

STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES
Wednesday, March 12, 2014

MINUTE NO. 31
6:59 p.m. – Māṁawapiwin Room (Room 8)

1. **Present:** Greg Brkich in the Chair and Members Bob Bjornerud, Darryl Hickie, Gene Makowsky, Scott Moe, Roger Parent and Cathy Sproule.

Provincial Auditor's Office

Judy Ferguson, Acting Provincial Auditor
Mobashar Ahmad, Deputy Provincial Auditor
Jeff Kress, Principal
Kim Lowe, Principal
Glen Nyhus, Principal
Rosemarie Volk, Principal

2. The following documents were tabled:

CCA 108/27 - Crown Investments Corporation of Saskatchewan: A report of public losses (October 1, 2013 – December 31, 2013) for CIC and its subsidiary Crown Corporations, dated January 31, 2014.

CCA 109/27 - Crown Investments Corporation of Saskatchewan: Divestiture of CIC Asset Management Inc.'s (CIC AMI) investment in the Meadow Lake OSB Limited Partnership (ML OSB) and Meadow Lake OSB Mill Corp. to Tolko Industry Inc, dated January 29, 2014.

CCA 110/27 - Crown Investments Corporation of Saskatchewan (CIC): Appointments to CIC subsidiary Crown corporation boards by Orders in Council (OC), dated February 12, 2014.

3. The committee considered Chapter 15 (Saskatchewan Water Corporation) of the *2009 Report of the Provincial Auditor (Volume 1)*, Chapter 18 (Saskatchewan Water Corporation) of the *2010 Report of the Provincial Auditor (Volume 1)*, Chapter 17 (Saskatchewan Water Corporation) of the *2011 Report of the Provincial Auditor (Volume 1)*, Chapter 21 (Saskatchewan Water Corporation) of the *2012 Report of the Provincial Auditor (Volume 1)* and Chapter 4 (Saskatchewan Water Corporation) of the *2013 Report of the Provincial Auditor (Volume 1)*. Ms. Ferguson and Mr. Nyhus of the Office of the Provincial Auditor provided an overview of the chapters.

The following Saskatchewan Water Corporation Minister and officials appeared before the committee and answered questions:

Witnesses

Hon. Kevin Cheveldayoff, Minister
Doug Matthies, President
Marie Alexander, Vice President, Business Development and Corporate Services
Jeff Mander, Vice President, Operations and Engineering

4. The committee concluded consideration of Chapter 15 (Saskatchewan Water Corporation) of the *2009 Report of the Provincial Auditor (Volume 1)*.

5. The committee concurred with recommendation 18-1 made at page 182 of Chapter 18 (Saskatchewan Water Corporation) of the *2010 Report of the Provincial Auditor (Volume 1)* that Saskatchewan Water Corporation establish an adequate information technology security policy. The committee noted that Saskatchewan Water Corporation has complied with the recommendation.
6. The committee concurred with recommendation 18-2 made at page 183 of Chapter 18 (Saskatchewan Water Corporation) of the *2010 Report of the Provincial Auditor (Volume 1)* that Saskatchewan Water Corporation have an adequate information technology service agreement with its information technology security service provider. The committee noted that Saskatchewan Water Corporation has complied with the recommendation.
7. The committee concurred with recommendation 18-3 made at page 183 of Chapter 18 (Saskatchewan Water Corporation) of the *2010 Report of the Provincial Auditor (Volume 1)* that Saskatchewan Water Corporation monitor the adequacy of the security controls its information technology service provider uses to protect the Corporation's systems and data. The committee noted that Saskatchewan Water Corporation has complied with the recommendation.
8. The committee concurred with recommendation 18-4 made at page 183 of Chapter 18 (Saskatchewan Water Corporation) of the *2010 Report of the Provincial Auditor (Volume 1)* that Saskatchewan Water Corporation periodically verify the existence and valuation of its physical assets. The committee noted that Saskatchewan Water Corporation has complied with the recommendation.
9. The committee concurred with recommendation 18-5 made at page 184 of Chapter 18 (Saskatchewan Water Corporation) of the *2010 Report of the Provincial Auditor (Volume 1)* that Saskatchewan Water Corporation establish a code of conduct policies and communicate these policies to staff. The committee noted that Saskatchewan Water Corporation has complied with the recommendation.
10. The committee concurred with recommendation 18-6 made at page 184 of Chapter 18 (Saskatchewan Water Corporation) of the *2010 Report of the Provincial Auditor (Volume 1)* that Saskatchewan Water Corporation require criminal record checks for employees in positions of trust. The committee noted that Saskatchewan Water Corporation has complied with the recommendation.
11. The committee concluded consideration of Chapter 17 (Saskatchewan Water Corporation) of the *2011 Report of the Provincial Auditor (Volume 1)*.
12. The committee concurred with recommendation 21-1 made at page 182 of Chapter 21 (Saskatchewan Water Corporation) of the *2012 Report of the Provincial Auditor (Volume 1)* that SaskWater implement and test a business continuity plan. The committee noted that Saskatchewan Water Corporation is making progress towards complying with the recommendation.
13. The committee concluded consideration of Chapter 4 (Saskatchewan Water Corporation) of the *2013 Report of the Provincial Auditor (Volume 1)*.
14. The committee recessed from 7:29 p.m. until 7:31 p.m.
15. The committee considered Chapter 19 (SaskEnergy Incorporated) of the *2010 Report of the Provincial Auditor (Volume 1)* and Chapter 19 (Securing SaskEnergy's SCADA System) of the *2013 Report of the Provincial Auditor (Volume 1)*. Ms. Ferguson and Mr. Ahmad of the Office of the Provincial Auditor provided an overview of the chapters.

