



STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

Hansard Verbatim Report

No. 31 – March 12, 2014



Legislative Assembly of Saskatchewan

Twenty-Seventh Legislature

STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

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Mr. Scott Moe
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[The committee met at 18:59.]

The Chair: — Thank you. I see we have no substitutions tonight. I think members have a copy of today's agenda. If members are in agreement, we will proceed with the agenda.

We have three documents to table today: CCA 108/27 - Crown Investments Corporation: A report of public losses (October 1st, 2013 - December 31st, 2013) for CIC and its subsidiary Crown corporations, dated January 31st, 2014. We also have a document 109/27 - Crown Investments Corporation: Divestiture of CIC Asset Managements Inc.'s (CIC AMI) investment in the Meadow Lake OSB Limited Partnership (ML OSB) and Meadow Lake OSB Mill Corp. to Tolko Industry Inc., dated January 29th, 2014. We also have CCA 110/27 - Crown Investments Corporation of Saskatchewan (CIC): Appointments to CIC subsidiary Crown corporation boards by Orders in Council (OC), dated February 12, 2014. That's for the documents to table.

Today, we have the Provincial Auditor. I will ask her first to introduce her officials, and welcome.

Ms. Ferguson: — Thank you very much, Mr. Chair. With me today I've got Glen Nyhus. Glen is responsible for SaskWater, which is before you immediately on the agenda. Behind, I've got Jeff Kress. Jeff is an audit principle with our office and he's responsible for SaskEnergy. Mobashar Ahmad, he's a deputy provincial auditor in our office and he's got overall responsibility for SaskEnergy. And then we also have Kim Lowe who is our office's coordinator with this committee.

The Chair: — On today's agenda, from 7 to 8, the Saskatchewan Water Corporation consideration of Provincial Auditor's report. I would ask the minister to introduce his officials and if he has a brief statement, he may carry on. Welcome, Minister.

Saskatchewan Water Corporation

Hon. Mr. Cheveldayoff: — Thanks very much, Mr. Chair, committee members. Good evening. I'm pleased to be here with you this evening. With me from SaskWater is Doug Matthies, president of the corporation; Jeff Mander, vice-president, operations and engineering. Marie Alexander, vice-president of business development and corporate services is here; and with her is Cole Goertz, staff member in my office, and Theo Bryson, as well a staff member in my office.

Mr. Chair, I do have a brief opening statement. SaskWater values the objective and independent assessment of the Provincial Auditor and its recommendations to ensure the company has adequate rules and procedures to safeguard public resources and the public interest.

During the years under consideration, the auditor's reports indicate SaskWater's assets were \$79.1 million at December 31st, 2008 and have risen to \$186.5 million at December 31st, 2012. At that date, December 31st, 2012, SaskWater's assets largely consist of cash and receivables related to operations, sinking fund investments held to retire debt, with the remaining 85 per cent of its total assets being fixed assets used to deliver

water and waste water services. Ninety-nine per cent of the value of SaskWater's fixed assets in 2012 were made up of pipelines, pump stations, water treatment plants, sewage lagoons, canals or land all respectively immobile because they are dug, buried, or bolted in place inside a building.

The corporation uses these assets to deliver potable and non-potable water to its customers or to treat waste water. Our customers have told us that safety and reliability are their top two priorities. We see the auditor's recommendations as helping to ensure we meet those priorities.

Turning to the Provincial Auditor's reports in the years under review, there are a total of seven new recommendations, including six made in 2010 and one made in the 2012 report. All six of the recommendations from 2010 have been fully implemented and the auditor's 2012 report confirms this.

The new recommendations in the 2012 report, that SaskWater implement and test a business continuity plan, has been partially implemented as noted in the 2013 report. And SaskWater continues to make progress on this item.

The report also notes two outstanding recommendations from the 2006 Provincial Auditor's report, both of which have been previously considered and agreed by the committee, and both of which are partially implemented.

The first of these recommendations was that the corporation should compile reliable information detailing the water treatment and transmission infrastructure it owns and the condition of that infrastructure. SaskWater now has a database of all its assets and continues to update this database each year. The corporation is also in the process of preparing condition assessments for its various assets and the work that remains in progress.

The second recommendation was that the corporation should develop and use a maintenance plan for its water treatment and transmission infrastructure. Obviously the corporation does perform maintenance on its infrastructure but acknowledges the need for improvement and is working to develop the recommended plans.

I would like to conclude by noting SaskWater currently enjoys a very high customer satisfaction level, scoring an average of 8.54 out of 10 in its last customer survey in 2012. In addition, SaskWater scored 19.64 out of 20. Now when I first saw these numbers, I thought they might have taken them from my high school or university marks, so I had to challenge the officials to tell me for sure. But they said, no, no, no, not even close. But in all seriousness, SaskWater is very proud. They scored 19.64 out of 20 on its system reliability index in 2013. Both of these scores are very high, and we see the auditor's recommendations as helping to ensure that these high scores continue.

I'd also like to acknowledge the very professional relationship that we do have with the Provincial Auditor's office and the staff at SaskWater. So thank you for that. Thank you, Mr. Chair. Both myself and my officials would be pleased to answer any questions that you or any committee members may have. Thank you.

The Chair: — Thank you, Minister. Before I turn to the floor, I'll just add a quick reminder to the members that the questions will be just towards the chapters that are involved. This isn't like an annual report. So this is just we're dealing with the Provincial Auditor's and the chapters that are before us.

Now I would welcome the Provincial Auditor to have the floor.

Ms. Ferguson: — Thank you, Mr. Chair, members, officials, and minister. First actually, I'd like to actually thank SaskWater for their excellent co-operation extended to our office during the course of the various audits that are before the committee today.

As the minister mentioned, there are seven new recommendations for the committee's consideration. And what we have before us is four chapters and their results. They reflect the results of our annual integrated audits for the years ending December 31st, 2009 right through to 2012.

The four chapters report that SaskWater had effective rules and procedures to safeguard and control public resources except for the matters highlighted and the matters that the ministry has already referred to. In addition SaskWater complied with governing authorities and its financial statements were reliable for each of those years.

In chapter 18 of our 2010 report volume 1, as the minister indicated, that is where the six new recommendations reside. And you will find page 182, we had recommended that SaskWater establish an adequate information technology security policy. Without an adequate policy, IT [information technology] security policies, SaskWater systems and data are at an increased risk of unauthorized access, inappropriate changes, and information not being available when needed.

On page 183, we had recommended that SaskWater have an adequate information service agreement with its IT service provider. Without an adequate service agreement, there's an increased risk that SaskWater's needs may not be met, for example, SaskWater's IT service provider didn't provide it with sufficient security measures to keep its systems and data secure.

On page 183, we had recommended that SaskWater monitor the adequacy of the security controls its IT security provider uses to protect the corporation's system and data. Without adequate monitoring of services provided by its service provider, SaskWater would not be able to ensure its security is adequate, for example, if its service provider didn't implement adequate password requirements to protect unauthorized access.

On page 183, we had recommended that SaskWater periodically verify the existence and valuation of its physical assets. Without this verification there was an increased risk that some assets may no longer exist or may be valued improperly in the statements.

On 184, we had recommended that SaskWater establish a code of conduct, policies, and procedures, and communicate these to staff. Policies and procedures of this type help protect the public's interest and maintain a respectful workplace.

On 184, we had recommended that SaskWater recommend

criminal record checks for employees in position of trusts. Criminal record checks are part of prudent employer process.

As we have reported, and the minister referred to that by December 31st of 2012, SaskWater has implemented each of these recommendations that I have just mentioned.

Also in chapter 21 of our 2012 report volume 2, we made one additional recommendation. We had recommended that SaskWater implement and test a business continuity plan. Without an adequate business and continuity plan, SaskWater was at risk of not being able to deliver its programs and services in a timely manner. As the minister had indicated and we've noted in our chapter 4 of our 2013 report, at December 31st, 2012, they had partially implemented this recommendation.

The minister also referred to the recommendations that are set out in exhibit 1 of chapter 4 of the 2013 report. With respect to those two recommendations, our office expects to follow them up in this upcoming year and report the results of that follow up once that work is done. Mr. Chair, that concludes our presentation.

The Chair: — Well thank you. Are there any questions on any of the chapters? I recognize Ms. Sproule.

Ms. Sproule: — Thanks very much, Mr. Chair. And thank you for those reports from the minister and from the auditor. Just a couple of very quick questions. First of all, Madam Auditor, you referred to chapter 4 of last year, 2013, page 41. And these are some very, very old reports, 2006. And in fact, I don't think these even showed up on the schedule for tonight, so maybe they got lost track of. Or maybe, Mr. Chair, you could explain how it was that these partially implemented recommendations weren't on the schedule for tonight.

The Chair: — I'll let the auditor answer that question. Provincial Auditor, yes.

Ms. Ferguson: — Mr. Chair, in response to the recommendation, what the schedule actually is focusing on recommendations that have not been considered by the committee. These two recommendations were considered by the committee in the past and, as a result, it would have been in one of the past committee's reports. And so the schedule focuses on recommendations that had not, the committee has not actually gone through or considered in the past.

Ms. Sproule: — I guess then my next question would be to the minister and his officials, and that is, we're looking eight years now and they're partially implemented. Can you explain why this is taking so long?

