



GOVERNMENT OF
NEWFOUNDLAND AND LABRADOR

2002-03 Annual Report

Treasury Board Secretariat

TABLE OF CONTENTS

Minister=s Message.....i

Departmental Overview 1

Vision..... 1

Mission..... 1

Lines of Business..... 1

Key Statistics..... 3

Outcomes of Objectives 4

Opportunities and Challenges Ahead.....10

Financial Statements 12

Glossary of Terms.....13

Minister's Message

In accordance with government's commitment to accountability, I hereby submit the 2002-03 annual performance report for the Treasury Board Secretariat.

This report was prepared under my direction, and addresses the Secretariat's activities and outcomes from April 1, 2002 to March 31, 2003.

LOYOLA SULLIVAN
President of Treasury Board

Departmental Overview

Treasury Board Secretariat serves as the administrative arm of the Treasury Board Committee of Cabinet. The Secretariat's mandate is to support the Treasury Board Committee and to fulfill the statutory responsibilities of Treasury Board within Government. These responsibilities have been conferred from the *Financial Administration Act* and the *Public Service Collective Bargaining Act*.

As a central agency with responsibility for financial, human resource and information technology management, the Secretariat works with Departments, Boards, Agencies, union organizations and other stakeholders to accomplish its mandate.

Vision

Public sector organizations that are well managed, accountable and supported by a highly competent and motivated workforce.

Mission

In collaboration with Departments and Agencies, Treasury Board Secretariat provides mechanisms to assure Government and taxpayers that the Province's financial, human and information technology resources are utilized in the most effective, efficient and economic manner.

Lines of Business

Treasury Board Secretariat has three lines of business:

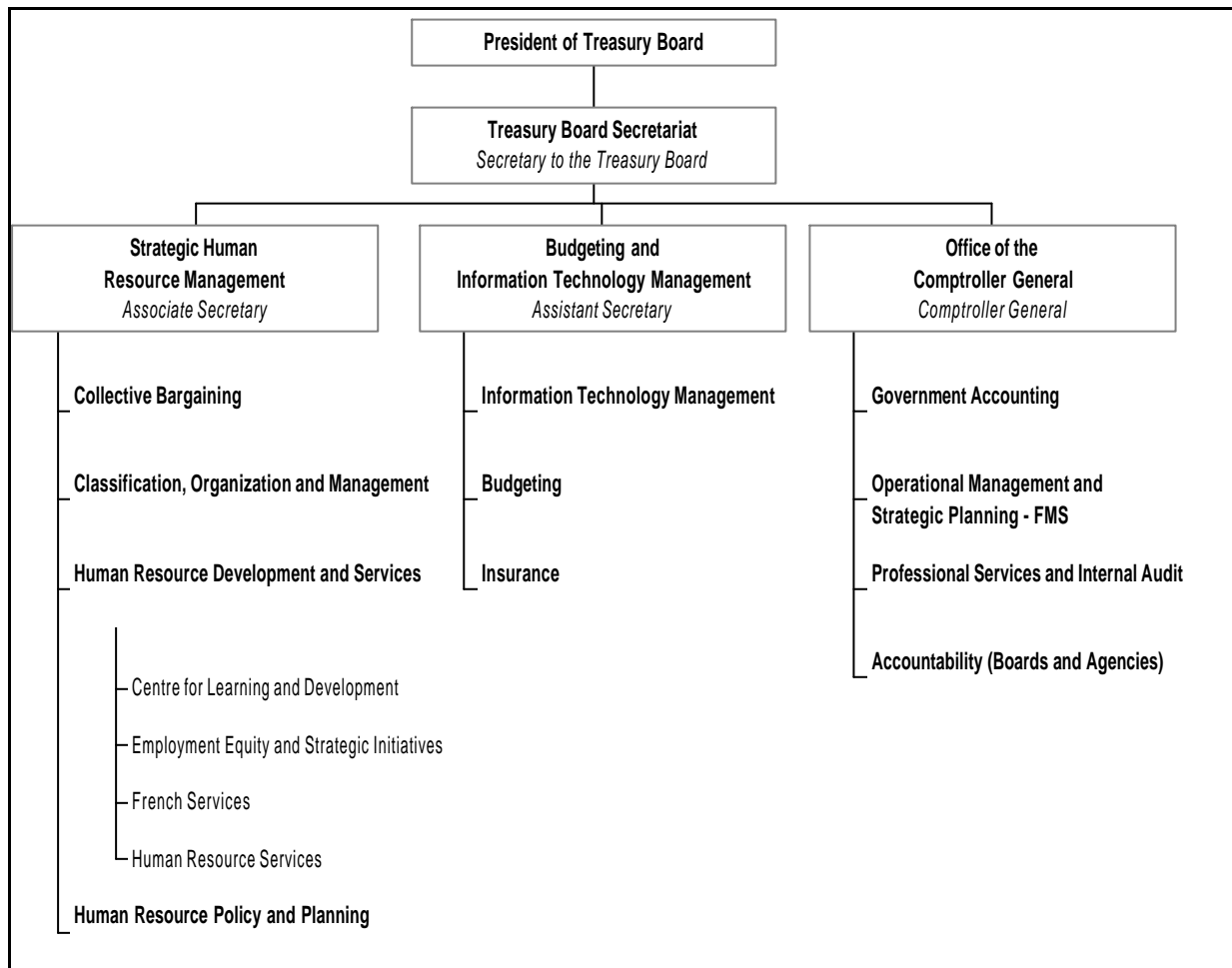
- \$ Financial Management C** The Secretariat provides Government-wide expenditure planning and management together with a modern comptrollership. In its expenditure planning and management role, the Secretariat prepares the *Estimates* and multi-year fiscal plans, recommends allocation of financial resources to departments, and monitors and reports on budget variances. In its comptrollership role, the Secretariat establishes the policies and systems that enable Government to keep accurate financial records and maintain stewardship of public financial resources. The Secretariat provides managers with timely and reliable financial information and prepares the financial statements of the Province. The Secretariat advises Cabinet on the efficiency and effectiveness of resource utilization and the potential for reallocation and adjustments to planned expenditures. The Secretariat also provides advice to the executive and management of Government.

- \$ Human Resource Management C** The Secretariat supports and advises Treasury Board in its capacity as employer and general manager for the public service. This involves a leadership role in labour relations, job evaluation and compensation, organization design, and human resource strategy and policy development. The Secretariat also delivers a range of services Government-wide that promote corporate goals for learning and development, strengthened capability to

deliver quality services in French, and increased career opportunities for persons with disabilities. The Secretariat administers Government's insurance requirements, employee benefits and occupational health and safety programs. The Secretariat also provides a full range of human resource management services to six departments and central agencies of Government.

\$ Information Technology Management C In addition to providing information technology support and administration services to six departments, the Secretariat provides leadership in using information technology as a strategic tool to support Government's agenda and to improve service delivery. The Secretariat provides leadership on information technology issues across Government and establishes policies, standards and guidelines for the effective, efficient and secure use of information technology resources.

Figure 1: Treasury Board Secretariat Organizational Chart



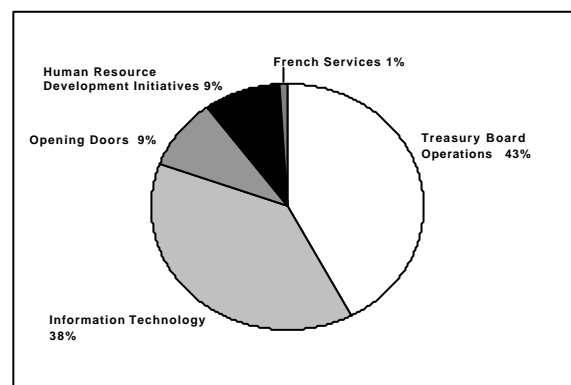
Key Statistics

Treasury Board Secretariat had 160 employees, all of whom work in Confederation Building. In 2002-03, these employees:

