



STANDING COMMITTEE ON PUBLIC ACCOUNTS

Hansard Verbatim Report

No. 18 — February 6, 2023

Published under the
authority of
The Hon. Randy Weekes
Speaker



Legislative Assembly of Saskatchewan

Twenty-Ninth Legislature

Hansard on the Internet

Hansard and other documents of the
Legislative Assembly are available
within hours after each sitting.

<https://www.legassembly.sk.ca/Calendar>

STANDING COMMITTEE ON PUBLIC ACCOUNTS

Mr. Trent Wotherspoon, Chair
Regina Rosemont

Mr. Joe Hargrave, Deputy Chair
Prince Albert Carlton

Mr. Todd Goudy
Melfort

Mr. Daryl Harrison
Cannington

Mr. Delbert Kirsch
Batoche

Mr. Jim Lemaigre
Athabasca

Mr. Hugh Nerlien
Kelvington-Wadena

Ms. Aleana Young
Regina University

[The committee met at 08:59.]

The Chair: — Okay. Good morning, folks. We'll convene the Standing Committee on Public Accounts here this morning. I'll introduce the members of the committee: Deputy Chair Hargrave, Mr. Goudy, Mr. Harrison, Mr. Keisig, Mr. Jenson, Ms. Young. I'd like to introduce our officials from the comptroller's office: Chris Bayda and Jane Borland. Thank you both for being here. Of course I'd like to welcome our Provincial Auditor, Tara Clemett, and all her officials here that are in attendance from the Provincial Auditor's office.

[09:00]

And I'll at this time table the following items: PAC 87-29, Ministry of Education: Report of public losses, September 1st, 2022 to November 30th, 2022; PAC 88-29, Provincial Auditor of Saskatchewan: Third quarter financial forecast for the nine months ending December 31st, 2022; PAC 89-29, Ministry of Finance: Report of public losses, October 1st, 2022 to December 31st, 2022; PAC 90-29, Ministry of Advanced Education: Report of public losses, October 1st, 2022 to December 31st, 2022.

Energy and Resources

The Chair: — And at this time, our first item on the agenda will be a focus on the chapters pertinent to the Ministry of Energy and Resources. I'd like to welcome Deputy Minister Laaksonen-Craig and her officials, all the officials that have joined us here today. I'd ask her to briefly introduce her officials that are with her here today; maybe refrain from getting into the chapters at this point. I'll then kick it over to the Provincial Auditor, then we'll come back to you.

Ms. Laaksonen-Craig: — Thank you and good morning, everybody. I am Susanna Laaksonen-Craig, the deputy minister for Energy and Resources. I have four officials with me here today: Assistant Deputy Minister Scott Kistner on my right-hand side; Assistant Deputy Minister Sharla Hordenchuk to my left; as well as executive director Eric Warren and director Haroon Khan.

The Chair: — Thank you very much. I'll turn it over to Tara Clemett, our Provincial Auditor, to present, and we'll go from there.

Ms. Clemett: — So good morning. Thank you, Mr. Chair, Deputy Chair, committee members, and officials. With me today is Mr. Jason Shaw. He's the deputy provincial auditor that is responsible for the Ministry of Energy and Resources. Behind me is Ms. Kim Lowe. She's the liaison with the committee. Beside her is Mr. Dane Reimer. He's a principal who worked on the audit work that is before the committee today. And beside him is Mr. Eric Nyannor. He's an M.P.A. [Master of Public Administration] intern with our office and is interested to see PAC [Public Accounts Committee] proceedings in person.

So Jason will present the three chapters that are noted on the agenda. He'll pause after each presentation to allow for the committee's deliberation. The second chapter on the agenda does include five new recommendations for the committee's consideration. And before I turn it over to Jason, I do want to

thank the deputy minister and her staff for the co-operation that was extended to us during the course of our work.

Mr. Shaw: — The Ministry of Energy and Resources is responsible for licensing and regulating oil, gas, and pipeline industries in Saskatchewan. Regulating reportable incidents is one part of the ministry's overall regulatory structure for regulating oil and gas activities in Saskatchewan. A reportable incident is an event that industry operators must report to the ministry by law, such as an uncontrolled release of oil or a fire. In 2020 industry operators reported over 500 incidents to the ministry.

Oil, gas, and pipeline incidents have the potential to contaminate the air, soil, or water. They can pose a threat or risk to human health, public safety, property, and the environment, as well as domestic and wild animals. Timely action and response to incidents helps protect people and the environment and mitigate damage caused by the incidents.