Hon. Mr. Cheveldayoff: — Absolutely. Thank you very much for the question, and I really appreciate the opportunity to fully explain the process. They may seem like very simple recommendations, but indeed they're very complex and engaging. And the corporation has been taking them very seriously, and ongoing work has been done. So I have quite an elaborate answer here. It's going to take me a minute or two to get through it, but I think at the end of it, it'll fully explain the substantial work that has been done.

SaskWater acknowledges it appears to be taking a longer period of time to fully address these recommendations. The corporation is making progress, and it may help the committee if I elaborate a little on some of the many components and pieces that SaskWater sees in fulfilling these recommendations.

The first recommendation from 2006 has two components to it: first to compile a reliable information detailing its assets, and secondly to complete condition assessments of those assets. SaskWater has virtually completed the first part of this recommendation. It purchased appropriate asset management software and has trained staff in the use of the technology. A staff position has been created with responsibilities to oversee the asset maintenance. The system has been populated with asset data. SaskWater has implemented a bar-coding system to label and identify individual asset components. The corporation now sees this aspect of the recommendation in a maintenance mode to be updated every year for new acquisitions, disposals, or decommissioned assets.

[19:15]

The second part of the recommendation is more involved. It includes documenting the condition of the assets and maintaining an up-to-date record of servicing. To assist with this, SaskWater has implemented an electronic work order system to better track and record asset replacement and maintenance. The work order is based off of hand-held devices and software that link back into the corporation's asset database.

SaskWater has hired a consulting engineering firm to complete an asset condition assessment of the Saskatoon southeast water supply system. The work was done over a period of time from 2011 to 2013 at a cost of approximately \$400,000.

SaskWater has also developed an asset criticality rating system for its most important asset category, which is pumps and motors. This is a complex system that includes consideration of six factors — safety, quality, customer service, environment, throughput, and operating costs. The pumps and motors in 23 of 58 facilities have now been assessed. Those facilities represent the pumps and motors that deliver 72 per cent of total water volumes delivered.

SaskWater has also initiated arc flash and infrared testing on major electrical systems.

In terms of the second recommendation from 2006, to develop a formal maintenance for SaskWater's assets, this is also a simple statement but with complex underpinnings. Work to date to address this recommendation includes completion of quality assurance and quality control plans for all SaskWater facilities; creating digital copies of all SaskWater system drawings that can be accessed through the asset management software; developing standard procedures for a number of key areas, including flushing and swabbing of pipelines, valve exercising, water meter maintenance; standardizing of instrumentation equipment.

Key aspects still to be done to fully complete these two recommendations include completing the development of evaluation matrices for the remaining infrastructure and

assessing the infrastructure against the criteria, completing additional aspects of the asset maintenance plan, incorporating more scheduled maintenance activities into the asset management software system.

SaskWater expects to continue making progress on these activities. However while it is completing these tasks, it is also focused on continuing to build the infrastructure we need to support our thriving and growing economy. Therefore it estimates that it may take an additional three years to fully complete the recommendations.

I again thank committee members for indulging me in that very complete and elaborate answer. But it's just there to show that we take those recommendations very serious and that much work has been done and that we are nearing completion, but it will take some additional time. Thank you, Mr. Chair.

Ms. Sproule: — Thank you, Mr. Minister. I'm just curious to understand this more completely. When you referred to the asset management software that you acquired to meet the first recommendation, it seems to me, as you're assessing the condition and the infrastructure, certainly that's part of the maintenance plan as well. And you were talking about matrices to evaluate the maintenance aspect of it. Is this software used for both recommendations then? Is it more integrated than it would appear in these recommendations?

Hon. Mr. Cheveldayoff: — I'll ask Mr. Mander to reply to the question.

Mr. Mander: — Yes, the criticality and asset values will all be incorporated into the asset management software. The asset management software is the key piece for us because it generates all the work orders, and it provides like a centralized database of all the work we've done. So it's important to roll that into — the criticality stuff and the asset value — right into the software.

Ms. Sproule: — Just curious, given the winter we've just had, and I see in the city of Saskatoon we've had so many main breaks and things like that, I'm just curious how you made out this winter. But you know, this kind of software, how would that work into helping with those kinds of . . . I don't know if they're foreseeable or not.

Mr. Mander: — To answer your first question, actually we've fared fairly well. We haven't really had any significant number of leaks in our systems, knock on wood. And we're mainly in a stage where we're populating the asset data so if, you know, when events occur, that gets entered into the software and builds up the record on these assets that we can use for future planning. So it doesn't, you know, doesn't provide us forward-looking data right now. Once we get the criticality in and the asset values and the remaining life and those type of information on the assets, then it'll start to influence our forward planning and our capital planning and that type of work.

Ms. Sproule: — Okay. Eleven years I guess it'll be total before you're up finally, if it's three more years from now, which is eight years. It just seems like a very long time. And I understand the complexities that you're talking about. Is it

really going to take three more years, or are you just sort of hoping that's the outside edge of it? It just seems so long.

Mr. Matthies: — Mr. Chair, I think I'd like to speak to that. I think had we had the benefit of hindsight, we would have asked the Provincial Auditor to chunk this out a little bit more. What seemed like a fairly simple statement back then, we've really taken to heart. We work with, if I can sort of say, trying to get the best in the industry and work with the AWWA [American Water Works Association] and others to try and figure out what this entails. And I think if we would've had the benefit of hindsight, we would've said, let's chunk these out into manageable pieces. And then we would've been able to come to the committee and say, well this piece is done and this piece is done and this piece is done.

But we've just taken a very holistic approach to this. We think that the recommendation at its core is very sound. You should know where your assets are. You should know what kind of shape they're in. And you should know what you need to do to keep them operating very in good shape. And you know, we've had very good experience, but the better planned you are, the better. And so I think that's the response that I would say.

Ms. Sproule: — Thank you. Certainly I hope we'll have a Cadillac at the end of the system and really be able to keep track of these things. Just one more question I guess based on page 40 of the, I think it's the 2013 report, and just maybe a little update on how things are going with your business continuity plan.

Hon. Mr. Cheveldayoff: — Thanks very much to the member for the question. SaskWater has initiated a development of its business continuity plan, and it's completed a business impact analysis intended to help identify and assess the threats and risks a disaster would have on its operations. SaskWater also ran a mock disaster scenario in December 2013 to test the plan as drafted at that point. The plan is being further refined, and SaskWater plans to conduct another simulation sometime this current year in 2014.

In addition SaskWater has contracted with the firm Agility Recovery Solutions to provide emergency command centre and information technology support in the event of a disaster. So once again taking the recommendation very serious, implementing it over a period of time, but the end result will be a full and complete adherence to recommendation.

Ms. Sproule: — Thank you. Just out of curiosity, what kind of disasters would you be looking at?

Hon. Mr. Cheveldayoff: — Thanks very much for the question. The disaster scenario that was undertaken late last year was the situation of the head office burning down, completely burning to the ground. That was the scenario at that point, but again the plans are much broader than just that one scenario. But that was a scenario that could indeed be plausible and we have to be prepared for.

Ms. Sproule: — So I guess I was imagining a pipeline bursting somewhere, but this is more business continuity rather than operations?

Hon. Mr. Cheveldayoff: — Right. The whole operation here.

Ms. Sproule: — All right. Well, Mr. Chair, that's the extent of the questions I would have on these one, two, three, four, five reports, other than just a comment and concern about the number that were being considered and the lateness of the time. So you know, hopefully we'll get caught up on these at some point. But thank you for the work you're doing in that direction.

The Chair: — Thank you, Ms. Sproule. Well noted. That's why I guess we're sitting here on Wednesday night when we usually don't do committee. We're trying to catch up. Does anybody else have any questions on any of the SaskWater Corporation Provincial Auditor report? Mr. Moe.

Mr. Moe: — There's no more questions. I'd be prepared to move a motion.

The Chair: — We'll go by I believe chapter by chapter. Okay. We'll do one at a time. 2009 Provincial Auditor's report volume 1, chapter 15, is the committee ready to conclude consideration of this chapter? I need a motion . . . [inaudible interjection] . . . Just agreed? The committee all in favour?

Some Hon. Members: — Agreed.

The Chair: — Okay. 2010 Provincial Auditor's report volume 1, chapter 18, recommendation no. 1, is the committee willing to conclude that chapter? Mr. Moe.

Mr. Moe: — Do we deal with the chapter or each recommendation singly?

The Chair: — Whatever you would like. We can do . . .

Mr. Moe: — This chapter has six recommendations in it.

The Chair: — Yes. We can do them all in one if that's all right. They've all been implemented, so if there seems to be a consensus, we can all do them in one.

Mr. Moe: — Sure.

The Chair: — Okay. Then I would ask, is the committee ready to conclude consideration . . . Mr. Moe.

Mr. Moe: — So with regards to Provincial Auditor's report from 2010 volume 1, chapter 18, I would move that we deal with recommendations 1 through 6 together and that we concur with the recommendations and note compliance.

The Chair: — Is the committee in agreement?

Some Hon. Members: — Agreed.

The Chair: — Agreed. That's agreed. Okay, 2011 Provincial Auditor's report volume 1, chapter 17, there's no recommendation there. Is the committee ready to conclude consideration of this chapter?

Some Hon. Members: — Agreed.

The Chair: — Agreed. Okay, that's done. 2012 Provincial

Auditor's report volume 1, chapter 21, there is one new recommendation there. Mr. Moe.

