



STANDING COMMITTEE ON PUBLIC ACCOUNTS

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STANDING COMMITTEE ON PUBLIC ACCOUNTS

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Joan Pratchler
Regina Rochdale

[The committee met at 09:01.]

Chair Wotherspoon: — Okay. Good morning, everyone. We'll convene the Standing Committee on Public Accounts. My name is Trent Wotherspoon. I'm the Chair of the Public Accounts Committee. I serve as the MLA [Member of the Legislative Assembly] for Regina Mount Royal. I'll introduce the members of the committee: Deputy Chair Wilson, MLA Chan, MLA Crassweller, MLA Pratchler, and MLA Gordon. And MLA Patterson is substituting for MLA Harrison.

I'd like to introduce our officials with the Provincial Comptroller's office and thank them for being here today as well: Jane Borland, assistant provincial comptroller; and Jenn Clark, director of financial management.

I'd like to welcome and introduce our Provincial Auditor, Tara Clemett, and her officials that have joined her here today. I know she'll introduce them as we embark on scrutiny on the respective chapters.

We have the following documents to table: PAC 24-30, Provincial Auditor of Saskatchewan: Third quarter financial forecast for the nine months ending December 31st, 2025; PAC 25-30, Ministry of Government Relations: Response to question raised at the January 21st, 2025 meeting; PAC 26-30, Ministry of Finance: Report of public losses, October 1st, 2024 to December 31st, 2024; PAC 27-30, Ministry of Health: Report of public losses, October 1st, 2024 to December 31st, 2024; PAC 28-30, Ministry of Education: Report of public losses, September 1st, 2024 to November 30th, 2024; PAC 29-30, Ministry of Agriculture: Responses to questions raised at the January 21st, 2025 meeting; PAC 30-30, Saskatchewan Health Authority: Responses to questions raised at the January 22nd, 2025 meeting; PAC 31-30, Saskatchewan Cancer Agency: Responses to questions raised at the January 23rd, 2025 meeting.

Saskatchewan Arts Board

Chair Wotherspoon: — Now the first focus here today will be on the Saskatchewan Arts Board. It's a pleasure to welcome CEO [chief executive officer] Lisa Bird-Wilson to the committee along with other senior officials with Parks, Culture and Sport. I'll ask Ms. Bird-Wilson to briefly introduce the officials that have joined her here today. Refrain from getting into the respective chapters at this point; we would then turn it over to the auditor and come back to you.

Lisa Bird-Wilson: — Okay. Well tânisi, good morning. I will introduce Greg Gettle, deputy minister of Parks, Culture and Sport to my right; and Dan French, assistant deputy minister, Parks, Culture and Sport to my left.

Chair Wotherspoon: — Okay, thank you. I'll turn it over to the Provincial Auditor to make a presentation with respect to the chapters being discussed. After the Provincial Auditor's comments are finished, we'll turn it back to the officials, to Ms. Bird-Wilson and officials for comment, and then open it up for questions.

Tara Clemett: — So thank you, Mr. Chair, Deputy Chair, committee members, and officials. With me today is Mr. Jason

Shaw, and he is the deputy provincial auditor that is responsible for the Saskatchewan Arts Board. Behind me as well is Ms. Michelle Lindenbach, and she is our liaison with this committee.

So today Jason's going to present the two chapters that are on the agenda around the Saskatchewan Arts Board in one presentation. The committee previously did consider and agree to the recommendations in these chapters in 2020. We are pleased to report that the Saskatchewan Arts Board has fully addressed all the recommendations by April 2024. I do want to thank the CEO and her staff for the co-operation that was extended to us during the course of our work. With that, I'll turn it over to Jason.

Jason Shaw: — Thank you. The Saskatchewan Arts Board provides funding and support to the arts by awarding grants to professional artists, arts organizations, and art communities. For the year ended March 31st, 2024 the Arts Board approved almost \$6.8 million in grants.

Chapter 31 in our 2021 report volume 2, starting on page 229, and chapter 24 in our 2024 report volume 2, starting on page 233, reports the results of the progress made on the recommendations we initially made in our 2018 audit of the Saskatchewan Arts Board's processes to award grants impartially and transparently.

We originally made six recommendations. By May 2021 the Arts Board implemented five recommendations. By April 2024 the Arts Board implemented the final remaining recommendation. In our 2021 report, for recommendation 1, the Arts Board established timing for six program reviews for its major grant programs, expected to start these formal program reviews in 2023 with each grant program following a different review cycle. Having established program review cycles fosters grant program effectiveness.

For recommendation 2, the Arts Board set in writing its processes to select and use independent assessors when awarding grants. Arts Board staff make recommendations to the CEO for approval of independent assessors. Documenting selection and use of independent assessors enhances transparency of the Arts Board's processes to award grants.

For our third recommendation, for those evaluating grant applications, including independent assessors, the Arts Board began confirming receipt of signed agreements prior to releasing grant application packages to them. This minimizes the risk of grant application evaluators potentially disclosing confidential information or not promptly declaring potential conflicts of interest.

We also found the Arts Board appropriately documented its handling of declared conflicts of interest by evaluators during its grant application review meetings, addressing our fourth recommendation. This included reasonably recording the details for the four instances of declared conflict of interest we assessed. Recording that the declared conflicts of interest are handled appropriately shows impartial discussions and decisions occurred.

For recommendation 6, we found the Arts Board began appropriately tracking receipt and resolution of complaints and appeals received about its grant programs. We found it followed

its appeals procedure for the two appeals it received from 2018 to May 2021 and resolved one complaint received. Following a formal process to track and resolve complaints and appeals helps ensure potential issues are resolved timely, and to take appropriate action as necessary.

Finally, in our 2024 report, for recommendation 5 we found the Arts Board provided grant application evaluators with consistent evaluation criteria and scoring guidelines to use while adjudicating grant applications. We tested 10 application review meetings and found Arts Board staff appropriately provided grant application evaluators with the appropriate scoring tool and scoring guideline. We found evaluators properly used the scoring system to score grant applications.

We also found the Arts Board's scoring guidance was available to grant applicants on its website, which promotes transparency. Well-documented, consistent evaluation criteria and well-designed scoring tools are crucial for assessing grant applications impartially and ensuring a fair evaluation process.

Thank you. This concludes my presentation.

Chair Wotherspoon: — Thank you very much for the presentation, the focus of the work, and the follow-up. We've already considered these recommendations as a committee and concurred in them, and you've reported out your progress and the implementation that's occurred.

I just want to table at this time your status update, which would be PAC 32-30, Saskatchewan Arts Board: Status update, dated February 25th, 2025. Thanks for providing that, and to those that have been involved in the work to implement those recommendations.

I'll open it up now to the table for questions. MLA Pratchler.

Joan Pratchler: — Thank you. Good morning. Just a couple of questions about the grant program review cycle and process and that. What would have been your indicators when you were coming up with that review, that it would be good and thorough and complete? What were some of your indicators of success, of a good formal review?

Lisa Bird-Wilson: — For the review panel, they are provided with a scoring tool. Research was done on the scoring tool. And so the scoring tool has sort of a five-point system to it, and it allows the reviewers to have a scoring tool that doesn't have too many words on it. Because the concept is, if it had too much information on it, a lot of reviewers won't use it or, you know, it's just sort of overwhelming for reviewers.

So it's a fairly straightforward system. It's a one-page sort of a template. It allows reviewers to indicate if the criteria is being met. And if the criteria is being met, they sort of move on to the next criteria for evaluation. If it's not being met, then it prompts the reviewer to make a comment as to why it's not being met, in their opinion. And if it's being exceeded, it also prompts them to make a comment on why they think it's being exceeded. So that's sort of the process that the review panel goes through for every application that they review and for all of the criteria within that application.

Joan Pratchler: — And we know that there's large arts organizations and smaller ones. What might be available to provide — or maybe you have that already — capacity for the smaller organizations to do a good review for themselves? Is that available as well?

Lisa Bird-Wilson: — So under the granting programs of the Arts Board, we have six, we call them program consultants. And they work in the field and they work directly with applicants for grants. So it's very clear on the website who the program consultant would be for the type of grant that someone would be applying for. And it's encouraged that grant applicants would make contact with those program consultants, who can then answer questions, provide any sort of guidance around the application process.

Joan Pratchler: — Do you find much uptake for that?

Lisa Bird-Wilson: — Yeah, there is.

Joan Pratchler: — I see that it says here the Arts Board will set out in writing a process to select independent assessors. How are organizations made aware of who those independent assessors are?

Lisa Bird-Wilson: — So when arts organizations or artists are applying for grants, they will not know who the assessors are for that grant cycle. However at the end of the fiscal year when we report on our annual report, all of the assessors are then listed in the annual report. So eventually it's public and transparent who those assessors are, but prior to the grant panel review it's not known who those assessors are.

Joan Pratchler: — And so if I understand right, after they've been successful or after that's happened, they will receive a list of who those assessors are.

Lisa Bird-Wilson: — You know, they're not emailed a list individually. It's made into public information.

Joan Pratchler: — Is there a way for them to, you know, reflect back or give, you know, information back to the Arts Board if they have some issues with any of those people on that list post-approval?

Lisa Bird-Wilson: — Absolutely, yes. There are processes around appeal that are very straightforward and laid out. And you know, we're always open of course to feedback we receive. We receive emails and feedback, you know, regularly.

Joan Pratchler: — Thank you. Could you provide an update on the status of developing consistent single-point evaluation criteria, tell me a little bit more about that?

[09:15]

Lisa Bird-Wilson: — I can tell you. So the single-point criteria . . . Sorry, I'm just looking for a piece of paper here. That is sort of the process that I was talking about earlier with the five kind of levels of rating. It has five possible points. So the single-point rubric breaks down the component score into different criteria. So rather than defining the components that constitute every score within the rubric, this format only describes the standards

that are required in order to meet the individual criterion.

When the item being assessed — in this case the application — does not meet that definition, the reviewer is required to give details regarding where improvement is necessary or how that criterion has been exceeded.

Joan Pratchler: — And what would be the criteria then? Those five?

Lisa Bird-Wilson: — Quality, impact, and achievability are the broad criteria that all applicants are trying to meet. And those criteria are laid out in a guidelines document that is accessible when they're applying for a grant, so that they are able to gear their application toward the criteria that they will be judged on.

Joan Pratchler: — And I understand that that was implemented in September of 2022, correct?

Lisa Bird-Wilson: — So it was implemented in a couple of phases. So in the fall of 2019 and the spring of 2020 the new scoring tools were begun to be implemented, providing evaluators with the updated scoring guidance and other relevant information. So that happened in three programs in the fall of 2019 and the spring of 2020.

Then in the spring of 2021, we continued implementing the scoring tools in three more programs. And in the spring of 2022, the scoring tools were implemented in the final outstanding programs. So by April of 2022, that final recommendation was fully implemented and we were six for six on our recommendations.

Joan Pratchler: — Is there any plan for them to be expanded?

Lisa Bird-Wilson: — Sorry, for what to be expanded?

Joan Pratchler: — Is there any plan for the criteria to be expanded or fleshed out more? Is it still going to be that same format that you have now?

Lisa Bird-Wilson: — There's a couple of things. There's a review cycle that happens for all of the grant programs, so under that review cycle there's opportunity always to review, revise, etc. Also annually there's sort of a very detailed policy document that is, you know, sort of tweaked and revised and kept up to date annually as well. And there's constant feedback from those program consultants in terms of what's working, what's not working, what could change and be better.

So it is an iterative process, sort of that formative evaluation, always going on from our part. But then there's the formal evaluation part as well that happens on a regular cycle for all of the grant programs.

Joan Pratchler: — Well and keeping the arts alive and vibrant is very important on so many levels for the province, isn't it. Thank you.

Chair Wotherspoon: — I'm looking to committee members that may have other questions with respect to these two chapters. Not seeing any. Thanks again for the actions that have been taken to implement these recommendations and to all of you for your

service, and to all those that have been connected as well to this important work and the important work of the Saskatchewan Arts Board.

At this time I'd welcome a motion to conclude consideration of chapter 31 and chapter 24, respectively. Mover, MLA Chan. All agreed? That's carried.

Okay. At this time I want to thank Ms. Bird-Wilson and officials that have joined us here today for their time this morning. Ms. Bird-Wilson, any final word our way before we shift our attention to the Water Security Agency?

Lisa Bird-Wilson: — Just thank you very much for your time and attention and the assistance to make SK Arts better.

Chair Wotherspoon: — Thank you, thank you very much. Okay, members, we'll have a very brief recess, just a couple minutes. And hopefully we've got the Water Security Agency on deck, and we'd invite them . . . If they're in the hallway right now, come on in, you know.

[The committee recessed for a period of time.]

Water Security Agency

Chair Wotherspoon: — Okay, folks, we'll keep our morning moving along. I want to welcome the officials that have joined us now with the Water Security Agency, President and CEO Jaques and his lead officials that have joined him here today. I would ask him at this time to introduce briefly his officials that have joined him. Refrain from getting into the chapters just now because we'll kick it over to the auditor and then come back your way.

Shawn Jaques: — Yeah. Thank you, Mr. Chair, and thank you for the opportunity to be here today for us to provide an update on the chapters and the work under way at WSA [Water Security Agency]. My name is Shawn Jaques. I'm the president and CEO of the Water Security Agency and today I'm joined by . . . Jordan Huber is my vice-president of finance, Krystal Tendler is the executive director of ag water management, and Jeff Paterson is the executive director of standards and approvals at WSA.

Chair Wotherspoon: — Great. Thanks so much. Thanks to you all for joining us and I'll turn it over to the Provincial Auditor. I know there's two chapters we're looking at here this morning and we're going to deal with them independently.

Tara Clemett: — So thank you, Mr. Chair, Deputy Chair, committee members, and officials. With me today is Mr. Jason Shaw, and he is the deputy provincial auditor that is responsible for the Water Security Agency. Behind me is Ms. Nicole Dressler, and she's a principal in our office and would have been involved in leading some of the work that will be discussed on the agenda today. Beside her, Ms. Michelle Lindenbach, the liaison with our committee.

So Jason's going to present the two chapters noted on the agenda — as the Chair indicated, separately — to provide an update on the progress that the Water Security Agency has made on the recommendations around regulating water use and regulating drainage. He will pause after each presentation to allow for the

committee's consideration and discussion.

I do want to thank the president and CEO of the Water Security Agency and his staff for the co-operation that was extended to us during the course of our work. With that, I'll turn it over to Jason.

Jason Shaw: — Thank you. The Water Security Agency is responsible for monitoring water allocation and usage to ensure a sustainable water supply in Saskatchewan by issuing water-use licences. Irrigation and municipal water comprise the largest two uses of water, accounting for almost 80 per cent of the surface water currently allocated in the province.

In 2022 the agency granted approval for approximately 16,900 long-term and 1,800 temporary water-use licences. A safe and secure water supply is essential to the province's continued economic development and high standard of living.

Chapter 26 of our 2023 report volume 1, starting on page 231, reports the results of the progress made on the seven recommendations we initially made in our 2020 audit of the Water Security Agency's processes to regulate water use to support a sustainable water supply. The Public Accounts Committee agreed with our recommendations in October 2022. This is our first follow-up since the original audit.