- \$ developed and monitored a Gross Current and Capital Account expenditure budget of \$4,052,037,200
- \$ negotiated 13 contracts covering 15,700 employees
- \$ administered 34 collective agreements covering 37,000 employees
- \$ conducted 1,031 classification reviews
- \$ conducted 11 occupational reviews affecting 1,080 public employees, as negotiated between Government and various bargaining units
- \$ processed approximately 2,000,000 separate computer jobs on Government's Financial Management System (FMS)
- \$ processed 1,023,000 cheques and 235,000 electronic payments
- \$ issued 110,000 counter/electronic receipts
- \$ provided strategic planning training to 41 organizations including departments and public bodies
- \$ administered insurance services for approximately 33,000 employees, retirees and dependents
- \$ completed approximately 50 projects/internal audits
- \$ offered approximately 300 learning and development workshops to 3,100 participants
- \$ awarded certificates to over 200 employees enrolled in French language training
- \$ provided services to 1,181 persons with disabilities through the Opening Doors Program
- \$ responded to 3,400 requests and provided information technology support and administration to 1,500 employees in six departments
- \$ coordinated 35 contracts with local information technology companies for services valued at more than \$3 million
- \$ through the Secretariat's Human Resource Development and Services Division, provided human resource services to 650 employees in five departments

The total net expenditure of the Secretariat for 2002 - 03 was \$17.2 million, of which \$7.3 million was attributable to the direct operations of the Secretariat. \$6.6 million in net expenditures was used for information technology services for six departments including the Secretariat. \$3.3 million in net expenditures were incurred for Government-wide initiatives including the Opening Doors Program for persons with disabilities, human resource development initiatives and French language training.

Figure 2: Treasury Board Secretariat Expenditures, 2002-03



Outcomes of Objectives

The Secretariat, working in collaboration with public service organizations and employees, has identified five strategic objectives.

1. Maintain a proactive approach to managing taxpayers= dollars

The fiscal situation of the Province requires all public sector organizations to collaborate in accepting responsibility for managing taxpayers= dollars. This requires the Secretariat, in cooperation with departments and agencies, to seek innovative ways to increase revenues and control expenditures.

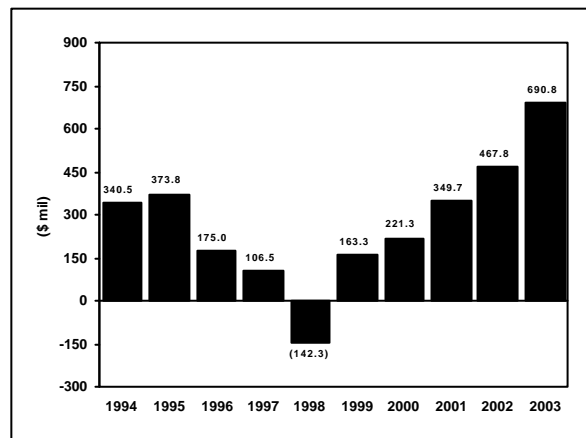
The values in Figures 3 - 6 below are taken from the audited financial statements reported in the appropriate volume of the Public Accounts for each of the years stated. Financial statement figures which have been restated are incorporated as applicable. For reference purposes, a glossary of financial terms has been provided on page 13.

Figure 3 shows that the Province's net expenditure over revenue (accrual basis) on a consolidated basis was \$690.8 million for 2002-03 according to Volume I of the *Public Accounts*. This compares to \$163 million in 1998-99 and \$340 million in 1993-94 the first year the Consolidated Summary Statements were prepared in Volume 1. The Auditor General issued an unqualified audit opinion on the *Public Accounts* for 2002-03.

Figure 3 also indicates the province has had a Consolidated Accrual Deficit in nine of the past ten years, and the situation has steadily worsened since 1998.

During fiscal year 2002-03, the Secretariat developed the Province's first accrual-based budget for fiscal year 2003-04. This change facilitates an effective comparison between Government's budget and its actual results since the budget documents are now prepared using the same basis of accounting as the Public Accounts of the Province.

Figure 3: Consolidated Accrual Deficit



Prepared the province's first accrual-based budget which was introduced for 2003-04

As shown in Figure 4, at 31 March 2003, the unfunded pension liability of the Province was \$3.56 billion according to Volume I of the *Public Accounts*. The Unfunded Pension Liability for the past ten years shows that, except for the fiscal year ended 2000, the liability is steadily growing. Recognizing the importance of addressing this liability, Government made \$148.5 million in special payments in 2002-03, in addition to required contributions, to reduce the unfunded liability.

Figure 4: Unfunded Pension Liability

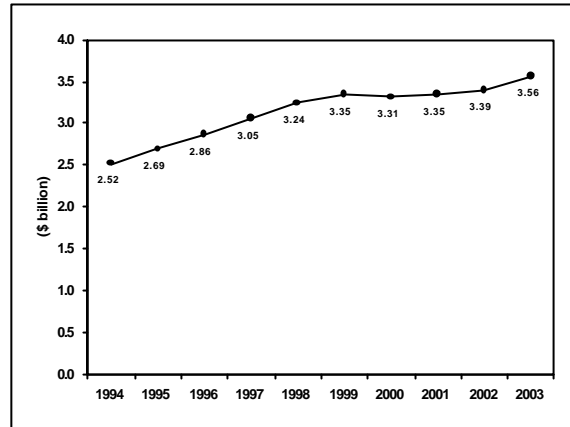


Figure 5 demonstrates the Consolidated Net Debt of the province has been steadily growing for the past ten years as liabilities including borrowings have exceeded provincial assets.

Figure 6 illustrates that net debt was 60.14 per cent of Gross Domestic Product (GDP) for 2002-03 which reflects a decrease from the previous year. In 2003, net debt as a percentage of GDP for this province was the highest in Canada of all provinces. Values for other provinces are drawn from published reports of the Auditor General or Department of Finance in each jurisdiction.

Figure 5: Net Debt

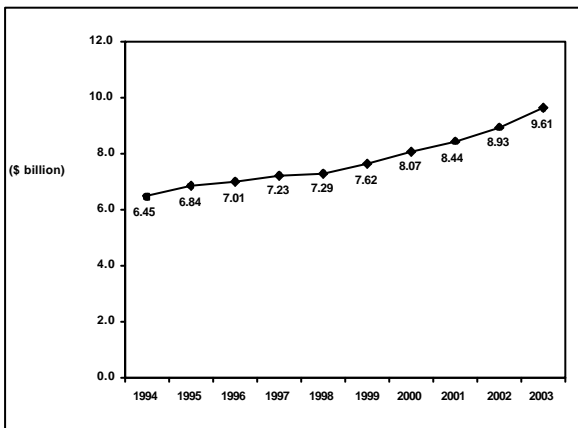
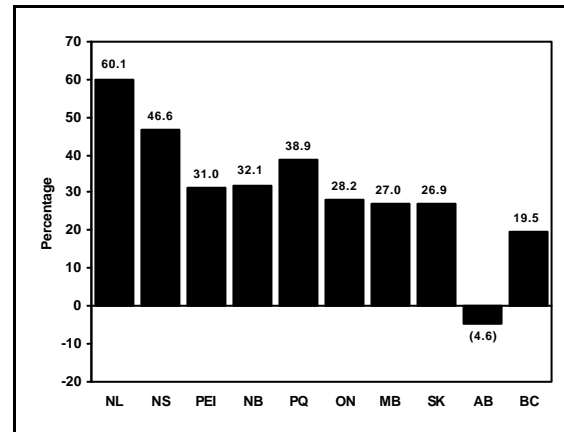


Figure 6: Net Debt as % of GDP



2. *Achieve the appropriate balance between public bodies=independence and overall Government direction*

Considered as a whole, the public sector is a large and complex organization that needs unity in its overall direction and uniformity in some of its basic operating principles and practices. However, the public sector is equally a collection of individual organizations, each with a separate mandate, and each of these organizations requires the freedom to manage itself within clearly defined parameters and guidelines. Finding the right balance between central direction and

control and the independence of individual organizations is critical in ensuring that public service organizations are effective and efficient. Government's emerging Accountability Framework is a key element in creating the right balance.

The Secretariat is working with departments and agencies to create goals and mechanisms that reflect Government's need for accountability and uniformity but which can be implemented in ways that suit the particular needs and circumstances of individual organizations. During 2002-03 the Secretariat:

- \$ provided direction to all public bodies regarding the information required for public reporting;
- \$ provided strategic planning training to 41 organizations including departments and public bodies;
- \$ developed orientation modules to accompany *Excellence in Governance: A Handbook for Public Sector Bodies*; and
- \$ published a customized version of *Excellence in Governance: A Handbook for Health Board Trustees*.

Provided support to 41 public bodies for Government's Accountability Framework

3. *Ensure Government has a highly competent work force that is sustainable into the future*

Government faces the challenge of maintaining an effective public service at a critical point in the Province's history. As the demographic profile of the Province and the public service continues to age, the labour market for knowledge workers and others with highly valued skills will become more competitive. However, Government will have to continue managing with a significantly constrained salary budget. Attention to succession planning, recruitment of new staff and retention and development of existing staff will be critical to ensuring that Government can function effectively. Creating a work environment that values employees, fosters respect and cooperation, and encourages innovation will help make the public service an attractive employment option for workers.

During 2002-03, the Secretariat, in collaboration with departments and the Public Service Commission, developed a human resource strategy for the public service. This strategy focuses on four key issues: strengthening the human resource function; addressing recruitment, retention and succession management needs; improving work planning and internal communications; and promoting learning and development. The strategy was approved late in Fiscal Year 2002-03 and was funded as part of the 2003-04 budget. Implementation is in progress.

Prepared a human resource strategy for the public service

Employee development is an essential success factor for the public service, particularly during times of major change. As part of the human resource planning exercise, departments were required to provide an operating plan for the learning and development function. These plans provided the basis for allocating resources to departments from the \$2 million Organizational Development Initiatives Fund. Additionally, the Secretariat's Centre for Learning and

Development focussed on corporate learning priorities that complement departments' focus on program-related learning. During 2002-03 ongoing priorities of the Centre included:

- \$ leadership and management development;
- \$ communications training to help standardize and strengthen internal and external communications practices; and
- \$ information technology learning with an added priority this year of supporting Governments' transition to the Microsoft suite of products. This move will ensure the public service uses software compatible with that used most commonly across the public and private sectors.

During the year, the Secretariat negotiated 13 contracts covering 15,700 employees, increased its focus on training and compiled a reference book on challenging issues presented in arbitrations. The Secretariat also began using an alternate dispute resolution process to deal with outstanding grievances and in collaboration with the Newfoundland and Labrador Association of Public and Private Employees (NAPE), offered a joint education seminar for union local presidents, shop stewards and departmental human resources staff.

**Negotiated 13 contracts
covering 15,700 employees**

The Secretariat, in collaboration with the Public Service Commission, continued implementation of Governments' Harassment and Discrimination Free Workplace policy. During the year, the focus was on briefing sessions for departmental executives followed by training workshops to ensure managers are aware of their responsibilities in managing conflict and responding to allegations of harassment.