Mr. Moe: — And I would, with regards to this chapter and recommendation no. 1, I would move that this committee concur with the recommendation and note progress towards compliance.

The Chair: — Is the committee in agreement?

Some Hon. Members: — Agreed.

The Chair: — Agreed. Okay. 2013 Provincial Auditor's report volume 1, chapter 4, there is . . . Is the committee ready to conclude consideration of this chapter?

Some Hon. Members: — Agreed.

The Chair: — Agreed. I believe that we are done with Saskatchewan Water. Would the minister like to make a few remarks?

Hon. Mr. Cheveldayoff: — Just very briefly, Mr. Chair, again thank you to you and committee members. Thank you to Ms. Sproule for the questions, and we appreciate the relationship. We appreciate being able to tell the SaskWater story before this committee, and we look forward to future engagements.

The Chair: — Ms. Sproule.

Ms. Sproule: — I just want to thank the auditor for the work her and her staff are doing on this and certainly the minister and his officials on the good work at SaskWater. Thank you.

The Chair: — We will have a brief recess until the next minister and officials are ready. So we're now in a recess till the call of the Chair.

[19:30]

[The committee recessed for a period of time.]

SaskEnergy Incorporated

The Chair: — I want to welcome the committee members back again. We are on the second part of our agenda, which is SaskEnergy Inc., 2012 Provincial Auditor's report volume 1, chapter 19; 2013 Provincial Auditor's report volume 1, chapter 19. I would ask the minister if he wants to . . .

Ms. Ferguson: — Actually I have one more official with me, if I could just introduce her.

The Chair: — I will ask the Provincial Auditor then to introduce some new officials she has.

Ms. Ferguson: — Sure. That is Rosemarie Volk. She's an audit principal with our office and she's joined us this evening. And Rosemarie's actually responsible for the next agenda item, which is SaskPower.

The Chair: — And I will then ask the minister to introduce his officials. And if he has brief opening remarks, he may make

them at this time.

Hon. Mr. McMillan: — Thank you, Mr. Chair, and I do have a couple of opening remarks but they are very brief. Joining me tonight is president and CEO [chief executive officer] of SaskEnergy, Doug Kelln; and to my left is Leah Olson, chief of staff for my ministry.

Tonight we are here to speak to two sets of recommendations by the Provincial Auditor, the first, the 2010 audit. In that report the auditor felt there was not adequate segmentation between some of the decision making and the work being done on the IT systems. It is a recommendation that we took very seriously, we concurred with, and we've acted upon. In short, we had a couple of options going forward to bring ourselves in compliance, we felt.

One was addition of additional staff members so that we could have a separation in absolute terms between staff making decisions and doing the work. SaskEnergy endeavoured to find a more cost-effective and streamlined approach to this. To do that, they put in place a change advisory board. This board is comprised of IT per management, senior management officials from the IT department within SaskEnergy that would approve projects to go forward.

On an annual basis about 600 projects get approved. When that happens, the project gets presented to the board. The board approves the project to go forward. They open a window in which this work can be done. When the work is complete it is audited and the window of change is then closed. And we feel that this allows the appropriate oversight, the appropriate separation and segmentation of the duties.

The other item that we are here before the committee is the 2013 audit. In this audit the auditor looked specifically at the SCADA [supervisory control and data acquisition] system. The SCADA system is the remote . . . I'm going to probably bastardize what it is, but it's a computer, remote monitoring and control of the SaskEnergy system, the backbone, the nerve centre of the SaskEnergy system — turning on and off valves, monitoring pressures, monitoring the system overall — an extremely important and sophisticated piece of hardware.

The recommendations that were put forward by the auditor, we again took very seriously. We think they added value and were of value to SaskEnergy. We have acted on and completed or have acted on and are currently completing, or they are ongoing requests which we have taken seriously and are and will continue to be ongoing of those recommendations.

With that I would just also highlight that though we think those are appropriate, that we are acting on them, that we . . . SaskEnergy's SCADA system has been a very successful system for 25 years, and we think that these recommendations are going to continue with the security and the high standards that SaskEnergy has.

With that we'd be happy to answer any specific questions on either of these two items. So thank you.

The Chair: — Thank you, Minister. I'll turn the floor over to the Provincial Auditor if she has some remarks on the

recommendations.

Ms. Ferguson: — Thank you, Mr. Chair. Committee members, Minister, and officials, first off I would actually like to thank the minister and SaskEnergy and its staff for the excellent co-operation that we've received during the course of both of the audits that are before the committee here today.

What we are doing, as indicated, is providing that . . . We're going to provide a brief overview of both of these chapters. I'm going to do the first part actually and Mr. Ahmad will discuss the next part.

So as indicated by the minister, chapter 19 of our 2010 report volume 2 contains the results of our annual integrated audit for SaskEnergy for the year ended December 31st, 2009. In that report we report that the SaskEnergy statements were reliable. They complied with authorities governing its activities. It had effective rules and procedures to safeguard public resources, except for the new recommendation the minister has already discussed. As the minister has indicated, we are pleased to report and agree with the minister that they have fully implemented that recommendation.

So I'm going to turn it over to Mr. Ahmad to present the other chapter, chapter 19.

Mr. Ahmad: — Thank you, Ms. Ferguson. Chapter 19 of our 2013 report volume 1 begins on page 243 and reports the result of our audit on SaskEnergy's processes to secure the supervisory control and data acquisition system. That's SCADA.

We concluded that for the period from September 1st, 2012 to February 8, 2013 SaskEnergy did not have effective processes. We made seven recommendations for the committee's consideration.

On page 248 we recommended that SaskEnergy complete a threat and risk assessment of SCADA. We made this recommendation because SaskEnergy had not done a threat and risk assessment related to SCADA. Such a process would allow SaskEnergy to assess, identify, and mitigate the overall level of risk to which it is exposed. It can also assist SaskEnergy in prioritizing and allocating resources.

On page 249 we recommended that SaskEnergy implement complete policies to protect the confidentiality, integrity, and availability of SCADA based on the threat and risk assessment. Again, we made this recommendation because SaskEnergy did not have a complete policy and procedure for SCADA. Once the threat and risk assessment is complete, further policies may be needed. Without complete policies and procedures, SCADA remains at a risk of unauthorized alteration or loss of availability.

On page 249 we recommended that SaskEnergy configure SCADA to protect it from security threats. We also recommended that SaskEnergy monitor the security of SCADA. We made these recommendations because SaskEnergy did not securely configure SCADA. SaskEnergy also needed to improve its processes to monitor security logs. Effective security configuration and timely review of logs can prevent

and detect potential cyberattacks before a breach occurs.

On page 250 we recommended that SaskEnergy effectively restrict physical access to its facility. We also recommended that SaskEnergy effectively restrict access to SCADA. We made these recommendations because SaskEnergy needed to improve its processes to protect both its facilities and SCADA from unauthorized access.

On page 250 we recommended that SaskEnergy test its business continuity plan for SCADA to verify its effectiveness. We made this recommendation because SaskEnergy had not tested its business continuity plan that was prepared in September 2012. And that concludes my overview. Thank you.

The Chair: — Thank you. Are there questions on recommendations? Ms. Sproule.

Ms. Sproule: — Thank you very much, Mr. Chair, and thank you, Mr. Minister, and Mr. Kelln, for coming in this evening. As a layperson I'm just trying to understand SCADA and how it would work. And I'm just wondering. I know there's a fairly technical description in the materials but for the folks at home that are glued to their TV and perhaps people like me — and I noticed on page 246 the diagram that we see there comes from Homeland Security — so is this type of system used across the board in all kinds of industry? Is there a number of applications for this or is this specifically for a natural gas distribution system?

Hon. Mr. McMillan: — This is a very standard-type remote control system that you would see in the private sector, you would also see in some of the other Crowns. It's very similar to the technology in the system and the backbone that SaskPower uses to manage their electrical grid. SaskWater actually partners with SaskEnergy and is co-located in our building to open and close the gates and control the valves for the SaskWater system as well.

Ms. Sproule: — All right. On page — where is it? — 245 of the 2013 report, the auditor referred to a worst-case failure. And I know this is in the context of SaskEnergy having provided good service throughout the last 25 years at least. And I'm just sort of thinking of those movies where everything goes wrong. So what would be a worst-case scenario for SaskEnergy?

Hon. Mr. McMillan: — The SCADA system is a very powerful system that allows us to operate really our entire network remotely. But we have continuity plans that our entire system can be operated manually, and we have plans in place that, as need be, we have people on the ground that can do the exact same work that the system . . . So if there was a failure, it certainly wouldn't be catastrophic. It would be something that we would just have to transition to a more labour-intensive way of operating our system.

Ms. Sproule: — So right now I guess when you're talking about the remote nature of this and how things are monitored and controlled remotely, can you sit in the building where the system is and actually physically . . . or not physically but remotely cause a valve to open or close in a very northern or southern location in the province?

Mr. Kelln: — Sure.

Ms. Sproule: — Okay. I'm just looking again on 245, and it's talking a little bit about the people that are monitoring this. There's operators. How many staff are involved in the operation of SCADA right now?

Hon. Mr. McMillan: — There is management that is involved in strategically mapping out the workload and the operations, but on specifically how many people are operating the SCADA system, the total number would be 11. And of that 11, they operate 24 hours a day, 7 days a week, 365 days a year, and the standard would be two of those 11 at any one time would be actually operating the system.