By March 2023 the Water Security Agency implemented two recommendations and made progress on one other recommendation. The agency did not make significant progress on the four other recommendations.

First I'll touch on the two recommendations the agency implemented. In section 3.1, we found the agency set its key actions relating to regulating water use in its strategic plan and included completion date targets. The agency replaced its 25-year Saskatchewan water security plan with a four-year strategic plan in 2022. It outlined goals for the next four years while considering which of those it wanted to prioritize for the upcoming 12 months in its annual business plan. We found the agency's 2022-23 business plan included key actions related to regulating water supply, such as expanding new irrigation opportunities with completion date targets. Having key actions outlined with completion target dates helps the agency to achieve its goal of ensuring the sustainability of surface and groundwater supplies.

In section 3.3 we found the agency clearly documented key components considered when predicting water availability of a proposed surface water source. The agency created a template for staff to use when creating water availability studies for surface water. This template includes the minimum content requirements, such as location and type of water supply evaluation, needed as part of the key components considered in its studies.

We tested a sample of eight water availability studies the agency completed since the implementation date of this template. All eight studies included the key components and judgments essential in assessing water availability of a proposed water source before approving the related surface water-use licence.

I will now outline where the agency still needed to do more work to address our recommendations. In section 3.2 on page 233, we

found the agency had not yet developed written procedures for processing and approving applications for water use. In June 2022 the agency established a standards unit to develop these procedures; however in March 2023 it did not yet have draft procedures.

The agency had developed an electronic decision record that approves documentation for water-use application files. We tested 15 water-use application files to assess whether staff properly completed the decision record. We found three files where staff did not fill out the record correctly. Not having written procedures for staff to follow when assessing water-use licence applications increases the risk of staff not obtaining and maintaining sufficient information to support the agency's decisions.

In section 3.4 on page 235, we found the agency had not implemented written procedures about estimating and recording licensed water use. We found the agency finalized the procedures guide in October 2022 for collecting and processing water-use data and estimating water usage. The guide included adequate guidance for staff on collecting actual water-use data but did not provide enough detail for staff to consider and document when creating water-use estimations.

[09:30]

We found the steps staff took to estimate water use for 2021 did not match the processes guide, and staff did not clearly document their considerations in estimating water use for each licensee. Agency staff estimate water use for any licensees who do not submit actual usage by the end of March each year. Also the agency staff did not have processes to verify the completeness and the accuracy of the actual use, water data recorded in its IT [information technology] system.

Inconsistent estimates and records about water use reduces the ability to know the actual impact of use on a water source or on an individual licensee basis. Having robust processes to record actual reported water use and to make and record estimates in its IT system will help the agency keep accurate records on water use.

In section 3.5 on page 236, we found the agency had not taken significant steps to monitor water-use licensees comply with key water-use licence conditions. As of March 2023, management had a draft risk-based regulatory compliance framework plan. However the agency had not yet documented how it would assess compliance or what it considered as key water-use licence conditions. Because it had not made improvements in this area, the agency was not assessing whether licensees used more water than allocated. We found in our original 2020 audit, seven licensees exceeded their allocations by a significant amount at least once during 2014 to 2018.

Not actively monitoring water-use licensees' compliance with conditions may result in licensees using more water than allocated and can result in a number of risks, including the agency making inappropriate decisions on water allocation, water not being available for other licensed water users, and ultimately potentially jeopardizing waterbody sustainability.

Section 2.6, also on page 236, we continued to recommend the

agency develop written enforcement procedures for staff to follow when the agency identifies licensed water users not complying with water-use licences, which was not implemented. We found the agency had not developed written enforcement procedures for staff to follow for non-compliant licensed water users.

The agency created draft principles for regulation and compliance in 2022. The agency indicated these overarching principles will help the agency develop procedures for staff to follow when it identifies non-compliance. By not having effective written processes to enforce water-use licence conditions or consequences for significant non-compliance, the agency increases the risk that licensees continue to violate licence conditions without consequences.

The agency partially implemented the recommendation on page 237, where we recommended the agency periodically give senior management written reports on non-compliance with key water-use licence conditions and related enforcement strategies and actions.

We found the agency developed a template for quarterly reporting to senior management that includes non-compliance information. As of March 2023, the agency had not provided written reports yet to senior management using this template. By not reporting this information the agency's senior management may not have the necessary information to verify that staff take sufficient and appropriate action to address non-compliance.

Thank you. And this concludes my presentation for this chapter.

Chair Wotherspoon: — Thank you very much for the chapter and the focus and the follow-up on this front. At this time I'd also like to thank the Water Security Agency for providing their status update and the actions they've taken with respect to implementation on these respective recommendations. And I'll table PAC 33-30, Water Security Agency: Status update, dated February 25th, 2025.

I'll kick it over to CEO Jaques for a brief remark, and then we'll open it up for questions.

Shawn Jaques: — Thank you, Mr. Chair. First of all I'd like to thank Ms. Clemett and her team for their efforts and for working with the agency. We value the recommendations provided by the Provincial Auditor's office and the vital role in helping the agency improve our operations. And we appreciate the ongoing support and collaboration that we've received.

Today we're here to provide an update on two separate audits. And I'm going to speak about the regulating of water licences first. At the time of the audit, of the seven auditor recommendations two were implemented, one partially implemented, and four were not implemented. And as of today we consider three implemented and four partially implemented.

WSA is in the process of developing an outcome-based compliance framework to improve service excellence and address the remaining recommendations. This outcome-based compliance model shows different compliance activities required to achieve the desired outcomes and generally illustrates WSA's approach to compliance programming. By empowering clients

with knowledge and support, we build trust and collaboration to achieve those desired outcomes.

Compliance promotion efforts will be prioritized based on the risk certain activities pose, and this will improve resource efficiency for the agency and clients while continuing to ensure clean, safe, reliable water for the province. We are using outcome-based compliance to effectively deliver compliance programming that is focused on outcomes and supports WSA's strategic goals, and this framework will improve the agency's ability to manage water in a way that will continue to support a growing province.

By shifting how we deliver compliance programming towards a clear understanding of priority and the pathways project owners can use, we strengthen our ability to manage water and address the auditor's recommendations. And overall this will improve oversight and improve client service to the province and the people that we serve.

WSA aims to build public trust, and thus improve regulatory compliance, using a collaborative, transparent, and proportionate approach. And we are moving forward with this approach and are preparing the next steps towards an outcome-based compliance by finalizing the outcome-based compliance framework guidance document; developing a stakeholder engagement plan; continuing regular internal working-group meetings to maintain progress in developing the program's specific guides; rolling out an internal communications plan to improve collaboration within WSA and ultimately across Government of Saskatchewan ministries; following up with the Ministry of Environment and Corrections and Policing and Public Safety to solidify those partnerships; and preparing for the implementation of April 1st, 2026.

The outcome-based compliance policy will establish the objectives and strategic direction of outcome-based compliance. The general framework includes guiding principles, the structure, and systemized approach for achieving compliance. Program guides offer detailed directions on how to apply the framework for specific programs, and protocols will provide precise procedures for implementing compliance actions, ensuring consistency and clarity in operations. And this builds a systemic approach to outcome-based compliance, from broad principles to detailed execution.

So with that, I open up to questions.

Chair Wotherspoon: — Okay, thank you. Thanks for the report and thanks for many of the actions that have been taken. I'll look to committee members now that may have questions with respect to chapter 26, with participating member MLA Ritchie at the table. Go ahead.

Erika Ritchie: — Okay, thank you, Mr. Chair, for the opportunity to ask some questions based on this follow-up audit report and response from the president.

So you've outlined your approach towards addressing some of these outstanding, partially implemented audit findings and recommendations. And I'd like to sort of delve into that a little bit in terms of, first of all, you mention that this is a proportionate response. And I wonder if you can maybe elaborate a little bit

more for me in terms of what you mean by that.

Shawn Jaques: — Thanks for the question. I'm going to turn it over to Jeff Paterson.

Jeffrey Paterson: — Thanks, Shawn. So the proportionate response, how I can explain it is, if we have an activity that goes ahead without a permit, but that activity, they did everything they needed to do or were supposed to do but didn't have the permit, it's quite different than if they did something completely wrong with that permit.

So we're looking at what activities did they not comply with, and what were those outcomes of not complying with that activity because you will have totally different outcomes. So just not getting a permit or not sending in a document is a completely different outcome than, say, having an environmental impact. So that's what we're looking at proportionate, what is that risk and what is that outcome.

Erika Ritchie: — I see. So then what would be the effect then if you had a situation, using this example, where someone had failed to receive the proper permit? I mean what signal are you sending or what sort of a culture are you creating when there's essentially, it would appear, very little consequence to a user just going ahead and using the water without upfront first receiving the necessary approvals?

Jeffrey Paterson: — So on the water use, maybe I'll backtrack a bit.

So the outcome-based compliance framework is actually capturing seven of our different regulated activities. Water use is one piece of that. So the compliance on the water use, right now if somebody is using more water than they're supposed to, we would look at, okay, what area is that being in? What is the risk?

Some areas have a lot more water than others. We have different requirements for those areas as well on reporting, monitoring, that type of thing. So we would be looking at that risk as well. If it's an area that has a lot of water and there's overuse, is it the same risk and outcome as an area that maybe has less water? What is the risk in use?

And so that's what this outcome-based compliance framework is going to develop, is what are those steps and what are those tools in the tool box that we can use for enforcement and compliance?

Erika Ritchie: — Yeah, because I think that certainly, you know, compliance I assume is part of your guiding principles that you want to ensure fairness and equity in terms of access to water. And certainly as I'm talking to stakeholders, you know, I hear concerns about access, about who has that right of first use.

And if you have a proportionate response where someone is in violation, and yet there aren't issues of compliance or fairness and equity also given appropriate weight — in terms of what are the consequences, what is the need for compliance and enforcement — then it seems to me that you're giving those who are not following the regulations and the policies that the Water Security Agency has developed, then you're encouraging non-compliance, in fact, at the end of the day. Would you either agree or understand that concern?

Shawn Jaques: — If I can just make a couple comments and then, Jeff, please jump in here. But I think, you know, at the end of the day we want everybody to be in compliance. And I think with the proportionate approach, what we're trying to do is we want to work with, you know, whoever's using that water or accessing it. And like Jeff said, if somebody maybe just failed to fill out a piece of paper on time, we want to make them aware. We want to make sure that we're educating people what they have to do, but sometimes maybe people miss steps.

And so we want to bring them into compliance. If there are no other issues with, you know, the development or the project that they're doing, really the only piece that was missed . . . And you're right; it's about, you know, complying with the rules that we have. But it's making sure, say, a piece of paper was filled out on time. We want to make sure they're brought into compliance, make sure that everything's done. And if everything else is all right, it's not the same risk as if somebody went ahead and did a whole bunch of work developing something that maybe has an environmental impact. Those are the ones that we want to focus on and make sure that, you know, we're applying compliance fairly across.

And we want to make sure that everybody has access to the water. And you know, that's what we do is, you know, we ensure that we're evaluating water volumes and what's available and allocating it accordingly.

I don't know if there's anything else you want to add, Jeff.

Jeffrey Paterson: — No, that was good, Shawn.

Erika Ritchie: — Yeah, I can appreciate, you know, those inadvertent missed steps, certainly that's not something that . . . You know, you want to make sure you've got a proportionate response.

So can you tell me, how are you tracking and reporting on that full spectrum of non-compliance? You know, I mean how many of these cases and what is the severity of instances where you have sort of these minor discretions versus incidents where you have that overuse of water that was found in the audit sampling or a wilful disregard and a culture of non-compliance?

[09:45]

Like you know, I guess I really want to understand, you know, how many of these would be on one end versus the other end of the spectrum? And how are you managing, how are you assessing, and how are you reporting on that?

Jeffrey Paterson: — So part of the licence procedures of water rights is to provide that monitoring information. So we will send out reminders to everyone that has a permit that their monitoring is due. It depends on the area and the basin that we're in on how often they have to do that. Sometimes it's every two weeks; sometimes it's a month; sometimes it's yearly.

So when we get that data, that data comes into our data management group. They input that data into our system and then they look at that data to ensure that the amount of water reported is not exceeding their allocation or what their permit says they're allowed to use. If it does, then we have conversations with those

people to see, was the reporting mechanism correct? Because we have many different ways of monitoring water: we have meters; we have pump cycles; we have just the amount of time a gate's open. So it can be very variable on how that water's measured. So the data management group looks at that.

If it's over the amount that they've been allocated, then it goes to our approvals group that issues those permits, and then they have conversations with the clients to try and figure out why and what we can do in the future to ensure that that doesn't happen.

Erika Ritchie: — Thank you. Mr. Chair, in the interest of time I'll conclude my questions.

Chair Wotherspoon: — Thanks, and just as a quick follow-up, would you have just a little . . . I think the question was more specifically just around characterizing where there's been sort of breaches of water use. And then, sort of, if you can profile how many of those would be at that maybe highest risk or greater risk, and how many of those others might be sort of in that, kind of, the ones that were described that, you know, maybe didn't have some aspect of paperwork filled out, but may not be of significant risk.

So of course you're dealing with those; you want compliance everywhere. But I think the question was more specific around when you have a water user that's in breach of their obligations, how many of . . . You know, what's that profile look like by way of the highest risk to the watershed as opposed to those lower risk ones?

Shawn Jaques: — Mr. Chair, I don't have any of that, like, the detailed information on kind of the numbers or the profile. But what I can share is in the past we've had, you know, identified through the reporting that Jeff talked about, you know, the usage, and it was more than what they were allocated. And you know, we've asked them to stop using water throughout the year if they were using more than they allocated. So that's kind of on the extreme end.

And again it really does depend where we are in the province because some parts of the province there's maybe a limited number of users on the waterbody, and so it doesn't have the same risk as maybe a basin that, you know, has less water available where we have to be more stringent.

So that's maybe on the extreme end where we've told people they can't use any more. Other times we've had just conversations saying, you know look, you're getting close to what you've used or what you've . . . But I don't have the exact breakdown with me here.

Chair Wotherspoon: — Are you able to provide a bit of a breakdown as to the profile on this front in subsequent days to this committee?

Shawn Jaques: — Yeah, we can get that.

Chair Wotherspoon: — Thanks so much. Maybe within a month's time. And that can be supplied through the Clerk of the committee. Thank you very much.

Looking to committee members to see if there's any other

questions with respect to chapter 26 before us. Of course this is a follow-up audit. Not seeing any, thanks to Water Security as well for the commitments that you've made to implement the recommendations on this front. And of course for those that are watching at home, there's a full follow-up process that happens with the auditor and this committee on that front as well.

I'd welcome a motion to conclude consideration of chapter 26. Moved by Deputy Chair Wilson. All agreed? That's carried. We'll move it along now to chapter 24, and I'll turn it back over to the Provincial Auditor.

