

Workers' Compensation Board

6

Main points	82
Introduction	83
Our audit conclusions and findings	83
Processes to prepare interim financial reports needs strengthening	84

Main points

In this chapter, we report the results of our audits of the Workers’ Compensation Board (WCB) and the Pension Plan for the Employees of the WCB (Pension Plan) for the year ended December 31, 2005.

We concluded that the financial statements of the WCB and the Pension Plan are reliable and the WCB complied with authorities governing its activities and the activities of the Pension Plan. Also, we concluded that the WCB had adequate rules and procedures to safeguard its and the Pension Plan’s public resources except it needs to strengthen its processes to prepare interim financial reports.

We make two recommendations for the WCB to help improve its processes. We recommend that:

- ◆ the WCB establish processes to accurately determine and record its investment income
- ◆ the WCB include written explanations of all significant differences between planned and actual results in its interim financial reports

Introduction

The Saskatchewan 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 Board are responsible for the administration of the Act.

As a result of legislative changes in 2005, the WCB also became responsible for the administration of the Pension Plan for the Employees of The Saskatchewan Workers’ Compensation Board (Pension Plan). The Pension Plan replaces the WCB Superannuation Plan (former plan). *The Workers’ Compensation Board Pension Implementation Act* transferred the assets and liabilities of the former plan to the Pension Plan and members of the former plan became members of the Pension Plan. The Public Employees Benefits Agency is responsible for the day-to-day administration of the Pension Plan.

The WCB included its 2005 financial statements in its 2005 annual report. Those financial statements report revenue of \$258.5 million, expenses of \$241.6 million, and an operating surplus of \$16.9 million. At December 31, 2005, the WCB had investments of \$1,044.7 million and net assets of \$135.2 million.

The WCB includes the Pension Plan’s 2005 financial statements in the Plan’s annual report. Those financial statements report employees contributions of \$0.1 million and pensions of \$1.1 million. At December 31, 2005, the Pension Plan held assets of \$35.8 million, including investments of \$35.5 million and owed accrued pension benefits of \$30.6 million.

Our audit conclusions and findings

Cabinet appointed Deloitte & Touche LLP, Chartered Accountants, as auditor of the WCB and the Pension Plan. Our Office worked with Deloitte & Touche using the framework recommended by the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*¹. Our Office and Deloitte & Touche formed the following opinions.

¹ To view a copy of this report, see our website at www.auditor.sk.ca/rrd.html.

In our opinion, for the year ended December 31, 2005:

- ◆ **the WCB had adequate rules and procedures to safeguard its and the Pension Plan’s public resources except the WCB needs to strengthen its processes to prepare interim financial reports**
- ◆ **the WCB complied with the authorities governing its activities and the activities of the Pension Plan relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing**
- ◆ **the financial statements of the WCB and the Pension Plan are reliable**

Processes to prepare interim financial reports needs strengthening

The WCB needs to improve its rules and procedures used to prepare accurate interim reports.

Management provides regular monthly financial reports to the members of the WCB (Board). The Board uses these financial reports to monitor the WCB’s performance and to make corporate decisions (e.g., setting premium rates). If the financial reports the Board uses are incorrect, it may make incorrect decisions.

In 2004, the WCB adopted a new accounting policy for recording investments and investment income that The Canadian Institute of Chartered Accountants established. The new accounting policy requires the WCB to determine and record separately gains or losses on sale of investments from gains or losses resulting from the change in the market value of investments it continues to own.

In early 2005, the WCB properly determined and recorded the investment income for 2004 in accordance with the newly adopted policy. However, the WCB did not establish rules and procedures to ensure that staff determined and recorded accurately the investment gains or losses in the interim financial reports as required under the new accounting policy. As a result, staff did not determine the investment income relating to gains or

losses accurately. Management prepared the monthly reports using the incorrect investment income. As a result, the Board received incorrect monthly financial reports from January to September 2005.

The monthly financial reports for September 2005 that the Board reviewed showed investment income of about \$43 million for January to September 2005. The planned investment income for this period was about \$30 million. In October 2005, our audit found that the actual investment income for the nine-month period ended September 30, 2005 was \$33 million. Management corrected this error in October 2005.

The Board requires management to explain in writing differences between the actual and planned results. Although the reported investment income was nearly \$13 million higher than planned, management did not provide a written explanation for this difference. The WCB’s accounting records for investment income remained incorrect for most of the year.

Generally, the Board sets its premium rates in the fall. Incorrect information about investment income could have resulted in the Board setting incorrect premium rates. This in turn could result in the loss of public confidence in the WCB.

- 1. We recommend the Workers’ Compensation Board establish processes to accurately determine and record its investment income.**
- 2. We recommend the Workers’ Compensation Board include written explanations of all significant differences between planned and actual results in its monthly financial reports.**

Management told us that the WCB has now established a process to ensure investment income is properly determined and recorded. Also, management told us that interim financial reports now include written explanations of all significant differences between planned and actual results.

This page left blank intentionally.