Chapter 14 in our 2021 report volume 1, starting on page 183, reports the results of the progress made on the recommendations initially made in our 2018 audit of the Ministry of Energy and Resources' processes to regulate that oil, gas, and pipeline industry operators resolve incidents to protect public safety and the environment. By November 2020 the ministry implemented all three recommendations.

Since 2018 the ministry developed a sufficient process to consistently assess the risk level of reported incidents. We found, for the sample of incidents we tested, the ministry followed its guidance when it assessed the risk of incidents. Using a risk matrix helps staff identify and classify risks associated with reported incidents on a more consistent basis and enables staff to sufficiently respond to incidents that pose the highest risks. For example, the ministry expects staff to complete on-site inspections and provide written situational reports for all incidents with a higher risk level.

The ministry also developed adequate guidance to help staff consistently document results of completed inspections of reported incidents. We found that ministry staff completed inspections in accordance with this guidance and appropriately recorded its inspections in its IT [information technology] system, often including photos of the site and noting whether reclamation work is required by the operator.

The ministry improved its IT system to automatically notify industry operators when ministry staff enter new inspections or modify the results of inspections about reported incidents along with any outstanding work. For the sample of incidents we tested, we found the ministry appropriately communicated with industry operators about the status of the incidents. Formally informing industry operators as to whether they have resolved the incident to the ministry's satisfaction decreases the risk of unresolved incidents and helps ensure operators do not leave incidents unresolved longer than necessary.

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

The Chair: — Thank you very much for the focus on this front. Thanks as well for the action on this front to implement these

recommendations. I turn it over to Deputy Minister Laaksonen-Craig for brief remarks and we'll go from there.

Ms. Laaksonen-Craig: — Thank you. The recommendations contained in the 2021 report volume 1, chapter 14 related to the classification, reporting, and documentation around oil and gas and pipeline incidents, I am pleased to advise that we have fully implemented and maintained all of the recommendations in this regard. Energy and Resources continues to develop a robust process to assess the risks of incidents, document key activities for regulating reported incidents, and continuously improve the IT system to maintain communication with industry operators.

The Chair: — Thank you very much. Any questions from committee members on this chapter? Ms. Young.

Ms. A. Young: — Thank you, Mr. Chair. Recognizing the recommendations have been implemented, just a couple questions. One, for background it's noted that reportable incidents have been down from the historical average due to decreased activity throughout the COVID-19 pandemic. Are you able to offer any comment on whether these are anticipated to decline or if we're seeing an increase as activity has increased?

Ms. Laaksonen-Craig: — Assistant Deputy Minister Hordenchuk can go through the latest numbers on the latest report, and of course we . . . [inaudible] . . . quite draw the conclusions between the activity and everything. But that at least gives you an idea of the level that has stayed very, very low, I would say.

Ms. Hordenchuk: — Yes, good morning. This is Sharla Hordenchuk. I would just say, while we did see some moderate levels of activity decrease during the pandemic, they've returned to near pre-pandemic levels. But in terms of the trends in the reportable incidents, they're staying . . . The numbers that I have in front of me are for fiscal year '21-22. We're seeing, for example, incidents from wells be about 25 per cent. Of the incidents that are reported from facilities, they're at 11.9 per cent; pipelines, 4.5 per cent; and flowlines 42.2 per cent; the remainder adding up to the 100 per cent.

So I would say because of our activities that resulted from the audit findings — with our now licensing requirements for flowlines — that those numbers perhaps have increased because we're asking for more information.

Ms. A. Young: — Thank you. And in regards to classification of risks and some of the recommendations that have been implemented as a result of the work of the auditor, what is the regular renewal schedule for these? Recognizing, you know, some risks are going to be relatively fixed but there are evolutions both in understandings of risk as well as from industry.

Ms. Hordenchuk: — Sure. So certainly with respect to non-compliance issues that are identified in those notifications, most notifications provide a 30-day time frame for industry to respond to. The exception is when public safety is an issue, such as an H₂S [hydrogen sulphide] leak where then immediate shutdown takes place until compliance is achieved.

Ms. A. Young: — Thank you. And within the ministry, how

frequently are you reviewing or updating your own risk matrices?

