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**ENVIRONMENT AND LABOUR -
WORKERS' COMPENSATION BOARD OF NOVA SCOTIA -
GOVERNANCE STRUCTURE AND PROCESSES**

6.1 Section 15 of the Auditor General Act permits Executive Council or Management Board (now Treasury and Policy Board) to direct the Auditor General to audit a government organization or an organization receiving financial assistance from government. The Auditor General will conduct the audit if he is provided the funding necessary to undertake the project and if, in the opinion of the Auditor General, the assignment will not unduly interfere with other duties of his Office.

6.2 On November 20, 2001 Treasury and Policy Board requested the Auditor General to conduct an audit of the Workers' Compensation Board. The Auditor General was asked to consult with the Minister of Environment and Labour on the scope and timing of the audit and to provide the results of the audit to the Minister. The Auditor General concluded that the assignment would not unduly interfere with other work of the Office, and was authorized to collect the cost of the audit from the Workers' Compensation Board.

6.3 Upon consulting with the Minister of Environment and Labour, the Office of the Auditor General undertook an examination of the governance structure and processes of the Workers' Compensation Board. The audit was concluded in June 2002 and reported to the Minister. A copy of the report was provided to the Deputy Chair of the Workers' Compensation Board.

6.4 Upon accepting the assignment, the Auditor General informed the Minister that he would, at his discretion, include the report from the assignment in his Annual Report. The following pages of this Chapter are the full report provided to the Minister of Environment and Labour on June 14, 2002. Appendix 2 to the report contains the Workers' Compensation Board's detailed response to the observations made in the report.

**Audit of the Governance Structure and Processes
of the Workers' Compensation Board
of Nova Scotia**

**Office of the Auditor General of Nova Scotia
June 2002**

June 14, 2002

Honourable David Morse, MBA
Minister of Environment and Labour
Province of Nova Scotia
Halifax, Nova Scotia

Dear Mr. Morse:

On November 20, 2001, Treasury and Policy Board directed me to conduct an audit of the Workers' Compensation Board of Nova Scotia. Based on consultation with you, an examination of the governance structure and processes of the Workers' Compensation Board was performed.

I have the honour of providing you with this report on my observations and conclusions as a result of this assignment.

Yours truly,

E. Roy Salmon, FCA
Auditor General

**Audit of the Governance Structure and Processes
of the Workers' Compensation Board of Nova Scotia**

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I. SUMMARY

1.1 Upon the request of Treasury and Policy Board, and consultation with the Minister of Environment and Labour, the Office of the Auditor General undertook to examine the governance of the Workers' Compensation Board (WCB) of Nova Scotia.

1.2 The audit was planned and conducted in accordance with the assurance standards of the Canadian Institute of Chartered Accountants. Audit criteria were derived from research published by CCAF-FCVI Inc. The audit focused on governance structures and processes, and did not undertake to evaluate the effectiveness of the Board or individual members' performance of their governance responsibilities.

1.3 Governance can be defined as the process of directing the actions, affairs, policies and/or functions of an organization. It is a fundamental method of control practiced in a wide range of entities; from public corporations to charitable organizations to all manner of public service providers (e.g., governments and government agencies).

1.4 The Workers' Compensation Act stipulates that the Board of Directors of the WCB consist of not more than 11 members. All members are appointed by the Executive Council of government. Due to the organization's mandate to serve both workers and employers, efforts are made to ensure equal representation from the two groups. At the time of our audit, the Board of Directors was comprised of a deputy chair, three representatives of employers, three representatives of workers, as well as two non-voting representatives of the 'public-at-large.' The Chief Executive Officer and the full-time secretary of the Board attend meetings on a non-voting basis. The Board of Directors maintains standing committees on audit and finance, investment and governance.

1.5 We found that the Workers' Compensation Board has a formal governance function which plays an active role in directing the organization's operations.

1.6 The Board has a number of processes to provide members with an opportunity to develop and maintain the knowledge and skills necessary to fulfil their responsibilities. Attendance at meetings is good. Legislative measures exist to protect directors from legal liability. However, problems exist with respect to filling Board positions. The length of time in filling the vacancy in the position of Board chair is excessive. The lengths and timing of directors' terms need attention, and per diem payments and expense reimbursements to directors need re-examination. There should be written position descriptions for the various Board positions, as well as a formal process for evaluating the performance of the Board of Directors.

1.7 There are reasonable processes for maintaining independence between the governance and management functions of the WCB. Board members express a clear understanding of their responsibilities and have opportunities to receive education in governance theory. The Board has developed formal beliefs, principles and policies to guide its deliberations, and committees with terms of reference address important areas of Board business. However, we observed inadequate attention to the development of formal governance practices, as well as a lack of cohesiveness among Board members.

1.8 We found appropriate attention by the Board to both short and long-term planning. Directors receive regular reporting from management on organizational performance in relation to plans. However, we noted uncertainty about the WCB's role with respect to the entire workers' compensation system, which comprises many other groups, and a lack of system-wide planning.

1.9 Board members receive a great deal of information on the control and performance of the WCB in the form of written reports and presentations. Directors can ask questions and request additional information. The WCB has an internal auditor and external auditors, both of which report to a committee of the Board. External auditors are evaluated and selected by the Board. We believe there is a need for the Board to develop formal guidelines on the types, extent and form of information that should be presented by management at Board meetings. We also see an opportunity for the Board to take a greater role in monitoring the internal audit function.

1.10 The Board is comprised of a reasonable number of directors, each of which expresses a clear understanding of the interests served. Reasonable amounts of time are committed to Board business and there is a formal agenda setting process. The Board addresses its planning, policy and monitoring responsibilities without taking on responsibilities which would normally be considered to be those of management. The Board sets performance expectations for the Chief Executive Officer and evaluates his performance on an annual basis. We concluded that more attention should be given to the Chief Executive Officer position, primarily with respect to the formalization of Board-related roles and responsibilities, employment terms and succession planning. We also believe more information should be provided in the minutes of Board and committee meetings.

1.11 The Board provides appropriate attention to its accountability responsibilities. It has formal communications policies, produces and approves a comprehensive annual report, and provides extensive information through the Internet. The annual financial statements of the WCB are audited. We made recommendations for strengthening of the annual report through provision of additional information on the WCB's governance structure and practices, and through reporting of performance targets and the discussion of performance trends and success in meeting targets. We also observed some uncertainty with respect to the Board's accountability to the Nova Scotia government after legislative changes in 2001.

II. BACKGROUND

Governance

2.1 Governance can be defined as the process of directing the actions, affairs, policies and/or functions of an organization. It is a fundamental method of control practiced in a wide range of entities; from public corporations to charitable organizations to all manner of public service providers (e.g., governments and government agencies).