The following SaskEnergy Incorporated Minister and official appeared before the committee and answered questions:

Witnesses

Hon. Tim McMillan, Minister

Doug Kelln, Chief Executive Officer

16. The committee concurred with recommendation 19-1 made at page 188 of Chapter 19 (SaskEnergy Incorporated) of the *2010 Report of the Provincial Auditor (Volume 1)* that SaskEnergy Incorporated adequately segregate duties of its information technology staff (employees and contractors) so that one person cannot develop and make system changes. The committee noted that SaskEnergy Incorporated has complied with the recommendation.
17. The committee concurred with recommendation 19-1 made at page 248 of Chapter 19 (Securing SaskEnergy's SCADA System) of the *2013 Report of the Provincial Auditor (Volume 1)* that SaskEnergy Incorporated complete a threat and risk assessment of its supervisory control and data acquisition system. The committee noted that SaskEnergy Incorporated is making progress towards complying with the recommendation.
18. The committee concurred with recommendation 19-2 made at page 249 of Chapter 19 (Securing SaskEnergy's SCADA System) of the *2013 Report of the Provincial Auditor (Volume 1)* that SaskEnergy Incorporated implement complete policies to protect the confidentiality, integrity, and availability of its supervisory control and data acquisition system based on a threat and risk assessment. The committee noted that SaskEnergy Incorporated is making progress towards complying with the recommendation.
19. The committee concurred with recommendation 19-3 made at page 249 of Chapter 19 (Securing SaskEnergy's SCADA System) of the *2013 Report of the Provincial Auditor (Volume 1)* that SaskEnergy Incorporated configure its supervisory control and data acquisition system network to protect it from security threats. The committee noted that SaskEnergy Incorporated has complied with the recommendation.
20. The committee concurred with recommendation 19-4 made at page 249 of Chapter 19 (Securing SaskEnergy's SCADA System) of the *2013 Report of the Provincial Auditor (Volume 1)* that SaskEnergy Incorporated monitor the security of its supervisory control and data acquisition system. The committee noted that SaskEnergy Incorporated is making progress towards complying with the recommendation.
21. The committee concurred with recommendation 19-5 made at page 250 of Chapter 19 (Securing SaskEnergy's SCADA System) of the *2013 Report of the Provincial Auditor (Volume 1)* that SaskEnergy Incorporated effectively restrict physical access to its facilities. The committee noted that SaskEnergy Incorporated has complied with the recommendation.
22. The committee concurred with recommendation 19-6 made at page 250 of Chapter 19 (Securing SaskEnergy's SCADA System) of the *2013 Report of the Provincial Auditor (Volume 1)* that SaskEnergy Incorporated effectively restrict access to its supervisory control and data acquisition system. The committee noted that SaskEnergy Incorporated is making progress towards complying with the recommendation.

