimensions	Developing	Defined	Advanced	Leading
Is external information used to support cash forecasting?	Some external data is considered in calculating forecasts.	Some high-level external data (e.g. forecast economic growth, industry growth, forecast currency exchange rates, etc.) is incorporated into the forecast.	Some specific external data (e.g. forecast economic growth, industry growth, forecast currency exchange rates, etc.) is incorporated into the forecast.	Forecast incorporates specific external data (e.g. customer purchasing plans, merchandising plans, vendor contracting plans, forecasted exchange rates, etc.).
How are cash forecasts and projected operational cash impacts communicated to responsible participants?	The communication is minimal and high level.	There is some detail in the information received.	Only high impact situations are communicated to participants. Detail is communicated if necessary.	In accordance with corporate communication procedures which are well documented and standardized.
Is cash flow fully monitored?	Loosely-controlled process results in frequent cash flow "surprises" which threaten company credit ratings. Company spends significant timing reacting to cash flow "surprises".	Cash flow is managed but cash management is sometimes inconsistent with treasury strategy.	Weekly or monthly cash forecasting are established within business units or departments, to identify additional non-discretionary or "surprise" sources and uses of cash.	Active monitoring of cash flow enables efficient financing and optimize the use of investment opportunities.
How is the cash forecast data prepared?	Cash forecast data is prepared centrally with limited involvement of business units and departments.	Cash forecast data is prepared in the business units and departments. The information is manually compiled.	Cash forecast data from all departments are known well in advance, updated regularly, and increased in accuracy with time. The focus is on short term.	Cash forecast data from all departments are known well in advance, updated regularly, and increased in accuracy with time. Methods include a combination of short-term and longer-term rolling cash forecasts (e.g. one-year forecasts consistent with financial plans).

Leading Practice Framework | Technology

Developing



Leading

Dimensions	Developing	Defined	Advanced	Leading
How are budget aggregations prepared?	Manual collection of distributed templates and spreadsheets for aggregation within a corporate planning organization. Re-keyed.	Automated collection of files with some calculated aggregation in a batch environment.	Automated use of a planning tool for calculated, real-time aggregation within an application. Periodically available for reporting.	Automated using real-time calculations and modeling with revision control and on-demand aggregation. Adjusted based on drivers and project portfolios scenario adjustments and utilized flexible budgeting views to manage range of planning assumptions.
To what extent is technology used within the organization for budgeting and forecasting?	Only basic tools (e.g. spreadsheet templates) are used to support financial planning and analysis.	Information and metrics required to monitor financial planning and performance is integrated into a performance management framework or dashboard partially automated.	Integrated enterprise-wide analysis and management toolkits are utilized. Initiatives and projects required to achieve strategic objectives are identified and initiated by finance. Advanced analytical tools (e.g. data mining) are utilized for performance data analysis on corporate level.	Integrated enterprise-wide analysis and management toolkits are utilized. Initiatives and projects required to achieve strategic objectives are identified and initiated by finance. Advanced analytical tools (e.g. data mining) are utilized for performance data analysis across the organization.
To what extent is management reporting delivered from a single data source?	Management reporting is not delivered from a single data source but delivered directly from the systems. Combining data from multiple systems requires manual efforts and is time consuming.	Several data marts are created, in order to generate management reports from multiple systems.	Comprehensive data warehouses, Operational Data Stores and data marts are developed for multiple individual subject areas. Cross-subject area reporting is not possible as an overlapping data architecture does not exist.	Data Warehouse architecture is centered around a single enterprise data warehouse built upon an enterprise data model, to ensure 'one version of the truth'. Analysis and reporting subject areas can be created, and cross subject-area reporting is possible.
To what extent are analytical web tools available for management, in order to run ad-hoc queries and analyze data?	Basic tools are used to support the reporting process. Information is neither timely nor accurate and basic.	Information is timely and accurate, but no integrated analytical tools available. Ad hoc information is available.	Management tools allow ad hoc reporting queries, besides standard reporting.	Dynamic analytical web tools are available for management to use for ad hoc questions and analysis to ensure timely, accurate and transparent information is used in the analysis.

