

# Workers' Compensation Board



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## **Main points**

In this chapter we report the results of our audit of the Workers’ Compensation Board (WCB) and WCB Superannuation Plan (WCB Plan) for the year ended December 31, 2002.

We report that the WCB has significantly improved its public accountability. In 2002, the WCB made public its 2002 – 2004 strategic and operational plans including its goals and objectives, strategies, and actions plans. We commend the WCB for doing so. We also report that for 2002 we did not examine the adequacy of the WCB’s new processes to adjust injured workers’ claims because its new processes are not yet complete. We will audit these new processes in 2003.

We concluded that the financial statements of the WCB are reliable. We also concluded that the WCB had adequate processes to safeguard its assets. (We did not examine the adequacy of the WCB’s processes to adjust injured workers’ claims.) Also, the WCB complied with the authorities governing its activities.

In addition, we concluded that the financial statements of the WCB Plan are reliable. However, our audit of the WCB Plan is not yet fully complete because the appointed auditor has not fully completed its audit of the WCB Plan. We will report more fully when our work is completed.

## Introduction

The Workers’ Compensation Board (WCB) operates under *The Workers’ Compensation Act, 1979*. This Act establishes a mandatory no-fault compensation program for Saskatchewan workers. The members of the WCB are responsible for the administration of the Act.

Cabinet appointed Deloitte & Touche LLP, Chartered Accountants, as auditors of the WCB.

The WCB included its 2002 financial statements in its 2002 annual report. The WCB’s financial statements report revenue of \$203 million, expenses of \$296 million, and net deficit of \$93 million. At December 31, 2002, the WCB had assets of \$869 million.

*The Provincial Auditor Act* requires us to form an opinion on the adequacy of the WCB’s rules and procedures to safeguard and control its assets. In forming our opinion on the WCB’s rules and procedures to safeguard and control its assets, we decided to exclude the processes the WCB uses to adjust injured workers’ claims. Instead, we decided to do this work during 2003.

During 2001, the WCB began implementing a “team case management system” for adjusting injured workers’ claims. At year-end, the new claims adjusting system was not fully implemented. During the meeting of the Standing Committee on Public Accounts on October 23, 2002, the Chair of the WCB stated that team-based case management was started in September 2001 and that “it will take 12 months to provide a real comprehensive evaluation of all new processes because some of them won’t be implemented until actually January when Bill 72 fully kicks in and is proclaimed”.

Legislators and the public need to know that the important changes that the WCB has made to its claims adjusting system are meeting the WCB’s objectives. Having this information improves public confidence in the WCB. However, to properly evaluate the new system, the new system must be complete and operating for more than a few months. For this reason, we decided that auditing the new system in its infancy would not be the best use of our resources. Accordingly, we did not evaluate the

claims adjusting system for the year ended December 31, 2002. Later, in this chapter, we discuss our planned audit of the new system in 2003.

## **Improved public accountability**

In 2002, the WCB significantly improved how it reports to the Legislative Assembly and its stakeholders.

To assess the performance of public sector agencies, legislators and the public need to know how the agency is managing its key risks. They also need to know the agency's goals and objectives and how successful the agency has been in achieving those goals and objectives. Public sector agencies can provide this information in their annual reports or on their web sites. Strengthening public reporting generally promotes better management.

To foster accountability, the annual report and/or web site should also describe what the agency is all about, how it manages its key risks, what it has done, where it is now, and what it plans to do. In addition, to ensure the information in the report is relevant and understandable, the annual report and/or web site should be written clearly and be available promptly after the agency's year end.

In 2002, the WCB made public its 2002 – 2004 strategic and operational plan including its goals and objectives, strategies, and action plans. Also, during the October 2002 meeting of the Standing Committee on Public Accounts, the WCB provided and discussed its 2002 – 2004 strategic and operational plans.

The WCB improved its 2002 annual report to include its key risks and how it manages those risks. Its annual report also continues to include a discussion about its financial performance and its 2002 balanced scorecard report. Public confidence in the WCB's ability to meet its objectives is important to the WCB's success. We think public confidence in the WCB will strengthen because it has significantly improved the quality of its public reporting.