Jason Shaw: — Thank you. The Water Security Agency is responsible for managing and protecting water, watersheds, and related resources in the province. Saskatchewan has the greatest area of watersheds with no natural outlets in Canada. This means agricultural drainage often moves water into local lakes, sloughs, or wetlands instead of a river system. Leaving unapproved drainage works in high-risk areas increases the risk of flooding neighbouring farm land and the receiving waterbody, as well as increases the risk of water quality issues in the receiving waterbody and the loss of wetlands.

Chapter 24 of our 2024 report volume 1, starting on page 237, reports the results of the progress made on the nine recommendations we initially made in our 2018 audit of the Water Security Agency's processes to regulate the drainage of water on agricultural lands in the geographic areas assigned to the Yorkton and Weyburn regional offices.

The Public Accounts Committee agreed with our recommendations in September 2019. By April of 2024, the agency implemented four recommendations and partially implemented the remaining five recommendations.

We found the agency approved its final policies relating to its regulation of water drainage on agricultural land. Providing consistent and clear direction allows agency staff to take similar actions to enforce compliance on regulating drainage of water on agricultural land.

The agency also published on its website how long it expects to take to resolve requests for assistance or complaints from the public about unapproved drainage works. For example, on simple requests, it expects to provide a decision to the landowner and the complainant within six months. It expects to provide a decision within 12 months for complex requests. We found these time frames reasonable and followed.

We found the agency also communicated the appropriate information and actions to landowners to have unapproved drainage works come into compliance in the requests we tested. In 2023 we found the agency began appropriately reporting to senior management twice a year on actions taken to address non-compliance of unapproved drainage works.

Now I will outline the work the agency still needed to do to address the remaining recommendations. Section 3.2 of the chapter reports that we found three related recommendations were partially implemented.

The agency still needed to develop policies on water quality and wetland requirements to use when assessing risk of drainage

works, consistently follow established processes to document risk assessments when reviewing applications for drainage works, and require documentation of all aspects of watershed risk before approving applications for drainage works.

We found at April 2024 the agency was drafting a policy on water quality and wetland retention requirements. They referred to it as its agricultural water stewardship policy. Without such a policy that includes all aspects of watershed risks, staff could not effectively use it when reviewing or approving applications for drainage works.

At March 2024 the agency was piloting certain aspects of its draft policy with individual landowners as part of its policy development. The agency must consider all aspects of risk from both a local and entire watershed perspective and document those considerations before approving proposed drainage works. Not having policies on water quality and wetland retention increases the risk that agency staff may not adequately consider these aspects and approve drainage works that may negatively impact water quality or reduce wetlands.

In section 3.4 we found the agency partially implemented the recommendation around developing a prioritization plan to identify and bring unapproved high-risk drainage works into compliance.

In 2015 when the agency began working to get landowners to comply with its drainage requirements, it estimated 1.6 million to 2.4 million acres of agricultural land had unapproved drainage works.

At April 2024 the agency was still working to estimate the amount of unapproved drainage works using its wetland inventory. The agency developed its wetland inventory using imaging data. Using this information it identified wetlands, including existing and drained wetlands, and approved and unapproved drainage works. As of April 2024 the agency had not yet used its wetland inventory to identify unapproved drainage works . . . and use its policy to assess the risks of these drainage works in informing its actions, such as contacting landowners to request they submit a drainage application for agency approval.

The agency continued to rely on other sources for staff to identify unapproved drainage works such as from public complaints, voluntary submission of drainage applications from landowners, and agency staff finding unapproved drainage while working on site. Leaving unapproved drainage works in high-risk areas increases the risk of affecting farm lands and wetlands and water quality.

In section 3.5 we found the agency had yet to fully address a recommendation around reporting to the public on its regulation of the drainage of water on agricultural lands. We found the agency reports some information to the public; however reporting did not include sufficient information about key activities to regulate the drainage of water on agricultural lands.

In October 2023 the agency had drafted 14 indicators to help assess the effectiveness of its agricultural water stewardship policy it was developing. For example, the agency's draft considered annually reporting on the number of quarter sections with unapproved drainage works. The agency had not yet

reported publicly on the number of requests for assistance it received for information on enforcement actions taken on approved drainage works. Improved reporting to the public would help landowners and the public understand the agency's performance when regulating drainage.

Thank you. And this concludes my presentation.

Chair Wotherspoon: — Thank you very much for the follow-up on this front. Of course this recommendation or these chapters originally were presented in 2018, and we've concurred in them as a committee. And this is follow-up at this point, and there's been some of the actions that have been detailed here.

I'll kick it over to CEO Jaques for a brief remark and then we'll open it up to committee members for questions.

Shawn Jaques: — So at the time of the audit four were implemented, five were partially implemented. And as of today we consider eight implemented and one partially implemented. Effective January 30th, 2025 WSA implemented an agriculture water stewardship policy, and this policy establishes a limit on how much land can be developed through drainage for agricultural production and how many wetlands should be retained. And it addresses all but one of the auditor's outstanding recommendations.

WSA worked with producers and partner agencies in the province to develop a policy that is effective, practical, and works for Saskatchewan producers. WSA invested over a million dollars in research and demonstration projects which informed the final policy. And one of these projects involved completing the most thorough inventory of Saskatchewan wetlands ever completed in the province. And this inventory shows that 86 per cent of wetlands in our province are undrained, telling us that Saskatchewan producers are great stewards of the land and that there is room for development in a regional and sustainable way.

To ensure the policy reflects the diverse perspectives of Saskatchewan people, over nearly two years the Water Security Agency engaged with more than 80 stakeholder organizations, Indigenous communities throughout the policy development process. The ag water stewardship policy was built for Saskatchewan people by Saskatchewan people and strikes a balance between landscape resiliency and economic development.

The Water Security Agency supports both drainage and wetlands, and the stewardship policy reflects that. It would allow for continued responsible drainage, enabling farmers to manage water on their land while establishing new tools to address risks downstream, water quality, and flooding. It will also ensure wetlands continue to provide important habitat in all areas of the province.

WSA completed a series of pilot projects to test the policy and found it both to be practical and effective. And we are committing to get this right and will be doing ongoing research and monitoring, committing a million dollars over three years to support research and monitoring and reporting on 10 different indicators to understand and to learn.

Water Security Agency is also committed to using a risk-based

approach to drainage compliance. Immediate threats to public safety or severe threats to water quality or habitat are considered high risks and receive priority. Procedures are in place to respond to incidents and non-compliance, and voluntary compliance is encouraged through approvals that include conditions to manage the impacts.

WSA has developed an audit process to ensure that all conditions on drainage approvals are being met. We have also established a drainage extension unit to further encourage compliance with regulations and adoption of responsible drainage practices, and we will continue to advance our ag water management program to support managing water resources of our province that drives economic growth and is sustainable, adaptable, and reliable. Thank you.

[10:00]

Chair Wotherspoon: — Okay, thanks for the report. I'll open it up now to committee members that may have questions. Participating member Ritchie.

Erika Ritchie: — Thank you, Mr. Chair. So I guess starting with the policy that was implemented here most recently in January, you talked about a number of features and aspects of the policy. And I'm just wondering, in terms of the risk-based approach that you speak of, how you strike that balance between what you called a landscape — I didn't quite catch the word — sort of the landscape and the economy, and that sort of maybe the justification around the balance that you've struck there.

Krystal Tendler: — Thanks for the question. So in development of the stewardship policy, it was over the last about five years now that we've been working on it and it all was about finding the balance. And you're right. It's about balancing between landscape resiliency and economic outcomes and the profitability of our agriculture sector, which is the backbone of our economy.

And so we completed a research project that's called a threshold analysis, and it allowed us to understand at which threshold would we start to see impacts to water quality, water quantity, and habitat from drainage. And also we did supplementary research that looked at the economic benefits. And so we're able to actually then start to balance these various different factors together and see where different levels of drainage could have different impacts. And so we needed to find a level of drainage to put a bumper pad in place that would kind of put the top limit on how much drainage could happen to manage those various different factors.

One thing we also need to consider is that this stewardship policy was just one lever that we had. There's many other things that go into a producer's decision to retain wetlands. It's not just what government tells them to do. They actually are often choosing to retain wetlands because it makes sense for their operation and because they care about the land that they operate on. And so it wasn't just that government needed to find the fix and we alone were the only solution to this. It was a combination of factors that are going to come into effect to help to create that outcome of maintaining the wetlands and the landscape over the long run.

But ultimately we needed to select a level to have that policy in place for, and that level that we selected was 40 per cent in most

of the province and 60 per cent for those areas where there's a higher importance of the waterbodies. And so that allowed us to kind of have that regional approach that's specific to the area's needs and be more responsive to the particular risks in that area.

Erika Ritchie: — Certainly as you're well aware, there's been many concerned citizens, stakeholders, scientific experts, people who've come forward expressing concern about the analysis and the work that's been done to sort of arrive at the policy you mentioned, the floor of 40 and 60 per cent and the regional approach. Can you tell us how you've addressed some of those concerns, and also whether and to what degree the policy has been subjected to external scientific scrutiny?

Krystal Tendler: — Sure. Thank you. So Shawn spoke a bit to the engagement that we did through development of the policy. And so we engaged with 80 stakeholder organizations and Indigenous communities to gather a variety of inputs and perspectives on the policy. We also have a team of experts within WSA that — I might be biased — is quite, quite incredible for the competency that we have in-house, and we're able to leverage those skills in providing feedback to the development of the policy.

And so, yeah, we do continue to receive feedback and questions, and unfortunately there's still a lot of misinformation out there about the data source and about the policy itself, and so we need to do more to share information. And in particular one spot where that's evident is around our inventorying of wetlands. We've conducted an inventory of Saskatchewan wetlands over the last number of years that has created a data set that has just never been available before. And so previous data on wetland loss and drainage works was just on a really small sample size in the province, and it created this narrative about the status of wetlands in Saskatchewan that just doesn't match the realities of what the data is showing.

And so this new wetland inventory maps wetlands over the majority of the province and tells us that 86 per cent remain undrained. It does not include lakes. It only talks about pothole wetlands. And it really tells a story that Saskatchewan's in a pretty good spot but we need to, you know, be proactive and put our policies in place proactively to make sure that continues to be the case.

Erika Ritchie: — I want to turn to the partially implemented recommendation. It's been noted that there is 1.6 to 2.4 million acres of unapproved drainage in the province. And you've indicated that, as capacity allows, Water Security Agency will develop work plans for proactive compliance. And I'm wondering, given the scale and the scope of non-compliance that's been identified by this audit, why a more concerted effort is not being taken at this time and, as the auditor has recommended, you know, in terms of some of the actions you might take, why you're not proceeding along that basis.

Krystal Tendler: — Thanks for the question. We are absolutely committed to achieving full compliance with the drainage regulations. We just think the approach can be a little bit different. Our approach is about bringing works into approval rather than using our enforcement mechanisms to shut down drainage and require closures. And so our resources are largely dedicated to supporting clients to achieve that approval. And that

is often through an education approach. We need to work with clients to help them understand what responsible drainage is, how best management practices can be adopted, and then support them through that process of getting the approval in place to validate that their works are being done responsibly.

So all of our resources within our water management team . . . We have 36 FTEs [full-time equivalent] who are all dedicated to supporting clients to achieve compliance. We have some that are working specifically on more of those complex, almost enforcement-type files where we have to take a different path. But for the majority of cases, education is the best approach, and supporting them to achieve that approval.

And our results are showing that that is true. We've seen significant increases in the amount of approvals that we're able to work with our clients to achieve.

Erika Ritchie: — I know certainly when I've been engaging with stakeholders that are on the downstream end of some of these unapproved drainage channels, you know, I think they take kind of cold comfort in that sort of an approach. That while of course we always look towards, you know, reaching consensus-based decisions and co-operative approaches, but at some point, you know, how is the agency dealing with those instances where you're seeing those high-risk areas as you mentioned them? You're seeing effects, significant effects on the downstream landowners and ecosystems, and you know, the water quality of waterbodies has been detrimentally affected.

I think the public is looking for greater assurance that, in these high-risk situations, that the agency is moving forward in a very concerted manner to expedite and address and resolve these issues and less of a soft-glove approach. So maybe you could tell me kind of what the current state is on those types of situations and what the plan is going forward. And then finally . . . Okay, I'll hold my final question.

Krystal Tendler: — I better start writing . . .

Erika Ritchie: — Yeah.

Krystal Tendler: — No, it's good. Yeah, for sure. So I think, similar to Jeff and Shawn's comments on water use, we try to take a proportionate response. And so as the risk of the incident of non-compliance increases, the proportion of a response also increases. And so there are situations where the request for assistance kind of indicates that there's impacts to downstream landowners somewhere between the drainage works and the outlet for those works. And so that then escalates through our process, that we put more resources toward solving those.

And over the last year we've actually implemented new request for assistance procedures, which I think was highlighted in the audit findings, that puts prescribed timelines into resolving those higher risk concerns. And so now those have milestones every three months where we need to see progress being made to resolution, and they need to come into full compliance between 12 and 18 months, depending on the file.

And so that all has been improved and added more rigour over the last 12 months to help resolve those concerns. And I think we're starting to see how that, you know, the consistent approach

there can yield significant benefits.

Erika Ritchie: — So on the topic of the requests for assistance, or RFAs as they're known, at this point I understand that there isn't full transparency on that process and sort of the progress that's being made on them. Certainly that has been quite a contentious subject, especially since you've implemented a fee for RFAs to be submitted.

A lot of people were quite aghast at, you know, if you're relying on sort of a complaints-based system and then you slap on a fee, you know, it's seen as less than encouraging of those legitimate issues where people are experiencing them. And so I mean the approach of using complaints-based monitoring and the fee, the status of the reporting, you know, I don't know if it instills full confidence from the public that these issues are being adequately addressed.

When do you intend to . . .

Chair Witherspoon: — Can I just interject for a second, Member? I think you're asking important questions and valid questions, but they are trending here I think just into a bit more of the policy debate — which would be very appropriate for the policy field discussions and for you as a member to make recommendations or to have alternate views and to bring that to a policy field committee.

Within this committee here where we're sort of measuring, you know, the actions of government and we don't debate the policy, if you will, here, I think you've asked some good questions around how they've rationalized or which evidence supports the choices that they've made. I would just urge the member to, you know, caution. There's ample spaces publicly and also in other policy field committees and in the legislature to bring in the policy debate or alternative approaches to go at the issues. And this one here, it's sort of a review of the commitments that have been made, the auditor's report itself, and the processes that are there.

So I would just caution the member. You've made some, I think, some points that are important points. But maybe just watching going down, too far down the policy field debate.

Erika Ritchie: — Thank you, Mr. Chair. I'll just ask a final question. When and in what form do you intend to begin reporting on the RFA process?

Krystal Tendler: — Yeah, so we've just released our indicator framework specific to the stewardship policy. We're now building that out to develop the rest of our program level indicators, of which the reporting on the RFAs will be included. Those should be finalized here shortly, and we should be able to start publishing them in 2026.

I do have data right here available, and I know you just asked the question, so I think just to the note on the fee and the number of RFAs. In 2023 we received 51 requests for assistance. That number dropped to 17 last year, so a 67 per cent decrease in one year, which would be largely attributed to the fee.

