Thursday, February 9, 2012
3:30 p.m.
Room 4-810, Boardroom
Russell Building

Members: (Attendance indicated with a √)
Board Members: Sue Denomy√; Robert McKinley(r); Wayne Pease√; Pasquale Rossi√; Dr. Mark Taylor√; Cindy Thayer√; Stéphane Thiffeault√
Non-Director Committee Members: Mark Kzyonsek√; Brent Steeves√
Staff: Steve Anema√; Colleen Cook√; Mike Lapaine√; Lynda Robinson√

1.0 Call to Order - 3:30 p.m.

2.0 Chairman’s Remarks
S. Thiffeault welcomed everyone to the meeting.

3.0 Approval of the Agenda
• Motion (C. Thayer/B. Steeves) and carried: to approve the agenda as presented.

4.0 Call for Declaration of Interest
• None declared.

5.0 Approval of the Minutes
• Motion (W. Pease/C. Thayer) and carried: to approve the minutes of January 12, 2012 as presented.

6.0 Follow-Up from Previous Minutes (*attached in the minute record book)
6.1 Interim Audit Report:
2010-11 Engagement Letter*
The Committee reviewed the 2010-11 engagement letter enclosed in the package. At the January meeting, the auditors inquired if the hospital would like BDO to issue a new engagement letter or continue with the 2010-11 engagement letter as the accounting standards have not changed from the previous year. Discussion ensued. Clarification was sought regarding the term of the auditor's contract and the third paragraph of page 3 regarding ensuring policies are in place. The Committee was advised that the current contract is for a three year period with two one-year extensions possible dependent upon performance. Regardless of the terms of the contract, the Board appoints the auditors annually and re-appointment of the current auditors is based upon
The Committee agreed that a new engagement letter was not required as no concerns were raised.

2011-12 Audit Process*
The auditors sought the Committee's feedback regarding the process for the 2011-12 audit. The Committee reviewed the January 12, 2012 audit letter enclosed in the package and discussed the following:

Bullet 1 regarding the appropriate person(s) in the entity governance structure with whom to communicate
Discussion ensued regarding the process and timing for the auditors to report their findings. It was agreed that the financial statements need to be approved prior to the annual general meeting (AGM). The Committee discussed the logistics and possibility of scheduling an additional meeting to deal with issues that might arise as a result of the audit and recommend the financial statements to the Board for approval. Concerns were raised regarding the process that was followed last year. Under the new accounting rules, the auditors are required to audit up to the point of approval of the financial statements (i.e. AGM). Discussion ensued regarding determining what will be the appropriate date for completion of the audit. It was agreed that the financial statements will need to be approved by the Board prior to the AGM.

Motion (B. Steeves/P. Rossi) and carried: that management report back at the March meeting with a recommendation regarding the logistics for the approval of the financial statements for the 2011-12 audit.

It was agreed that the Chair of the Resource Utilization and Audit Committee is the appropriate person with whom the auditors are to communicate.

Bullet 2 regarding the allocation of responsibilities between those charged with governance and management
It was agreed that the auditors be referred to the hospital's policies for the allocation of responsibilities.

Bullet 3 regarding the entity's objectives and strategies and the related business risks that may result in material misstatements
It was agreed that the auditors be referred to the Strategic Plan and hospital policies regarding the entity's objectives and strategies. The Committee was advised that the hospital is seeking a legal opinion regarding the liability of the Mitton Site which could be perceived as material misstatement. M. Lapaine provided the rationale for the opinion. Discussion ensued regarding related business risks. S. Anema identified PCOP, decommissioning and PROcure as potential risk areas. PCOP is a risk due to the lack of clear direction from the Ministry and the many assumptions that the funding is based on.

Bullet 4 regarding matters particular attention during the audit, and any areas where you request additional procedures to be undertaken
The Committee identified the outstanding lien as an area of interest.

Bullet 5 regarding significant communications with regulators
Discussion ensued regarding the GST, HST and HOCC audits. It was agreed that there are no significant communications with regulators to report.

Bullet 6 regarding other matters that may influence the audit of the financial statements
The Committee identified PROcure as a factor that might influence the audit of the financial statements.
Bullet 7 regarding how you oversee the effectiveness of internal controls, and the detection or possibility of fraud
It was agreed that the auditors be referred to the hospital policies and management letter for internal controls and the detection of fraud.

Bullet 8 regarding what actions you take in response to developments in accounting standards, corporate governance practices, and related matters
It was agreed that the auditors be referred to the hospital policies for actions to be taken in this regard.

Discussion ensued regarding materiality in the last paragraph on page 6 with respect to the Committee being identified as the most important users of the financial statements.

It was agreed that S. Anema will prepare a response for S. Thiffeault’s signature addressing the auditor’s questions pending Board approval of the response.

**Action:** S. Anema

### 6.2 Multi-Sectoral Service Agreement (M-SAA)

S. Anema reported that he has received no further updates from the ESC LHIN regarding the Multi-Sectoral Service Agreement; however, he did raise the matter following the recent ESC LHIN Chief Financial Officers meeting.