Ms. Sproule: — And would that be consistent over the years, or were there more staff in the past or less?

[19:45]

Hon. Mr. McMillan: — Historically we would have had two and then gone down to one in the evenings, but in recent years with the growing environment in which we find ourselves, we think it's appropriate to have two on at any one time to give us the security we think is important.

Ms. Sproule: — Okay. I think at that point, Mr. Chair, those are the extent of my questions on this, these two chapters.

The Chair: — Okay. Well thank you. Seeing no other questions, we can deal with 2010 Provincial Auditor's report volume 1, chapter 19. I will need a motion. Mr. Moe.

Mr. Moe: — With regards to recommendation no. 1 from the 2013 — sorry, I'm on the wrong report — 2010 volume 1 Provincial Auditor's report, I would move a motion that this committee concur with the recommendation and note compliance.

The Chair: — All those in agreement?

Some Hon. Members: — Agreed.

The Chair: — Agreed. Okay. We can deal with 2013 Provincial Auditor's report volume 1, chapter 19. There are multiple motions there. Would you like to deal with them all in one motion?

Mr. Moe: — With regards to motions or recommendations 1 through 7, I was listening to the auditor's summary of those and I didn't hear whether individually you thought that some of those chapters were complied with or not. Or maybe what I'll do is I'll ask the minister.

With regards to recommendation no. 1 in the 2013 report, recommend that SaskEnergy complete a threat and risk assessment.

Hon. Mr. McMillan: — No. 1 is the threat and risk assessment. That work we have contracted out to bring in a third party to look at it. I can disclose the company name?

A Member: — Yes.

Hon. Mr. McMillan: — IBM [International Business Machines Corporation] has been contracted to do that work. That work has been initiated and it will be . . . initiated February 19th and will be concluded here on April 5th. And bringing in that party to do this work I believe would put us in compliance with the recommendation.

Mr. Moe: — Okay.

The Chair: — Note progress on that motion?

Mr. Moe: — Yes we could. So then with regards to recommendation no. 1, it would maybe be in compliance if we had the report back from IBM. So I would move this committee concur with the recommendation and note progress towards compliance.

The Chair: — All those in favour?

Some Hon. Members: — Agreed.

The Chair: — Okay. Agreed.

Mr. Moe: — Minister, with regards to recommendation no. 2, we recommend that SaskEnergy implement complete policies to protect the confidentiality, integrity, and availability of its supervisory control and data acquisition system based on a threat and risk assessment.

Hon. Mr. McMillan: — In regards to recommendation no. 2, we have drafted these but until we get back the information following the conclusion of the risk assessment from IBM, we think it's appropriate to take that information and ensure that the policies and procedures we're putting forward are fully reaching the goals that we have. So it's work in progress as well.

Mr. Moe: — Two through 7 or just 2?

Hon. Mr. McMillan: — Could I maybe run through the whole list? Properly configure its SCADA system to protect against security threats, this year we would consider completed. We have firewalls obviously around our IT network so that no unauthorized access can get into SaskEnergy's network. To be compliant with this recommendation, we have put an internal firewall. So even those that are authorized to be within SaskEnergy's network, there is another firewall specifically around the SCADA system, kind of an inner fence inside the fence that we think is the appropriate level of security for something this important.

The next recommendation is to protect facilities from unauthorized access. This here work has been completed as well. We have in fact welded . . . [inaudible interjection] . . . Yes. We have structurally made it impossible to access computers in our field locations so that they are just inaccessible and that only if you're in the secure facility do you have access to the system.

The next recommendation was to protect its SCADA system from unauthorized access.

So the next two work fairly closely together — the protecting

its SCADA system from unauthorized access and the monitoring SCADA system security. These we would categorize as under way and something we will be doing ongoing. That we will continue to improve and monitor what type of access and what type of challenges we think we have and adapt to them.

Seven is the . . . And the seventh recommendation is in regards to business continuity. This is work that we have completed and it would best be described as, if there's a disruption, if there is a challenge, how do we ensure that our services are not compromised. We've done this work and we've completed it to, certainly, to our satisfaction.

Mr. Moe: — Just if I back up to 5 and 6, I felt you had implemented both of those with SaskEnergy Inc., effectively restrict physical access to its facilities. You welded structures on there, you said. And then 6 was, effectively restrict access to its supervisory control and data acquisition system. Was that partially implemented or implemented, recommendation no. 6?

Hon. Mr. McMillan: — No. 6 would be partially.

Mr. Moe: — Okay. I can . . . Are we on . . . Did I do 1? I did 1? Okay. I will go onto recommendation no. 2 then in chapter 19 of the Provincial Auditor's 2013 report volume 1. With recommendation no. 2, I would move that this committee concur with the recommendation and note progress towards compliance.

The Chair: — All in agreement?

Some Hon. Members: — Agreed.

The Chair: — Okay. Carried.

Mr. Moe: — With regards to recommendation no. 3, I would move that this committee concur with the recommendation and note compliance.

The Chair: — All those in agreement?

Some Hon. Members: — Agreed.

The Chair: — Agreed.

Mr. Moe: — With regards to recommendation no. 4, I would move that this committee concur with the recommendation and note compliance.

Hon. Mr. McMillan: — That one is complete. That is the physical access. We have . . . [inaudible interjection] . . . That's 5. No. 4 on . . . [inaudible interjection] . . . I have them backwards. So yours is the . . . protects SCADA system from unauthorized access, that work under way.

Mr. Moe: — The monitoring. The 4 that we have is: "We recommend that SaskEnergy Incorporated monitor the security of its supervisory control and data acquisition system."

Hon. Mr. McMillan: — That one we would describe as in progress.

Mr. Moe: — With regards to recommendation no. 4, I would move that this committee concur with the recommendation and note progress.

The Chair: — All those in agreement?

Some Hon. Members: — Agreed.

The Chair: — Agreed.

Mr. Moe: — No. 5 was the physical one. "We recommend that . . ." With regards to recommendation no. 5, I would move that this committee concur with the recommendation and note compliance.

The Chair: — All those in favour?

Some Hon. Members: — Agreed.

The Chair: — Agreed.

Mr. Moe: — With regards to recommendation no. 6, I would concur . . . or sorry, move that this committee concur with the recommendation and note progress towards compliance.

The Chair: — All those in agreement?

Some Hon. Members: — Agreed.

The Chair: — Agreed.

Mr. Moe: — And lastly with recommendation no. 7 of the 2013 Provincial Auditor's report volume 1, I would move that this committee concur with the recommendation and note compliance.

The Chair: — All those in agreement?

Some Hon. Members: — Agreed.

The Chair: — Carried. That being done, I would ask the minister if he has any closing remarks.

Hon. Mr. McMillan: — Most certainly. First off I'd like to thank my official for joining me tonight and the knowledge and the leadership he provides at SaskEnergy. This has been a very challenging winter, and SaskEnergy has performed very admirably. So thank you for that work and thank you for tonight.

I'd also like to thank the committee members and the committee for doing this important work. This is something that certainly needs the oversight of the committee and on a timely basis, and going through them now I think is appropriate. So thank you to the committee and to the auditor who's made these reports. This is a very important role, and thank you for bringing these issues to light. I think it makes the company better and the network better. Thank you.

The Chair: — Ms. Sproule, any remarks?

Ms. Sproule: — Again just thanks to the auditor and her staff for their good work, and certainly to SaskEnergy for, as you

indicated, a very trying winter. I think a few records were broke this year. So I congratulate you and all your employees and staff and thank you for the report.

The Chair: — I want to thank the minister and his officials appearing before this committee. We will now go into recess again, for the next one in front of the agenda will be Saskatchewan Power Corporation. So we're going to be now in recess till they're ready and their officials are here. Thank you.

[The committee recessed from 19:56 until 20:33.]

The Chair: — Welcome the committee back again from recess. We're up with the last item of our agenda today. We'll be dealing with Saskatchewan Power Corporation, consideration of the Provincial Auditor's reports. The Provincial Auditor doesn't have any new officials to introduce, so I will go to the minister. And if he can introduce his officials, and if he has an opening statement he can make it.

Saskatchewan Power Corporation

Hon. Mr. Boyd: — Thank you, Mr. Chair. Good evening, committee members. I am joined here tonight by Mike Marsh, who will be joining us here shortly. He's the vice-president and chief operations officer. Sandeep Kalra, vice-president and chief financial officer. And behind me — perhaps they can just give a little wave — Rachelle Verret-Morphy, vice-president, legal, land and regulatory affairs; Diane Avery, vice-president, commercial; and Troy King, senior director, corporate planning and rate design.

It is important and it's a critical time for SaskPower. The province is growing at a remarkable rate, and SaskPower has a great responsibility to support that growth. SaskPower will spend about \$1 billion per year over the long term to renew and develop necessary infrastructure. Our province is changing, and SaskPower is changing with it. There's a challenge to meet, investors also to be conscious of in our future plan for growth.

SaskPower has a thoughtful and thorough planning process and strives to maintain effective internal controls. Some examples of its control environment include a well-articulated policy and procedure framework, identification of key internal controls over financial reporting, testing those controls, and maintaining independent internal audit function.

Over time there have been various issues raised by provincial auditors, such as processes in place to buy goods and services under \$100,000. The majority of these issues have been addressed by SaskPower, and the corporation continues to move forward and work with the Provincial Auditor on any issues that remain outstanding.