[10:15]

And really what that speaks to is that our concern was often that that request for assistance was being used for concerns that were unrelated to drainage. They might have been water-related; they might not have been. But it was a kind of a catch-all process at WSA for a bunch of different concerns. So by adding the fee, it added a bit of scrutiny to ensure that we're only collecting, you know, the drainage-related concerns that we had the legislative authority to solve. And so that kind of shows, that 67 per cent decrease, we're now able to focus our resources to solving those in a timely matter and providing better outcomes for the clients.

And so those are the numbers for this year. We are committed to publicly reporting them going forward, but I expect that trend will continue.

Erika Ritchie: — Thank you.

Chair Wotherspoon: — Looking to other committee members to see if there's any further questions with respect to chapter 24, this important follow-up chapter. MLA Crassweller.

Brad Crassweller: — Yeah. Not a question, just want to say great work on the water stewardship policy and, specifically, engaging 80 stakeholders and Indigenous organizations — that's awesome — and being the first jurisdiction in Canada. So thank you for leading the way. And please pass on our thanks to your teams that have done that. That's awesome. Thank you.

Chair Wotherspoon: — Any further questions or comments at this point? Not seeing any.

I'd welcome a motion to conclude consideration of chapter 24. Moved by MLA Crassweller. All agreed? That's carried.

Okay, well, listen, I think that gets us to the end of our considerations of the Water Security Agency this morning. Thanks to CEO Jaques and your officials. Any final word our way? You don't need to, but any final word before we kick you all out of here?

Shawn Jaques: — No. Thank you very much. Thank you.

Chair Wotherspoon: — Great. Okay, thanks for that. And committee members, I guess I would welcome a motion. Both of these have outstanding recommendations, and they were follow-up, so I'd welcome a motion to conclude consideration of chapter 24. Oh, moved by Mr. . . . We already did this. Sorry. We've dealt with that. We've concluded our consideration. Thank you very much.

And we'll take a very brief recess and turn our attention to Energy and Resources.

[The committee recessed for a period of time.]

Energy and Resources

Chair Wotherspoon: — Okay folks, good morning. We'll move our committee along, reconvene the Standing Committee on Public Accounts, turn our attention to the Ministry of Energy and Resources and the couple of chapters pertaining to this ministry this morning. I'll introduce and like to welcome Deputy Minister Wagar to the table along with his officials. I'd ask him to briefly

introduce the officials that are with him here today, refrain from getting into the chapters at this point. We'll come back to you after the auditor has presented.

Blair Wagar: — Thanks, Mr. Chair, and good morning, everyone. With me this morning is Jane McLeod, executive director of our field services branch within the ministry, and Brad Wagner, our director of liability assurance in our liability management branch.

Chair Wotherspoon: — Okay, thank you very much. We will turn our attention and turn it over to the Provincial Auditor to present on chapter 26, which is a chapter that was presented in 2024 here and has new recommendations within it.

Tara Clemett: — So thank you, Mr. Chair, Deputy Chair, committee members and officials. With me today is Mr. Jason Shaw, and he is the deputy provincial auditor that is responsible for the audits at the Ministry of Energy and Resources. Behind us is Mr. Dane Reimer; he is a principal in our office and would have been involved in the work that is before the committee today. And beside him is Ms. Michelle Lindenbach, and she is the liaison with this committee.

Today Jason's going to present the two chapters noted on the agenda in separate presentations. He will pause after each of the presentations for the committee's consideration and deliberation.

The first presentation is a new performance audit we did at the ministry related to licensing and inspecting active oil and gas wells and facilities. It contains six new recommendations for this committee's consideration. The second presentation is a follow-up audit that will provide an update on progress made by the ministry on recommendations that we previously made and this committee did agree to with regards to the future cleanup of oil and gas wells. The committee agreed with these recommendations in December 2013. I do want to thank the deputy minister and his staff for the co-operation that was extended to us during the course of our work.

With that, I'll turn it over to Jason.

Jason Shaw: — Thank you. The Ministry of Energy and Resources is responsible for licensing and inspecting oil and gas wells and facilities in Saskatchewan for *The Oil and Gas Conservation Act*. A primary purpose of the Act is to protect the environment, property, and public safety with respect to operations of the oil and gas industry.

Saskatchewan's oil and gas industry contributed over \$1.1 billion to provincial revenues in 2022-23 with about 54,000 active oil and gas wells and over 8,000 licensed, active facilities in operation at November 2023. In '22-23 the ministry spent 24.8 million on its oil and gas regulatory activities. Assessing whether operators meet all licensing requirements and inspecting wells and facilities helps the ministry to ensure safe operations. The ministry uses its IT system, called IRIS [integrated resource information system], to support its regulatory activities.

Chapter 2 of our 2024 report volume 1, starting on page 25, concluded that for the 12-month period ending December 31st, 2023 the Ministry of Energy and Resources had effective processes, except in the following areas to license and inspect

active oil and gas wells and facilities. We made six recommendations.

In our first recommendation on page 33, we recommended the Ministry of Energy and Resources justify approving applications for new oil and gas wells or facilities where the operator owes money to the Government of Saskatchewan. One of the eligibility requirements to obtain a licence for a well or facility is not to owe money to the Government of Saskatchewan. Companies owing money require the ministry's approval to obtain a licence. We found the ministry did not have a formal process to identify applicants owing money and making decisions around approving applications for new licences when applicants did owe money.

We identified 11 operators that owed money to the ministry but received 35 new licences, and we did not see any evidence where ministry staff considered outstanding debts before approving these new licences. One operator owed about \$2 million to the ministry but still obtained seven new well licences. Not formally verifying whether operators have unpaid debts owing to the Government of Saskatchewan increases the risk the operator will not pay money owed and the unpaid amounts will continue to increase.

Our second recommendation, on page 35 we recommended the Ministry of Environment document the key judgments about environmental risks when reviewing and approving oil and gas wells and facility applications.

The Ministry of Environment completes assessments of and approves applications for oil and gas wells and facilities when it needs to consider environmental factors before the Ministry of Energy and Resources approves applications. For example the Ministry of Environment's lands branch reviews applications for potential impacts on the environment such as oil and gas wells proposed on sensitive areas such as grasslands and wetlands.

We found the Ministry of Environment did not have a checklist or other formal guidance for staff to use when reviewing environmental information and to document their assessments. We found the Ministry of Environment also maintained no documentation of its assessments, only documenting its licence approval in IRIS.

[10:30]

In our sample of 51 applications tested, 11 applications required the Ministry of Environment's approval. We found it was unable to provide any evidence as to whether the operator's proposed plans were appropriate or if further mitigation steps were required. Without documenting key judgments in assessing areas of high risk or complexity there is risk the Ministry of Environment staff do not appropriately consider key risks when approving licence applications that could lead to significant adverse effects on the environment.

We made our third recommendation on page 38, where we recommended the Ministry of Energy and Resources implement a risk-informed plan for inspecting oil and gas wells and facilities.

Ministry staff inspect wells and facilities to monitor operators' compliance with key operating requirements. From December

1st, 2022 to November 30th, 2023, the ministry inspected about 25 per cent of all active and inactive wells, which was about 21,700 out of 84,000 wells.

In 2021 the ministry began a five-year project to focus its regulatory oversight on wells it had not inspected since at least 2015. By December 2023 the ministry had inspected 88 per cent of the 18,500 wells it identified as high risk. However the ministry did not have a plan for when to inspect lower risk wells or when to re-inspect wells it had already inspected. Also its five-year project did not include when to inspect facilities or new wells created since 2021.

The ministry did not have an ongoing plan for how it would determine risk rating for wells and facilities or how it would use those ratings to plan inspection frequency of oil and gas wells and facilities going forward. Having a risk-based inspection plan stating the required inspection frequency of wells and facilities will help reduce the risk of unnoticed non-compliance and subsequent consequences.

In our fourth recommendation, on page 39 we recommended the Ministry of Energy and Resources develop standard expectations to guide staff when completing oil and gas well and facility inspections and escalating enforcement actions. We found the ministry did not have guidance establishing central expectations for staff to follow for inspection or enforcement actions. Instead it expects staff to use their knowledge and experience to make these decisions.

We found the ministry did not have central written guidance on things such as which inspections to prioritize, timelines for completing inspection activities, complete and consistent inspection checklists to guide staff on what to inspect during inspections, or documentation requirements for completed inspections.

Not having established guidance for consistent inspections increases the risk staff may not check the most significant risk areas when completing inspections. Additionally the ministry may not identify significant deficiencies or risks at well sites or facilities that could impact public health and the environment. Also we found no central guidance for ministry staff to use when escalating enforcement actions such as when to use financial penalties or when to suspend a licence.

In our fifth recommendation, on page 42 we recommended the Ministry of Energy and Resources review oil and gas waste disposal facility reports timely to monitor whether environmental risks are identified, requiring further action. Waste disposal sites are a type of facility that collect waste from oil and gas operations such as contaminated soil or other chemicals. The Ministry of Environment considers these types of facilities to have a higher risk of having environmental impact due to the nature of their operations.

The Ministry of Energy and Resources requires operators of waste disposal facilities to submit an annual report that summarizes operational details the ministry uses to assess if additional action is required, such as request field staff to complete an on-site inspection. These reports, for example, include the results of groundwater testing surrounding these sites. If these facilities are not operating appropriately, there is risk of

contaminated fluids escaping the sites and polluting groundwater.

We tested 3 of 29 waste disposal facilities' reports for the year ended March 31st, 2023 and found the ministry did not maintain evidence it reviewed these annual reports within one year of receiving them. Management indicated it did not review these reports due to other staff priorities. We found none of the annual reports we tested identified significant issues. However not reviewing key reports increases the risk the ministry may not identify concerns at facilities that can significantly impact the environment and make sure operators take appropriate action timely.

Our sixth and final recommendation, on page 43 we recommended the Ministry of Energy and Resources enhance written reports given periodically to senior management by including analysis on regulatory activities — for example, inspections, complaints, and non-compliance — related to oil and gas wells and facilities.

The ministry periodically provides some information about its key regulatory processes to senior management, highlighting key regulatory activities or updates to current projects. For example reports outlined a number of inspections completed. However we found the ministry completes minimal inspection result trend analysis or detailed analysis, for example the percentage of compliant and non-compliant inspections. It could use further trend analysis to inform how it prioritizes future inspection activities.

Also during 2023, the ministry was developing a formal process to identify trends and issues with the licensing process, such as which parts of the process operators often complete incorrectly. Having a robust process to analyze trends in its key regulatory activities would provide senior management with more meaningful information to inform key regulatory activities.

Thank you, and I will pause for the committee's consideration.

Chair Wotherspoon: — Thank you very much. I'd like to thank the officials as well for putting together the status update, and then for those that have been involved in the actions reflected in that status update. And I'll table it now, PAC 34-30, Ministry of Energy and Resources: Status update dated February 25th, 2025.

I'll turn it over now to DM [deputy minister] Wagar for comments with respect to chapter 2, and then we'll open it up for questions.

Blair Wagar: — Great. Thank you, Mr. Chair and committee members. I'd just like to begin by thanking Ms. Clemett and her team for the work they've done with the ministry. We certainly appreciate all of that work that the Provincial Auditor's office has done, helped to improve our operations and manage risk in our business as well.

So thanks for the opportunity to speak to you today about our response to the Provincial Auditor recommendations relating to licensing and inspecting active oil and gas wells and facilities. As indicated the ministry licenses and inspects wells and facilities as part of its regulation of the oil and gas activities in Saskatchewan. The audit concluded the ministry had effective processes in

place, but outlined a few areas for improvement. I'll briefly go through each of the recommendations and provide a brief update on progress to date.

Recommendation no. 1 that deals with the ministry process regarding the checking of debts owed to ministry prior to issuing a new licence for wells and facilities. The ministry currently has a process to check outstanding ministry debt for licence transfers and currently is developing a process to assess debt owed prior to the issuance of a licence. So that is considered by us as partially implemented.

Recommendation 2 falls within the Ministry of Environment's responsibility, so I'm not going to speak to that one today.

Recommendation no. 3 focused on the implementation of a risk-informed plan for inspecting oil and gas well facilities. The audit did note that the ministry began a five-year project in 2021 to focus on wells it had not inspected since 2015 but did not have an ongoing plan post-2015. Today I can report that the ministry has commenced a review of wells and facility data with the goal of having an annual risk assessment process that will identify inspection targets on an annual basis. The planned implementation of this process will occur at the end of the current five-year program, so in 2026. So that again we consider partially implemented.

Recommendation no. 4 asked for the ministry to develop standard expectations to guide staff when completing oil and gas well and facility inspections and escalating enforcement actions. I'm happy to report that the ministry is compiling current practice and policy information from each of the field offices — the four field offices that we have across the province — and the development of a standardized inspection document is under way. A compliance framework is in place, including an enforcement escalation policy, to guide inspection compliance activities, so again partially implemented.

Recommendation no. 5 deals with the timely review of oil and gas waste disposal facility reports submitted to the ministry. The ministry has developed a database to document waste processing facility reports received and reviewed. In addition a system enhancement was made in our IRIS, our integrated resource information system, and was released in December of 2024 to support online submissions. So a review policy has been documented, and we will undergo regular assessment with an eye for continuous improvement to determine if changes are needed. So we are looking at that one as fully implemented.

And lastly recommendation no. 6 focused on enhancing the written reports given to senior management by including analysis on regulatory activities. And the ministry has partially implemented the recommendation by leveraging existing tools to improve senior management reporting, so more work to be done there.

I just want to conclude by saying that ER, Energy and Resources, is committed to addressing the audit findings and is targeting full implementation of recommendations by April of 2026. We'll of course wait for further follow-up from the auditor's office and the final determination that all those recommendations actually have been fully implemented.

So happy to answer any questions the committee may have.

Chair Wotherspoon: — Okay, thanks so much. Thanks for some of those actions that have been taken and the commitments that have been made as well. And I'll open it up now to committee members for questions on this chapter. MLA Pratchler.

Joan Pratchler: — Thank you, and good morning. I see in recommendation 1 that there's an action to explore how to define "debts owing." I have a question as to what would be the challenge about finding a definition about "debts owing"? And what type of definition are you looking for?

Jane McLeod: — Yeah, so it's very broad in the regulation. It says "debts owing to the Crown," so there's sort of a need to define what that means. Is it debts owing related to oil and gas operations? Is it debts owing to SaskPower? So it's sort of that term of what that definition is. Do we look at royalties? Do we look at administrative penalties? Just the administrative levy? Do we just look at those things or is it broader? So that's the need to define what it means.

Joan Pratchler: — Yeah, I would think when they owe money, it would be any kind of money that they'd owe and should be paid to the Crown. Or what am I missing?

Blair Wagar: — I think the expectation is that if an oil and gas company owes debts to anyone, that the expectation that those are paid. Tying that to a company getting a licence to drill a well for the purposes of being able to generate revenue and pay those debts is what I think we're trying to balance against. So how much do we put into the basket? In terms of considering for them to get a licence to drill, how much administration do we build into that in terms of tying it to paying debts? So the expectation is that they pay them all.

Joan Pratchler: — Yes. Is that a new thing, that they haven't been paying for a long time or that we've got such high debts owing, or is that just this year?