2.2 The nature of the organization will have an impact on how it is governed. For example, corporate boards of directors seek to maximize shareholder value. Non-profit boards focus on achieving mandates and maximizing client service. Governments often focus on stakeholder and/or public needs.

2.3 However, there are many elements of governance which are similar, despite the nature of the organization. Governing bodies are normally comprised of part-time, often independent persons who fulfil a leadership position between the owners or resource providers of an organization and its full-time, employed management. Boards have stewardship and accountability responsibilities to the organization's owners or resource providers. Governing bodies direct and oversee the management of an organization, but do not assume day-to-day managerial responsibilities. In all cases, effective governance is key to an organization's ability to perform well over the longer term. It provides leadership and can set a tone that will permeate the whole organization.

2.4 Whereas concentrated research into management techniques and methodologies go back to the early parts of the twentieth century, research and attention toward governance structures and practices (other than political structures) is comparatively recent. Significant corporate insolvencies and nonprofit agency failures, both in Canada and abroad, have called attention to the importance of good governance. A number of academic, research and other bodies have studied the subject of governance and made recommendations which, if heeded, should go a long way towards strengthening the oversight and control of business, not-for-profit and public organizations.

Workers' Compensation Board

2.5 The mission of the Workers' Compensation Board of Nova Scotia (WCB) is:

to coordinate the workers' compensation system to assist injured workers and their employers by providing timely medical and rehabilitative support to facilitate the efforts of injured workers to return to work; and by providing appropriate compensation for work-related disabilities.

2.6 The WCB is one participant in the workers' compensation system, which also includes: workers and their representatives, employers, the medical community, WCB service providers, Workers' Advisers, the Workers' Compensation Appeals Tribunal, government (e.g., occupational health and safety program) and those involved in injury and disease prevention. The WCB's stated strategy is to provide an effective administration in order to co-ordinate all the partners in the system to focus their efforts on building a healthy, working Nova Scotia.

2.7 The WCB derives its mandate and responsibilities from the Workers' Compensation Act. The organization provides coverage to approximately 67% of employed workers in Nova Scotia. During the year ended December 31, 2001 34,701 claims were registered with the WCB, of which 9,200 involved compensable time-loss. Revenues exceeded expenses by \$18.4 million during the period. At December 31, 2001 the organization had total assets of \$730.9 million, total liabilities of \$1,020.2 million, and an unfunded liability of \$289.3 million.

2.8 The Workers' Compensation Act stipulates that the Board of Directors of the WCB consist of not more than 11 members. All members are appointed by the Executive Council of government. Due to the organization's mandate to serve both workers and employers, efforts are made to ensure equal representation from the two groups. As of the time of our audit, the Board of Directors was comprised of a deputy chair, three representatives of employers, three representatives of workers, as well as two non-voting representatives of the 'public-at-large.'

2.9 All directors are independent of the management of the organization. The Chief Executive Officer and the full-time secretary of the Board attend meetings on a non-voting basis. Other members of management report to the Board of Directors when requested. The Board of Directors maintains standing committees on audit and finance, investment and governance.

III. DESCRIPTION OF AUDIT

3.1 This audit was conducted under the authority of Section 15 of the Auditor General Act. The Act indicates that the Governor in Council or Management Board (currently Treasury and Policy Board) can direct the Auditor General to make an examination or audit of the accounts of an agency of government or an organization receiving financial assistance from government. The Auditor General will undertake the audit where, in his opinion, it does not unduly interfere with the other duties of his Office and where he has been provided with the funding he considers necessary to conduct the assignment.

3.2 Upon the request of Treasury and Policy Board, and consultation with the Minister of Environment and Labour, the Office of the Auditor General undertook to examine the governance structure and processes of the Workers' Compensation Board of Nova Scotia.

3.3 The audit was planned and conducted in accordance with the assurance standards of the Canadian Institute of Chartered Accountants. These standards require audits to use generally accepted standards of performance in the assessment of systems and processes where such standards exist. Whereas there is no single widely-accepted source of standards for governance in Canada or abroad, there have been recent studies which have recommended ways in which governance can be assessed and improved. One authoritative source of research in this area is CCAF-FCVI Inc., a Canadian research and educational foundation dedicated to building knowledge for meaningful accountability and effective governance, management and audit. In 1997, the foundation published six characteristics of effective governance. These characteristics suggest that members of boards of governance should:

- have the necessary knowledge, ability and commitment to fulfill their responsibilities;
- understand their purpose and whose interests they represent;
- understand the objectives and strategies of the organization;
- understand what constitutes appropriate information for good governance and obtain it;
- be prepared to act to ensure that the organization's objectives are met and that performance is satisfactory; and
- fulfill their accountability obligations to those whose interests they represent by reporting on the performance of the organization.

3.4 These six characteristics were used as criteria for planning the audit and assessing the governance structure and processes of the WCB. Other governance research and publications were also considered in forming our assessments, including those of the Canadian Institute of Chartered Accountants, CCAF-FCVI Inc., and Toronto Stock Exchange sponsored committees on corporate governance.

3.5 The audit focused on governance structures and processes. We did not undertake to evaluate the effectiveness of the Board or individual members' performance of their governance responsibilities. Audit procedures included a comprehensive survey and follow-up interview of each Board member, the Chief Executive Officer and the Executive Corporate Secretary. We also examined governance-related items such as Board policies and guidelines, committee structures, agendas, minutes, management reports, and formal reporting by the Board to its stakeholders.

3.6 We received very good cooperation from the directors and staff of the WCB during our audit. A response by the Board of Directors of the WCB to this report is provided in Appendix 2 on page 25.

3.7 Previous audits of the WCB by the Office of the Auditor General are reported in Chapter 16 of the 1998 Report of the Auditor General, and in Chapter 16 of the 1996 Report.

IV. AUDIT OBSERVATIONS

Knowledge, Ability and Commitment

4.1 Effective governance requires a board of directors comprised of people with the necessary knowledge, ability and commitment to fulfil their responsibilities. Factors that would foster this characteristic include appropriate criteria for the selection and remuneration of directors, ongoing educational programs for directors, and the provision of timely and relevant information about the nature and operations of the organization.

Observations

4.2 During our audit of the Workers' Compensation Board, we observed the following instances of good governance structure or practice.