Ms. Hordenchuk: — Yeah, so I would say we have ongoing activities that allow us to risk-measure based . . . if there's a new technology that comes into place. If the activity in the field or by the operator has been the same, then those risk ratings typically don't change. But if there's a new type of resource that's being explored or if there's a new type of activity being used as a site, then we may re-evaluate the risk for that new type of commodity. But then with respect to the risk, again it's about, what's the environmental or public safety risk?

Ms. A. Young: — And the classification system you use, you don't anticipate reviewing that on, say like a five-year rolling basis internally?

Ms. Hordenchuk: — I will have to take that back and get back to you as to what that schedule is. I don't have that information in front of me today.

Ms. A. Young: — Thank you.

The Chair: — Any further questions? Again thanks for the work on this front. I'd welcome a motion to conclude consideration of chapter 14. Moved by Mr. Goudy. All agreed?

Some Hon. Members: — Agreed.

The Chair: — That's carried. We'll move along to chapter 4 from the 2021 report volume 2. And I'll turn it over to the Provincial Auditor.

Mr. Shaw: — Thank you, Mr. Chair. Chapter 4 of our 2021 report volume 2, starting on page 19, reports the results of our annual audit of the Ministry of Energy and Resources and its three special-purpose funds for the year ended March 31st, 2021. Each fund complied with its authorities governing their activities, and their 2020-2021 financial statements were reliable.

The ministry complied with authorities governing its activities and had effective rules and procedures to safeguard public resources other than the areas outlined in the five new recommendations in this chapter for the committee's consideration. The five recommendations relate to our audit work on the ministry's accelerated site-closure program. The ministry created this program in the 2020-2021 fiscal year after receiving \$400 million of funding from the federal government. The objective of this program is to stimulate economic activity and employment in the oil and gas industry while also cleaning up inactive oil and gas wells. The program is expected to end this fiscal year.

The Saskatchewan Research Council, also known as SRC, administered the program's daily activities. The ministry gave grants to SRC who then paid service companies for completed program work.

We recognize that the ministry implemented all five of our recommendations by March 31st, 2022.

On page 24 we recommended the Ministry of Energy and Resources formally identify and evaluate risks for the accelerated site-closure program. As of March 31st, 2021, we found the

ministry did not have a formal risk management plan. We also did not find documented evidence in other ministry sources identifying and assessing risks to the program. Without having a formal risk mitigation plan, the ministry may not identify or sufficiently manage risks that may prevent it from achieving its program objectives such as not obtaining maximum benefit from the \$400 million of federal funding.

In June 2021 during our 2021-2022 fiscal audit, we found the ministry formally assessed the risks of its accelerated site-closure program. It appropriately evaluated the significance of 16 risks that could prevent the program from achieving its objectives, like lack of qualified service companies in the market to do well cleanup and service companies submitting invoices for ineligible expenses. The ministry developed mitigation strategies for each risk identified.

On page 25 we recommended the Ministry of Energy and Resources finalize and approve its accelerated site-closure program steering committee charter. During 2020 the ministry established a steering committee to develop and monitor the accelerated site-closure program but did not have an approved committee charter at March 31st, 2021. This document sets the roles and responsibilities of the committee. The committee included representatives from the ministry, SRC, and the Ministry of SaskBuilds. Without an approved charter, the committee's role may be unclear or the committee may not perform all roles senior management wants it to. In September 2021 the ministry finalized and approved its accelerated site-closure program steering committee charter.

Also on page 25 we recommended the ministry maintain a written record of accelerated site-closure program steering committee meeting activities and decisions. We found that during 2020-2021 the committee did not keep detailed records or meeting minutes of discussions held during committee meetings and any decision made. Not keeping adequate records of discussions during committee meetings may result in an increased risk that key information from discussions held during meetings and decisions made are forgotten or lost and does not facilitate transfer of information when staff turnover occurs. Starting in May 2021, the ministry maintained robust records of meeting activities and decisions made by its program steering committee.

On page 26 we recommended the ministry obtain the approval required by *The Executive Government Administration Act* for its grant payments made under the accelerated site-closure program. *The Executive Government Administration Act* requires the ministry to obtain approval from the Lieutenant Governor in Council before making any grants greater than 50,000. In August 2020 the ministry made its first grant payment of 15 million to SRC to fund program costs. It did not obtain the required approval prior to making this payment. In total, the ministry paid 125 million to fund program costs during the 2020-2021 fiscal year. The ministry obtained the required approval for accelerated site-closure program grant payments to SRC in February 2022.