Mr. Chair, with those brief comments, we're prepared to take questions.

The Chair: — I thank the minister. I will now turn the floor over to the Provincial Auditor, and she can make her presentation on the recommendations.

Ms. Ferguson: — Thank you, Mr. Chair, members, Minister, and officials. First actually we'd would like to thank SaskPower

and the minister for the excellent co-operation that our office received during the course of our audit work that's before the committee this evening here.

Second, I'm just going to pause and outline how we're going to present the seven chapters that are on the agenda this evening. What we want to do is we want to present them in three parts. I'm going to present the first part, which is going to focus on five chapters that contain the results of our annual audits, including three chapters that contain the follow-up of performance audits that were previously considered by this committee. The recommendations in these chapters have either been implemented or previously considered.

Rosemarie Volk, Ms. Volk here is going to present the remaining two parts. The second part will be on our 2007 audit of the effectiveness of processes to buy goods and services valued at less than \$100,000, reported in chapter 3 of our 2007 report volume 3 and two related follow-up chapters — chapter 16 in our 2010 report volume 1 and chapter 22 in our 2011 report volume 2. Those chapters do contain some recommendations for the committee's consideration.

The third part's going to be on our 2011 audit of the processes to inspect gas and electrical installations, and that's in chapter 22 of our 2011 report volume 2. And again that chapter contains some recommendations for this committee's consideration.

At this point, I'm going to present part one. So we've reported the results of our annual integrated audits of SaskPower Corporation, its subsidiaries — NorthPoint Energy Solutions, Shand greenhouse and Saskatchewan Power International — along with its superannuation plan, the power corporation superannuation plan for the years ended December 31st, 2007 to 2012, in various reports to the Assembly.

In these chapters, we report that SaskPower complied with the authorities governing its activities. And the financial statements of SaskPower, its subsidiaries, and its pension plan were reliable. In addition, SaskPower had effective rules and procedures to safeguard public resources except for the following matters that I wish to highlight.

In chapter 13 of our 2008 report volume 1, we reported that SaskPower implemented our recommendations that related to conditions that allowed for a loss of just less than 190,000 to occur and remain undetected over a four-year period.

In chapter 16 of our 2010 report volume 2, we had made two new recommendations regarding NorthPoint Energy Solutions Inc. We had recommended that NorthPoint assign responsibility for monitoring compliance with electricity and natural gas trading market rules to staff not directly involved in trading activities. We had noted numerous occasions during 2008 and 2009 where NorthPoint may have violated a rule of the market regarding the interrelationships among market participants trading in electricities. Violations of rules have the potential of financial penalties. They also had increased the risk of NorthPoint impairing its reputation and the future ability to participate in key electricity-trading markets. We're very pleased to report that NorthPoint implemented this recommendation in 2010.

On page 170 of that chapter, we had recommended that NorthPoint establish a training program that provides its staff with ongoing training on market values and on NorthPoint's processes to monitor compliance with those rules. They needed to ensure regulatory monitoring processes are managed to segregate market-creating personnel and that its staff was properly supervised. They also needed at that time to ensure that staff fully understood the requirements or consequences of violating market rules. Again we're very pleased to report that NorthPoint had implemented this recommendation in 2011.

In chapter 14 of our 2011 report volume 1, we made one recommendation related to SaskPower's superannuation plan. We had recommended that SaskPower's superannuation plan monitor PEBA's [Public Employees Benefits Agency] fulfilment of its assigned administrative responsibilities related to this plan. We had noted it's important to have good monitoring controls over service providers, of which PEBA is a service provider for that plan, and this includes assurances that the service provider uses appropriate controls to manage its activities. We are pleased to report that the superannuation plan implemented this recommendation in 2011.

In chapter 19 of our 2012 report volume 1, we made a second recommendation related to the superannuation plan. We recommended that the plan reconcile investment balances between the custodian and investment manager's reports on a timely basis. Reconciliation procedures on a timely basis are important to catch differences so that they are investigated promptly and any corrective actions are taken. Again as reported in our 2013 report volume 1, chapter 6, SaskTel's superannuation plan has implemented this recommendation.

Our chapter 13 of our 2008 report volume 1, chapter 16 of our 2010 report volume 2, chapter 22 of our 2011 report volume 2 each report the follow-up on four recommendations we made in a 2006 audit on processes to plan for infrastructure needs. We are very pleased to report that by September 30, 2011, SaskPower had implemented each of these recommendations.

At this point I'm going to turn it over to Ms. Volk to present this part 2 and part 3 of our presentation.

Ms. Volk: — Chapter 23 of our 2007 report volume 3 contains the results of our audit on the adequacy of processes to buy goods and services valued at less than \$100,000. We report the results of two related follow-ups in chapter 16 of our 2010 report volume 1 and chapter 22 of our 2011 report volume 2. This part contains four new recommendations for the committee's consideration.

We concluded that for the seven-month period ended July 31, 2007, SaskPower had effective processes to purchase goods and services valued at under \$100,000 except for the four recommendations we made to improve SaskPower's processes.

On page 385 we recommend that where SaskPower allows for a choice of an approved purchase method, it consistently follow its established processes that require its staff to document the rationale for the method chosen. Documenting decisions when choices are made aids in ensuring that established processes are consistently followed. As reported in chapter 16 of our 2010 report volume 1, SaskPower implemented this recommendation

in 2009.

Also on page 385 we recommend that SaskPower consistently follow its established processes that require its staff to obtain the appropriate approval of the purchase prior to finalizing the purchase decision. Following established processes aids in ensuring that SaskPower is making unbiased purchasing decisions. As reported in our 2011 report volume 2, chapter 22, this recommendation remains outstanding.

On page 386 we recommend that SaskPower provides staff with guidance on setting acceptable bid submission deadlines. Providing staff with guidance on purchasing policies will aid in ensuring that SaskPower is making unbiased purchasing decisions. As reported in our 2010 report volume 1, chapter 16, SaskPower implemented this recommendation in 2009.

On page 388 we recommend that SaskPower track problems with key suppliers and make this information available for purchasing decisions. Keeping information on key supplier performance would help SaskPower better use this information when making purchasing decisions. As reported in chapter 22 of our 2011 report volume 2, this recommendation remains outstanding.

We expect to report the results of our third follow-up on these two outstanding recommendations in our 2014 report volume 1.

[20:45]

The final performance audit relates to the inspection of gas and electrical installations which was reported in chapter 22 of our 2011 report volume 1. We concluded that for the 12-month period ended March 31st, 2011, SaskPower had effective processes for the inspections of gas and electrical installations except for the seven recommendations we made to improve SaskPower's processes.

On page 429 we recommend that SaskPower periodically review and update its gas and electrical inspection strategies. Lack of periodic review of risk factors and updated inspection strategies increases the risk that SaskPower may not select the right permits to inspect. This could potentially lead to defects remaining unidentified. Gas and electrical installation defects could result in property damage, injury, or death.

On page 430 we recommend that SaskPower document its strategy for electrical inspections including guidance on selecting permits to inspect. Not providing written guidance increases the risk that inspectors may not apply their professional judgment consistently and as SaskPower expects.

On page 430 we recommend that SaskPower require, in writing, its gas and electrical inspectors to document rationale for not inspecting permits for high-risk installations. Also on page 431 we recommend that SaskPower require management to review inspectors' rationale for not inspecting gas and electrical permits for high-risk installations. Inconsistent application of the inspection strategy could result in permits for high-risk installations being cleared without inspection, leading to potentially significant defects remaining unidentified.

On page 433 we recommend that SaskPower establish a process

to clear uninspected gas and electrical permits in its gas electrical inspection system within a reasonable amount of time. Without timely defect resolution, homeowners and businesses may be at risk of property damage, injury, or death. Timely resolution of defects reduces the chances that permits may needlessly remain outstanding.

On page 435, we recommend that SaskPower give senior management quarterly written reports on high-risk, older, outstanding defects, and on the number and age of all outstanding gas and electrical defects identified in inspections. Also on page 435, we recommend that SaskPower periodically give its board of directors summary trend information on its gas and electrical inspection activities and common or emerging trends or risks in gas and electrical installations. Complete and timely information will aid SaskPower in making more informed decisions and adjusting their practices where necessary.

We expect to report the results of our first follow-up on these seven outstanding recommendations in our 2014 report volume one. Mr. Chair, that concludes our overview of the chapters before the committee.

The Chair: — Are there any questions on the recommendations? Ms. Sproule.

Ms. Sproule: — Yes, thank you very much, and thank you to the auditor and her staff for the report. I'm not sure I'm going to follow in the same order, because you were jumping around a bit, and I'm very linear. So I think if it's okay, I'll just sort of dive in and start at the beginning, back to 2007. And again just for the record, Mr. Chair, I just want to register a note of concern that we are looking at reports that are seven years old. And I think it's encouraging to see the backlog being dealt with, but this is concerning and I hope that we won't see this again in the near future. Thank you.

I guess the first thing I wanted to ask the minister and his staff about was some questions about NorthPoint Energy Solutions. In the 2008 report, there was an indication, I'm trying to find it. Sorry, it was the 2010 report where we first saw mention, page 169 of the 2010 report. And the auditor indicated there that there was a number of occasions where NorthPoint may have violated a rule of a market and exposed itself to financial penalties.