Leading Practice Framework | Technology

Developing



Leading

Dimensions	Developing	Defined	Advanced	Leading
To what extent can cross sections of the same information be made, in order to view data from a multidimensional view?	The available reporting tools don't allow multidimensional analytical views of the same information.	Manual efforts are required in order to view the data from several dimensions.	Different supporting tools are available, but manual effort is still necessary.	Integrated reporting tools allow for multidimensional analytical views of the same information.
To what extent are tools available in order to enable commentary reporting?	Financial reports are mostly with some additional comments on ad hoc basis.	No standardized commentary reporting process. Time consuming activity through manual interventions	Commentary reporting standardized and automation in comments is available through reporting systems.	Commentary reporting is enabled through appropriate tools.
To what extent are the financial information systems integrated and provide real time data?	The financial information systems are not integrated and automated, leading to manual intervention and controls.	Financial systems use common platforms, some manual entry and adjustments necessary.	Reconciliation and financial analysis processes are executed quickly and rely upon integrated and automated information.	Financial information systems are integrated, and common databases provide the real-time information required for an optimal decision-making process.
To what extent can users drill down from a higher level, to a lower level?	Either high level or detailed information is available. Drill down from high level information to detailed information is not available.	Clear reconciliation of sub ledgers enables detailed reporting. A lot of manual effort is still necessary.	The drill down functionality is build in mostly all of the available management reporting.	Drill-down functionality from top-level consolidated information to sub levels and GL data is in place.
Are plans, budgets and forecasts developed using appropriate technology?	Plans, budgets and forecasts are inputted manually at the specific line item for statement elements.	Plans, budgets and forecast are inputted by line item for revenue, cost headcount and capital, with expense items calculations done automatically.	Plans, budgets, and forecasts are inputted by line item for units, pricing, unit cost, headcount and capital. Technology is used to combine prior performance and forward-looking market or product information. These plans are then incorporated by a corporate finance organization into planning tools to be part of department management responsibility.	Budgets and forecasts are developed using appropriate technology, the most effective being real-time budget building tools, enabling consolidation, modeling, hierarchy maintenance, dashboards, drill downs, drill through, alerts, web-enabled input, scenario planning tools, and scorecards?

Leading Practice Framework | Governance

Developing



Leading

Dimensions	Developing	Defined	Advanced	Leading
Are stakeholder requirements, changes in regulations and associated communications kept current and shared with the impacted organizational staff?	Stakeholder requirements and communications are only updated at random or following a formal complaint and informally shared with the impacted organizational staff.	Stakeholder requirements and communications are updated on an annual basis and shared with the impacted organizational staff.	Stakeholder requirements and communications are updated on a quarterly basis and communicated to all the key staff.	Stakeholder management is being performed in a proactive way characterized by open communication both to the shareholders as well as within the organization.
How often do you review the chosen performance measures, targets and statutory reporting to ensure relevance in current environment?	Only reviewed following explicit recommendation from external parties (e.g., auditor, government).	Reviewed on an ad hoc basis.	Reviewed on a periodic basis.	Performance measures and targets are reviewed for every reporting period.
To what extent are documented Governance principles and codes developed?	Informal, limited Governance principles and codes exist which promote ethical and responsible decision making and conduct.	Informal Governance principles and codes exist, but are not documented formally, that promote ethical and responsible decision making and conduct. No procedures are documented.	Documented Governance principles and codes exist which promote ethical and responsible decision making and conduct. Procedures exist but are not well documented.	Documented Governance principles and codes exist, supported by detailed procedures, which promote ethical and responsible decision making and conduct.

Leading Practice Framework | Policies & Processes

Developing



Leading

Dimensions	Developing	Defined	Advanced	Leading
How would you characterize the scope and quality of your overall finance and accounting policies and procedures?	Majority of core policies and procedures needs are identified and in the process of being developed.	Core finance and accounting policies and procedures are in place; however, some inconsistencies do exist, and additional rationalization is required.	Core finance and accounting policies and procedures are standardized, documented, and made available to all finance employees.	Comprehensive set of policies and procedures are standardized, documented and made available to all stakeholders.
How does the organization identify process integration points within Finance, with other back-office functions (e.g., IT, HR) or the various functions involved in the provision of information and decision support?	No formal process in place to identify or document process integration points. Reactive and issue driven approach to identify process integration needs.	Process in place to identify key process integration points. Critical process integration points are documented with owners/stakeholders clearly identified.	Process in place to identify all core process integration points. All core process integration points are clearly documented with owners/stakeholders clearly identified and roles and responsibilities documented.	Process in place to identify all core information process integration points. All core process integration points are clearly documented with owners/stakeholders clearly identified and roles and responsibilities documented. Formal review process in place to validate and refine process integration points as well as owners/stakeholders. Documentation are updated following the formal review process.
How does the organization manage process integration points within Finance, with other back-office functions (e.g., IT, HR) or the various functions involved in transaction processing?	No formal process in place to manage process integration points. Functions operate mostly in silo unless issues surfaced require cross function collaboration to resolve.	Functions operate mostly in silo, but key process integration points are monitored and managed by process owners. Issues and change Impacts are communicated to stakeholders as required.	Functions operate mostly in an integrated fashion with process integration points monitored and managed by process owners. Stakeholders are notified in advance of any critical issues or change impacts. Proactive and collaborative approach to manage process integrations points.	Organization culture enforce and embraces integrated finance processes across the enterprise. All finance functions and processes are fully integrated with clear transparency of integration points and roles/responsibilities of process owners. Stakeholders are knowledgeable of the integrated process framework and proactively reach out to collaborate on addressing change impacts and issues resolutions.