L. Robinson advised that the hospital has not received any formal communication from the ESC LHIN regarding the funding pressures in the Mental Health program specifically addressing the Psycho-Geriatrics Programme. However, the hospital did receive a report entitled “Responsive Behaviours Action Plan, December 2011” from the LHIN on February 6, 2012 outlining the ESC LHIN’s funding intentions to provide enhanced, integrated, and cross-sectoral services to meet the needs of older adults with cognitive impairments due to dementia, mental health issues, addictions, and neurological conditions associated with responsive behaviours living in the community and Long-Term Care Homes. She provided an overview of the sequence of events that have taken place to address the hospital’s concern regarding the Mental Health funding pressures. The Committee was advised that there is mention in the report that the hospital may be ordered to comply with the proposed actions set out in the report and that the hospital will required to transfer an FTE to Sarnia Lambton CMHA.

Discussion ensued regarding the Order, the human resource implications and need for the service in the community. The Committee was advised that although the position is being transfer to the CMAH the funding is not. It was agreed that a communication plan will be required to advise the community that the service will be moving to the community and that the hospital will no longer be providing this Psycho-Geriatric service.

The Committee was advised that the report indicates an erosion of Mental Health services at the hospital, in particular, the Crisis Intervention program. However, this is not the case the program has never received full funding. The Committee was advised that it is unclear if the report has been approved by the ESC LHIN Board and that the hospital has requested a meeting with the LHIN to discuss their intentions of moving the services to the community. S. Denomy advised that an Order has never been issued before.

Concerns were raised the lack of representation on the working group and the lack of consultations that were done in this regard.

An inquiry was made regarding if there was an appeal process to appeal the decision.

### 6.3 Financial Stewardship/Financial Risk Management Indicators

S. Anema reported that he is drafting a prototype similar to the balanced scorecard for the Committee’s consideration highlighting the financial risk. He sought clarification regarding the
level of detail the Committee wanted reported or if it was the Committee’s preference to have the information reported through the Chief Financial Officer Certificate.

Discussion ensued regarding the risk and the level of detail (i.e. labour risk(s), PCOP, claw back of funds and insurance audit) to be reported. S. Anema advised that he consulted peer hospitals; however, the information is reported differently at each hospital. It was agreed that a separate report should be issued identifying the top six to seven risks affecting the hospital and identify the mitigation strategies for how the risk(s) will be managed.

S. Anema inquired with the Committee would like to have the report presented on a quarterly or annual basis. It was agreed that the format of the report be similar to the balance scorecard and be appended to the quarterly Chief Financial Officer Certificate. S. Anema also noted that there could be some risk(s) that might arise throughout the fiscal year that may need to be added to the report.

S. Anema will bring a prototype of the scorecard to the March meeting for review and consideration.

Action: S. Anema

7.0 New Business (*attached in the minute record book)

7.1 2012-13 Capital Budget*

S. Anema presented the 2012-13 Capital budget for review and consideration. He reviewed the multi-year capital asset budgets from 2007 to 2013. He advised that hospital management recommends a capital budget of $6.1 million for the 2012-13 fiscal year.

S. Anema provided a breakdown of the equipment and IT purchases for 2012-13. He advised that $4.7 million has been allocated for equipment and $1.3 million has been allocated for information technology equipment and software purchases. He noted that the budget includes the $3,013,990 MRI machine which will be offset with the Foundation fundraising campaign, a $300,000 contingency fund and the final payment for the PACS loan in the amount of $170,000.

S. Anema reviewed the multi-year capital plan for 2012-17. Discussion ensued regarding depreciation, amortization and identifying large ticket purchases for the upcoming years. The Committee inquired if a list of all the items including the scores could be provided in future so that the Committee is aware of the items being requested. S. Anema advised that he is working with directors to identify equipment needs over the next five years in order to determine where there is going to be the most need i.e. CT scanner/DI equipment. He provided an overview of the budget process and advised that those items that are not approved are carried over to the next fiscal year for consideration.

The Committee inquired if the hospital had an equipment list highlighting the asset life of equipment in order to determine the amortization. The Committee was advised that the Biomedical Staff maintain equipment lists and sit on the Capital Review Committee. The staff provide input into the process for equipment needs. The Committee was advised that the capital budget does not currently include building costs such as Block X or the Mitton Site.

It was agreed that the financial risk scorecard could be used to identify the top seven to eight equipment needs and highlight the mitigation strategies to address these needs.

Motion (B. Steeves/C. Thayer) and carried: to recommend the 2012-13 Capital Budget to the Board for approval.
8.1 Facilities Planning – Building Project Update*

M. Lapaine discussed the Facilities, Planning and Development report. He advised that the lien issued on the hospital by the MMM Group due to the lack of payment from the architects, Farrow Partnership has not been resolved. He reported that any outstanding purchases related to the post move requests will be completed by mid-February in order for the Finance Department to complete the close out report for the Ministry. M. Lapaine that the Ministry will consider cost sharing the Mental Health change order during the reconciliation process. He advised that the hospital will be proposing to EllisDon that the hospital complete the list of deficiencies as EllisDon does not appear to be able to complete them by mid-February. M. Lapaine reported that the Ministry has confirmed receipt of the decommissioning grant. He provided an update some discussions he had with the Ministry regarding the decommissioning of the Mitton site and an update regarding the MRI project.