- The Board approved a statement on skill categories that should be considered in the selection of directors (e.g., medical, legal, financial) and provided a copy of the statement to the Minister responsible for the Workers' Compensation Act.
- The directors are protected from liability under section 167(b) of the Workers' Compensation Act which states "*no person may bring an action or other proceeding for damages in any court of law against any member of the Board of Directors.*" Such protection should assist in the appointment of qualified individuals who may otherwise have had concerns about personal liability. However, care must be taken to ensure the absence of legal liability does not result in complacency toward the fulfilment of Board responsibilities.
- Board of Directors meetings are regularly attended by all directors.
- New members of the Board receive an orientation to help them understand the WCB and its operations, as well as to clarify their role and responsibilities as directors. They are also encouraged to attend the Association of Workers' Compensation Boards of Canada College during their first year on the Board.
- Directors are encouraged to attend additional training sessions at the annual congress of the Association of Workers' Compensation Boards of Canada. Individual directors have attended other seminars addressing matters of importance to the WCB.
- There are regular and timely updates provided by WCB staff on the financial, investment and program operations of the WCB, and directors can ask questions to further their understanding of WCB-related issues.
- Board meetings are held in locations outside of Halifax twice a year. These meetings enable directors to meet with local stakeholder groups (e.g., Chambers of Commerce, injured workers groups) and to tour facilities related to the work of the WCB (e.g., a factory or physiotherapy centre). These occasions provide directors with an understanding of issues and concerns as perceived by the individuals directly affected.

Recommendations for Improvement

4.3 In conducting our examination of the governance structure and processes of the WCB we observed areas where governance could be strengthened.

- The position of chair of the Board has been vacant since May 2001. The deputy chair has led Board and committee meetings since that time. The position of chair is important to the Board's functioning and should be filled by Executive Council as soon as possible after a vacancy occurs.
- Members of the Board of Directors are appointed by Order in Council. A goal in selecting new members would be to ensure individuals have the necessary knowledge, skill and abilities to fulfill their responsibilities as Board members. The Board of Directors could assist in this process by preparing a description of the requirements and responsibilities of each Board position (chair, deputy chair and director) and providing the descriptions to the Minister responsible for the Workers' Compensation Act. These descriptions should also be provided to prospective members to help them understand the role, responsibility and time commitment of the position.
- The Workers' Compensation Act stipulates that director terms are not to exceed four years, and that the term of chair and deputy chair not exceed five years. Directors, including the chair and deputy chair, may be reappointed. However, directors are currently being appointed to serve three-year terms. This term may be reasonable when a director is being reappointed, but a new director has a considerable learning curve to overcome before becoming totally familiar with and effective in his/her oversight role. When a new director is being appointed, consideration should be given to the maximum terms permitted by legislation if this is acceptable to the person being asked to join the Board.
- Seven of the Board's nine members will have their term expire during the period December 31, 2002 to December 31, 2003. Director terms should be staggered to the extent possible to enable continuity of knowledge when Board turnover occurs. As well, when new members are appointed, it is advantageous to give sufficient advance notice to enable them to receive an orientation to the WCB and its issues before their terms officially begin.
- There is regular monitoring of the performance of the administration of the WCB, but there has been no formal evaluation of the effectiveness of its governance function. The performance of the Board, and/or individual directors, should be evaluated on a regular basis. Specific criteria should be developed against which performance can be assessed and a policy should be developed on how the evaluation will be administered (e.g., self-evaluation, use of consultants).
- The per diems paid to directors are authorized by Orders in Council, which generally indicate that payments are to be made for time spent attending Board or committee

meetings. The amounts paid have not changed in many years and Board members are not aware of any review of the appropriateness of the amounts. Also, we observed that Board policy provides for payment of per diems for time spent on Board business other than attending meetings (e.g., preparing for meetings, attending seminars, travel). The policy for remunerating WCB directors should be researched, updated if necessary, and formally approved by the Board and government. Any inconsistencies between policy and Orders in Council should be rectified.

- The directives governing the reimbursement of director expenses are contained in several policies and guidelines. We found several minor discrepancies in our review of a sample of expense claims, both in terms of mathematical correctness and compliance with policy. We recommend that director expense policy be consolidated into a single comprehensive document, and that expense claims be given greater scrutiny before payment to ensure mathematical correctness and compliance with Board policy.
- To ensure openness and fair treatment within the Board, a summary of all payments to or on behalf of the Chief Executive Officer, Executive Corporate Secretary and individual Board members should be reported to the Board on at least an annual basis. The summary should itemize payments according to logical types, such as salary, per diem, expenses, travel advances, charges made directly to the WCB, workers' compensation benefits, and pay in lieu of vacation.

Purpose and Interests Served

4.4 Effective governance requires directors who understand their purpose and whose interests they represent. Factors that would foster this characteristic include an appropriate method of appointing directors, good understanding by directors of the role and responsibilities of governance, and specific policies on the duties and expectations of the Board, committees, and individual directors.

Observations

4.5 During our audit of the Workers' Compensation Board, we observed the following instances of good governance structure or practice.

- Board members are appointed by Order in Council. Board members and management are not involved in selecting other Board members.
- Board members expressed to us an understanding and acceptance of their responsibility for meeting the needs of WCB clients while ensuring effective functioning of the WCB.
- No member of WCB management is a Governor in Council appointed member of the Board of Directors or a voting member of one of its committees.
- Directors have received training on governance through the Association of Workers' Compensation Boards of Canada and the Conference Board of Canada, as well as publications dedicated to governance issues.
- Board policies are reviewed on a regular basis and directors have ready access to all policies.
- Decisions of Board committees must be recommended to and ratified by the full Board.
- Terms of reference for two of the three standing committees have been developed and approved by the Board.
- The Board has crafted organizational beliefs and operational principles to provide direction for members of the Board and staff of the WCB.
- A conflict of interest policy was approved by the Board in 1992.

Recommendations for Improvement

4.6 In conducting our examination of the governance structure and processes of the WCB we observed areas where governance could be strengthened.

- Based on our survey and interview of Board members, and our review of Board-related documentation, we observed that there is significant divergence on many important issues before the Board. Many, if not most, issues pertain to the manner in which the Board performs its governance role. Whereas it is expected that not all directors on the Board will agree on all issues, we believe major disagreements have negatively impacted the productivity of the Board. We recommend that the Board address the issue of Board cohesiveness.
- In the 1996 Annual Report of the Auditor General we reported that the Board was in the initial stages of developing a process to examine its governance structure and processes. Some efforts have been made in recent years, but there has not been significant progress. Comments were made to us about the appropriateness of waiting for the appointment of the new chair. The Board should formalize, in the near future, its governance structure and processes and prepare Board-level policies on the respective responsibilities of the Board, chair, deputy chair, directors, as well as the various committees. Since there is no indication of when a new chair will be appointed, we see no reason to further delay this important project.
- After the Board formally establishes its governance structure and processes, it should implement a process to ensure they are reviewed and updated on a regular basis.
- The Governance Committee is the only committee of the Board which has not had its terms of reference approved by the Board. We recommend this be done as soon as possible.
- At the time of our audit the Board was comprised of a deputy chair, an equal number of members representing labour and employers, as well as two members who represent the public-at-large. The representatives of labour and employers have voting rights but the members 'at-large' do not. The chair, or deputy chair if sitting as chair of a meeting, may vote in the case of a tie vote. At full complement, the Board has ten members, of which only six have regular voting rights. We recommend that the Board examine voting rights with the purpose of maximizing equality among members in authority and responsibility. Because voting rights and Board membership are outside of the control of the Board, recommendations should be forwarded to the Minister responsible for the Workers' Compensation Act.