Blair Wagar: — No, I mean we don't really have a situation where there's high debts owing. For the most part oil and gas companies are paying their bills. I'd say it's more on the exception side than it is on the norm.

Joan Pratchler: — Okay. So the auditor defined 11 operators where the ministry approved new licences, 35 well licences where operators owed money to the ministry, with one owing about 2 million in outstanding royalty payments dating as far back as 2017. This is a little alarming. Could you provide some explanation as to how the ministry justified not collecting those monies from that far back?

Blair Wagar: — So I think again it's not where we aren't looking to collect those monies, it's at what point . . . If you aren't allowing any licensing to occur, that's one of the ways in which the company is able to generate revenue to pay their debts. So this balance between if we shut them off from generating any kind of revenue opportunity, you kind of put yourself in a position where you are almost guaranteeing that you're not going to be able to collect debt.

Joan Pratchler: — True. And there comes a point when you go, like, when do you just stop?

Blair Wagar: — Absolutely. And that is, you know, both the art and science of finding that right balance. And that's exactly some of the work that we need to be doing.

Joan Pratchler: — So are you just starting that kind of work now, or has that been since 2017? And that's — what? — a little while ago.

Blair Wagar: — Yeah. I'd say that the work has been under way. It's how well we've been documenting those processes and putting a lot more standardization and potentially, kind of, documentation in place.

[10:45]

But balancing this out has been conversations between our energy regulation division and our energy resource division. The resource side is where we're looking to develop and enable development of our oil and gas sector, and the energy regulation division is the one that manages the licensing and regulates the actual activity on the ground. And it's bringing those two parts of the organization together to share a lot more information about when there's debts owing on one side of the business, that we're taking that in consideration on the other side of the business.

So that's the most recent pieces of work that's been happening.

Joan Pratchler: — And so what would be some of the things on that continuum? You've got somebody that can't pay their debt for whatever reason, to just got to start a new well and we'll be good. This seems pretty black and white. This seems pretty black and white, but there's a pretty big . . . What kind of processes are in place there? And do you have a plan or a policy of when you shut it down because this is just good money after bad, not happening anymore? We want to support these; let's give them some more oxygen so they can actually do this.

So are there policies in place, and what do those look like?

Blair Wagar: — I would say that we have a lot of operating practices. It's the documentation of some of those criteria; that's the work that's happening now within these recommendations.

Joan Pratchler: — Okay.

Chair Wotherspoon: — MLA Gordon.

Hugh Gordon: — It's a really important question because we see our neighbours next to us in Alberta watching these liabilities grow on a daily basis. A lot of oil companies are just abandoning those obligations.

And so I think that it's really important to try to — the work that you're going to be doing in your agency, your department — to catch these liabilities at the licensing process so that maybe we could mitigate, sort of, them growing. I think we would all agree, I'm sure you would agree we don't want to become somebody's creditor through the licensing process by giving them a blank cheque essentially to continue to generate revenue without paying attention to their obligations to the province.

On that point I had a question. If you could tell me the total amount, if you know, owing to the ministry for new licences by operators currently. Those that do have liability or debt obligations to the province, do you know how many of them are currently licensed?

Blair Wagar: — Yeah, I'm not sure if I have that information with me specifically in terms of, if I understood the question, the number of licensees that we have currently in place right now and what they would be owing the Crown.

Hugh Gordon: — What they would be owing. So how many people are actively . . . got licences, got wells in operation that are generating revenue, that currently have . . .

Blair Wagar: — Debt owing.

Hugh Gordon: — What is the current total owing to the Crown amongst those currently licensed operators?

Blair Wagar: — So I don't have the specific number, the dollar amount, but probably be about less than around 20 licensees that would have current debts owing to the ministry, whether it's through the orphan levy, whether it's our administrative levy, or whether it's on the royalty side.

Hugh Gordon: — And do I understand correctly there's about 2 million total owing amongst those companies? Like I'm just looking . . .

Chair Wotherspoon: — The auditor just needs to make a clarification.

Tara Clemett: — So that \$2 million was one specific operator that we outlined.

Hugh Gordon: — Oh, one. Sorry, sorry. Thank you. Sorry, my bad.

Blair Wagar: — Yeah, that's what I say. The number probably would be higher than that when you added up all those different pieces, about 20 companies that would have debts owing. But the range of debts owing would be a lot, from \$2 million to the one example, to much less than that.

Hugh Gordon: — Would you be able to report back to committee that number in a month's time and provide that to the Clerk?

Blair Wagar: — Yeah, absolutely.

Hugh Gordon: — That would be great. Just an attachment to that as part of, I guess, on some of these other recommendations you're trying to implement, what work are you doing with other ministries — whether maybe it's Environment, maybe it's Finance — some of these other areas where these debts are owed? Perhaps not necessarily . . . Like royalties would include, I suppose, your ministry, but what work are you doing with other ministries to try to resolve these issues when they do come to you for a licence and you do see that they have an amount owing?

Blair Wagar: — Yeah, I think most of the work that we've been focused on and where we've been asked to work closely with

Government Relations, a lot of it's debts owing to RMs [rural municipality] for taxes purposes. That's where we have the most work going on.

Hugh Gordon: — Okay, thank you for that.

Chair Wotherspoon: — MLA Pratchler, go ahead.

Joan Pratchler: — On recommendation no. 3, just dipping back into the risk-informed plans, I see that that recommendation is partially implemented, that the ministry is exploring options to address debt checks prior to issuing a licence check. But following the report, are the ministry staff checking the debts owed prior to this issuing of a licence currently?

Blair Wagar: — So that's something that we're developing right now. And if we're aware of those things in advance we will do that. We don't have a formal process in place or documented policy in place on how we deal with that. And generally speaking the risk that we have around companies coming in that are financially solvent, if they're coming in with a licence they've often been able to raise money in the marketplace to be able to come in and actually drill. Otherwise they wouldn't be coming in looking for a licence.

So the risk profile that we have around looking at our industry isn't necessarily around liquidity and insolvency, isn't necessarily around when they're coming in for a licence. That's often when they're in the best financial shape. It's when a licence transfers. So when a company is looking to move their wells to another one, often that's where the risk is much higher.

And where we spend a lot of our valuable resources is looking at and evaluating do we want to see this company that has maybe been operating for a while, has run into some problems and looking to transfer those wells somewhere else, making sure that the risk associated with that — the financial health and well-being of that transfer — is not going to put a new company in really difficult shape or that there isn't some abandoning of a financial liability there. So that's why we focus in on the transfer and all of the debts owing around a transfer, as opposed to at the front end when they're first coming and looking for a licence.

Joan Pratchler: — So this new risk-informed plan is going to be much more responsive earlier, sooner, quicker to some of these things?

Blair Wagar: — We're going to spend more time evaluating the risk at the front end to make sure that we aren't letting someone in necessarily that's carrying a large debt right off the very start. We do see the risk lower there though. That's been our experience.

Joan Pratchler: — And would you wager to say that those risks are increasing over time, like you're seeing more of that inability to be very solvent in order to continue?

Blair Wagar: — I think that that's probably more at the licence transfer area where we see risks increasing there as companies are going, not necessarily at the front end. You're seeing probably less companies that are coming in, and the companies that are there are much larger. They tend to be probably better financially positioned coming in now than maybe they were

before.

It's not easy to get into the oil and gas business maybe as it was once. It's a lot more competitive pricing, a lot more when we're facing a situation now where there's lots of uncertainty in the industry. So the ability to raise capital, come in as a company is a lot more challenged now than it has been for sure.

Joan Pratchler: — So at that transfer stage, what do you think the root cause is for that kind of tenuous situation where people are not being able to be successful?

Brad Wagner: — Yeah, I mean we process thousands of well transfers a year. And you know, it depends on the group of wells that a company is purchasing from another company. You know, in a lot of cases that's how a company gets into the oil and gas business. Rather than drilling their own well, they'll purchase wells that presumably have some economic value left. But that's always questionable because they've been produced for a while. And you know, so sometimes you get companies that will buy wells that are nearing the end of their economic life in hopes of producing what they can out of it.

But you know, certainly that's why we as the regulator have a program in place to measure the asset value of the wells that they're purchasing, and we measure their future cost to clean that up. And if the future cost outweighs the expected revenue from the wells, then we make them post security before they get the licences and the wells.

Blair Wagar: — Maybe just to add a little bit more to that is that the different companies that are in the oil and gas sector have different business models, for lack of a better word, and some of them have certain rates of return. So when they drill a well they expect a certain recovery rate from that well. And as soon as that well starts to drop below that recovery rate they look to move away. And then other companies, their business models allow them to operate with lower recovery rates.

So sometimes these wells move through and change hands to be able to best fit the business model of that particular company. Its overhead, its size, whether they're working in multi-jurisdictions — all of that kind of plays in.

But as Brad said, what we're watching for is making sure that those wells don't end up in the hands of someone that don't have the ability to actually manage the liability when they are close to end of life.

Joan Pratchler: — So are you sensing that the precariousness of this debt that's floating out there are putting our financials at risk?

Blair Wagar: — I wouldn't say that it's a debt problem. It's more of an asset that needs to get cleaned up at the end of its life. And do they have the money, the company have the money to be able to clean up that asset for when it becomes inactive.

So it's not so much debts owing to the Crown in this case; it's more the liability that the company has with those infrastructure assets and do they have the financial capacity on their balance sheet to be able to clean up that well once it becomes inactive.

Joan Pratchler: — And let's say they don't. Then who's on the hook for that, right? It won't be . . .

Blair Wagar: — The rest of the industry is then, whether it's through our orphan well program — if they go insolvent, all those wells move into our orphan well program and that well program then levies the rest of the industry that is solvent — and that's how we get money from the industry to clean that up. And it's some of those debts that companies aren't paying that we're looking to collect as well.

Joan Pratchler: — Thank you.

Chair Wotherspoon: — MLA Gordon.

Hugh Gordon: — Sorry, just in response to some of your responses that were talking about this debt management. So we're hopeful that on the front end, the work that you're currently undertaking is going to catch this before a licence is an issue. But admittedly, there are a number of licensees currently that are operating managing debts owed as we speak.

So my question is, all the recommendations that you're undertaking, what efforts touch upon I guess mitigating that, I don't know, debt collection if we can call it that? But what efforts are being done essentially to catch these companies if they decide to exit the market and transfer a well or a licence to another party with debts owing? What efforts is your department doing to mitigate those potential losses?

Blair Wagar: — So I want to be clear about, you know, monies owing and debt collection. Whether it's the orphan well program or the payment of the levy, it's actually the industry pays the regulatory fees associated. Like for us to run our regulatory programs, we levy them and recover those dollars from industry. Or whether its royalties, that's where there's debts owing to the Crown that we are focused on. And we're always looking at how we're collecting those, whether through the normal outreach, through letters, through engagement with them, and finding ways, repayment programs. Like anyone that's looking to collect debts that are owed, those things are in place. And looking to figure out how to enhance that.

What we're tying here now is the ability to get a licence to that debt owed, and that's where we'll make some improvements in terms of tying those two things together around the initial licensing or additional licences. We can, if someone isn't paying, have the ability to actually suspend their well. But as you move down that path, you want to be very careful that you don't tip them over into bankruptcy because then you aren't able to collect your debts owed. And when we tip them over into bankruptcy then that moves all of those assets into our orphan program, which then the burden is on the rest of the industry to pay that.

So I want to separate out the liabilities that we're talking about when it comes to our assets and wells that are out there and them having to get cleaned up from the debts owing for royalty and other things, that we kind of started to mix those things together a little bit.

You know, generally speaking, we don't have . . . We still see the higher risk is around the transfer of wells as opposed to kind of the front-end licensing — that tends to be one of the most solvent,

as I was saying earlier — but looking to figure out how to improve that, to make sure that we aren't issuing licences to companies that have debt owing. And if we can use that as, I'll use the word "leverage," for them to make sure that they pay their debts before we issue more licensing, that's what we're looking to do.

Chair Wotherspoon: — MLA Pratchler.

Joan Pratchler: — On recommendation no. 4 regarding inspection of compliance, can you tell the committee a little bit more about the compliance framework for inspection and also for enforcement? What exactly is the process and what does enforcement look like? You might have touched on it, but maybe there's more holistic . . . that you might want to address as well.

[11:00]

Jane McLeod: — Sure, yeah. So we leverage the IRIS system, the system that we have. So when inspections are completed and items are found that need to be addressed, they're logged in that system. And the system will send a notification to the company letting them know they have an obligation that needs to be addressed. And the system will kind of run through . . . They kind of get three cracks through the system to address any non-compliances that were identified. And we get about 80, almost 90 per cent compliance just through that automated system notification and companies addressing it.

And then beyond that, it would leverage into a direct communication from . . . A field officer typically would contact the company and say, you know, you haven't addressed this issue; it's been this long; you've gotten these many notifications. And it would move to a manual process there. And then if those direct communications and their actions didn't address the issue, then we have sort of a suite of escalations we can look at. We can go to looking at shutting in production on a well. We could look at leveraging a fine against the well.

But typically so far in our experience with our compliance, we will get compliance through having a meeting, setting set deadlines, and providing a letter saying we will shut in production if these things don't occur by this date. So that's been my experience in the last couple years. We've gotten compliance through direct engagement on the items where they weren't corrected through the system.

Joan Pratchler: — Thank you.

Chair Wotherspoon: — Looking to committee members to see if there's any further questions with respect to chapter 2. Thanks for the substantive questions and responses as well.

This is a new chapter for those that are watching at home. Sometimes we're doing follow-up on chapters that might have been presented and brought to us a few years back. This one was presented in 2024 so this is, you know, I think a real timely consideration, first consideration at this table. So thanks as well for the commitments to get information back to the committee where we're committed to, and to follow through with the work towards implementation on all recommendations.

At this point in time I'd welcome motions with respect to

recommendations 1, 3, and 4, that we would concur and note progress. Moved by MLA Patterson. All agreed? That's carried.

I'd welcome a motion that we concur with recommendation 2. MLA Patterson moves. All agreed? That's carried.

With respect to recommendations 5 and 6, I'd welcome a motion that we conclude and note compliance. Moved by Deputy Chair Wilson. All agreed? That's carried.

Okay. We'll now turn our attention to chapter 24, which is a follow-up chapter. And I'll kick it over to the Provincial Auditor and her office.

Jason Shaw: — Thank you. The Ministry of Energy and Resources is responsible for regulating future cleanup of oil and gas wells. Effectively managing the future cleanup of oil and gas wells helps keep industry responsible for settling its obligations to clean up wells that are no longer productive in a timely manner and reduce environmental risk.

Our 2012 report volume 2, chapter 31, concluded for the October 1st, 2011 to September 30th, 2012, the ministry did not have effective processes to manage the financial and environmental risks related to the future cleanup of oil and gas wells and related facilities. We made seven recommendations. This committee agreed with those recommendations in 2013. By February 2018 the ministry implemented five recommendations.

Chapter 10 of our 2023 report volume 1 on pages 139 to 143 concluded that by February 2023 the Ministry of Energy and Resources implemented the final two recommendations. On page 140 we report we found the recommendation related to the ministry's assessment of financial and environmental risks related to legacy well sites is implemented.