And apparently at the end of 2009, the market regulator was still making a decision. And then I note — on the next year I believe it is, so 2011 — on page 161 of the 2011 report volume one, apparently the Alberta market surveillance administrator found 332 notices of specified penalties to NorthPoint totalling \$655,000 for contraventions of an Alberta electricity market rule in 2008 and 2009.

I'm just wondering if the minister and his staff could give us a fairly complete report of what happened at that time. What staff were involved?

Mr. Kalra: — If I could maybe start with a bit of a background of NorthPoint. NorthPoint is our trading subsidiary which exports power to jurisdictions outside of Saskatchewan, and re-imports as well.

In terms of the overall control environment, when you think of trading desks, it's a little bit different. It's a low-risk environment. The reason for that is there are no compensation-based arrangements where the individuals or traders could benefit from, you know, trading activity or making profits or share of the profits. So whatever happens, you know, it's generally as a result of not understanding certain rules and, as a result, falling on the wrong side.

So some of these rules in the jurisdictions that we deal with change often and sometimes they can be hard to interpret. So in 2008 and 2009, there was a rule which was breached repeatedly, which was that NorthPoint had to declare, two hours before, the amount of exports that were going to be made in the Alberta market.

Ms. Sproule: — The amount of what?

Mr. Kalra: — The amount of exports, export for electricity in the Alberta market.

And that designation could not be changed. That rule was not properly understood by the staff and they repeatedly changed the amount which could be exported. So in some cases, they were exporting more with the hope that they were, on one hand, you know, benefiting NorthPoint, SaskPower; on the other hand, supplying power which was badly needed to the Alberta market. So that mistake was repeated because of not understanding it.

Where we fell a little bit short in terms of control environment, the Alberta market authority sent the notifications that we were, there were contraventions of these rules to NorthPoint, but they were received by the same people who were responsible for training. So when we found that out, we changed the structure of NorthPoint where the front end activity, the front desk activity was separated from the middle office, which is the control and the back office, which is accounting. So these sort of notifications could be received by people who are separate from people who are doing the training. And as well as, we provided training to the traders who were participating in these markets. So they become, you know, more and more conversant with the rules in this market.

So we, as a result of these contraventions . . . There were 332 contraventions. We ended up accepting the penalty for that and paid a penalty of \$655,000. Since then, we track how many, you know, mistakes are taking place and the amount has gone down significantly. I think in 2013, the amount, the number of contraventions was four and we . . .

A Member: — Four?

Mr. Kalra: — Four. And it was self-reported by NorthPoint, SaskPower to the Alberta authorities. And all of them were forewarned so we did not pay any penalties. So that shows the improvement that we have made in the control environment and through the training. And our error rate is less than .01 per cent right now.

So the accepted transaction rate is over 99.99 per cent and there is a very small error rate which happens once in a while because of misinterpretation of the rules or some of the other factors.

Ms. Sproule: — Thank you. This is a fairly egregious penalty. When you think about it, it's well over half a million dollars; \$655,000, 332 notices of failure to follow the rules. And I guess one thing I would ask you to explain a little bit more, the footnote at the bottom of page 161 refers to an article from the market surveillance administrator, the MSA in Alberta. And they indicated there that it was a misunderstanding of the requirements under, and they refer to ISO [International Organization for Standardization] rule 6.3.3 for scheduling energy at Alberta's inter-ties with Saskatchewan and British Columbia. Could you explain that rule a little bit?

Mr. Kalra: — [Inaudible] . . . that I spoke about, so you have to declare how much you would be exporting and that designation cannot change within that two-hour window.

Ms. Sproule: — Now this was happening over a period of two years, if I understand correctly, over 2008 and 2009. When did the notice come to the individuals at NorthPoint from, I assume it's from MSA? When they were notified? What day or what time frame was that?

Mr. Kalra: — I don't have the exact dates with me but I believe they were in 2009.

Ms. Sproule: — And so I think it's important to have a good conversation about this because this is a fairly serious issue and people are going to want to understand this. So in 2009 the notice came. And how many staff would have been involved in this?

Mr. Kalra: — We believe it's one supervisor and a trader.

Ms. Sproule: — One supervisor and one trader.

Mr. Kalra: — A dozen traders and one supervisor.

Ms. Sproule: — And a dozen traders.

Mr. Kalra: — Yes.

Ms. Sproule: — I'm just trying to understand how they couldn't know this. If it's something that had a penalty up to \$655,000, how was it they weren't aware of this rule?

Mr. Kalra: — It's a complex market and the rules change quite often. It was a question of their not keeping up to some of those changes or not understanding them properly and, you know, those mistakes were made.

Ms. Sproule: — Was anyone disciplined or fired as a result of this?

Mr. Kalra: — Yes.

Ms. Sproule: — How many staff?

Mr. Kalra: — A supervisor was disciplined and he was let go.

Ms. Sproule: — Obviously it's the supervisor's responsibility. Can you tell me in which financial statement, what year that the penalty would show up. Was it 2010?

Mr. Kalra: — 2010 in our financials.

Ms. Sproule: — Would you be able to just point me to what line in your annual report? I have the financial statement here but . . .

Mr. Kalra: — It should be a note . . . There won't be a single line which would show that, but it will be disclosed in our notes . . . [inaudible].

A Member: — It was small enough to not be material.

Ms. Sproule: — \$655,000 is small enough to not be material?

A Member: — Yes.

Ms. Sproule: — Wow. I should tell my mortgager that. So would it be . . . What line item would it be in under expenses, for example? Is it under administration? Or like, just . . .

A Member: — It's probably in our OM&A [operating, maintenance and administration] expense.

Ms. Sproule: — Pardon me?

A Member: — Our OM&A expense.

Ms. Sproule: — OM&A?

A Member: — OM&A. Operating and . . .

Ms. Sproule: — I'm just looking at the . . . if I can find it here. Operating activities. That's the cash flows, financial position. Sorry. What page would that be on? Is it the statement of financial position? The statement of cash flows, loss income and comprehensive loss income? Like I'm not finding what you're saying anywhere in here. OM&A . . . [inaudible] . . . And that would be in the 2010 report. And that's not material enough to show up on this kind of loss income statement? Six hundred thousand dollars.

Mr. Kalra: — It's part of our income statement. For separate line disclosure, you know, we include all our costs, operating costs, and it will be part of that cost. For SaskPower the number is roughly 600 million, so we don't disclose each and every, you know, type of expense separately as a line item.

[21:00]

Ms. Sproule: — I mean NorthPoint has its own separate accounting though. Okay. So if I understand correctly then, over 2008, 2009 this happened. Three hundred and thirty-two notices were issued and the supervisor was let go as a result of this.

Mr. Kalra: — That's right.

Ms. Sproule: — The \$655,000 would have come out of NorthPoint Energy's balance sheet at some point?

Mr. Kalra: — That's right. It was paid during 2010, so it'll be that year, yes.

Ms. Sproule: — And the payment went to Alberta then?

Mr. Kalra: — That's right, yes.

Ms. Sproule: — Okay, I'm just going to move on then. In terms of the auditor's recommendations then on this matter, we see that two have been implemented and two are partially implemented. There were four recommendations made. I just want to go through those.

And you went quickly through this, so I just want to make sure I understand which ones have been implemented. Is it number one . . . [inaudible interjection] . . . one and three? It's in Chapter 23, have to go back to 2007 now. Sorry, I'm in the wrong page. 2010, chapter 16, a lot of chapters to go through.

So one and three are now considered to be implemented, is that correct? The question I guess there, in terms of recommendation one on page 169 of 2010, is how did you assign the responsibilities to staff not directly involved in trading activities? How exactly did you implement that recommendation?

Mr. Kalra: — So what we have done is, you know, instead of having one reporting structure in NorthPoint there are three different parts. One is the front office which does the trading, which reports through the supervisors in NorthPoint and to the CEO of NorthPoint. The middle office, which is responsible for looking at the controls and making sure that those controls are followed by the trader, reports through finance to me. And the back office accounting is also separated, and that also reports through a comptroller's group to me. So that's how we've kind of separated various areas of responsibility and controls in NorthPoint.

Ms. Sproule: — And so the trading reports to . . .

Mr. Kalra: — Yes, so training has been provided. There are two types of training has been provided to the traders and everyone who works at NorthPoint. One is the specific rule. So any new market that we go to . . . [inaudible] . . . we ensure that staff is properly trained and also the staff has been provided with the ethics training. So if they see here something which is untoward, they report it, you know, report it to us immediately.

Ms. Sproule: — Why was this a matter for ethics training?

Mr. Kalra: — This was not a matter, but this was . . . We do a code of conduct training anyway, so this was to strengthen that and to make, you know, because a lot of new people come in who haven't taken this training. So this was to make sure that everyone was aware of what our code of conduct was and everyone's aware of it.

Ms. Sproule: — Because you were saying it's just an unfamiliarity with the rules, so I don't see that necessarily as a breach of ethics. So when a new staff person . . . How many staff in total? How many traders would you have on staff?

Mr. Kalra: — Do you have that number?

Mr. King: — Now we're probably . . . [inaudible] . . . a dozen that we have left. And now we're only dealing with one market

. . . [inaudible] . . . trade across North America. Now they're almost solely focused on Alberta.

Ms. Sproule: — And you're down to about 12 traders at this point?

Mr. King: — Roughly.

Ms. Sproule: — So the training that was implemented in . . .

