

increased by 112% from \$4.8 million in 1999-00 to \$10.2 million in 2002-03. The change in the unfunded liabilities of the other three boards showed some improvement during the year.

Provincial funding has increased from \$149.7 million in 1999-00 to \$200.0 million in 2002-03 and during this period, annual operating deficits have decreased from \$4.6 million in 1999-00 to \$1.2 million in 2002-03. Although all boards reported an annual operating deficit during the year, the deficits were less than those reported in 2001-02.

At 31 March 2003, two of the health and community services boards were in contravention of the *Financial Administration Act* in that they had long-term debt totalling \$556,265 to entities outside of the government reporting entity. The \$556,265 was comprised of \$459,301 in long-term debt for the St. John's Regional Health and Community Services Board and \$96,964 in long-term debt for the Eastern Health and Community Services Board.

## **2.23 Monitoring Hospital Boards**

From 1 November 1994 to 1 January 1996 the Government of Newfoundland and Labrador established eight regional health care institutions boards to administer health care facilities in Newfoundland and Labrador. These boards took over the facilities previously administered by many small local boards.

The financial position of the eight hospital boards has been deteriorating over the past several years. In an effort to control operating deficits, boards have implemented changes to reduce costs and Government has provided additional funding. As a part of our audit work, we continue to monitor the financial position and annual operating results of the eight hospital boards.

The combined financial position of the eight hospital boards at 31 March 2003 shows total unfunded liabilities of \$424.4 million, a 48% increase from the \$286.0 million reported in 1999-00. These net unfunded liabilities will eventually have to be funded by Government.

All eight boards reported increases in the total unfunded liabilities for 2002-03. In particular, the total unfunded liabilities for the Health Care Corporation of St. John's was \$233.4 million and accounts for

55% of the \$424.4 million total reported by all eight boards for 2002-03. The total unfunded liabilities of the Health Care Corporation of St. John's have increased by 36% from \$171.4 million in 1999-00 to \$233.4 million in 2002-03.

Provincial funding has increased from \$651.6 million in 1999-00 to \$857.4 million in 2002-03 and during this period, annual operating deficits have decreased from \$33.6 million in 1999-00 to \$18.9 million in 2002-03. Although all boards reported an annual operating deficit during the year, three boards had deficits which were less than those reported in 2001-02 (Avalon, Western, and Labrador).

## **2.24 Coast of Bays Corporation**

In March 2003, the Public Accounts Committee made a resolution that “... *the Auditor General be asked to consider performing an audit of the Regional Economic Development Boards in the Province ...*”. Further to this resolution, I performed an audit of three zonal boards during the year. As requested by the Public Accounts Committee, the results of my work are included in my Annual Report to the House of Assembly on Reviews of Departments and Crown Agencies.

The Coast of Bays Corporation was incorporated in 1996. The Corporation covers an area on the island's south coast, including 22 communities, with a combined population of 8,538 (2001).

The Corporation receives its funding from the Federal and Provincial governments. Approximately \$1.2 million in funding was received relating to administration expenses since the Corporation's inception in 1996, while \$640,000 was received to fund initiatives in accordance with the Corporation's strategic economic plan.

Our review indicated that the Corporation is not always publicly tendering for goods and services, is not fully complying with its performance contract with the Provincial government, and requires improvements in controls in several areas. Specifically:

- **Purchasing Practices.** The Corporation's purchasing policies were not being followed. For example: