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Main points

Saskatchewan Government Insurance (SGI) has implemented our 2007 recommendations from our 2007 audit to strengthen its project management processes for the Saskatchewan Auto Fund Redevelopment Project.

SGI's 2008 financial statements are reliable. It had adequate processes to safeguard public resources and it complied with governing authorities.

Introduction

Saskatchewan Government Insurance (SGI) sells property and casualty insurance in Saskatchewan. Its wholly-owned company, SGI Insurance Services Ltd. (SCISL), sells property and casualty insurance in Manitoba and Alberta.

Also, SCISL owns 100% of the issued shares of Coachman Insurance Company (Coachman) and 75% of the issued shares of Insurance Company of Prince Edward Island (ICPEI). Coachman sells property and casualty insurance including automobile insurance in Ontario. ICPEI sells property and casualty insurance including automobile insurance in Prince Edward Island, Nova Scotia, and New Brunswick.

SGI also manages the Saskatchewan Auto Fund (Auto Fund). Auto Fund is Saskatchewan's compulsory automobile insurance program. It receives money from the motoring public and pays claims. Auto Fund does not receive any money from the General Revenue Fund (GRF). Nor does it pay any dividends to the GRF or the Crown Investments Corporation. The financial results of Auto Fund are not included in SGI's financial statements.

SGI sponsors the Saskatchewan Government Insurance Superannuation Plan (SGI Plan). The SGI Plan is a defined benefit pension plan (closed to new members since 1978). The Board of Directors of SGI is responsible for administration of the SGI Plan under *The Pension Benefits Act, 1992*. The primary objective of the SGI Plan is to provide pensions to retired employees and the dependents of deceased pensioners and employees of SGI. SGI provides day-to-day management of the SGI Plan.

The 2008 annual report for SGI includes its consolidated financial statements (including the operating results of the companies SGI owns) for the year ended December 31, 2008. Those statements report revenue of \$358 million, net income of \$40 million, total assets of \$717 million, and retained earnings of \$108 million.

The 2008 annual report for Auto Fund includes its financial statements for the year ended December 31, 2008. Those statements report revenue of \$639 million, net decrease to the rate stabilization reserve (net loss) of

\$43 million, total assets of \$1,343 million, a rate stabilization reserve of \$103 million, and a redevelopment reserve of \$27 million.

The annual report for SGI's Plan includes its financial statements for the year ended December 31, 2008. Those statements report contributions from employees and SGI of \$0.2 million, pensions of \$3 million, net assets of \$36 million, and pension benefits owing of \$36 million.

Audit conclusions and findings

KPMG LLP is appointed auditor for SGI and Auto Fund by Cabinet; SCISL, Coachman, and ICPEI by their respective boards of directors; and SGI Plan by SGI. Our Office worked with the appointed auditor using the framework recommended by the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*.¹ Our Office and KPMG LLP formed the following opinions.

In our opinion, for the year ended December 31, 2008:

- ♦ **SGI, Auto Fund, SCISL, Coachman, ICPEI, and the SGI Plan had adequate rules and procedures to safeguard public resources**
- ♦ **SGI, Auto Fund, SCISL, Coachman, ICPEI and the SGI Plan complied with authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing**
- ♦ **the financial statements of SGI, Auto Fund, SCISL, Coachman, ICPEI, and the SGI Plan are reliable**

The remainder of this chapter reports the result of our follow-up of the recommendations made during our audit of SGI's project management processes for the Saskatchewan Auto Fund Redevelopment Project.

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

Auto Fund Redevelopment Project–Follow-up

In Chapter 10 of our 2007 Report – Volume1, we assessed SGI’s project management processes for the Saskatchewan Auto Fund (Auto Fund) Redevelopment Project and made the following two recommendations:

- ◆ We recommended Saskatchewan Government Insurance have processes to monitor the benefits it expects from the Saskatchewan Auto Fund Redevelopment Project.
- ◆ For the Saskatchewan Auto Fund Redevelopment Project, we recommended Saskatchewan Government Insurance document its:
 - risks and strategies to manage the risks
 - strategy to plan, test and implement adequate security
 - communication strategy for keeping stakeholders adequately informed about the project

The Standing Committee on Crown and Central Agencies considered these matters in August 2007 and agreed with these recommendations.

In March 2009, we did a follow-up to assess how well SGI has addressed our recommendations. We describe below what SGI has done for each of our recommendations.

Processes to monitor benefits

We made the first recommendation because SGI had not documented targets and criteria for measuring benefits. Nor had it assigned responsibility to a staff member for monitoring and tracking those benefits. Without these processes, SGI would be less able to assess how well it achieved the benefits it set out for the project. SGI has addressed our recommendation.

SGI has developed a written process to track the benefits of the Auto Fund Redevelopment Project.

SGI has assigned specific senior managers to monitor and track the project benefits. The project team provides regular written reports to management and the board of directors on the design, development,

implementation, and operations of the new Auto Fund system as compared to expectations. SGI has identified other expected benefits from the new system such as costs savings. Annually, SGI updates its expected benefits and shares the update with senior management. SGI is currently working on the 2008 analysis.

Documenting risks and strategies

We made the second recommendation because SGI did not adequately document key decisions and plans related to risk management, application security, and system development methodology. It also had not documented its communication strategy for other phases of the project besides the analysis phase. Well-documented risk assessments, plans, and strategies would help SGI to ensure it addressed all project risks. SGI has addressed our recommendation.

SGI has developed an overall strategy to implement adequate security for its redevelopment project. The strategy outlines at a high level, its strategy to plan, test, and implement adequate security. SGI has several phases left in its redevelopment project.

SGI's risk analysis outlines several risks to the success of the project. SGI assesses all of these risks as high risk. It documents mitigation strategies for the identified risks.

SGI has developed an overall communication strategy and one for its current phase of the project. These strategies set out some targets. SGI assesses the effectiveness of its communication strategies.