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Main points

In this chapter, we report the results of our audit of the Workers' Compensation Board (WCB) and the Pension Plan for the Employees of the Workers' Compensation Board (Pension Plan) for the year ended December 31, 2006. The WCB administers the Pension Plan.

We concluded that, in 2006, the WCB had adequate processes to safeguard its and the Pension Plan's public resources and had complied with the law. Also, the financial statements for the WCB and the Pension Plan are reliable.

In this chapter, we also report on our examination, in 2006, of the adequacy of the WCB's succession management processes. We concluded that the WCB had adequate processes for succession management.

Introduction

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

The WCB is also responsible for the administration of the Pension Plan for the Employees of the Saskatchewan Workers’ Compensation Board (Pension Plan). The Public Employees Benefits Agency of the Department of Finance provides the day-to-day administration of the Pension Plan. The Pension Plan has been closed to new employees since 1978.

This chapter highlights the audit conclusions and findings of the 2006 audit. The chapter also explains the results of our audit of WCB’s succession management processes.

The WCB included its 2006 financial statements in its 2006 Annual Report. Those financial statements report revenue of \$309 million, expenses of \$290 million, and total income of \$76 million. Total income consists of the net operating surplus of \$19 million and other comprehensive income (net unrealized gains from investments) of \$57 million. At December 31, 2006, the WCB had investments of \$1,191 million and an accumulated surplus of \$212 million.

The Pension Plan’s financial statements are included in the Plan’s annual report. Those financial statements report contributions of \$0.1 million and pensions of \$1.3 million. At December 31, 2006, the Pension Plan held assets of \$38.8 million and owed pension benefits of \$31.2 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 to form our opinions. Our Office and Deloitte & Touche formed the following opinions.

In our opinion, for the year ended December 31, 2006:

- ♦ **the WCB had adequate rules and procedures to safeguard its and the Pension Plan's public resources**
- ♦ **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**

The remainder of this chapter describes the results of our audit of the WCB's succession management processes.

Succession management

The WCB employs about 430 employees; approximately 16% are out of scope. To carry out its mandate, WCB needs employees with special knowledge and skills. For example, WCB's employees use expert analysis and judgement to decide on compensation related to injuries that occur at work. Other employees perform actuarial functions, maintain critical computer systems, and handle complex human resources issues.

Due to changes in the population, employers expect that a smaller supply of future employees will be available over the next two decades. Finding and keeping employees may become a challenge, particularly for positions that require special skills. Many employers expect workforce gaps—that is, positions that are vacant or held by employees without the full range of competencies required. Workforce gaps influence whether employing agencies can achieve their objectives.

Succession management, a key part of managing human resources, is a systematic approach to make sure an agency has a continuous supply of competent employees. Succession management develops strategies so that in the future, the agency will have people in the right place, with the

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

right skills. It requires a high degree of forward thinking and anticipatory action.

Succession planning at WCB is critical to ensure an effective workforce is ready to assist the WCB to achieve its objectives. Without employees with the required skills, WCB's risk of not achieving its objectives increases. To help ensure an effective workforce, the WCB needs to recruit and retain people with the required skills and create opportunities for employee career development.

Our objective

The objective of our audit was to assess whether the WCB had adequate succession management processes for the year ended December 31, 2006.

The audit examined succession management processes for the WCB's whole workforce including leadership and other key positions. To do this work, we followed *The Standards for Assurance Engagements* established by The Canadian Institute of Chartered Accountants.

Our criteria

We used the criteria described below to do our audit. We based these criteria on relevant literature and the work of other legislative audit offices. The WCB agreed with the criteria.

Exhibit—Audit criteria for succession management

To have adequate succession management, the WCB should have processes to:

1. Analyze the workforce competencies required to achieve its objectives
2. Align its succession plan with its long-term strategic direction
3. Develop strategies for the succession of its workforce
4. Evaluate its progress

Our conclusion

We concluded that the WCB had adequate processes for succession management for the year ended December 31, 2006.

Findings by criteria

We describe below our detailed findings together with our expectation (in italics) for each criterion.