Legacy wells are sites that oil companies cleaned up prior to 2007, and at that time these sites did not require an independent review by an environmental specialist. Saskatchewan has about 20,000 legacy well sites, of which about 9,000 were producing. A well that was previously producing oil and gas presents a higher environmental risk.

In 2018 the ministry determined the proportion of legacy well sites needing to be inspected in order to assess the environmental risks of legacy well sites. The ministry appropriately focused its inspection efforts on formerly producing wells. Between 2015 and February 2023 the ministry inspected 179 legacy well sites. Of the 179 sites inspected, the ministry identified five sites with issues. We assessed one of these five well sites. We found the ministry identified environmental issues — for example, crop growing poorly on the remediated area — and it took appropriate action. The ministry planned to continue to review additional legacy well sites beyond the 179 completed, potentially using drones.

Sufficient inspection of legacy well sites helps the ministry identify environmental issues that may exist at legacy well sites. This allows the ministry to hold oil and gas companies responsible for any issues found.

On page 141 we found the recommendation related to the ministry's assessment of financial and environmental risks

related to the timely cleanup of inactive wells and facilities is implemented. Inactive wells and facilities are wells and facilities without any reported production or other activity for 12 consecutive months. At December 2022 there were about 35,400 inactive wells in Saskatchewan.

Effective January 1st, 2023 the ministry implemented *The Financial Security and Site Closure Regulations*. One aspect of these new regulations is the new inactive liability reduction program, which requires oil and gas companies to continually clean up inactive wells over time. The inactive liability reduction program requires companies to spend an amount determined by the ministry each year on cleaning up inactive wells. For 2023 each oil and gas company was required to spend 5 per cent of its estimated total well and facility cleanup cost using the formula set in the regulations.

Also the regulations state the spend percentage will increase by 1 per cent per year after 2023. We found the design of the program to be reasonable. We also found the ministry's process to set the 2023 spend percentage of 5 per cent to be reasonable. In addition we found the ministry appropriately communicated to the companies the requirements under this program. The ministry expected over 200 oil and gas companies to spend about \$105 million cleaning up inactive wells in 2023.

Effectively managing the inactive well population helps keep the industry sustainable while preventing an increase in inactive wells, and it also helps to hold the industry responsible for settling its obligations to clean up wells that are no longer productive in a timely manner.

Thank you. And that concludes my presentation.

Chair Wotherspoon: — Thank you for the follow-up. Of course this report goes back quite some time, back to 2012. Good to see implementation being reported. We've considered this at this table a couple times in the past. I'd open it up to DM Wagar for some brief remarks. Then we'll open it up for questions.

Blair Wagar: — Thank you. And I'm pleased to speak about the two remaining recommendations related to our process for managing future oil and gas well cleanup. I'd like to again thank and express appreciation for the co-operation and collaboration with the Provincial Auditor's office. As you mentioned it's been a long relationship, but we've got to I think a really, really great place. And we're certainly pleased with the report, which indicates the ministry has fully implemented the final two recommendations.

The Provincial Auditor's report indicates that the ministry has sufficiently focused its efforts on inspecting formerly producing wells and that the environmental risk of legacy well sites is low, which we fully agree. Furthermore the report confirms that the ministry takes the necessary action to require companies to complete further site cleanup when risks appear.

With the implementation of *The Financial Security and Site Closure Regulations* on January 1st, 2023 the oil and gas companies are now required to spend a predetermined amount each year cleaning up their inactive wells. With these regulations in place, the final recommendation by the auditor is complete. So the liability management regulatory framework is vital to

ensuring that the costs associated with oil and gas industries' end-of-life decommissioning and site-closure obligations do not get passed on to taxpayers in Saskatchewan.

So I'm happy to now take any questions.

Chair Wotherspoon: — Thank you very much. I'll open it up to committee members at this point that may have questions. MLA Pratchler.

Joan Pratchler: — Thank you. So it's been implemented. It's been a long time, as you mentioned. I'm just wondering, it took that long because there must have been challenges. So what would be some of the challenges in that financial picture, challenges? What are some of the environmental risks or assessing those? What were . . . Give me maybe the top three in both of those to go. What were the challenges? Because it didn't take that long for no reason.

Blair Wagar: — Yeah. I can start the . . . [inaudible] . . . invite you in because you lived I think through most of this.

I think we've probably touched on some of this at the end of the day, but it is that balance between companies that are in . . . and you have every time you drill a well, that well has a certain recovery rate, and that recovery rate goes down. And different wells have different decline rates. And a lot of the times the focus is on the next well and drilling, and that's where your revenue comes from and that's where your profit comes from. And it's easy to not think about the end of life and the assets that are out there and focus on kind of cleaning those up.

And there was a decision that had come down. A Supreme Court decision came down around how to value that asset and how it shows up on the books. And that was a big part of what changed I think the mindset of the industry, and seeing the benefit associated with well cleanup from a financial perspective, to improve their books on top of some of the regulatory obligations, to make sure that we didn't see companies not dealing with their inactive infrastructure that was at the end of life.

And then moving . . . if the company didn't deal with it then the industry had to. So there was a bit of peer pressure, frankly, in terms of companies looking to make sure that there was a level playing field and rules in place where companies were dealing with their own liability assets that were end of life.

Some of the challenges though . . . Sorry, that not necessarily went down a path that didn't answer your question more directly, but it gives you a bit of the . . . kind of the journey in terms of the mindset I think of the industry and some of the conditions that changed along with some of this work that was occurring.

I think it does boil down to, you know, the priority and balance between how much money, capital, do we put in to building our future versus dealing with the end of life. And it's finding that right balance to make sure that they maintain financial sustainability and stability so they can continue to do business and, you know, pay wages, pay royalties, and develop our natural resource.

So we want those companies here. It's definitely a partnership, but it is finding that right balance, which I think we've gotten to

a fairly good place. It'll always have to be checked, but gotten to a relatively good place with the industry.

Joan Pratchler: — The second part of that is the environmental challenges. Can you talk a little bit about what came over that period of time that might have been in that realm?

Blair Wagar: — Yeah. I might get Brad to maybe touch on some of those things for sure.

Brad Wagner: — Yeah. Like your question I guess is, were there environmental challenges that we faced that slowed us down in terms of meeting the recommendations?

Joan Pratchler: — And were they addressed?

Brad Wagner: — Yeah, you know, not necessarily. Certainly on those legacy sites too, you know, the ones that we inspected, less than 3 per cent had any environmental concerns. And the ones that did were minor concerns — thin topsoil, or you know, bare patches here and there. So it's, you know, things that needed to be rectified nonetheless.

But you know, there were not like oil impacts or anything like that that we found. Yeah, I mean one of the things that Blair pointed out is, you know . . . I mean we're all aware that the government at any given point in time has priorities. And I mean this is a program that in terms of, you know, reviewing the legacy sites, it was certainly something that was important for us.

But we had, you know, fairly minor resourcing to get it done. So our plan became, let's do what we can each year. And we calculated the statistics so that we knew what the end goal was going to look like, how many sites we needed to inspect. And then we went about the business of carrying out a certain number of inspections each year.

So it took a while for us to gain enough sites to have a statistically significant sample size. Nonetheless, even though the auditors have concluded that we've met the recommendation, we're still carrying on those inspections every year to improve the sample size and to give the public even greater assurance about those sites.

[11:15]

Joan Pratchler: — So what have we learned over that, and what now can we take forward that we're in a better place than we were 10, 15 years ago?

Brad Wagner: — Certainly the new program that we have is much more robust from the standpoint that, you know, we have companies take soil and groundwater samples and take them to labs and ensure that there's no impacts.

Previously, you know, before we brought in this program, there weren't those checks and balances in place. But what we did learn, interestingly enough, is that the oil and gas industry had been doing a very good job of reclaiming their sites — i.e. when we went out to investigate these legacy sites, we found very little issues or concerns, very little environmental impact. So it tells us that the industry was doing a good job of reclaiming sites.

Joan Pratchler: — Thank you. And then there's one other one. It says, "Legacy well sites were cleaned up without an independent report by an environmental specialist." I just have a question mark around that. Wouldn't you want a report to ensure that they were cleaned up, or am I reading this in a different way here?

Blair Wagar: — Brad, you can jump in but I think that was pre-changes. So now, since the changes that have been put in place a while ago, there is an independent assessment and a lot more robust due diligence process to verify that the sites are safe. Pre some of these changes, that's where there wasn't kind of a third party assessment that was done.

Joan Pratchler: — Question mark changed to check.

Chair Wotherspoon: — MLA Gordon.

Hugh Gordon: — I noticed that in part of the recommendation on page 141 you mention the inactive liability reduction program. I'm just wondering if you could take a little bit of time to explain that program to us.

Brad Wagner: — Sure, yeah. So this is a new program that is written into *The Financial Security and Site Closure Regulations*, and we began administering the program in 2023. And so this program is aimed at ensuring . . . obligating oil and gas companies to conduct closure work on a percentage of their inactive liabilities each year.

And so, you know, essentially how that works is that in consultation with industry we will establish a per cent reduction for each year, and then we multiply that percentage by the company's calculated inactive liabilities. And then that becomes their annual obligation that they must meet in order to be compliant with the program. And so far we've seen really, really great results in terms of compliance from the industry.

Hugh Gordon: — And so like on that point, I notice in the auditor's report that for 2003 oil and gas companies were going to spend \$105 million cleaning up inactive wells. So that's how that program is helping you to monitor that the money that is there to spend is being . . . the actions are being done with that money on those inactive wells, correct?

Brad Wagner: — That's correct. Yeah, and I mean as a part of the program each licensee is obligated to report to us on an essentially line-by-line, licence-by-licence basis on what work they did conduct and attach a price tag to each item as well.

Hugh Gordon: — And I'm just curious, and I don't know if you have the number today but I was just wondering if you know what the total estimated cost to clean up inactive wells are currently in Saskatchewan whether they be legacy or not.

Brad Wagner: — Yeah. Yeah, in terms of all of the inactive — and not even just wells; inactive infrastructure would include facilities as well and contaminated sites for that matter — but yeah, the number in Saskatchewan is approximately \$2 billion. Yeah.

Hugh Gordon: — Thank you.

Chair Wotherspoon: — Any further questions for officials here today with respect to chapter 10? Not seeing any, I'd like to thank officials and their teams and all those that have been involved in the work reflected in the discussion here today and the implementation that's occurred.

I'd welcome a motion to conclude consideration of chapter 10 at this time. Moved by MLA Patterson. All agreed? That's carried.

Okay, thanks again DM Wagar and your officials for joining us here today, and all those that have been involved in this work. Any final words for us before we shift gears and turn our attention to the Ministry of Finance?

Blair Wagar: — No, just other than to say thank you for the opportunity to talk about our programming. And obviously we're proud of the industry and the ministry and its mandate. And just to thank you for the insightful questions, and appreciate your time.

Chair Wotherspoon: — Right on. Thank you very much. Committee members, we'll recess for about one minute because I know Finance is waiting in the hallway and ready to go.

[The committee recessed for a period of time.]

Finance

Chair Wotherspoon: — Okay, folks. Good morning. We'll reconvene the Standing Committee on Public Accounts. Thanks to the Finance officials for being patient. Our last considerations took just a little bit longer, I think, than we thought they may. We look forward to the chapters and the considerations before us.

I'd like to welcome and introduce Deputy Minister Max Hendricks, and I'd invite him at this point to briefly introduce his officials that are with him here today. We can refrain from getting into comments on the chapters at this point. We'll then come back to the auditor and come back to you.

Max Hendricks: — Okay. Thank you, Mr. Chair. So the members of my leadership team that are here with me today are Aaron Hamilton, who is the acting assistant deputy minister of the revenue division; Karen Lautsch, who is the assistant deputy minister of corporate services and performance management; Cullen Stewart, behind me on my left, is the assistant deputy minister of fiscal policy division; and then of course Jane Borland, who's filling in for Chris Bayda today. And I will ask any other officials that come to the mike to introduce themselves.

Chair Wotherspoon: — Okay. Thanks so much for that. I'll turn it over to the Provincial Auditor to focus on chapter 9 and the new recommendations that come with it.

Tara Clemett: — So thank you, Mr. Chair. With me today . . . Sorry, Deputy Chair, committee members, and officials too. I went a little fast there, didn't I? With me today is Mr. Trevor St. John and he is the deputy provincial auditor that is responsible for the audits at the Ministry of Finance. Behind me is Ms. Melanie Heebner, and she's a principal in our office who would have been involved in the audits that we will be discussing with the committee today. And beside her is Ms. Michelle Lindenbach who is also a principal and the liaison with this committee.

So this morning Trevor is going to present the three chapters noted on the agenda in two separate presentations. He will pause after the first presentation for the committee's discussion and consideration. The first presentation is a performance audit where we looked at the ministry's processes for enforcing provincial sales tax legislation. It contains six new recommendations for this committee's consideration.

The second presentation will outline the results of our second and third follow-up audits we did on the progress that the ministry made on the recommendations we previously made with regards to monitoring the fuel tax exemption program. The committee considered and agreed to those recommendations in September 2017, and we are pleased to see that the ministry has fully addressed our recommendations by August 2024.

[11:30]

I do want to thank the deputy minister and his staff for the co-operation that was extended to us during the course of our work. And with that I'll turn it over to Trevor.

Trevor St. John: — Thanks. Provincial sales tax represents almost 3 billion in revenue to the province. It's the second-largest source of revenue. These taxes collected help pay for critical services in Saskatchewan. The Ministry of Finance is responsible for assessing and collecting PST [provincial sales tax]. The ministry uses enforcement strategies such as audits, taxpayer education and outreach, and collection activities to promote compliance with PST legislation and to collect taxes timely. Delays in the ministry taking enforcement action increases the risk of taxpayers not complying and lost PST revenues.

Chapter 9 of our 2022 report volume 2, starting on page 75, reports the results of our audit of whether the Ministry of Finance had effective processes to enforce compliance with PST legislation.

We concluded for the period ended December 31st, 2021, the Ministry of Finance had effective processes to enforce compliance with PST legislation, except in the areas of our six recommendations. I will now go over each of those recommendations.

On page 85 we recommend the Ministry of Finance annually analyze key trends of non-compliance — example, tax gaps or taxes collected but not reported — with provincial sales tax legislation, so non-compliance with provincial sales tax legislation, to help it select and prioritize its enforcement activities.

We found the ministry has reasonably comprehensive approaches to identify potential non-compliance with PST legislation; however it had limited documented analysis of tax non-compliance trends over time, for example analysis of non-compliance trends overall by vendor or by sector.

Although the ministry's annual action plans included plans to complete analysis in certain areas, we found this analysis was neither completed nor documented. Having robust analysis of non-compliance trends over time could help the ministry inform its selection and prioritization of its enforcement activities.

On page 88 is our second recommendation. We recommend the Ministry of Finance set out expected time frames for supervisory review and approval of provincial sales tax audits and education and outreach activities, and communicating provincial sales tax audit and education and outreach activity results to taxpayers.