23. The committee concurred with recommendation 19-7 made at page 250 of Chapter 19 (Securing SaskEnergy's SCADA System) of the *2013 Report of the Provincial Auditor (Volume 1)* that SaskEnergy Incorporated test its business continuity plan for its supervisory control and data acquisition system to verify its effectiveness. The committee noted that SaskEnergy Incorporated has complied with the recommendation.
24. The committee recessed from 7:56 p.m. until 8:33 p.m.
25. The committee considered Chapter 23 (Saskatchewan Power Corporation) of the *2007 Report of the Provincial Auditor (Volume 3)*, Chapter 13 (Saskatchewan Power Corporation) of the *2008 Report of the Provincial Auditor (Volume 1)*, Chapter 16 (Saskatchewan Power Corporation) of the *2010 Report of the Provincial Auditor (Volume 1)*, Chapter 14 (Saskatchewan Power Corporation) of the *2011 Report of the Provincial Auditor (Volume 1)*, Chapter 22 (Saskatchewan Power Corporation) of the *2011 Report of the Provincial Auditor (Volume 2)*, Chapter 19 (Saskatchewan Power Corporation) of the *2012 Report of the Provincial Auditor (Volume 1)* and Chapter 6 (Summary of Implemented Recommendations) of the *2013 Report of the Provincial Auditor (Volume 1)*. Ms. Ferguson and Ms. Volk of the Office of the Provincial Auditor provided an overview of the chapters.

The following Saskatchewan Power Corporation Minister and officials appeared before the committee and answered questions:

Witnesses

Hon. Bill Boyd, Minister

Sandeep Kalra, Vice President and Chief Financial Officer

Mike Marsh, Vice President and Chief Operations Officer

Rachelle Verret-Morphy, Vice President, Legal, Land and Regulatory Affairs

Troy King, Senior Director, Corporate planning and rate design

26. The committee concurred with recommendation 23-1 made at page 385 of Chapter 23 (Saskatchewan Power Corporation) of the *2007 Report of the Provincial Auditor (Volume 3)* that where SaskPower allows for a choice of an approved purchase method, it consistently follows its established processes that require its staff to document the rationale for the method chosen. The committee noted that Saskatchewan Power Corporation has complied with the recommendation.
27. The committee concurred with recommendation 23-2 made at page 385 of Chapter 23 (Saskatchewan Power Corporation) of the *2007 Report of the Provincial Auditor (Volume 3)* that SaskPower consistently follows its established processes that require its staff to obtain the appropriate approval of the purchase prior to finalizing the purchase decision. The committee noted that Saskatchewan Power Corporation is making progress towards complying with the recommendation.
28. The committee concurred with recommendation 23-3 made at page 386 of Chapter 23 (Saskatchewan Power Corporation) of the *2007 Report of the Provincial Auditor (Volume 3)* that SaskPower provide staff with guidance on setting acceptable bid submission deadlines. The committee noted that Saskatchewan Power Corporation has complied with the recommendation.
29. The committee concurred with recommendation 23-4 made at page 388 of Chapter 23 (Saskatchewan Power Corporation) of the *2007 Report of the Provincial Auditor (Volume 3)* that SaskPower track problems with key suppliers and make this information available for purchasing decisions. The

committee noted that Saskatchewan Power Corporation is making progress towards complying with the recommendation.