- Currently, the deputy chair of the Board sits as chair of each of the three standing committees, as did the past chair before his term expired. In order to promote greater participation of directors in the governance process, we recommend consideration be given to appointing other Board members as committee chairs.
- The Board's conflict of interest policy was prepared in 1992. We noted that a number of directors were unfamiliar with the existence or form of the policy. The Board should review the policy and ensure it is provided to all new members as soon as they join the Board. Further, consideration should be given to having directors state in writing each year whether or not they have any conflicts impacting their role and responsibilities as a director of the WCB.

Objectives and Strategies

4.7 Effective governance requires directors who understand the objectives and strategies of the organization they govern. Factors that would foster this characteristic include appropriate discussion and approval of organizational mission, objectives and strategies, as well as regular reporting by management on organizational performance with respect to its strategic plan.

Observations

4.8 During our audit of the Workers' Compensation Board, we observed the following instances of good governance structure or practice.

- The Board has given appropriate attention to and formally approved the mission statement and strategic/long-term business plan of the WCB.
- Each year, the long-term business plan is updated by management and reviewed and approved by the Board, along with the annual budget.
- The Audit and Finance Committee and the full Board of Directors receive regular updates from management on the implementation and achievement of the business plan and budget.
- The Investment Committee and the full Board of Directors receive regular updates from management on the WCB's investment activities.
- Directors have an opportunity to develop a good understanding of the WCB and its issues through their initial orientation, management presentations, briefing materials, and attendance at industry-related seminars and conferences.

Recommendations for Improvement

4.9 In conducting our examination of the governance structure and processes of the WCB we observed areas where governance could be strengthened.

- The WCB mission statement, in part, states "*The mission of the WCB is to co-ordinate the workers' compensation system...*" Some directors expressed concern about the statement because they do not see the WCB as being responsible for co-ordinating the whole system and other participants (see paragraph 2.6 on page 4) have not expressed agreement with this role. We recommend the Board examine this issue, in conjunction with the following recommendation.

- The 1998 Report of the Auditor General (Chapter 16) includes a report on an audit of the WCB conducted by Grant Thornton Management Consultants on behalf of the Auditor General. One recommendation of the audit (number 28, page 16) was that strategic planning encompass the whole workers' compensation system, and not just its individual components. System-wide planning of this nature could address the issue of the WCB's mission statement discussed above. Further, the Workers' Compensation Review Committee 2002 final report (page 258) recommends, in part:

Amend the act to reconstitute the board of directors of the Workers' Compensation Board to have all the responsibilities of the current board of directors plus governing oversight of the Occupational Health and Safety Division, Workers' Advisers Program and Workers Compensation Appeals Tribunal. The deputy minister of Environment and Labour and the chief appeals commissioner are to be added as non-voting members of the board.

We recommend the Board, in consultation with government and other system participants, explore ways of better coordinating and planning for (i.e., governing) the whole workers' health, safety and compensation system.

Appropriate Information

4.10 Effective governance requires directors who know and obtain the information they require to exercise their responsibilities. Factors that would foster this characteristic include a good understanding of the mandate and objectives of the organization, an understanding of how management can best report on the achievement of objectives, setting specific requirements for the information that management is to provide to directors to report on organizational performance, and obtaining independent assurance on the veracity of certain of the information provided.

Observations

4.11 During our audit of the Workers' Compensation Board, we observed the following instances of good governance structure or practice.

- The WCB has formal objectives which are monitored by the Board using corporate performance measures approved by the Board. These objectives and performance measures are included in the annual report of the WCB.
- The Board receives updates from management on the achievement of the business plan, budget and investment plan, as well as on current issues, management of organizational risks and effectiveness of internal control.
- The Board has a full-time Executive Corporate Secretary who is responsible for ensuring timely communication between the organization and the Board. Most directors indicated that their information requirements are met being met.
- Directors discuss and challenge information being presented by management at Board meetings.
- Standing committees regularly report to the Board on the results of deliberations and seek Board approval of decisions made.
- The internal auditor of the WCB attends meetings of the Audit and Finance Committee. Audit plans are reviewed and approved by the committee, and all reports of the internal auditor are reviewed by the committee.
- The Board meets with the external auditors to discuss the results of the annual financial statement audit. The Audit and Finance Committee meets with the external auditors earlier in the year to discuss audit plans. The external auditor reports to the Audit and Finance Committee on auditor independence issues and the scope of any non-audit work to be performed.

- The Audit and Finance Committee periodically conducts a competition to select a firm to audit the WCB's annual financial statements. The committee recommends a firm to the Board for final approval.
- The Board has investment policies and objectives and the Investment Committee meets periodically with investment advisors and fund managers to review their performance in relation to objectives.

Recommendations for Improvement

4.12 In conducting our examination of the governance structure and processes of the WCB we observed areas where governance could be strengthened.

- We noted some dissatisfaction among Board members with the significant amount of time spent and detail provided by management in their presentations to the Board. There were also concerns expressed about management staff other than the CEO being present for significant portions of meetings. The Board should formally establish the types and extent of information required at its meetings and provide specific guidelines to management. In addition, the Board should identify when management staff should be present during Board meetings.
- It is important to maintain the independence of the internal audit function from the persons who are responsible for the operations audited. The internal auditor of the WCB reports to the Chief Executive Officer. One means of ensuring independence of the function from management would be to have the internal auditor managed directly by the Audit and Finance Committee. An alternative would be for the committee to routinely review the internal auditor's job responsibilities, reporting relationships, performance evaluations and remuneration structure to ensure the internal audit function is primarily accountable to the committee and functions in as objective manner as possible.

Act to Ensure Effectiveness

4.13 Effective governance requires directors who, once informed, are prepared to act to ensure the organization's objectives are met and that performance is satisfactory. Factors that would foster this characteristic include directors asking questions to understand issues being discussed, making decisions based on the information reported and the welfare of the organization and its stakeholders, and evaluating the performance of the Chief Executive Officer on a regular basis.

Observations

4.14 During our audit of the Workers' Compensation Board, we observed the following instances of good governance structure or practice.