The Chair: — I'll just . . . If the official . . . It might be better if he comes to the mike when he speaks if he's going to answer some questions. And just when somebody new speaks, they can, as an official, just state your name the first time.

Mr. King: — Okay. It's Troy King.

Ms. Sproule: — Thank you. I just want to get a sense that this isn't going to happen again. So if you have about 12 traders right now and I assume a supervisor of some sort, have you had new staff and have they received the training? Is that a matter of course now?

Mr. King: — One of the key things that Sandeep's referring to is we have a new office. There's a group of three that are responsible for overseeing the traders and ensuring compliance with the rules. And so any reports of any violations, in the past they went back to that same trading group who that supervisor, you know, didn't take heed to those notifications. Now they go to an individual who's independent. So they follow up on those items.

In addition, Sandeep mentioned that we're now self-reporting. So those four instances that we reported for '13, we're catching those ourselves. That's what that group is doing. They're catching those incidents and they're reporting them to the Alberta market.

Mr. Kalra: — So that there can be human errors which can take place in the future, right? We cannot completely eliminate it. We're trying to reduce it as much as possible through better controlled environment. And if something happens with self-reporting, so you know, there are no penalties, hopefully there are no penalties.

Ms. Sproule: — So you haven't received any penalties for those. And how would it come to . . . I assume it's the controls people who found these issues of non-compliance?

Mr. Kalra: — Automatically the trading group reported it up to the vice-president who's responsible for NorthPoint and then it was discussed and actions were taken and then we went to MSA and had those discussions saying, this was the information or notifications that we have received. We've become aware of this only recently. How do we settle it? And you know, how do we go from here?

Ms. Sproule: — Okay. And the second recommendation was about this training program. Has that been fully implemented and . . . [inaudible interjection] . . . And that's one of the ones that you've agreed is fully implemented? And then the third one, if I can find it . . . [inaudible interjection] . . . Oh I'm still back and forth. There's only two. Okay. So as far as the

auditor's office is concerned, these concerns have been dealt with?

Ms. Ferguson: — Yes. In our opinion they have.

Ms. Sproule: — All right. Thank you. It was certainly very concerning when this kind of fine is imposed. Although it may not show up on your books, it's still I would say a very serious issue. So thanks to the auditor for pointing that out, and thank you to the minister and his officials for dealing with this in a very timely fashion. Okay. So that was that.

On page 174 of the 2010 report volume 1, this wasn't talked about by the auditor in her report, but there was a proposal or . . . and a consultant was hired to develop a proposal to improve purchasing processes. And I'm just wondering about what's happened with that. December 31st, 2009, SaskPower was reviewing the proposal. Has that been completed? And how has that worked out for you?

Mr. Kalra: — Okay, so the consultant came back with three major recommendations. One was to simplify the internal procedures in the programming department. It was taking too much time, too many hands off, so you had to simplify it. The second one, the proposal was on strategic sourcing which is entering into, after competitive sourcing, entering into longer term contract with select suppliers — once you have vetted them, once they've gone through the competition — in order to get the best possible value for SaskPower.

And the third recommendation was on supply relationship management, which essentially means tracking the performance of various suppliers to see, have they complied with what they had contractually agreed to. If they haven't, what actions have been taken? So those three major recommendations were done, were made. These, all three, have been implemented to a certain degree or in the progress of being implemented. It's a long-term kind of journey, and we have started working on all three. And they have been implemented to a certain degree, but the implementation goes on, and I think it'll take another year or two before it's fully implemented.

Ms. Sproule: — Thank you. Now the 2011 report volume 1, page 158 . . . I have to see. This may have been talked about. This is the recommendation for the I guess monitoring the superannuation service provider. And those have been met, correct? Yes, okay. I was going through this linearly, so . . . Just one more question, I guess. On 162 of 2011, there was a talk about ethics training in 2010 and then the development of a training program. And I know you addressed this a little bit already. But can you just identify the kinds of things that would have been involved in the ethics training? What's the content?

Mr. Kalra: — It's a code of conduct training and the latest version is online. Basically what you do is you read up a little bit on the code of conduct and there are various scenarios which are presented. And then you have to assess whether the code of conduct was met in those conditions or not. So it's a self-assessment tool and at the end of the test, you know whether you've answered those questions correctly or not. And where you haven't answered, it provides with the right answer. So it's an interactive, web-based ethics code of conduct training and it's quite useful and quite innovative.

Ms. Sproule: — And that's on your website?

Mr. Kalra: — Internal, yes.

Ms. Sproule: — So your . . . [inaudible] . . . staff have access to it.

Mr. Kalra: — Yes.

Ms. Sproule: — And who's the provider for that training course, do you know?

Mr. Kalra: — I think it's developed internally, if I'm not mistaken. Between our internal audit and the learnings group, so they came together and developed it.

Ms. Sproule: — Did you say it's developed internally?

Mr. Kalra: — That's right.

Ms. Sproule: — Okay, thank you. Okay, I think the bulk of the questions I want to talk about now is just in the 2011 report volume 2 for inspecting gas and electrical installations. I just want to get a sense of where you're at on the recommendations that were made there. I was quite surprised to see that not all permits are even inspected, although I would assume that's a best practice for the volume, the sheer volume that you deal with and I guess a risk assessment has been done to decide how many are actually reviewed.

So the first recommendation, page 429 . . . Before I get into that I just, I had some basic questions on your labour force. How many installers would you have . . . or sorry, inspectors would you have at this point in time on staff?

Ms. Verret-Morphy: — I believe current . . . Sorry, right, thank you. Rachele Verret-Morphy, SaskPower. I believe we currently have approximately 80 inspectors, 34 gas inspectors, and I'm not sure exactly, I think it's around 44 electrical inspectors.

Ms. Sproule: — And are these individuals employees of SaskPower or would they be contracted?

Ms. Verret-Morphy: — These are all employees of SaskPower.

Ms. Sproule: — And what would their basic level of training be?

Ms. Verret-Morphy: — They're mostly licensed contractors, so the gas inspectors would be licensed gas inspectors and the electrical inspectors are for the most part licensed electrical contractors before they become inspectors, so then they're basically inspecting the kind of work that they did before they became inspectors.

Ms. Sproule: — So in the first recommendation, we see that the recommendation was to review and update gas and electrical inspection strategies. And maybe you could just give us a little update on where you're at there.

Ms. Verret-Morphy: — Sure. What we saw at the time that the

Provincial Auditor came in to do the audit was that we didn't have consistent written guidelines that the inspectors were able to use when they went out to make the decision what installations to inspect and what installations to not inspect. There was a fairly good understanding based on their training, but we hadn't comprehensively documented any procedures. Now what we have for both gas and electrical, we've had for gas for some years now, but now we have for electrical inspections is documented procedures, and it's a risk-based approach.

Ms. Sproule: — We have a reference here to gas electrical inspection system. Is that, can you talk, is that a commercial application that you buy or is that something that you've developed internally?

[21:15]

Ms. Verret-Morphy: — I believe it's something we've developed internally. It's a fairly old system, and it's basically the system that we use to track permits. So when a contractor or homeowner comes in to apply for a permit, the information gets entered into that system. And the inspectors, that's where they get their information on installations so that they can decide to go and inspect specific installations.

Ms. Sproule: — It actually calculates that risk score?

Ms. Verret-Morphy: — It does not. Our current system does not have the capability to track risk methodology. So I believe it's done manually by the inspectors, and then tracked through the system. But we've recognized the deficiencies in the system so we are looking at acquiring a new system.

Ms. Sproule: — On page 429 at the bottom, it does say that GEIS [gas electrical inspection system] calculated a risk score for each permit. So I'm not sure if that was a comment that . . . Maybe you could clear that up.

Ms. Ferguson: — Management's quite correct. It is actually quite an old system and it does do an automatic calculation based on information that is inputted into the system. But as our report indicates, you know, I think what they do is they continue to struggle with what does that number really mean at the end of the day. And so there's some manual intervention required.

Ms. Sproule: — And, sorry, you said it's the reliability of the information that . . .

Ms. Verret-Morphy: — Yes. The current system, the inspectors have a difficult time getting reliable information from the system, particularly on that risk methodology. So the chief electrical inspector and the chief gas inspector have asked the inspectors to do kind of a manual assessment based on those risk guidelines. And that's, I understand, what they're using when they go out into the field.

Ms. Sproule: — That would be fairly cumbersome and awkward in and of itself.

Ms. Verret-Morphy: — It can be. But I think because of their training, and they're doing this several times a day, I think it

does get to be a bit rote. But you know, there is more opportunity for human error, and maybe greater, you know, judgment being applied differently. And so I think once we have a new, an actual system installed and we're able to do it electronically in a consistent, reliable fashion, I think that'll be the ideal solution.

Ms. Sproule: — The second recommendation is that you document your strategy for inspections including guidance on selecting permits to inspect. So that's I guess some guidance for your inspectors. Has that been developed yet? Or are you still in . . . I guess you're still in progress on that one.

Ms. Verret-Morphy: — Yes. What inspections has done is they've developed a document called guidelines for clearing without inspection and selecting permits for inspection. So this again is intended to give guidance for inspectors when making those decisions, so they're doing it consistently.

Ms. Sproule: — I know you indicated earlier that most, if not all, of inspectors were experienced contractors so would have had a lot of on-the-ground kind of practical experience. So you know, I'm not sure how much written guidance would even be helpful for them if they are already experienced in the area. So who would be doing the written guidelines? Is that from within their body of people?