Analyzing workforce competencies to achieve objectives

To analyze the workforce needed to achieve its objectives, we expected the WCB to:

- ♦ *assess its workforce competency requirements*
- ♦ *identify its current and future supply of employees with the required competencies*
- ♦ *analyze the impact of future workforce gaps on its ability to achieve its objectives*

Assessing required workforce competencies

The WCB's *Competency Dictionary* identifies core behavioural competencies that all its employees require: achievement orientation, teamwork and co-operation, customer service, and interpersonal relations. During 2007, the WCB is further defining technical competencies in its Dictionary. In addition, job descriptions describe the behavioural and technical competencies required to do each job, and the level of competence required from basic to expert.

The WCB uses performance appraisals to assess the extent to which employees have the required competencies. It also monitors and publicly reports the percentage of employees hired using competency-based processes (86% in 2006) and those who demonstrate the skills their job requires (98% in 2006).

Management forecasts changes in the specific skills the WCB requires through annual discussions with operational managers and networking with workers' compensation boards in other provinces. Those processes help the WCB to identify changes in required competencies. For example,

the WCB is aware of an increasing need for employees who can assess complex health claims.

Identifying the current and future supply of employees

The WCB identifies its current and future supply of employees with required competencies. To assess its current supply of employees with specific skills, the WCB uses two processes. The WCB uses its performance appraisal system to assess the technical and behavioural skills of its employees and uses a computerized system to track all training and development that employees undertake. The WCB gives its employees a detailed tool to help assess their competence level for specific skills such as customer service. It also monitors the rate of turnover among its employees by work unit and position type to help it identify the risk of gaps in its supply of employees with specific skills.

To assess the future supply of employees, the WCB projects retirements six years into the future (based on age). It annually monitors the number of employees in each operating division and forecasts whether salaries are competitive. For example, the WCB is aware it may need market adjustments to attract and keep employees with specific skills. In addition, the WCB talks with post-secondary educational institutions about enrolment trends (e.g., actuarial science and information technology).

Analyzing the impact of gaps in the supply of employees

The WCB has assessed which of its positions are essential to achieve its objectives. The WCB's *Succession Management Framework* describes its analysis of how specific types of vacancies would affect it. The analysis considers the depth of expertise or knowledge required, and the availability of that talent in WCB and in the labour force generally.

The WCB analyzes the cumulative impact of gaps in its total workforce through its monthly monitoring of vacancies by position and work unit. It also monitors annually the ratio of job postings to the number of positions in each division (i.e., the amount of internal and external movement within divisions). For example, in 2006, the employer accounts division had about one posting for every three positions.

Furthermore, the WCB assesses gaps in individual competencies for managers. Individual performance appraisals explicitly show the gap

between existing competencies and those needed to do the job. This information also helps the WCB to assess if it has employees who would be ready to fill potential vacancies across the agency.

Aligning succession management

We expected the WCB to:

- ◆ *align its succession plan with its human resource plan and strategic direction*
- ◆ *communicate its overall succession strategies*

Aligning the succession plan with strategic direction

The WCB's strategic and operational plan sets out its goals for a three-year period. The current strategic plan sets out seven key result areas including competent people, financial integrity, and excellent service. These key result areas help the WCB identify which competencies are essential to achieve its objectives.

The WCB also aligns its operational plans closely with its overall strategic direction. For every strategy, the human resources plan states how it relates to the strategic key result areas and objectives. The WCB's human resources officials regularly meet with managers in every division. They use these meetings to identify and plan for succession issues so that the WCB can help its business units to align their workforce competencies with the overall strategic direction.

Also, the WCB aligns its succession strategy with its human resource operational plan and designs its human resource activities to help promote effective succession management. For example, the WCB identified that it did not have sufficient case managers² to cover vacations and to quickly fill vacancies. In 2006, the WCB developed a strategy to address its shortage of case managers and other key positions. The WCB then talked with its union, set up a process, and selected and trained employees for key positions before critical vacancies occurred. These employees now gain experience (e.g., covering vacation leaves) before moving into permanent positions.

² Case managers coordinate services for workers related to their claims for compensation due to injuries that occurred at work.