Governments' employment equity activities for persons with disabilities are structured around the Secretariat's Employment Equity and Strategic Initiatives Division. During 2002-03, the Opening Doors Program maintained 75 full-time, permanent public service positions in various regions of the province. Furthermore, the Targeted Wage Subsidy Initiative, funded by the Canada/Newfoundland and Labrador Labour Market Development Agreement (LMDA), provided 30 persons with developmental job placements in provincial and federal departments, the Student Summer Employment Program provided 15 post-secondary students with career-related work experience in provincial departments, and the Job Experience and Employment in the Public Service (JEEPS) Project continued to provide referrals for federal Government open competitions within the province. The Enabling Resource Centre provided a range of job search and career counselling services to persons with disabilities, as well as job accommodation information and recruitment services to departmental managers.

**Employment equity activities
for persons with disabilities**

During the 2002-03, the Office of French Services continued training programs for over 200 employees. The Office also offered translation and linguistic support services to departments, improved its ability to support departments when dealing with French-speaking clientele, and improved its bilingual website to increase the on-line availability

**Contract to deliver French
language instruction for
Public Service Commission
of Canada**

of information in French. During the year, the Secretariat also contracted with the Public Service Commission of Canada to deliver full-time French language training for Federal employees in the province and contracted with the Health Care Corporation of St. John's to deliver specialized language training to staff who serve French-speaking patients.

4. *Design and implement a classification and compensation system that equitably remunerates employees*

As negotiated in collective agreements in 2001-02, the Secretariat continued work on the introduction of a new job evaluation system for unionized employees. During 2002-03, consultant proposals on design and implementation of a system were reviewed and a preferred consultant was chosen for recommendation to Treasury Board. A joint committee was formed with the major unions to facilitate design and implementation issues.

Classification activity continued during the year with the Secretariat completing 1,031 classification reviews. Additionally, the Management Classification Appeal Board and the Classification Appeal Board (Bargaining Unit), both of which were reconstituted in late 2001-02, worked to reduce the backlog of appeals on file. The Management Appeal Board completed 145 management appeals and the Classification Appeal Board (Bargaining Unit) completed 288 appeals during the year. The Secretariat also participated in the Atlantic Benchmark Committee, a partnership of the four Atlantic Provinces which is developing a database of comparative compensation information on key benchmark jobs in the region's public service to support compensation strategies.

5. *Make better use of information technology to make decisions, deliver services more efficiently and manage resources*

Information technology can help Government enhance service delivery and make its internal work and management processes more efficient. To achieve this effectively and economically, Government requires a clear plan that sets direction and priorities for use of information technology throughout its departments and agencies. This plan must also ensure support and maintenance for current and potential new information systems.

In 2002-03 the Secretariat:

- \$ implemented enhancements to existing key Government systems including: tax administration, pension, municipal finance administration, Government accounting, and payroll systems;
- \$ assessed needed upgrades to the Financial Management System and secured budget approval to proceed with the upgrade in 2003-04;
- \$ introduced new infrastructure for accepting payment for goods and services through the Internet;
- \$ implemented a reporting strategy to provide the system's end users with improved access to financial information; and
- \$ protected all Government systems from a wide range of computer viruses attempting to disrupt Government operations.

**New infrastructure for
accepting payment for goods
and services through the
Internet**

Opportunities and Challenges Ahead

Financial Management

The biggest challenge, from a budget perspective, is to maintain a practical approach to managing taxpayers' dollars while expectations increase and financial resources remain limited. The accumulated Net Debt of the Province for 2002-03 was \$9.6 billion.

The priority for 2003-04 is to keep the budgetary deficit at a minimum and maintain a strong discipline over spending with continued emphasis on accountability.

Additional opportunities and challenges for the next several years include:

- \$ implementation of Internet related technologies that complement the Financial Management System to provide stakeholders with a cost effective and efficient way to deal with Government, and provide internal Government users with timely and accurate information;
- \$ continued implementation of an effective and efficient financial reporting strategy;
- \$ expansion of e-payment facilities; and
- \$ ongoing adoption of accounting and reporting standards which comply with the recommendations of the Canadian Institute of Chartered Accountants.

