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Main points

This chapter describes our conclusions about the Saskatchewan Research Council (SRC) Employees' Pension Plan and our follow-up of management's actions on the recommendations we made in 2009 about SRC's risk management.

SRC risk management—a follow-up

In our 2009 Report – Volume 1 we reported the results of how the Board of SRC used risk management processes. We made two recommendations. SRC has satisfied our recommendations.

Introduction

The mission of the Saskatchewan Research Council (SRC) is to deliver: “...smart science solutions, with unparalleled service to clients and colleagues, that grow and strengthen the economy.”¹ For the year ended March 31, 2010, SRC had revenues of \$52.9 million and expenses of \$49.1 million.² At March 31, 2010, SRC held assets of \$42.6 million. We reported the results of our audit of SRC for the year ended March 31, 2010 in our 2010 Report – Volume 2.

This chapter describes our conclusions about the SRC Employees’ Pension Plan and our follow-up of management’s actions on the recommendations we made in 2009 about SRC’s risk management.

SRC Employees’ Pension Plan

SRC manages the Saskatchewan Research Council Employees’ Pension Plan (Plan). At December 31, 2010, the Plan held assets of \$21.6 million and had a surplus of \$0.3 million.

Audit conclusions

In our opinion, for the year ended December 31, 2010:

- ◆ **SRC had adequate rules and procedures for the Plan to safeguard public resources**
- ◆ **SRC complied with the authorities governing the Plan’s activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing**
- ◆ **The Plan’s financial statements are reliable**

¹ SRC’s Board approved this new mission on October 19, 2010.

² *Saskatchewan Research Council 2009-2010 Annual Report* is available at www.src.sk.ca (see p. 39).

SRC risk management—a follow-up

In 2009, we audited SRC's processes for risk management. Our 2009 Report – Volume 1, Chapter 12 (pp. 149-160) concluded that as of February 15, 2009, the SRC Board used adequate risk management processes except for monitoring the causes of risks and risk management outcomes.

We made two recommendations. On February 2, 2010, the Standing Committee on Public Accounts agreed with our recommendations. The following sections set out the recommendations (in italics) and SRC's actions up to March 11, 2011. We found that SRC has implemented both of our recommendations.

Recording identified causes of risk

We recommended that the Saskatchewan Research Council Board require management to record identified causes of risks to aid in effective and economical risk management. (2009 Report – Volume 1)

SRC's March 2010 risk management strategy required that SRC staff identify risks and the root causes of those risks. SRC recorded its identified risks and their causes using a risk management software program.

SRC's Board expected all of its staff to identify potential adverse events and opportunities. Senior managers identified the root causes of major risks. SRC recorded a profile of each risk it identified. The profile described the risk and listed its primary cause and more detailed, specific causes. If SRC failed to recognize potential opportunities, it might not achieve its strategic plan. SRC recorded detailed potential causes of this risk including failure to monitor advancing technology in various industries or untimely recognition of market niches.

In 2010, SRC's risk management policy assigned senior managers as "risk owners" responsible to record and monitor the causes of risks. SRC expected its risk owners to monitor key risks closely to avoid exceeding risk-tolerance levels identified by senior management and the Board. Recording and monitoring the causes of risks will help SRC take timely action to reduce risks.

Status – SRC has implemented our recommendation.

Monitoring outcomes of priority risks

We recommended that the Saskatchewan Research Council Board monitor outcomes related to priority risks to enable a timely response. (2009 Report – Volume 1)

Monitoring occurs at various levels within most agencies. Often junior staff monitor that specific tasks get done, managers monitor that entire projects are progressing as planned, and senior managers monitor that the agency's strategic objectives are achieved. We expected the Board to monitor risks from the perspective of the end-result or outcome of risk management efforts. Information about outcomes often is less available than information about activities or projects.

SRC's Board monitored outcomes related to priority risks during 2010-11. For example, when managers reduced a financial risk by getting a client to pay a large outstanding account, SRC's Board was informed that SRC was in an improved cash-flow position. Being aware of this outcome helps the Board grasp new opportunities that might arise.

SRC's Board also received outcome information annually. For example, safety is one of SRC's priorities and the Board monitored the outcome of safety-related activities. For 2009-10, SRC reported the outcome of safety activities in terms of the rate of injuries that caused employees to be away from work.³

Status – SRC has implemented our recommendation.

³ Saskatchewan Research Council 2009-2010 Annual Report is available at www.src.sk.ca (see p. 32 for the rate of lost-time incidents per 200 hours worked).

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