We found the ministry's key policies and procedures provide comprehensive guidance to staff for conducting PST enforcement activities. The policies and procedures generally cover key enforcement areas such as registration, education and outreach, audit, and collections, and they reflected good practice. However the ministry had not set out in its policies and procedures what it considers timely supervisory review of audits and education and outreach activities.

We also found that the policies and procedures do not set out the expected time frame for communicating audit and education and outreach activity results to the taxpayer, for example within 30 days. The risk of delays or problems in completion of these enforcement activities could then result in delays in pursuit of taxes owing and payments of amounts owing.

For our third recommendation, on page 91 we recommend the Ministry of Finance clearly document its key judgments when selecting taxpayers for provincial sales tax audits. We found the ministry uses a risk-based audit selection model to select individual taxpayers for audit. The ministry used the ministry's revenue IT system to identify a list of potential taxpayers to audit based on risk areas and criteria. Once this list is created, supervisors complete further analysis and select taxpayers for audit. However the ministry had no documentation of the initial listing generated from the IT system or the further analysis completed to determine the final selection.

Because there was no standard process for documenting file selection and key judgments, we were unable to determine why Finance selected taxpayers for audit over selecting other taxpayers that may present similar or higher risk. Also solely relying on the experience of supervisors to select taxpayers for audit may result in important knowledge loss when there is staff turnover.

On page 92 we recommended the Ministry of Finance track key information in its revenue IT system regarding communication of provincial sales tax audit results, such as when billing letters are actually sent and by who. We found ministry staff performed appropriate audit procedures and sent billing notices to taxpayers setting out the actions people need to take and by when to address non-compliance.

However we found the ministry does not document sufficient information in its IT system about when staff send billing letters and support to taxpayers. Without tracking key information on communication of audit results, the ministry is unable to demonstrate whether it communicates with taxpayers timely. This also limits senior management's ability to monitor the timeliness of communications. Timely communication can help promote improved compliance by taxpayers and early payment of amounts owing.

On page 94 is our fifth recommendation, and we recommend the Ministry of Finance clearly document support for the level of risk assigned to provincial sales tax collection cases.

The ministry has a sufficient process to follow up with taxpayers who have not filed their PST returns or paid amounts owing when due within a reasonable time. The ministry's guidance also sets reasonable collection activities based on taxpayer risk; however it lacks sufficient support for the level of risk assessed and determined for each taxpayer. Without clearly documenting or supporting the level of risk assigned, there is a risk staff may not be taking the appropriate actions at the right time in pursuing collection of tax owing, which may result in the ministry collecting less tax. Management indicated that an upcoming project would fully implement the collection ranking functionality in the revenue IT system.

For our final recommendation, on page 97 we recommend that the Ministry of Finance explain differences between planned and actual provincial sales tax enforcement results and future actions needed in its reports to senior management.

The ministry monitors results of PST enforcement activities including monitoring some performance measures and targets for key actions. However there is limited documented analysis of results. We found that there was limited evidence of the ministry completing analysis when it did not achieve expected enforcement results, for example if results were not achieved, why not, and what the plan going forward was to achieve results. We also found no guidance exists requiring staff to perform and document such analysis. Without adequate analysis of results it is difficult for the ministry to determine why it did not achieve expected results, whether it's focusing its resources on the right areas, and how it should adapt enforcement strategies.

That concludes my presentation, and I'll pause for the committee's consideration.

Chair Wotherspoon: — Thanks. Thanks very much. Again a new chapter before us here today. I'll turn it to Deputy Minister Hendricks for remark, and then we'll open it up for questions.

Max Hendricks: — Thank you, Mr. Chair. With respect to recommendation no. 1 on analyzing trends of non-compliance, the ministry considers this recommendation partially implemented. A compliance governance framework has been established to support the development and implementation of targeted compliance actions based on trend analysis. The framework drives division planning and decision making related to tax compliance in a manner that balances operational risk, management, and reporting processes.

A comprehensive review of the effectiveness of all compliance activities and workload selection was completed. Findings from this review were used to enhance several existing initiatives as well as to create new initiatives and inform major enhancements to *The Revenue and Financial Services Act*.

A new business intelligence and selection team was created to systematically conduct analyses to address key risks, trends, related to non-compliance. This team uses 17 scoring factors to analyze risks. As well a multidisciplinary non-compliance response team was created to address the highest risk and most egregious cases of tax non-compliance.

A revenue enforcement strategy was implemented to focus on improving compliance with tax legislation through targeted

inspections and investigations on high-risk businesses and individuals, focusing on those who willingly do not comply with the PST legislation or are involved in distributing contraband tobacco.

With respect to recommendation no. 2 around the expectations for timely review and communications of results being needed, the ministry considers this recommendation implemented. Both audit and education outreach activities have integrated timelines for supervisory review and communication to taxpayers and to standard processes. These processes are tracked through case management and approvals.

Recommendation no. 3, selecting taxpayers for audit, the ministry also considers this recommendation to be implemented. The new business intelligence and selection team uses a risk-based approach for audit selection and key judgments are well documented.

Recommendation no. 4 around conducting audits, the ministry considers this recommendation to be completed as well. Elements of an audit case are tracked and reported within the enterprise revenue IT system, including some taxpayer communications, audit worksheets and reports, backup information, and case approvals.

Recommendation no. 5 around the process to follow up and collect unpaid tax, the ministry considers this recommendation to be implemented. A scoring process was implemented within the tax administration system in October 2024 which assigns a level of risk to each collection case.

And lastly, on recommendation no. 6 around reasonable performance measures and targets, we consider this to be partially implemented; however we have made significant progress on this recommendation. Where planned and actual PST enforcement results differ, changes to processes have been initiated. A new business intelligence and selection team is currently building infrastructure and processes to systematically assess compliance outcomes for selected tax clients in order to determine the efficacy of current selection scoring and inform any needed adjustments.

A non-compliance response team was created and is working to find new ways to gain compliance with the most egregious non-compliant taxpayers. And lastly, division plans are reviewed regularly and updates are being completed at mid-year and year-end to report the results.

That concludes my comments, and I'd be happy to take questions.

Chair Wotherspoon: — Thank you very much. Thanks as well for providing the status update and to all those that were involved in the work reflected in that status update. I'll table it at this time, PAC 35-30, Ministry of Finance: Status update, dated February 25th, 2025.

I'll open it up now to committee members that may have questions. MLA Gordon.

Hugh Gordon: — Hi, there. Welcome to the committee, and thank you for taking the time here to give us these updates. And

I have a few questions here with respect to the first recommendation, which you've got as partially implemented, and that's with respect to analyzing key trends of non-compliance and gaps, tax collected but not reported.

You mentioned you've got a new business intelligence and selection team that was created to systematically conduct analysis to address key risks and trends. I'm just wondering where this team is currently in the process and if you had any preliminary findings of any of those activities that they've engaged in.

Aaron Hamilton: — Hi. Aaron Hamilton, the executive director of intelligence, collections, and investigations branch with the revenue division, Ministry of Finance, currently acting assistant deputy minister, revenue division as well.

The business intelligence and selection unit was stood up in, I want to say, late 2023, and the first selections were pushed out in early 2024. So we don't actually have a full cycle of data yet in terms of feedback on the new selection process. We are monitoring it as closely as we can though and have plans to do a full assessment of the selection once the new fiscal year rolls around.

Hugh Gordon: — And with respect to the non-compliance response team or the revenue enforcement strategy, where is that in terms of its progress? And do you have any preliminary findings or reports for those two initiatives?

Aaron Hamilton: — The non-compliance response team is a brand new unit that was stood up, and the staff members in that unit are hybrid auditors-collectors. And we began not that long ago — I'd say November or December in terms of actively implementing that team — you know, so it's early days but we are seeing significant, I think, response and returns from the actions of that team. So no formal reporting yet, but we are seeing positive results.

[11:45]

In terms of the enforcement strategy, that's a longer term thing that's been under way. Initially a lot of the focus was on internal policy development, procedure development, getting sort of everything in order internally. And now we're essentially fully staffed up and taking more of an external focus in terms of implementing some of the new tools that the ministry has gained, as well as working with the selection and the non-compliance response team. So a little more integrated.

Hugh Gordon: — How is that revenue enforcement strategy going to be implemented? Is it these teams that we're discussing that are going to use that strategy going forward for enforcement or compliance?

Aaron Hamilton: — So when we say the enforcement strategy, internally we're really talking about our field investigators, which were renamed as part of our Act change. Used to be field enforcement, now it's investigations. So it's really on the field side of things. And in terms of implementation, it's . . . Sorry, I've forgotten your question.

Hugh Gordon: — Well I'm just trying to piece these initiatives

together. You know, you've got your business intelligence section which helps you to analyze key risks and trends, your non-compliance team to address high-risk and egregious cases of tax non-compliance, and then we've got this revenue enforcement strategy. And is that the umbrella under which these other two teams work?

Aaron Hamilton: — No. So the revenue enforcement strategy is specific to our revenue investigations team. The overall sort of framework sits under our compliance governance structure that we've recently created. So that's kind of the overarching organizational tool there. The non-compliance response team is a separate unit that's on its own administratively. Same with our investigations or enforcement team. It's a separate unit. The business intelligence and selection team feeds, you know, our audit branch as well as our other compliance activities. And so they work in tandem and, kind of, in an integrated fashion.

Hugh Gordon: — Okay. With respect to recommendation 3 about selecting taxpayers for provincial sales tax audits, I'm wondering if you could just speak to what some of the new criteria is used now to select individuals and businesses for audits. If you could just touch on some of that criteria.

Aaron Hamilton: — Absolutely. So we mentioned that there's 17 criteria that are used in the new selection process. So I'll just run through them if that's okay.

So the first is what we call the NAICS [North American Industry Classification System] code. That's an industry code, so what industry they're in. Then we use previous audit history, both revenue per hour and total assessment results for those audits. We have what we call asset additions, basically the assets that we are aware of that an entity may have. We look at Canada Border Services Agency import data that's provided to us. Tax yield variance, which is taxable sales versus non-taxable sales. Delinquent returns is the seventh criteria.

And we have a number of different lead sources that we use. So one is tax collected, not reported leads. The second is equipment, then contracts, and sort of an "other" category of leads. We have SGI [Saskatchewan Government Insurance] permits, new business registrations. Then in terms of oil well activity, we have active, drilled, and abandoned wells. And also the final and 17th is pipeline construction.

Hugh Gordon: — Thank you for that. My last question is with respect to recommendation number 6, where I'll direct your attention to page 92 of the auditor's report, where we've got this discrepancy between revenue planned to be collected through collection and then the actual amount that was collected.

Just looking at the last year reported, '21-22, we have a difference of, if my math is correct, some \$32 million, almost \$33 million. I was wondering if you could just explain that discrepancy between what you, I guess, believed you would collect versus what you actually collected, and what accounted for that significant difference.

Max Hendricks: — I can start, and then maybe Aaron can add. So obviously when we determine that there is an amount owing to be collected, sometimes when we go to collect that money from the business, the business has entered bankruptcy, the

business is non-compliant, that sort of thing, and cases we'd move on to other steps.

But a lot of times . . . You know, I'll give you an example. Like in the home construction industry, an out-of-province one, it's very difficult for us to enforce that once they've returned to their home province and such. So it's probably the difference between planned and realized, right, due to some of those challenges in recovery.

Hugh Gordon: — I guess what I'm wondering is . . . You collected more than you anticipated. Do I understand that correctly?

Aaron Hamilton: — Yes. So I mean our collections team is high performing, and I think we've beaten targets for years. So we've recently updated our target and also refined the query that we use to determine how much has been collected, so yeah, it's higher.

Hugh Gordon: — So your estimations may come more in line with what actual collections will be in the future.

Aaron Hamilton: — I think so, yes.

Hugh Gordon: — Thank you. That's all.

Chair Wotherspoon: — Any further questions from committee members with respect to the chapter before us, chapter 9 and the new recommendations? Not seeing any at this time, I'd welcome a motion to concur and note progress with respect to recommendations 1 and 6. MLA Crassweller moves. All agreed?

Some Hon. Members: — Agreed.

Chair Wotherspoon: — That's carried. And I'd welcome a motion with respect to recommendations 2, 3, 4, and 5 that we concur and note compliance. Moved by MLA Patterson. All agreed?

Some Hon. Members: — Agreed.

Chair Wotherspoon: — That's carried as well. Okay, I'll turn it back over to the Provincial Auditor to turn our attention to chapter 17.

Trevor St. John: — Thank you. Chapters 17 and 18 report the results of our second and third follow-up of the Ministry of Finance's actions on recommendations we initially made in 2016 about the monitoring of the fuel tax exemption program.

Tax expenditures or exemptions result in lower revenues for the government, and legislators need to clearly understand what the tax expenditure programs are expected to achieve. The fuel tax exemption program allows permit holders, like qualified farmers, to purchase fuel tax free for specified activities such as operating machinery used in farming operations.

As described in our second follow-up in chapter 17 of our 2022 report volume 2, by August of 2022 the ministry had implemented one of the four remaining recommendations from our original audit. The annual provincial budget now sufficiently describes the key assumptions used to estimate tax expenditures to enable legislators and the public to easily identify which

assumptions are applicable to each of the key tax expenditure programs.

For example the 2023 government budget describes that certain tax expenditure estimates, like fuel tax, were based on historical tax collection along with assumptions regarding the expected changes in population, retail sales, and investment intentions.

By August of 2024 the ministry implemented the three remaining recommendations as described in our 2024 report volume 2, chapter 18. We found the ministry sufficiently documented the results of its review of tax expenditure programs and periodically published the achievements of key tax expenditure programs.

For example the ministry reviewed the Saskatchewan technology start-up incentive and publicly reported the impact of the incentive. Sufficient review documentation about new or changed tax expenditure programs allows for informed decisions. Also, providing public information on tax expenditure program achievements promotes government accountability for results achieved by those programs.

Finally, the ministry had set out how it plans to measure the success of its fuel tax exemption program. It measures the success of the program by publicly reporting in the government budget how much farmers save annually through the program.

In 2024 the ministry had 114 million in forgone revenue as a result of the fuel tax exemption program, which has been relatively consistent over the past four years. Publicly reporting this information gives legislator insight into how much farmers have saved and how much revenue the government has forgone each year.

So that concludes my overview of those two chapters.

Chair Wotherspoon: — Okay. Thanks so much for the follow-up on this front. Of course we've considered these recommendations in the past and concurred with them, and we see in the status update that implementation has occurred by way of the actions taken by the Ministry of Finance. Any quick remarks on this before we get into a few questions?

Max Hendricks: — No. I would just like to thank the auditor for working with us on this file. And as they have noted, we're fully implemented on the three outstanding recommendations, and so anything I probably say would be repetitive.

Chair Wotherspoon: — Okay. I'll open it up now to committee members that may have questions. MLA Pratchler.

Joan Pratchler: — Thank you. Hello. I see that the Ministry of Finance reports the total forgone revenue from the fuel tax exemption program. Could you provide the amount saved from the exemption of heating fuel specifically?

Max Hendricks: — So in 2024 the exemption for heating fuels was \$25.6 million.