- The number of directors appointed to govern the WCB appears reasonable.
- Directors express a clear understanding of the interests they serve.
- The Board gives a reasonable amount of time to its governance responsibilities. Meetings spanned 24 days in calendar year 2001.
- Directors are able to request an item be put on future Board agendas by contacting the chair, CEO or Executive Corporate Secretary. The Board sets an annual agenda (i.e., a schedule of significant topics and the dates of the meetings in which they will be discussed) and monitors progress against it. Items not completed are carried forward on the agenda.
- The Board deals with issues such as strategic planning, policy development and performance monitoring, but does not become involved in day-to-day management-level decisions.
- The Board sets annual performance objectives for the Chief Executive Officer and there is a formal process for the evaluation of the CEO's performance by the Board each year.

Recommendations for Improvement

4.15 In conducting our examination of the governance structure and processes of the WCB we observed areas where governance could be strengthened.

- The Board's philosophy is to attempt to arrive at consensus on issues, and as a consequence, it conducts formal votes on a limited number of issues. However, we believe the minutes of Board and committee meetings do not adequately document all of the significant deliberations and decisions of the Board. We recommend that minutes be enhanced to provide a record of all important deliberations, whether or not a vote occurs or a consensus decision is made.

- The Board and committees regularly hold in-camera sessions to discuss sensitive matters. No minutes or other records are maintained for these sessions. We believe there is a need for the Board and its committees to demonstrate due diligence at all meetings, and that privacy does not preclude record keeping. Minutes should be produced for in-camera meetings.
- The setting and approval of the Board's agenda is generally done outside of Board meetings. Many, if not most, governance bodies seek acceptance of an agenda from the whole body so that there is wide participation in deciding which issues come before the group. In our opinion, the Board should formally approve its agenda at the beginning of each meeting and, as a routine practice, enable directors to request that the Board consider items for addition to the agenda, either for the current or future meetings. We believe the same process should be used for committee meetings.
- Although there are documented performance expectations for the Chief Executive Officer, there is nothing describing the position's roles and responsibilities with respect to the Board and the governance function. These roles and responsibilities should be determined, documented and agreed to by both the CEO and the Board. This should include a clear understanding of the role of the CEO with respect to discussing issues with individual directors, during and/or outside of Board meetings, while the issues are under deliberation by the Board.
- We found that all Board members had a general understanding of the remuneration package for the current Chief Executive Officer, but many had not seen the contract or were not aware of all of the details at the time of our audit. The terms and conditions of the CEO's employment are currently under review by the Governance Committee. Once finalized and agreed to by both the CEO and the Board, all directors, including new members in the future, should be made aware of the terms and conditions of the CEO's employment.
- We did not observe a formal approach to succession planning for the position of Chief Executive Officer. We recommend that the Board develop a description of the qualifications required for the CEO position, and establish procedures for the recruitment and selection of a new CEO which can be implemented if a vacancy occurs.

Accountability Obligations

4.16 Effective governance requires directors who fulfil their accountability obligations to those whose interests they represent by reporting on their organization's performance. Factors that would foster this characteristic include directors deliberating about the most effective means of reporting on the performance of the organization, understanding whose interests they serve and to whom they are accountable, and providing timely, relevant and accurate reporting to these individuals and groups.

Observations

4.17 During our audit of the Workers' Compensation Board, we observed the following instances of good governance structure or practice.

- The Board has a formal policy for communicating to stakeholders.
- The Board provides appropriate challenge to the information being included in the annual report and provides final approval before release.
- The annual report of the WCB is produced approximately three months after year end and is available to anyone who requests a copy or visits the WCB's web site. The report is comprehensive and includes financial and non-financial performance measures.
- The annual financial statements of the WCB are audited and included in the annual report.
- Senior management compensation and per diem payments to directors are disclosed in the WCB's 2001 annual report, in a note to the financial statements.
- A significant amount of planning, performance and other information can be accessed through the WCB's web site.
- There are regular meetings of the chair and CEO of the WCB with the Minister responsible for the Workers' Compensation Act.

Recommendations for Improvement

4.18 In conducting our examination of the governance structure and processes of the WCB we observed areas where governance could be strengthened.

- Generally, Board members cited the same stakeholders when asked about the Board's accountability, and government was always cited. However, new legislation in 2001 complicated the WCB's accountability to government by classifying the WCB as a government agency which must present its business plan and budget to government's Treasury and Policy Board for approval. The Board's accountability relationship is now split between the Minister responsible for the Workers' Compensation Act and a committee of the Executive Council (i.e., Treasury and Policy Board). We recommend the Board meet with senior government officials to clarify its reporting relationship with government.

- The 2000 annual report of the WCB included a number of graphs portraying performance in various areas of WCB operations. Many of the graphs contained an indication of the organization's performance target. The 2001 annual report contains performance information in the form of graphs, but does not include performance targets. In addition, there is little discussion in the 2001 annual report of the reasons for changes in non-financial performance. We recommend that the practice of presenting performance targets in annual reports be resumed, and that there be more discussion of performance trends and the success of the Board in meeting targets.
- The annual report of the WCB contains a section on governance in which the mandate, structure and composition of the Board of Directors are described. We recommend the information presented in the annual report be expanded to disclose more of the governance practices of the WCB. Consideration should be given to summarizing the major approvals required of the Board (e.g., approval of annual business plan and budget), terms of reference and membership of committees, practices for assessing Board of Directors' performance, and measures for receiving stakeholder feedback. Also, there should be a cross-reference to where information on remuneration of Board members is presented in the annual report.

V. CONCLUDING REMARKS

5.1 We found that the Workers' Compensation Board of Nova Scotia has a formal governance function which plays an active role in directing the organization's operations.

5.2 There is appropriate attention to the development of knowledge and skills among Board members and there appears to be good commitment by members to the work of the Board. More attention needs to be given to appointment and remuneration of Board members and evaluation of the effectiveness of the Board in fulfilling its governance responsibilities.

5.3 Board members have a good understanding of their purpose and the interests they serve. However, there needs to be more attention given to defining the governance practices the Board wishes to follow.

5.4 The Board is involved in developing objectives and strategies for the WCB. However, there are several groups involved in the workers' compensation system in addition to the WCB and we see a need for planning and coordination for the whole system.

5.5 Board members receive a large amount of performance and other information to help them in their deliberations, and there are audit functions to provide assurance on information received. However, there is a need to better define the exact types, extent and form of information directors receive from management, and to improve monitoring of the internal audit function.

5.6 The Board of Directors has practices to promote effectiveness in directing the business of the WCB, and commits reasonable amounts of time to this responsibility. There is room for improvement in the documenting of Board and committee meetings and the formalizing of the role, responsibilities and employment terms of the CEO.

5.7 The Board fulfils its accountability responsibilities through the provision of comprehensive reports to its stakeholders. We recommended more attention be given to governance matters and performance targets and accomplishments in the WCB's annual report.