Ms. Verret-Morphy: — The written guidelines are developed under the supervision of the chief inspectors. So we have a chief gas inspector and a chief electrical inspector. I believe that they are both engineers. For sure our chief . . . [inaudible interjection] . . . Yes. So they have that background. The electrical and gas inspectors, why they are contractors before they become inspectors, it's being a regulator is a different approach, I guess you might say. They might understand the work, but it's more of almost an auditing type of a function. So we do put them through about three months of training before they actually go out in the field and start inspecting.

Ms. Sproule: — To me, it's kind of like having been a hockey player and then becoming a ref, in a way.

I know that the auditor indicated on page 430 of the 2011 report that there were a number of high risk scores coming out of GEIS that were cleared without inspection, and I guess, you know, at first blush that's quite concerning when we see high risks not being inspected at all. Nor were there any documentation for those decisions, why they didn't inspect them. Can you sort of explain why inspectors wouldn't go in and inspect a high risk or at least one that was identified as high risk under your GEIS?

Ms. Verret-Morphy: — I'm not aware of why that existed at the time. I know that currently, today, there are no high risk installations that go without inspection. Every single one is inspected based on the risk methodology. So yes, I'm not quite sure.

I think the best rationale is because we didn't have a written, consistent risk methodology that inspectors were either applying their own judgment, not consistently in all cases, relying on a GEIS system that was getting old and not always providing reliable, consistent information. That's likely why

that situation developed.

Ms. Sproule: — And then I guess that leads us to the third recommendation where the auditor is suggesting that SaskPower require the inspectors to document their rationale when they don't do those inspections. Is that happening now?

Ms. Verret-Morphy: — That is happening now. Our GEIS system is capable of having the inspector go in and writing notes to explain these sorts of things. And so inspectors are doing that now, and they are reviewing them with their supervisors as well.

Ms. Sproule: — Would this be a new practice as a result of the recommendations?

Ms. Verret-Morphy: — It is a practice currently. I believe it is.

Ms. Sproule: — And then I guess the next recommendation ties in to that where management, as you indicated, are now reviewing them. The auditor is indicating that these are not implemented yet, but you're doing a follow-up. When did you say? In two thousand . . .

Ms. Ferguson: — We actually plan to . . . We're actually doing that work at this time, and we plan to include that in our next report to the Assembly. So it'll be in the spring's reports.

Ms. Sproule: — Sounds like things are on track. Okay. The fifth one is the process for clearing uninspected permits. Yes, some of them were in there for over two years, and I think there was 34,000 in 2011 that were over a year old. Any comment on why it got to that state and what's being done about that?

Ms. Verret-Morphy: — It's basically been a resource issue for inspections. They've been trying to maintain a certain level of percentage of permits inspected, and as the number of permits taken out increases they've just struggled to be able to keep up with that target percentage of inspections. However I can say that from 2012 to 2013, while we have had a backlog, it hasn't increased. It's actually decreased a little bit in the case of electrical inspections. It's gone down by 4 per cent.

And we have developed a plan now to reduce and actually eliminate the backlog over the next two to four years. We added 20 inspectors to our staff over two years. We recognized that with all the growth that we've seen in the economy, with the additional permits, we just need to add resources to make sure that the public is getting the value and the safety aspect. When people take out a permit, they expect that a certain percentage are going to be inspected, and we're committed to making sure that happens.

Ms. Sproule: — I think that's incredibly important. It's part of the confidence, I think, of the consumer and certainly the reliability of the services that are provided. So this is important stuff. I mean, inspection . . . And we see it in other circumstances where, you know, if inspection is sort of reduced then I think there's a certain compliance and complacency that creeps in, and through no mal or evil intent. But I mean, I just think that knowing that things are going to be inspected keeps people alert, you know, shall we say.

I noticed also, and that was a concern of the auditor's, was that where there was actually defects, many of those, there was a number of them that were in the system for a long, long time and there was no re-inspection. Certainly that's concerning as well, and maybe most concerning because there could be, you know, serious consequences to those kinds of things. So what's the point of inspecting and telling people they have a defect if it's not followed up on? Certainly I would imagine in 2014 we'll see some responses from SaskPower on that as well. But maybe you could give us a little sample of what we might hear.

Ms. Verret-Morphy: — Well for one thing, high-risk outstanding defects are monitored by the supervisors as well as the chief electrical and gas inspectors. And they are now reporting directly to me on a quarterly basis on the total number of high-risk outstanding defects. My understanding as of today, there are none outstanding.

Ms. Sproule: — Sounds like that's significant progress. And I guess that ties in to the quarterly report recommendation no. 6. And I would assume as well that you're now providing the board of directors some sort of trending information on these activities. That's no. 7, so . . .

Ms. Verret-Morphy: — Right, we actually are working on our first report to our board right now which we expect to take in June.

Ms. Sproule: — Well I certainly look forward to the follow-up report in 2014, this year. And I think as far as I'm concerned, Mr. Chair, that would be the extent of my comments or questions. So thank you for that.

The Chair: — Thank you, Ms. Sproule. Seeing no other questions, we will start with the 2007 Provincial Auditor's report volume 3, chapter 23. Mr. Moe.

Mr. Moe: — With regards to the 2007 Provincial Auditor's report volume 3, chapter 23, recommendation no. 1, I would move that this committee concur with the recommendation and note compliance.

The Chair: — All agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried.

Mr. Moe: — That same chapter with regards to recommendation no. 2, I would move that this committee concur with the recommendation and note progress towards compliance.

The Chair: — All agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried.

Mr. Moe: — With the same chapter, recommendation no. 3, I would move that this committee concur with the recommendation and note compliance.

The Chair: — All agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried.

Mr. Moe: — And with recommendation no. 4 of the same chapter, I would move that this committee concur with the recommendation and note progress towards compliance.

The Chair: — Agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. We'll move to 2008 Provincial Auditor's report volume 1, chapter 13. Is the committee ready to conclude consideration of this chapter?

Some Hon. Members: — Agreed.

The Chair: — Carried. And we move to 2010 Provincial Auditor's report volume 1, chapter 16. Mr. Moe.

Mr. Moe: — With regards to 2010 Provincial Auditor's report volume 1, chapter 16, recommendation no. 1, I would move that this committee concur with the recommendation and note compliance.

The Chair: — All agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried.

Mr. Moe: — Same year, same chapter, I would move that this committee concur with recommendation no. 2 and note compliance.

The Chair: — All agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. We move to 2011 Provincial Auditor's report volume 1, chapter 14. Mr. Moe.

Mr. Moe: — With regards to 2011 Provincial Auditor's report volume 1, chapter 14, recommendation no. 1, I would move that this committee concur with the recommendation and note compliance.

The Chair: — All agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. We move to 2011 Provincial Auditor's report volume 2, chapter 22. Mr. Moe.

Mr. Moe: — Okay, if we could here just in the essence of time, do you want to deal with them one at a time or should we group some?

The Chair: — It's entirely up to you, Mr. Moe.

Mr. Moe: — With regards to the 2011 Provincial Auditor's report volume 2, chapter 22, recommendation no. 2, I would move that this committee concur with the recommendation and note progress towards compliance.

The Chair: — All agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried.

Mr. Moe: — With regards to the 2011 Provincial Auditor's report volume 2, chapter 22, recommendations no. 1, 3, 4, 5, 6, and 7, I would move that this committee concur with the recommendations and note compliance.

The Chair: — All agreed?

Some Hon. Members: — Agreed.

[21:30]

The Chair: — Carried. The 2012 Provincial Auditor's report volume 1, chapter 19. Mr. Moe.

Mr. Moe: — In regards to the 2012 Provincial Auditor's report volume 1, chapter 19, recommendation no. 1, I would move that this committee concur with the recommendation and note compliance.

The Chair: — All agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. 2013 Provincial Auditor's report volume 1, chapter 6. Is the committee ready to include conclusion of this chapter?

Some Hon. Members: — Agreed.

The Chair: — Carried. I believe that we have gone through the agenda. I would ask the minister if he would have a closing remark.

Hon. Mr. Boyd: — Mr. Chair, committee members, thank you very much for the questions and also thank you to the officials for being here and answering the questions as they were presented. Thank you.

The Chair: — And thank you.

Hon. Mr. Boyd: — Also to the Provincial Auditor and the Provincial Auditor's staff, thank you very much for the diligent work in terms of keeping SaskPower on track and we look forward to the next reports.

The Chair: — Ms. Sproule, do you have any closing comments?

Ms. Sproule: — Yes, thank you very much, Mr. Chair. Thank you to the minister and the staff and the officials for the thorough and complete explanations when asked. I appreciate it. And thanks to the auditor and your staff for all the hard work

and the recommendations. I think we all benefit from that, so thank you.

The Chair: — And thank you. And I also want to thank the committee and people that appeared before it, and I also want to thank the Provincial Auditor and her staff for the work that they've been doing to assist this committee as we move forward.

I think with the conclusion I would ask for an adjournment motion. Mr. Hickie has moved that this committee now adjourn. Is that carried?

Some Hon. Members: — Agreed.

The Chair: — Agreed. This committee now stands adjourned until the call of the Chair. Thank you.

[The committee adjourned at 21:32.]