Joan Pratchler: — Thank you. The auditor's report notes that the 2024 estimated 116.7 million forgone revenue due to fuel tax exemption. Can you confirm if this estimating was accurate, or do you have a confirmed value at this point?

Cullen Stewart: — Thank you for the question. Each year in the budget, there's a tax expenditure report that's published. So in the '24-25 budget for the fuel tax exemptions, the exemption for farm activity was estimated for the year to be 89.7 million, the exemption for heating fuels was estimated to be 25.6 million, and the exemption for primary producers was estimated to be 1.4 million.

You'll see also in the tax expenditure report previous years. So we'll update where we've revised those numbers and where we have actuals for previous fiscal years as well.

Joan Pratchler: — Thank you. That's all my questions.

Chair Wotherspoon: — MLA Gordon.

Hugh Gordon: — Just to bring your attention to page 195 of chapter 17 of the 2022 report. The auditor noted that the ministry still has yet to determine measurable program objectives for the fuel tax program. Just was wondering if you could describe to us now what those objectives are.

Cullen Stewart: — Thank you for the question. In the tax expenditure report, there is notation for each tax expenditure, whether it's PST, fuel tax, personal income tax, or corporate income tax, what the primary objective is, or measurable if you will.

With respect to many of our tax expenditures, it's primarily related to interjurisdictional competitiveness. So with respect to farm diesel as an example, every province east of Saskatchewan, including Manitoba, applies a zero-cents-per-litre charge. Saskatchewan applies a 3-cent charge, Alberta a 4-cent charge per litre, and BC [British Columbia] a 3-cent charge.

So with respect to farm fuel, basically we have close to 24,000 farmers that are eligible for the program. The difference between the regular rate on diesel, which is 15 cents a litre, to 3 cents a litre for farmers is quite significant, so we think that there's almost universal uptake in terms of farmers using the program. Farm fuels like diesel are also exempt from the federal carbon tax, so there's quite a broad spread there in terms of the charge on regular diesel versus farm diesel. And when we look at interjurisdictional competitiveness, you know, we're in line with most other provinces or even a bit higher than Manitoba.

The federal exemption for farm fuels for the carbon tax also reflects concerns with international competitiveness. So when we look to the United States, there's also reduced or zero rates for fuel taxes down there.

Hugh Gordon: — Just one last follow-up. So when you're referring to interjurisdictional competitiveness, is there any real way for you to measure that? Do you have any statistics, data, what have you, that gives you reason to believe that that objective of the fuel tax exemption is working in that regard?

Cullen Stewart: — So the measure is really tax competitiveness. What rates are we applying compared to other jurisdictions? Obviously diesel is an essential input for farmers. They don't have an option to use an alternative fuel.

[12:00]

Our farming sector, you know, the Ministry of Agriculture would say, is highly competitive in terms of our position in international markets. But we are price-takers in world markets, so for canola, wheat, peas, lentils, you know, we are not able to set the price in Saskatchewan. Our farmers are price-takers in that respect, so we look to be competitive with our tax rates — whether it's PST or farm fuel with competing jurisdictions — so our sector can remain tax competitive.

But there are other factors that impact competitiveness — everything obviously from weather to freight rates and availability of, you know, locomotives and cars — so it's a broad spectrum of things that can impact the competitiveness of the agricultural sector. So what we focus on is tax competitiveness.

Hugh Gordon: — Okay, thank you.

Chair Wotherspoon: — Not seeing any further questions, thanks again to the Finance officials for their work on this front. I would welcome a motion to conclude consideration of chapter 17. Moved by MLA Chan. All agreed?

Some Hon. Members: — Agreed.

Chair Wotherspoon: — That's carried. Okay, I'll turn it back over to the Provincial Auditor.

Tara Clemett: — We just need to switch some people around.

Chair Wotherspoon: — Oh, sorry. Right. I'll also seek a motion on the follow-up chapter there with respect to 18, so both 17 and 18. We've had a motion on 17, but I'd welcome a motion to conclude consideration of chapter 18. Moved by MLA Crassweller. All agreed?

Some Hon. Members: — Agreed.

Chair Wotherspoon: — That's carried.

Modernizing Government Budgeting and Reporting

Chair Wotherspoon: — Turning our attention now to the final piece on our agenda here, that's the chapter on modernizing government budgeting and reporting.

Tara Clemett: — So thank you, Mr. Chair, Deputy Chair, community members, and officials. With me today is Ms. Charlene Drotar. She's a senior principal in our office and was involved in the audit work that we're going to discuss today. Behind me is still Mr. Trevor St. John, and just so you are aware, he is responsible for leading the audit of the government's summary financial statements. And again, beside him is Ms. Michelle Lindenbach. She's the liaison with this committee.

So chapter 9 of our 2022 report volume 1, starting on page 143, reports the results of our third follow-up assessing the progress made on three outstanding recommendations we initially made in 2013, related to modernizing the government's budgeting and financial reporting. This committee previously agreed with all three recommendations.

By March 2022, the government implemented one of the three recommendations by formally requiring and publishing quarterly

financial reports on the same basis as the summary budget. Doing so allows the public to have appropriate and timely information to monitor the government's financial decisions.

However we continue to find that the government has not embedded appropriate summary budgeting and financial reporting in law. Rather the Saskatchewan government's requirements for a summary budget and for using Canadian public sector accounting standards are outlined in treasury board policies.

This is significant because policies are used to guide decision making in governance and lack legal force, whereas laws are legally binding rules. They are mandatory and enforceable, often including consequences which deter people from breaking them. A policy can be just a document of what is intended to be done in the future, not necessarily what will be. Changing laws typically requires a formal legislative process involving debates and voting. Policies are more flexible, allowing for quicker adjustments but less scrutiny. Therefore it is imperative that the government embed the requirements for appropriate summary budgeting and financial reporting in law to protect the public interest.

Governments use budgets to communicate the expected costs of their plans for the upcoming year and to show how they plan to use public resources. Appropriate government budgeting and financial reporting is important reporting to the public and the legislators as it provides transparency and it increases accountability of government.

The Saskatchewan government currently follows Canadian public sector accounting standards when preparing the government's summary financial statements. It is important that the government continues to follow these standards to support the credibility, the quality, and the comparability of the government's financial information.

The Government of Saskatchewan has not updated the law to require a summary budget that reports the planned financial activities of the whole government, unlike the majority of its provincial counterparts. Six of nine other Canadian provincial governments require this practice by law as of March 2022. Embedding key budgeting practices in law would demonstrate the government's commitment to sustain the current appropriate summary budget reporting practices.

The Government of Saskatchewan also has not updated the law to require the use of Canadian public sector accounting standards to prepare the summary financial statements. Public sector accounting standards exist to protect the public interest and promote public confidence and provide high-quality financial information. The public is entitled to be confident that the data in the government's financial statements are free of inconsistencies or bias, and that the government will not vary its accounting methods from those that are generally accepted standards.

Legal requirements to follow established accounting standards have become commonplace. Legal requirements are already in place on Saskatchewan municipalities by provincial laws, and on publicly traded companies by Canadian securities regulators. One would expect that the provincial government would hold itself to the same legal requirements expected of the private

sector and of other levels of government.

Enshrining in law the requirement to use Canadian public sector accounting standards to prepare the summary financial statements would help the legislators and the public continue to receive quality financial statements. Overall having the appropriate summary budgeting and reporting practices embedded in legislation would show that the provincial government clearly intends to uphold the expectation of providing quality financial information and governs with the public interest in mind.

This concludes my presentation, and we'll now pause for the committee's consideration.

Chair Wotherspoon: — Okay. Thanks so much for the presentation, the follow-up on these recommendations that go back to two different reports in the past.

And you know, the one recommendation which has been noted that implementation has occurred is in 2019, in that volume 1 report. And then the other two recommendations come from the special report of the auditor back from 2013. And you know, I think that this is where there's probably some concern, I would suspect, around the table with actions that haven't been taken on this front. But I'll turn it over to Deputy Minister Hendricks for a brief remark, and then we'll open it up for questions.

Max Hendricks: — Thank you. So as for the remaining two recommendations, it is our view that the intent of the recommendations has been implemented. However at this point there really is no intention of pursuing embedding these recommendations into legislation.

Treasury board approved and implemented policies requiring the preparation of a summary budget and financial statements in accordance with Canadian public sector accounting standards in 2019. A summary budget has been presented to the Legislative Assembly every year since 2014-2015. A multi-year forecast has been prepared since 2015-2016. And the summary financial statements have received a clean audit opinion since their first publication in 1992.

So we believe we have the correct mechanisms in place to ensure that transparent and accurate results are reported to the public on a summary basis, and don't believe that we need legislation.

Chair Wotherspoon: — I would open up to committee members for questions.

I'd maybe suggest as well in the future, just when we're looking at a status update here, that it be clarified very clearly that it's the perspective of the auditee that they feel that the spirit and intent is implemented. Because certainly the recommendations haven't been implemented, and these are recommendations that of course this committee has supported and concurred in.

And I'll open it up now to committee members.

Joan Pratchler: — I see in the updates for recommendation 2 that it says:

We recommend the Government of Saskatchewan seek

changes to legislation that would require it to provide the Legislative Assembly with a Summary Budget (. . . a budget reflecting the activities of the entire Government) and consider providing a multi-year Summary Budget.

It's marked as implemented, but notes that the legislature amendments are not necessary. The auditor notes:

Embedding summary budget reporting practices into law would ensure legislators and the public continue to receive a Provincial Budget with a summary focus. In addition, embedding key practices into law would demonstrate to legislators and the public a commitment to sustain the current summary budget reporting practices.

What is the reason for choosing not to make a legislative amendment for this? Because surely governments would want to be transparent and accountable to the public regarding the public purse. And turning from a policy to legislation, would it be that hard?

Max Hendricks: — Well certainly it would be possible. I think there are a few concerns.

First of all, Mr. Chair, I'd like to apologize. That was incorrectly denoted, I think, in the materials that you received as "implemented." It would be "implemented in spirit" or something like that.

But with respect to your question, there may be times when we question Public Sector Accounting Board rules, right? So this is a group of accountants who get together and develop best practices for our public sector entities. And so the government is loath to put something that is a piece of legislation in that is controlled by an outside group.

Similarly you know, I guess legislation can be repealed at the will of the government. So you know, our view is that the intent is being met, as I said, that we have not wavered from the commitment to report annually on a summary basis in line with Canadian Public Sector Accounting Board principles. And so we don't feel that there's a need to legislate this.

Chair Wotherspoon: — Further questions? MLA Gordon.

Hugh Gordon: — Well this is really important — setting the ground rules for how you report, how you do your work, how you are to be transparent, and the Provincial Auditor's recommendation that it be enshrined into law, that it would be consistent with six out of other nine provinces — otherwise I would take it as you said, legislation can be changed but, conversely, so can policy and much more easily.

So whether it's with respect to, you know, a law with respect to a summary budget or a law with respect to providing financial statements that follow Canadian generally accepted accounting principles, you know, I appreciate that you're following policies and you feel that you have implemented them in spirit.

But I could ask the question in another way. Conversely, if you already are, then what's the big deal? Let's just put it into law, and we all know what laws we're going to abide by. We know what rules we're going to abide by. The Provincial Auditor will

know essentially what the expectations are for you and for her, and everyone's following the same rule book.

I fear a situation where the Provincial Auditor goes to do her work and finds out a policy has changed and now has to look at the work that you have done and the reports and the budgets that you have summarized and put forward, and now she has to apply a different lens to it going forward or make exceptions or try to encapsulate what you have done and looking at it from a more 30,000-foot view from generally accepted accounting practices.

So I'll ask the question again. I mean if you're already following a policy that is implementing this in spirit, then what the heck? Let's just put it into law, shall we?

Max Hendricks: — Okay, well first and foremost there's a political dimension to this issue. And so I think the reality is, is that we have tabled summary financial statements that have received clean audit opinions.

[12:15]

I don't think there's a question that we're reporting according to Canadian accounting board standards. And so, you know, I think that there's a feeling that this doesn't need to be embedded in legislation. You have an opportunity as a member of this legislature to question government if they waver or stray from that when the budget is tabled or when the public accounts are tabled. So you have the opportunity to ask those questions in the legislature if you feel that there has been non-compliance, same as you would if there was legislation.

Hugh Gordon: — And I'm not suggesting you wouldn't comply and you wouldn't be doing your job professionally at all. I just think, as we've noted here, it's trying to square this implementing with, the spirit of implementing it versus what we would hope would be legally obligated to do, that's all.

Chair Wotherspoon: — I mean I've been around this table, and this has been an issue that's been well canvassed over the years. Certainly it was a very serious breach that necessitated . . . or that was reflected in the special report of 2013. And I think the auditor's recommendations, as have been supported by this committee certainly stand.

And it's about enshrining this in law and about ensuring that the province is willing to live up to its obligations on this front and ensure, enshrine that commitment to the quality statements that the people of this province deserve.

The deputy minister identified a political dimension to this. It's unfortunate that that's the case. It shouldn't be. This should be straightforward. There should be, this simply should be acted upon. But I respect that the senior officials before us are sharing the position of the current government.

And I guess on my end, you know, we chair the Public Accounts. We stand by concurring with this recommendation and the expectation that they be implemented, something that hasn't happened. Certainly that expectation is there for businesses across the province to comply with accounting standards, certainly for publicly traded companies and for entities and municipalities and other levels of government across the

province. And it shouldn't be up to the province of Saskatchewan to choose not to comply with these two recommendations.

But we've been clear in the past with the senior level of officials like those before us here today, and we respect those officials. But very clearly, you know, to the Minister of Finance and to the Premier, as we've said in the past, it's not acceptable and it's not good enough. And certainly we can and we will continue to follow up directly with those that don't have the political will to enshrine and act on these recommendations.

So I think at this point I don't know if there's further questions on this chapter. I do appreciate officials coming before us and for all their work and for laying out as well the policies that they adhere to.

The clear recommendations are to have that legislated, and that enshrines those policies or those expectations into law. And that's something that hasn't happened. So we respectively, as the deputy minister has reminded members, have the ability to pursue that directly with the Minister of Finance and the Premier who, you know, have not shown the commitment that's needed on this front.

Any further questions on this chapter? Not seeing any at this time, I would welcome a motion to conclude consideration of the chapter here: "Modernizing Government Budgeting and Reporting." Moved by Deputy Chair Wilson. All agreed? All agreed? Okay, that's carried.

Okay. It looks like we've come to the end of our time with the Ministry of Finance. I want to thank Deputy Minister Hendricks and his officials for joining us here today, and for all those that are involved in the work that we've discussed here today and the work of Finance each and every day. Any final words, Deputy Minister Hendricks, before we conclude our . . .

Max Hendricks: — No, I'd just like to thank the committee for the questions today as well, and in particular thank the Provincial Auditor. We have an excellent working relationship with the Provincial Auditor, and our staffs work very effectively together. So it's one we value and I'm sure will continue forward.

Chair Wotherspoon: — Thank you very much. And that concludes our formal agenda here today as a committee.

So at this point in time, I'd welcome a motion of adjournment. Moved by MLA Patterson. All agreed? That's carried.

This committee stands adjourned until the call of the Chair.

[The committee adjourned at 12:20.]