

Appendix

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Reports of appointed auditors

Appendix 4 contains the reports of appointed auditors that we have not relied on and the report of the appointed auditor indicates a matter or issue that should be reported to the Assembly.

Appendix 4 does not contain the reports of appointed auditors that indicate a matter or issue to report to the Assembly when we have not yet done our work. Appendix 2 contains a list of work not done.

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**WORKERS' COMPENSATION BOARD
YEAR ENDED DECEMBER 31, 2000**

To: Province of Saskatchewan,
Provincial Auditor

We have examined the financial statements of the Workers' Compensation Board (Saskatchewan) for the year ended December 31, 2000 and have issued our report thereon dated March 12, 2001. We have examined the system of internal control as at December 31, 2000 and have issued our report to you dated March 12, 2001. We have also made an examination to determine whether the Workers' Compensation Board complied with specified legislative and related authorities pertaining to its financial reporting, safeguarding of assets, spending, revenue-raising, borrowing and investing activities during the year ended December 31, 2000 and have issued our report to you dated March 12, 2001.

Our examinations were made in accordance with Canadian generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. In those instances, if any, that our study and evaluation of internal control disclosed conditions indicating controls were inadequate or not complied with, substantive tests were performed to detect any cases in which:

- 1) any officer or employee of the Workers' Compensation Board has wilfully or negligently omitted to collect or receive public money belonging to the Crown;
- 2) there has been a deficiency or loss to the Crown through the fraud, default or mistake of any person; and
- 3) an expenditure was made which was not properly vouchered or certified.

During the course of these examinations, nothing came to our attention that would indicate to us that:

- 1) any officer or employee of the Workers' Compensation Board has wilfully or negligently omitted to collect or receive public money belonging to the Crown;
- 2) there has been a deficiency or loss to the Crown through the fraud, default or mistake of any person; and
- 3) an expenditure was made which was not properly vouchered or certified.

During the course of our previous and current examinations, however, the following circumstances came to our attention concerning the inclusion of the accounts of the Workers' Compensation Board in the Government of Saskatchewan Summary Financial Statements.

The accounts of the Board are currently being consolidated in the Summary Financial Statements on the basis that the Worker's Compensation Board is considered to be a government enterprise that is owned or controlled by the Government. In conducting our audit at the Board, we formed the view that this basis for consolidation is inappropriate since it does not correspond with the Board's legislative authorities. The Board does not consider the net assets of the Workers' Compensation Board, amounting to \$136,992,000 as at December 31, 2000 (1999 - \$132,296,000) to be that of the Governments. This surplus therefore should not be recorded in the Summary Financial Statements to reduce the accumulated deficit of the Government. It is the Board's considered opinion that these net assets do not accrue to the Government.

Chartered Accountants

March 12, 2001

Provincial Auditor's comments:

We think the Government's Summary Financial Statements comply with The Canadian Institute of Chartered Accountants' (CICA) recommendations. Those recommendations state:

The Government reporting entity should comprise of organizations that are accountable for the administration of their financial affairs and resources either to a minister of the government or directly to the legislature, or local government, and are owned or controlled by the Government.

CICA goes on to say:

A government may choose not to exercise its authority or actively participate in the implementation of its policies; nevertheless, control exists by virtue of the government's ability to do so.

The Government does have the ability to control the Workers' Compensation Board (WCB) in administering the workers' compensation program. The Government can and does influence the WCB's decisions by virtue of the Government's authority set out in *The Workers' Compensation Act, 1979*.

Subsection 181(2) of the Act states:

The Lieutenant Governor in Council may make regulations setting out guidelines for the making of decisions by the board, and a regulation made pursuant to this subsection supersedes any policy directive of the board that conflicts with it.

We also note the Government's Summary Financial Statements clearly state that any net assets of the WCB are not available for the payment of dividends to the General Revenue Fund.

**WORKERS' COMPENSATION BOARD
YEAR ENDED DECEMBER 31, 2000**

To: Province of Saskatchewan
Provincial Auditor

We have examined the system of internal control of the Workers' Compensation Board (Saskatchewan) in effect as at December 31, 2000. We did not examine certain aspects of internal control concerning the effectiveness, economy, and efficiency of certain management decision making processes. The criteria for the examination of this system of internal control consisted of the control environment and control systems described in the Canadian Institute of Chartered Accountants Handbook.

Our examination was conducted in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an examination to obtain reasonable assurance whether the system of internal control established and maintained by management is sufficient to meet the control objectives referred to below. Such an examination includes obtaining an understanding of the system of internal control and performing tests of control to determine whether the internal controls exist and operate effectively.

The management of the Workers' Compensation Board is responsible for establishing and maintaining a system of internal control to achieve the control objectives noted in a) to d) below. In fulfilling this responsibility, estimates and judgement by management are required to assess the expected benefits and related costs of control procedures. Pursuant to your responsibilities under Section 11(1) of The Provincial Auditor Act, you are required to determine if there is a system of internal control in effect which provides management with reasonable, but not absolute, assurance that:

- a) the accounts are faithfully and properly kept to permit the preparation of financial statements in accordance with the appropriate basis of accounting;
- b) all public money is fully accounted for and properly disposed of and the rules and procedures applied are sufficient to ensure an effective check on the assessment, collection and proper allocation of public money;
- c) transactions are executed in accordance with management's authorization, public money expended is applied to the purpose for which it was appropriated by the Legislature and the expenditures have adequate statutory authority; and
- d) essential records are maintained and the rules and procedures applied are sufficient to safeguard and control public money against loss from unauthorized use or disposition.

Because of the inherent limitations in any system of internal control, errors or fraud may occur and not be detected. Also, projection of any evaluation of the system of internal control to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate.

During the year, the Board continued its investigation of options available to establish an organization-wide security policy covering all aspects of the Board's computer operations and systems. At year-end, the policy had been developed but had not yet been approved by the Board's management. As a result, there is a continuing risk of security measures being applied by management inconsistently or inadequately.

The Board's computer operations and systems are pervasive and must be available to ensure continuity of the Board's operations. Although there has been progress on establishing disaster recovery plans for certain platforms, these do not cover all the systems. Accordingly, there is a continuing risk of systems not being available to provide services to the Board if a disaster occurs.

In our opinion, based upon the above criteria, except for the matters described in the proceeding paragraphs, the system of internal control of the Workers' Compensation Board in effect as at December 31, 2000, taken as a whole, was sufficient to meet the objectives stated above insofar as those objectives pertain to the prevention or detection of errors or fraud in amounts that would be material in related to the Workers' Compensation Board.

Chartered Accountants
March 12, 2001

**WORKERS' COMPENSATION BOARD
YEAR ENDED DECEMBER 31, 2000**

To: Province of Saskatchewan
Provincial Auditor

We have made an examination to determine whether the Workers' Compensation Board (Saskatchewan) complied with the provisions of the following legislative and related authorities pertaining to its financial reporting, safeguarding of assets, spending, revenue raising, borrowing and investing activities during the year ended December 31, 2000:

The Workers' Compensation Act, 1979
The Financial Administration Act, 1993
The Tabling of Documents Act, 1991
The Members' Conflict of Interest Act
The Occupational Health and Safety Act, 1993
The Income Tax Act
The Workers' Compensation Board Superannuation Act
The Superannuation (Supplementary Provisions) Act
Regulations and Orders in Council pursuant to the above Legislation

Our examination was made in accordance with Canadian generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, the Workers' Compensation Board (Saskatchewan) has complied, in all significant respects, with the provisions of the aforementioned legislative and related authorities during the year ended December 31, 2000.

Chartered Accountants
March 12, 2001