M. Lapaine advised that the hospital will be applying for a decommissioning grant to cover the cost of the demolition of Block X. He reported that the hospital is working on a request for quotation for the Block X architectural drawings in order to obtain an estimate of what it will cost to demolish Block X, and that the site will be returned to a parking lot to provide additional parking at the hospital.

Discussion ensued regarding the Ministry’s involvement with the demolition of the Mitton site and status of the tri-partite group proposing to redevelop the site. The Committee was advised that the tri-partite group continues to pursue the Mitton site lands and that the hospital continues to work collaboratively with the City to bring a resolution to the decommissioning of the Mitton Site. M. Lapaine advised that he will be bringing forth some options at the March meeting for review and consideration regarding the next steps for the Mitton site as the hospital will have to assume the negative pressure of carrying the site if no decision has been made regarding selling the land to the tri-partite group.

M. Lapaine advised the Committee that the Board requested to see the Capital Project Budget at the February In-Camera meeting. The Committee agreed that a simplified versions of the chart be shared with the Board reflecting the hospital/Ministry share for the final estimate of cost post RFP, forecast at completion and the final estimate of cost post RFP – forecast at completion.

Action: M. Lapaine

8.2 Human Resources Report*

C. Cook presented the Human Resources report. She reported that the SEIU central negotiations will resume with a mediator during the last week of February. She reported that the hospital has received the OHA absenteeism results and that the hospital is above average in every category. She noted there was a rise in the percentage of absences where employees missed a day or two of work. She reported that the Human Resources Department continues to work with Occupational Health to address absenteeism and that meetings have been scheduled with individual program directors to address overtime.

An inquiry was made regarding the overall rate for absenteeism. The Committee was advised that the rate was 11 days and the hospital was at 14 days. She noted that there was a rise in the clerical absenteeism rates which is being addressed. Discussion ensued regarding the placement of modified workers.

8.3 Financial Statement*

The Committee reviewed the Statement of Revenue and Expense as of December 31, 2011. The statement shows the hospital’s year-to-date revenues are $135 million and expenses are $134 million. S. Anema reported that the hospital is forecasting a year-end surplus of $183,000. He
advised that the PCOP funding is estimated conservatively as the first year reconciliation is still pending.

8.4  **Cash Balance Analysis***
S. Anema presented the cash balance analysis for the period December 3, 2011 to April 28, 2012. He reported that the hospital received $6.1 million in funding from the ESC LHIN on the last day of January which made our bank balance appear to be well above zero (0). He advised that the cash balance declined by approximately $2.3 million due to the pay period ending February 11th and the first claw back of the 2011-12 hospital cash advance in mid-February. He reported that the hospital will use approximately $3 million in bridge funding in order to maintain liquidity to cover the claw back period. He noted that the hospital is waiting to hear from the ESC LHIN regarding the 2012-13 cash advance. S. Anema reviewed the mitigation strategies and noted that there is a perception at the LHIN that the hospital is “swimming in cash” due to PCOP funding received. However, a portion of the PCOP funds have been internally restricted until the hospital has received confirmation from the Ministry that the hospital has achieved its targets.

8.5  **Quarterly Investment Report***
S. Anema presented the quarterly Investment Report for the period ending December 31, 2011. He noted that the current balance in the Superbuild fund dropped substantially from the September report due to the payouts for the substantial completion and holdback payments that were made on the capital building project during the quarter.

S. Anema inquired if the Committee would like to receive the investment report on annual basis now as the large balance of Superbuild funds will no longer be reported and there is not much change in the hospital and CEEH investments throughout the year. The Committee requested to defer the decision to the March meeting.

*Action:  S. Anema*

8.6  **Balanced Scorecard***
S. Anema presented the balanced scorecard highlighting the note in the Total Weighted Cases YTD indicator. He advised that the indicator is now being calculated using the Hospital Indicator Grouping (HIG) method and that day surgery, endoscopy weights have been removed from the indicator. He highlighted the Total Margin YTD indicator and reviewed the Efficiency indicators, in particular, the Surgery, Maternal Infant Child and Emergency Department indicators. He noted that the weighted cases for Surgery and Maternal Infant Child were regrouped to the HIG method and that these indicators have remained relatively consistent for 2011-12 and are generally lower than the 2010-11 number.

S. Anema highlighted the Total Incremental Funding, PCOP Funding and Hips/Knees indicators. He advised that the LHIN transferred 42 hip/knees to the Chatham-Kent Health Alliance and that hip/knees will now be funded through the PCOP funds. He advised that there is uncertainty of having adequate weighted cases and visits to recognize the revenue for the PCOP Funding indicator due to a programming error with CIHI software. S. Anema noted that the ALC Patients indicator was up slightly due to the *c. difficile* outbreak as the hospital was constrained in its ability to move patients both internally and into the community.

9.0  **Next Meeting Date – March 8, 2012**
10.0 Adjournment

The meeting adjourned at 5:51 p.m.

Chair
S. Thiffeault

Recorder
Jacqueline McGregor