Appendix 1**Summary of Recommendations*****Knowledge, Ability and Commitment***

1. The position of chair should be filled by Executive Council as soon as possible after a vacancy occurs.
2. The Board should prepare a description of the requirements and responsibilities of each Board position (chair, deputy chair and director) and provide the descriptions to the Minister responsible for the Workers' Compensation Act. The Board should provide descriptions to prospective members to help them understand the role, responsibilities and time commitment of the position.
3. When a new director is being appointed, government should give consideration to the maximum terms permitted by legislation if this is acceptable to the person being asked to join the Board.
4. Director terms should be staggered to the extent possible to enable continuity of knowledge when Board turnover occurs. When new members are appointed, sufficient advance notice should be provided to enable them to receive an orientation to the WCB and its issues before their terms officially begin.
5. Performance of the Board, and/or individual directors, should be evaluated on a regular basis. Specific criteria should be developed against which performance can be assessed and a policy should be developed on how the evaluation will be administered (e.g., self-evaluation, use of consultants).
6. The policy for remunerating WCB directors should be researched, updated if necessary, and formally approved by the Board and government. Any inconsistencies between policy and Orders in Council should be rectified.
7. Director expense policy should be consolidated into a single comprehensive document, and expense claims should be given greater scrutiny before payment to ensure mathematical correctness and compliance with Board policy.
8. A summary of all payments to or on behalf of the Chief Executive Officer, Executive Corporate Secretary and individual Board members should be reported to the Board on at least an annual basis. The summary should itemize payments according to logical types, such as salary, per diem, expenses, travel advances, charges made directly to the WCB, workers' compensation benefits, and pay in lieu of vacation.

Purpose and Interests Served

9. The Board should address the issue of Board cohesiveness.
10. The Board should formalize, in the near future, its governance structure and processes and prepare Board-level policies on the respective responsibilities of the Board, chair, deputy chair, directors, as well as the various committees.
11. The Board should implement a process to ensure governance structure and processes are reviewed and updated on a regular basis.
12. The Board should approve terms of reference for the Governance Committee as soon as possible.
13. The Board should examine voting rights with the purpose of maximizing equality among members in authority and responsibility. Because voting rights and Board membership are outside of the control of the Board, recommendations should be forwarded to the Minister responsible for the Workers' Compensation Act.
14. The Board should consider appointing Board members other than the chair as committee chairs.
15. The Board should review its conflict of interest policy and ensure it is provided to all new members as soon as they join the Board. Further, consideration should be given to having directors state in writing each year whether or not they have any conflicts impacting their role and responsibilities as a director of the WCB.

Objectives and Strategies

16. The Board should re-examine the WCB's Mission Statement, in conjunction with the following recommendation.
17. In consultation with government and other system participants, the Board should explore ways of better coordinating and planning for (i.e., governing) the whole workers' health, safety and compensation system.

Appropriate Information

18. The Board should formally establish the types and extent of information required at meetings and provide specific guidelines to management. In addition, it should identify when management staff should be present during Board meetings.

19. The Finance and Audit Committee should take additional steps to ensure the internal audit function is primarily accountable to the committee and functions in as objective manner as possible.

Act to Ensure Effectiveness

20. Minutes should be enhanced to provide a record of all important deliberations, whether or not a vote occurs or a consensus decision is made.

21. Minutes should be produced for in-camera meetings.

22. The Board should formally approve its agenda at the beginning of each meeting and, as a routine practice, enable directors to request that the Board consider items for addition to the agenda, either for the current or future meetings. The same process should be used for committee meetings.

23. Roles and responsibilities of the Chief Executive Officer with respect to the Board and the governance function should be determined, documented and agreed to by both the CEO and the Board. This should include a clear understanding of the role of the CEO with respect to discussing issues with individual directors, during and/or outside of Board meetings, while the issues are under deliberation by the Board.

24. All directors, including new members in the future, should be made aware of the terms and conditions of the CEO's employment.

25. The Board should develop a description of the qualifications required for the CEO position, and establish procedures for the recruitment and selection of a new CEO which can be implemented if a vacancy occurs.

Accountability Obligations

26. The Board should meet with senior government officials to clarify its reporting relationship with government.

27. The practice of presenting performance targets in annual reports should be resumed, and there should be more discussion of performance trends and the success of the Board in meeting targets.

28. Information presented in the annual report should be expanded to disclose more of the governance practices of the WCB. Consideration should be given to summarizing the major approvals required of the Board, terms of reference and membership of committees, practices for assessing Board of Directors performance, and measures for receiving stakeholder feedback. Also, there should be a cross-reference to where information on remuneration of Board members is presented in the annual report.

Appendix 2

**Workers' Compensation Board of Director Response to Auditor General
Governance Audit**

The Board of Directors thanks the Office of the Auditor General for the Audit of Governance Structure and Processes of the Workers' Compensation Board of Nova Scotia. Governance is a subject that the Board of Directors recognizes as important not only to the WCB but to the entire Workers' Compensation system and the Board welcomes the insights of the Auditor General.

There are many aspects of the Board of Directors' governance model that are working well. This is noted in the audit report as areas where the auditors observed instances of good governance. However, the Board of Directors does recognize that, as with any model, improvements and further development can be made.

The Board of Directors commenced a review of its governance model in the fall of 2001. The Board of Directors identified several aspects of governance that require further development. Many of the recommendations of the Auditor General's governance audit correspond to these issues. The Board of Directors will consider the audit recommendations that are directed to the Board of Directors as part of the review process.

Since June 1, 2001 the position of Board Chair has been vacant. The Board of Directors believes that this position has a crucial role in the governance process and that the person appointed to this position will have vital input into the development of the governance model. The review of the Board of Directors' governance model will resume when a new Chair is appointed. The Board notes that the Auditor General encourages the Government to move ahead with the appointment as soon as possible.

The audit team noted to the Board of Directors that the recommendations are considered best practices, however an organization should consider them within their environment and specific context as one model does not fit or meet the needs of every situation. The Board of Directors agrees and will consider the recommendations within the specific context of a bi-partite Board of Directors of a Workers' Compensation Board.

A table of Board of Directors comments to the specific recommendations is attached.