We commend the WCB for significantly improving its public reporting and look forward to further improvement in future years.

## Our audit conclusion and findings

We used the work of the WCB's appointed auditor, Deloitte & Touche <sup>LLP</sup> (D&T) to form our opinions on the WCB. We relied on the appointed auditor's report on the WCB's financial statements.

**In our opinion and in the opinion of D&T, the WCB's financial statements for the year ended December 31, 2002 are reliable.**

We also form the following opinions:

**In our opinion, for the year ended December 31, 2002:**

- ◆ **the WCB complied with the authorities governing its activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing; and**
- ◆ **the WCB had adequate rules and procedures to safeguard and control its assets and to comply with law governing its activities. As explained earlier, we did not examine the WCB's rules and procedures to adjust injured workers' claims.**

We did not rely on D&T's reports on the WCB's rules and procedures to safeguard its assets and to comply with the law because we did not receive those reports in time to finish our work. *The Provincial Auditor Act* requires us to do additional work when we are unable to rely on the reports of an appointed auditor. We used the appointed auditor's work and discussed matters with the WCB's management. In the introduction, we describe why we did not examine the WCB's new claims adjusting system in 2002.

## Future work on the WCB's new claims adjusting system

During 2003, we will examine the WCB's new claims adjusting system. We do not plan to assess the processes relating to injured workers' appeals and the Board members' adjudication of those appeals.

In March 2003, we completed our research and developed general criteria to assess the adequacy of the new claims adjusting system. Our research consisted of a review of relevant literature and practices used by

other similar agencies in Saskatchewan and Canada. Criteria are reasonable and attainable standards of performance and control that we will use to assess the adequacy of systems and practices. We shared our general criteria with the WCB. The WCB agreed that our general criteria are reasonable and attainable. We describe the general criteria below.

To adequately process the injured workers’ claims, the WCB needs to have policies and procedures to:

1. communicate internally and externally its expectation for processing claims;
2. build human resources capacity to meet its claims processing policies;
3. process injured workers’ claims;
4. maintain a quality control system for processing injured workers’ claims; and
5. provide senior management and the Board members with adequate financial and performance information.

Our next step is to begin discussions with senior managers responsible for financial administration and claims to establish control expectations for each criterion. We plan to do so over the next few months so that we can begin our audit of the systems during summer 2003.

We plan to report the results of our work in a future report to the Assembly.

## **Workers’ Compensation Board Superannuation Plan**

The WCB sponsors the Workers’ Compensation Board Superannuation Plan (WCB Plan). The WCB Plan is a defined benefit pension plan (closed to new members in 1978). The Workers’ Compensation Superannuation Board (Superannuation Board) is responsible for administration of *The Workers’ Compensation Board Superannuation Act*. The primary object of the Superannuation Board is to provide superannuation allowances to the WCB’s retired employees and to the dependants of deceased superannuates and employees. The Public Employees Benefits Agency, Department of Finance, provides day-to-day management of the WCB Plan.

Cabinet appointed Deloitte & Touche<sub>LLP</sub> (D&T), Chartered Accountants, as auditor of the WCB Plan.

In 2002, the WCB Plan received contributions of \$0.14 million from employees and provided superannuation allowances and refunds of \$1.49 million. At December 31, 2002, the WCB Plan held assets of \$28.47 million and owed accrued pension benefits of \$24.26 million. The WCB Plan’s financial statements are included in its 2002 annual report.

## **Our audit conclusions and findings**

We have done enough work to report on the reliability of the WCB Plan’s financial statements.

**In our opinion and in the opinion of D&T the WCB Plan’s financial statements for the year ended December 31, 2002 are reliable.**

However, we have not yet fully completed our audit of the WCB Plan. We have not done so because D&T has not fully completed its work. We will report on the WCB Plan’s rules and procedures to safeguard its assets and its compliance with the law when our work on the WCB Plan is completed.

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