Leading Practice Framework | Policies & Processes

Developing



Leading

Dimensions	Developing	Defined	Advanced	Leading
To what extent are transaction processes automated through scanning, document management, workflow, EDI, etc. ?	All transaction processes are handled manually, as automation has not been introduced.	Some customers and supplier are connected via EDI. In general, all processes are carried out manually.	Some technology has been established (EDI, Scanning), as well as workflow, but they do up to date nor used for every possible process.	All processes have been optimized using the latest technology (EDI, Scanning, Text Recognition) and workflows.
To what extent are process timelines synchronized in Finance and across functions? How are bottlenecks identified and managed?	The process steps do not follow in an optimized manner, i.e., they are not workflow supported and are therefore not performed directly one after the other.	In general, the timelines are synchronized, but deviations result in longer handling times. The bottle necks are not clearly identified.	In general, the timelines are synchronized, but deviations result in longer handling times. The bottle necks are clearly identified, and short-term solutions are used to handle them.	All processes have been synchronized to minimize the time between each process task. Using KPI's the performance of each process can be measured.
How does the organization identify and manage changes to policies, procedures and standard processes?	No formal process in place to identify and manage changes to policies and procedures. Reactive approach to policies and procedures update based on issues surfaced. De-centralized process to manage changes to policies and procedures.	Process for updating core finance and accounting policies and procedures is in place and centrally managed. Reactive approach to policies and procedures update based on issues surfaced. Consistent enterprise adoptions of changes can take a long time.	Processes for updating all policies and procedures is in place and centrally managed. Consistent approach in place to effectively communicate and re-deploy changed policies and procedures throughout the organization. Relatively short cycle time for enterprise adoption of changes.	Processes for updating all policies and procedures is in place and centrally managed. Formal review of policies, procedures and internal controls are performed on a regular basis. Consistent approach in place to effectively communicate and re-deploy changed policies and procedures throughout the organization. Short cycle time for consistent enterprise adoption of changed policies and procedures.
Is there a process documented, and approval defined for all significant estimates?	There is no process documented nor are there clearly defined approvals for significant estimates.	There is no process documented but there are approvals for most significant estimates.	There is a process informally aware of across the finance function and clear levels of approval defined for all significant estimates.	There is a process documented, that all accounting and finance team members are aware of, as well as clear levels of approval defined for all significant estimates.

Leading Practice Framework | Talent

Developing



Leading

Dimensions	Developing	Defined	Advanced	Leading
To what extent are organizational structures defined and applied across the enterprise?	Business units are very diverse. Communication structures are poorly defined and not well understood.	Organization structure is more or less defined, leading to extensive communication between organizational structures	One organizational structures are deployed, communicated and understood.	Organizational structures are simplified (including roles and responsibilities), defined and consistently applied across the enterprise.
To what extent are resources available to provide analytical capability?	There are no resources available to provide analytical capability.	During reporting, Finance involves the management in analyzing the results.	Finance organization has a matrix organization, different business controllers have dual responsibilities.	Designated resources are appropriately aligned to business units and enterprise functions to provide analytical capability.
To what extent does staff focus on data analysis and manages key business decisions?	Staff spends most of it's time on data gathering and preparing the reports and not much effort and availability in analyzing the data.	Staff has broad skills but requires cross functional training.	Staff is adequately trained in order to understand relevant data models and address the need of the reporting activities.	Staff focuses on data analysis and proactively manages key business decisions. Finance awareness and appropriate training are available.
To what extent is the appropriate training available for staff?				
How do you develop finance talent in your organization?	The organization evaluates which finance talent and leadership development programs to invest in, but there is no formal process in place.	The organization's finance talent and leadership development programs are formalized at the business unit level and are often tactical in nature.	The organization's finance talent and leadership development programs are highly inter-connected across business units and are tactical, as well as growth-focused.	The organization's finance talent and leadership development programs are formalized across the organization. It delivers all the benefits that both the organization and talent demands.
How do you specifically develop your finance leaders?				
What challenges do you face in keeping your existing finance talent?	We typically struggle to retain our finance talent most of the time. Turnover is high.	We can retain some of our finance talent, some of the time. Turnover occurs frequently.	We can retain most of our finance talent most of the time. Turnover is moderate.	We are able to retain our finance talent all of the time and proactively manage turnover, which is low.
What is your approach regarding finance function succession plans and management?	Succession is planned once there is a defined need.	Managers are asked to define successors and possible replacements on an as-needed basis.	Managers are asked annually to define successors and replacements.	Key succession and replacements are integrated in career paths and re-visited at least semi-annually.



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