Board of Directors Response

| Subject | Recommendation (Paraphrased from report) | Agency to Respond | WCB Board of Director Response and Comments |
|---|--|------------------------------|--|
| Knowledge, Ability and Commitment Section 4.3, Page 8 | <i>Position of Chair of the Board be filled as soon as possible</i> | Gov't | |
| Section 4.3, Page 8 | <i>Current Board of Directors should establish a written description of their requirements and responsibilities as (Chair, Deputy Chair and Director) and provide these descriptions to the Minister so that he/she has a point of reference to share with prospective members in helping them to understand the role, responsibility and time commitment of the respective positions.</i> | BoD of WCB | <ul style="list-style-type: none"> - Currently have skill set in place for all members that was developed in 1999. - This part of the governance model review. Once the process is complete these types of next steps are to be considered as part of the process. |
| Section 4.3, Page 8 | <i>When a new director is being appointed consideration should be given to maximum terms permitted by legislation if this is acceptable to the individual being asked to join the board. (This is recommended due to the amount of time it takes for new members to become totally familiar and effective in their oversight role.)</i> | Gov't | <ul style="list-style-type: none"> - Provide government with chart showing term periods for members. - In past there have been staggered terms, recognizing that in the private sector the average term on a Board is around 7 years (Conf. Brd. Of Can. data). In the past initial terms and reappointments have varied to facilitate the staggered replacement of members. |
| Section 4.3, Page 8 | <i>Expiration of Director's terms should be staggered to avoid any possibility of having more than one term ending within the same period of time. This will ensure continuity of knowledge when Board turnover occurs. It is also suggested that new members be given the advantage to receive an orientation to the WCB and its issues in sufficient advance to the commencement of their official term as Director.</i> | Gov't | <ul style="list-style-type: none"> - Province government with chart showing term periods for members. |

| Subject | Recommendation (Paraphrased from report) | Agency to Respond | WCB Board of Director Response and Comments |
|----------------------------|--|--------------------------------------|--|
| <i>Section 4.3, Page 8</i> | <i>The performance of the Board, and/or individual directors, should be evaluated on a regular basis. Specific criteria should be developed against which performance can be assessed and a policy should be developed on how the evaluation will be administered (e.g., self-evaluation, use of consultants).</i> | <i>BoD of WCB</i> | <ul style="list-style-type: none"> - <i>This is part of the governance model review. Once the process is complete these types of next steps are to be considered as part of the process.</i> - <i>Governance Committee will review models and make recommendation to the Board of Directors.</i> |
| <i>Section 4.3, Page 9</i> | <i>The policy for remunerating WCB Directors should be researched, updated if necessary, and formally approved by the Board and government. Any inconsistencies between policy and Orders-in-Council should be rectified.</i> | <i>Gov't BoD of WCB</i> | <ul style="list-style-type: none"> - <i>This is part of the governance model review. Once the process is complete these types of next steps are to be considered as part of the process.</i> |
| <i>Section 4.3, Page 9</i> | <i>It is recommended that the director expense policy be consolidated into a single comprehensive document, and that expense claims be given greater scrutiny before being paid to ensure they are mathematically correct and expenses being claimed are in full compliance with Board policy.</i> | <i>BoD of WCB</i> | <ul style="list-style-type: none"> - <i>This is part of the governance model review. Once the process is complete these types of next steps are to be considered as part of the process.</i> - <i>Review with internal auditor to ensure consistency.</i> - <i>Current director expense policy to be updated (Governance Comm.)</i> |
| <i>Section 4.3, Page 9</i> | <i>To ensure openness and fair treatment within the Board, it is recommended that a summary of all payments to or on behalf of the Chief Executive Officer, Executive Corporate Secretary and individual Board member should be reported to the Board on at least an annual basis. The summary should itemize payments according to logical types such as salary, per diem, expenses, travel advances, charges made directly to the WCB, Workers' Compensation Benefits and pay in lieu of vacation.</i> | <i>BoD of WCB</i> | <ul style="list-style-type: none"> - <i>2001 Annual report include a schedule of BoD and Senior executive salary.</i> - <i>The Board agrees as the External Auditors currently review disbursements to the CEO & CFO; will now add Corporate Secretary to this audit.</i> |

| Subject | Recommendation (Paraphrased from report) | Agency to Respond | WCB Board of Director Response and Comments |
|---|--|------------------------------|--|
| Purpose and Interests Served Section 4.6, Page 11 | It was observed that there is significant divergence on many important issues before the Board, including the manner in which the Board performs its governance role. It is recommended that the Board address the issue of Board cohesiveness. | BoD of WCB | <ul style="list-style-type: none"> - BoD had an external consultant to work on governance issues; awaiting input of new Chair to continue given the importance of that role. - Will continue with governance development sessions with new Chair. |
| Section 4.6, Page 11 | It is recommended that the Board formalize, in the near future, its governance structure and processes and prepare Board-level policies on the respective responsibilities of the Board, chair, deputy chair, directors, as well as the various committees. | BoD of WCB | <ul style="list-style-type: none"> - This is part of the governance model review. Once the process is complete these types of next steps are to be considered as part of the process. |
| Section 4.6, Page 11 | Once the Board has formally established its governance structure and processes, it should implement a process to ensure they are reviewed and updated on a regular basis. | BoD of WCB | <ul style="list-style-type: none"> - Regular cycle of Governance documentation review could be established with the Governance Comm. |
| Section 4.6, Page 11 | It is recommended that the Governance Committee have its terms of reference approved by the Board as soon as possible. | BoD of WCB | <ul style="list-style-type: none"> - Draft terms currently in use. This is part of the governance model review. Once the process is complete these types of next steps are to be considered as part of the process. |
| Section 4.6, Page 11 | It is recommended that the Board examine voting rights with the purpose of maximizing equality among members in authority and responsibility. Because voting rights and Board membership are outside of the control of the Board, recommendations should be forwarded to the Minister. | Gov't BoD of WCB | <ul style="list-style-type: none"> - The Board of Directors disagrees. The non-voting status of the Public at Large members is important for the consensus building model. By maintaining the neutrality of the non-voting members, they do not have a perception of bias to either employers or workers. As the non-voting members may be future candidates for the position of Chair, this perception of non-bias is important. Not possessing a vote has not reduced the participation of the non-voting member, but in fact it has strengthened it as their input is fully considered in Board of Director deliberations. |

| Subject | Recommendation (Paraphrased from report) | Agency to Respond | WCB Board of Director Response and Comments |
|--|---|------------------------------|---|
| Section 4.6, Page 12 | It is recommended that consideration be given to appointing other Board members as committee chairs in order to promote greater participation of directors in the governance process. | BoD of WCB | - At the June 7 th meeting, the Board of Directors approved the chairing of committees by the non-voting member (public at large members and the Deputy Chair) appointed to the Committees by the Chair. |
| Section 4.6, Page 12 | It is recommended that the Conflict of Interest policy be reviewed by the Board and provided to all new members as soon as they join the Board. Consideration should also be given to having directors state in writing each year whether or not they have any conflicts impacting their role and responsibilities as a director of the WCB. | BoD of WCB | <ul style="list-style-type: none"> - Conflict of interest guidelines has been given to all Board members as part of their orientation. - This is part of the governance model review. Once the process is complete these types of next steps are to be considered as part of the process. - Could be signed by members each year. |
| Objectives and Strategies Section 4.9, Page 13 | It is recommended that the Board of Directors examine the WCB Mission Statement regarding "The mission of the WCB is to co-ordinate the workers' compensation system..." as other system participants have not expressed agreement with this role. | BoD of WCB | <ul style="list-style-type: none"> - The BoD, as part of the financial planning cycle has reviewed this statement originally approved by the BoD in 1995 (published in 1994 Annual Report). - This is part of the governance model review. Once the process is complete these types of next steps are to be considered as part of the process; particularly in light of the W.C. Review Report. |
| Section 4.9, Pages 13 & 14 | Paraphrased from the report: It is felt that system-wide strategic planning (previously recommended in the 1998 Auditor General's report - no. 28 pg. 16) could address the issue of the WCB's mission statement. It is recommended to have the Board, in consultation with government and other system participants, explore ways of better coordinating and planning for (i.e., governing) the whole workers' health, safety and compensation system. Reference the recommendation of the WC Review Committee Report (pg. 258). | Gov't BoD of WCB | - This is part of the governance model review. Once the process is complete these types of next steps are to be considered as part of the process; particularly in light of the W.C. Review Report. |