30. The committee concluded consideration of Chapter 13 (Saskatchewan Power Corporation) of the *2008 Report of the Provincial Auditor (Volume 1)*.
31. The committee concurred with recommendation 16-1 made at page 169 of Chapter 16 (Saskatchewan Power Corporation) of the *2010 Report of the Provincial Auditor (Volume 1)* that NorthPoint Energy Solutions Inc. assign responsibility for monitoring compliance with electricity and natural gas trading market rules to staff not directly involved in trading activities. The committee noted that Saskatchewan Power Corporation has complied with the recommendation.
32. The committee concurred with recommendation 16-2 made at page 170 of Chapter 16 (Saskatchewan Power Corporation) of the *2010 Report of the Provincial Auditor (Volume 1)* that NorthPoint Energy Solutions Inc. establish a training program that provides its staff with ongoing training on market rules and on NorthPoint's Energy Solution Inc. processes to monitor compliance with those rules. The committee noted that Saskatchewan Power Corporation has complied with the recommendation.
33. The committee concurred with recommendation 14-1 made at page 163 of Chapter 14 (Saskatchewan Power Corporation) of the *2011 Report of the Provincial Auditor (Volume 1)* that the Power Corporation Superannuation Plan monitor the Public Employees Benefits Agency's fulfilment of its assigned administration responsibilities related to the Plan. The committee noted that Saskatchewan Power Corporation has complied with the recommendation.
34. The committee concurred with recommendation 22-1 made at page 429 of Chapter 22 (Saskatchewan Power Corporation) of the *2011 Report of the Provincial Auditor (Volume 2)* that SaskPower periodically review and update its gas and electrical inspection strategies. The committee noted that Saskatchewan Power Corporation has complied with the recommendation.
35. The committee concurred with recommendation 22-2 made at page 430 of Chapter 22 (Saskatchewan Power Corporation) of the *2011 Report of the Provincial Auditor (Volume 2)* that SaskPower document its strategy for electrical inspections including guidance on selecting permits to inspect. The committee noted that Saskatchewan Power Corporation is making progress towards complying with the recommendation.
36. The committee concurred with recommendation 22-3 made at page 430 of Chapter 22 (Saskatchewan Power Corporation) of the *2011 Report of the Provincial Auditor (Volume 2)* that SaskPower require, in writing, its gas and electrical inspectors to document rationale for not inspecting permits for high-risk installations. The committee noted that Saskatchewan Power Corporation has complied with the recommendation.
37. The committee concurred with recommendation 22-4 made at page 431 of Chapter 22 (Saskatchewan Power Corporation) of the *2011 Report of the Provincial Auditor (Volume 2)* that SaskPower require management to review inspectors' rationale for not inspecting gas and electrical permits for high-risk installations. The committee noted that Saskatchewan Power Corporation has complied with the recommendation.
38. The committee concurred with recommendation 22-5 made at page 433 of Chapter 22 (Saskatchewan Power Corporation) of the *2011 Report of the Provincial Auditor (Volume 2)* that SaskPower establish a process to clear uninspected gas and electrical permits in its Gas Electrical Inspection

System within a reasonable amount of time. The committee noted that Saskatchewan Power Corporation has complied with the recommendation.

39. The committee concurred with recommendation 22-6 made at page 435 of Chapter 22 (Saskatchewan Power Corporation) of the *2011 Report of the Provincial Auditor (Volume 2)* that SaskPower give senior management quarterly written reports on high-risk older outstanding defects and on the number and age of all outstanding gas and electrical defects identified in inspections. The committee noted that Saskatchewan Power Corporation has complied with the recommendation.
40. The committee concurred with recommendation 22-7 made at page 435 of Chapter 22 (Saskatchewan Power Corporation) of the *2011 Report of the Provincial Auditor (Volume 2)* that SaskPower periodically give its Board of Directors summary trend information on its gas and electrical inspection activities and common or emerging trends or risks in gas and electrical installations. The committee noted that Saskatchewan Power Corporation has complied with the recommendation.
41. The committee concurred with recommendation 19-1 made at page 173 of Chapter 19 (Saskatchewan Power Corporation) of the *2012 Report of the Provincial Auditor (Volume 1)* that the Power Corporation Superannuation Plan reconcile investment balances between the custodian and the investment managers' reports on a timely basis. The committee noted that Saskatchewan Power Corporation has complied with the recommendation.
42. The committee concluded consideration of Chapter 6 (Summary of Implemented Recommendations) of the *2013 Report of the Provincial Auditor (Volume 1)*.
43. It was moved by Mr. Hickie:

That this committee do now adjourn.

The question being put, it was agreed to.
44. The committee adjourned at 9:31 p.m. to the call of the Chair.

Rob Park
Committee Clerk

Greg Brkich
Committee Chair