Communicating overall succession strategies

The WCB communicates its overall succession strategies. Operational directors, executive management, and the board receive regular updates. The updates outline current human resources issues and the broad strategies planned to address them. For example, the 2006 fourth quarter update to the board described progress on training and employment equity strategies. The WCB uses its employment equity strategies to help increase the extent to which its workforce represents designated groups (e.g., women, people with disabilities, visible minorities, and Aboriginal people).

Developing strategies for workforce succession

To develop strategies for workforce succession, we expected the WCB to:

- ◆ *prepare strategies to bridge identified workforce gaps*
- ◆ *coordinate succession strategies with human resource processes*
- ◆ *address risks that could impact the strategies*

Bridging identified workforce gaps

The WCB employment equity and workplace culture strategies help address overall workforce shortages. The WCB shapes its workplace culture with strong wellness programs like smoking cessation and physical exercise for fitness. WCB uses its flexible work hours and job share options to attract people from the equity groups and others who might not otherwise seek employment at the WCB.

Training and knowledge transfer dominate the WCB's strategies to bridge gaps in the supply of people competent to fill key positions. Its training strategy supports its employees in preparing for other positions within the WCB. For example, the WCB has a cross-training strategy that allows additional temporary positions to enable the transfer of knowledge necessary for working as claims-payment specialists. The WCB also provides extensive training to prepare claims entitlement specialists³ and case managers. To help bridge gaps in leadership, the WCB's management training includes formal programs, such as *Excelsior Coaching* and *Legacy Leadership* that include self-assessment tools.

³ Claims entitlement specialists determine if a worker is entitled to benefits due to a workplace injury.

Coordinating succession strategies with other processes

The WCB integrates its succession strategies with its human resources processes to find, develop, and keep employees. To expand the number of applicants and fill future workforce gaps, the WCB increased its efforts to hire employees who represent specific equity groups. In 2006, the WCB expanded its efforts to hire Aboriginal people. The WCB took part in a career fair at the First Nations University of Canada. The WCB is an equity partner with the Saskatchewan Human Rights Commission and it advertises itself as an equity partner to attract applications from people with disabilities and other employment equity groups. Also, the WCB has a summer employment program that helps provide young people with work experience and build awareness of potential career paths with the WCB (e.g., in information technology).

The WCB coordinates succession strategies with its performance appraisal process. In their development plans, the WCB's employees identify training that they need for their current or future positions. Performance appraisals identify courses successfully completed and show the level of behavioural and technical competence achieved. This helps the WCB identify employees who are ready for promotion or transfer to other positions.

Addressing risks to succession strategies

The WCB identifies risks to its succession strategies and addresses the major risks that could negatively affect its succession strategies. To focus its succession strategies, the WCB analyzed the impact and likelihood of vacant out-of-scope positions. Out-of-scope positions include team leaders, claims specialists, operational directors, and other managers. The WCB's *Succession Management Framework* identifies the positions that require longer learning periods and, if vacant for long periods, could affect the WCB's performance. Knowing the positions most in need of succession planning helps the WCB focus its efforts and manage risks.

Evaluating progress for succession management

To evaluate its progress, we expected the WCB to:

- ♦ *monitor its progress in addressing workforce gaps*
- ♦ *evaluate the results of its succession strategies and modify the strategies as needed*

Monitoring progress

The WCB uses human resources reports to monitor its progress in addressing or preventing workforce gaps. Annually, for each operational division, the WCB analyzes the reported rate of turnover and projects retirements six years into the future based on the age of its employees. The reports also show whether WCB fills its vacancies with internal or external candidates. The WCB also monitors the percentage of its employees who had a performance appraisal in the last 14 months.

Evaluating the results and modifying succession strategies

The WCB evaluates its major succession strategies such as training and hiring people in employment equity groups. The WCB also plans a broader evaluation of its succession strategies in late 2007.

In 2006, the WCB used a post-training assessment of performance to evaluate its training for case managers—a key position requiring succession management. It also evaluates progress compared to its targets for hiring people from employment equity groups including people with disabilities and Aboriginal people.

The WCB's succession management processes are evolving. For example, in 2005, the WCB added an employment equity strategy. Its workforce analysis showed it could significantly increase the diversity of its employees. In 2006, the WCB modified its practices to find and keep more Aboriginal employees. In 2007, it increased its training strategies.

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