| Subject | Recommendation (Paraphrased from report) | Agency to Respond | WCB Board of Director Response and Comments |
|---|--|------------------------------|--|
| Appropriate Information Section 4.12, Page 16 | <i>It is recommended that the Board formally establish the types and extent of information it requires at its meetings and provide specific guidelines to management. In addition, the Board should identify when management staff should be present during Board meetings.</i> | BoD of WCB | <ul style="list-style-type: none"> - This is part of the governance model review. Once the process is complete these types of next steps are to be considered as part of the process. |
| Section 4.12, Page 16 | <i>It is important to maintain the independence of the internal audit function from the persons who are responsible for the operations audited. The internal auditor of the WCB reports to the Chief Executive Officer. One means of separating the function from WCB management would be to reorganize the function so that it reports directly to the Audit & Finance Committee. An alternative would be for the committee to routinely review the internal auditor's job responsibilities, reporting relationships, performance evaluations and remuneration structure to ensure the internal audit function is primarily accountable to the committee and can function in as objective manner as possible.</i> | BoD of WCB | <ul style="list-style-type: none"> - The Audit & Finance Comm. does review and approve annual audit plan. - Internal Auditor attends Audit & Finance Committee meetings (may not attend specific items if not relating to duties) and has private meetings with A&F with no other staff present. - Audit reports have been given to A&F as presentations, now ensuring full report provided to A&F as well. |

| Subject | Recommendation (Paraphrased from report) | Agency to Respond | WCB Board of Director Response and Comments |
|--|---|------------------------------|---|
| <i>Act to Ensure Effectiveness Section 4.15, Pages 17 & 18</i> | <i>It is recommended that the minutes of all Board and Committee meetings be enhanced to provide a record of all the important deliberations, whether or not a vote occurs or a consensus decision is made.</i> | <i>BoD of WCB</i> | <ul style="list-style-type: none"> - All decisions of the BoD are recorded in the minutes. - This is part of the governance model review. Once the process is complete these types of next steps are to be considered as part of the process. |
| <i>Section 4.15, Page 18</i> | <i>It is recommended that minutes be produced for in-camera meetings in order for the Board and its committees to demonstrate its due diligence at all of its meetings.</i> | <i>BoD of WCB</i> | <ul style="list-style-type: none"> - Chair instructs Corp. Sec. to record any actions or decisions resulting from in camera session. - This is part of the governance model review. Once the process is complete these types of next steps are to be considered as part of the process. |
| <i>Section 4.15, Page 18</i> | <i>It is recommended that the Board formally approve its agenda at the beginning of each meeting and, as a routine practice, enable directors to request that the Board consider items for addition to the agenda, either for addressing at the current or future meeting. It is recommended that the same process be used for committee meetings.</i> | <i>BoD of WCB</i> | <ul style="list-style-type: none"> - Board of Directors approves yearly agenda. - Each CEO report the next three months agenda is listed. - BoD members may add items by providing notice to Chair and Corp Sec. before one week prior to meeting; Chair has discretion to add urgent items at request of members. - The Board of Directors has added formal agenda approval to regular business of each meeting. |
| <i>Section 4.15, Page 18</i> | <i>The roles and responsibilities of the CEO with respect to the Board and the governance function should be determined, documented and agreed to by both the CEO and the Board. This should include a clear understanding of the role of the CEO with respect to discussing issues with individual directors, during and/or outside of Board meetings, while the issues are under deliberation by the Board.</i> | <i>BoD of WCB</i> | <ul style="list-style-type: none"> - Act and Board of Directors defines the role of the CEO; the annual performance plan identifies the current deliverables for the CEO. - This is part of the governance model review. Once the process is complete these types of next steps are to be considered as part of the process. - Governance Committee could develop written documentation as part of overall governance documentation. |

| Subject | Recommendation (Paraphrased from report) | Agency to Respond | WCB Board of Director Response and Comments |
|--|---|------------------------------|---|
| Section 4.15, Page 18 | <i>It is suggested that once the terms and conditions of the CEO's employment are finalized and agreed to by both the CEO and the Board, all directors, including new members in the future, should be made aware of the terms and conditions of the CEO's employment.</i> | BoD of WCB | - Will be included in orientation package and review during yearly CEO evaluation. The contracts has been discussed and recorded in the minutes of the Board over the years. Currently the BoD, through the Governance Committee is seeking to clarify some points of the contract. |
| Section 4.15, Page 18 | <i>It is recommended that the Board develop a description of the qualifications required for the CEO position, and establish procedures for the search for and selection of a new CEO, which can be implemented if a vacancy occurs in the position.</i> | BoD of WCB | - The Board of Directors has had discussions on the issue of CEO succession and will be developing a succession plan in the near future. |
| Accountability Obligations Section 4.18, Pages 19 & 20 | <i>It is recommended that the Board meet with senior government officials to clarify its reporting relationship with government.</i> | Gov't BoD of WCB | |
| Section 4.18, Page 20 | <i>It is recommended that the practice of presenting performance targets in annual reports be resumed, and that there be more discussion of performance trends and the success of the Board in meeting targets.</i> | BoD of WCB | - This has been the case in the past. It was a drafting oversight that the Corporate Performance Measures targets (for those measures that targets are set) were excluded in the 2001 Annual Report. - Will be included again in the next annual report. |
| Section 4.18, Page 20 | <i>It is recommended that the information presented in the annual report be expanded to disclose more of the governance practices of the WCB. Consideration should be given to discussing major approvals required of the Board (e.g., approval of annual business plan and budget), terms of reference and membership of the committees, practices for assessing Board of Directors performance, measures for receiving stakeholder feedback, and a cross-reference to where in the annual report information is presented on remuneration of Board Members.</i> | BoD of WCB | - This is part of the governance model review. Once the process is complete these types of next steps are to be considered as part of the process. - Revised Governance section could include the material suggested in the 2002 annual report (for release in April 2003). |