With Government's Accountability Framework, the Secretariat will continue to pursue a consistent approach to strategic planning and performance measurement across all public bodies. This will include developing report guidance for public bodies and moving towards assessing organizations' performance relative to their goals and objectives.

Human Resource Management

Major priorities for human resource management for 2003-04 include:

- \$ implementation of Government's integrated Human Resource Strategy within the context of Government's budgetary constraints.
- \$ negotiating the remaining collective bargaining agreements within the current fiscal framework.
- \$ maintaining and increasing awareness of the needs of persons with disabilities within the public sector as well as negotiating maximum federal cost-sharing to support the priorities and growth of the programs and services.
- \$ expanding availability of French language training in regional centres in areas of the province where many Francophones live and development of a French basic service delivery training module for front-line employees.

Information Technology Management

Information technology management focuses on designing and enhancing systems to facilitate work within Government and improve access to information needed to support the needs of citizens and the private sector. Specific challenges for 2003 - 04 include:

- \$ developing web-based applications to improve Government service delivery;
- \$ upgrading Government's primary accounting, human resource and taxation systems;
- \$ installing computer infrastructure to protect all Government systems; and
- \$ supporting Government's efforts to develop the information technology sector.

Financial Statements

**Department of Executive Council
Treasury Board Secretariat
Statement of Expenditure and Related Revenue - Summary
for the Year Ended March 31, 2003**

| | | ESTIMATES | | |
|--------|--|--------------------------|--------------------------|--------------------------|
| | | ACTUAL | AMENDED | ORIGINAL |
| | | \$ | \$ | \$ |
| 3.1.01 | President of Treasury Board | 257,660 | 267,100 | 255,100 |
| 3.1.02 | Executive Support | 750,406 | 757,800 | 724,900 |
| 3.1.03 | Budgeting and Systems | 9,301,091 | 9,924,900 | 9,606,300 |
| | Less Revenue | (514,732) | (570,800) | (570,800) |
| 3.1.04 | Employee Relations | 1,355,391 | 1,383,500 | 1,290,000 |
| 3.1.05 | Strategic Human Resource Management & Development | 950,909 | 1,005,200 | 927,200 |
| | Less Revenue | (15,565) | - | - |
| 3.1.06 | Opening Doors | 2,099,711 | 2,329,200 | 2,461,200 |
| | Less Revenue | (470,000) | (251,200) | (251,200) |
| 3.1.07 | French Language | 411,576 | 582,400 | 582,400 |
| | Less Revenue | (243,734) | (463,600) | (463,600) |
| 3.1.08 | Organizational Development Initiatives Fund | 1,506,486 | 2,000,000 | 2,000,000 |
| 3.1.09 | Office of the Comptroller General | 3,153,581 | 3,307,700 | 3,343,700 |
| | Less Revenue | <u>(1,351,808)</u> | <u>(893,400)</u> | <u>(893,400)</u> |
| | Total Treasury Board Secretariat | <u><u>17,190,972</u></u> | <u><u>19,378,800</u></u> | <u><u>19,011,800</u></u> |

Please refer to Volume III of the *Public Accounts* of the Province, which were previously tabled in the House of Assembly, for detailed financial information.

Glossary of Terms*

| | |
|--------------------------------------|---|
| Accrual basis: | A method of accounting whereby revenues are recorded when earned/due and expenditures are recorded when liabilities are incurred. |
| Cash basis: | A method of accounting whereby revenues are recorded when received and expenditures are recorded when paid. |
| Deficit: | The excess of annual expenditures over annual revenues. |
| Gross Domestic Product (GDP): | Gross domestic product, at market, of the Province as calculated by Statistics Canada. |
| Net Debt: | The excess of liabilities over assets or, in other words, the accumulated annual surpluses/deficits to date. |
| Unfunded Pension Liability: | The total pension obligation less pension assets as determined by an actuary, as well as unamortized actuarial experience losses. |

* Definitions are excerpts from *Highlights and Analysis, Consolidated Summary Financial Statements (Volume I)*, 31 March 2003.