[09:15]

On page 27 we recommend the ministry obtain sufficient documentation to record accurate and complete revenue for the accelerated site-closure program. The ministry updates its

financial records by recording revenue based on SRC's actual eligible program expenses incurred.

At March 31st, 2021 we found the ministry did not request, and thus did not receive, appropriate support from SRC to record accurate and complete revenue. It received a report from SRC listing the invoices paid and captured in its electronic tracking system before the end of day on March 31st, 2021. Then in an email, SRC provided an estimated, unsupported amount for invoices received on or by March 31st, 2021 but not yet paid. This led the ministry to understate program revenue by \$3.5 million for the year ended March 31st, 2021. Without appropriate invoice support of all actual eligible program costs incurred by March 31st, the ministry is at risk of recording inaccurate program revenues.

During 2021-2022 the ministry appropriately revised its agreement with SRC to clarify what information it needed, and by when, to update its financial records at year-end. We found the ministry received improved and timely year-end information from its program service provider for its March 31st, 2022 year-end, consistent with its expectations in the amended agreement.

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

The Chair: — Thank you. Thank you very much. And I guess I should have tabled earlier here as well the status update from the ministry. Thank you very much to everyone that was involved in that work, and also the preparation of that document. I'll table the document PAC 91-29, Ministry of Energy and Resources: Status update, dated February 6th, 2023.

I'll turn it over to Deputy Minister Laaksonen-Craig for comment, and then we'll open it up for questions.

Ms. Laaksonen-Craig: — Thank you. Recommendations in the 2021 report volume 2 revolved around the accelerated site-closure program. These recommendations pointed to a need to clarify the role of the accelerated site-closure program steering committee to keep minutes from those meetings, to formally identify project risk, to obtain the correct authorities to distribute current payments, and to clarify year-end revenue reporting procedures. We welcomed the recommendations of the auditor to help us improve our processes. We have implemented all these measures.

The Chair: — Thank you. Thank you very much. Thanks to the auditor for the attention on this important front and for all the actions to address those recommendations. Questions from committee members. Ms. Young.

Ms. A. Young: — Thank you, Mr. Chair. Morning again. I'll take this opportunity just to ask for an update on some of the metrics that we discussed — I think it was December 5th — on the program overall which I understand is, if I recall, has wound down as of February 2023. So I think at last discussion there had been just over 1,500 jobs created, and I can't remember, I think about \$30 million still outstanding to be spent or flowed through the program. And interested to see where we've landed.

Ms. Laaksonen-Craig: — I'd be happy to provide the latest ones. The program was . . . The federal government extended those dates by 45 days so the official end date of the program will

be middle of April, but we can provide the latest updated numbers that we have.

Mr. Kistner: — Morning. Scott Kistner, assistant deputy minister, lands and corporate services. So to date we have allocated work packages in the number of \$398.4 million as of December 31st, 2022, and we've paid out, as of December 31st, 2022, \$374.9 million. So we are on track. The program does end and will wind up here in April. So we're anticipating to be able to get as close to the \$400 million, if not all of it, accurately spent as accordingly.

We also, in terms of the work completed as of December 31st, 2022, it's estimated that we have been able to maintain or create a total of 1,679 full-time equivalent jobs in the oil and gas sector.

Ms. A. Young: — Thank you. Excellent news about full disbursement potentially of that \$400 million. Moving on to just a clarification question on SRC. The \$125 million reference that was paid through SRC, that was not money paid to SRC? That was money that went to service providers flowed through SRC, correct?

Ms. Laaksonen-Craig: — That's correct.

Ms. A. Young: — Okay, great. So my understanding, again coming back from December, is that the full monies paid to SRC for administration were those \$15 million requested in supplementary estimates, correct?

Ms. Laaksonen-Craig: — That's correct.

Ms. A. Young: — Okay, perfect. I suppose moving on to, I think, some of the outstanding questions about the governance of this program prior to the implementation of the auditor's recommendation, are you able to help the committee understand the sequence of events that led up to some of these recommendations being made and then implemented? Recognizing the speed with which the program rolled out, it still seems like a fairly significant lapse in basic project management not to have things like minutes at steering committee meetings and things like that.

Mr. Kistner: — Yeah, thank you. And I think the expediency of the program and delivery of getting it up and running has also been . . . as we understand and totally support and agree the auditor's recommendations and your comments around proper management of the program.

I think it also has been a success of the program as we were able to get out in front and involved with industry early in engaging. And as we look across some of our jurisdictional counterparts, we've had a very successful accelerated site-closure program. I do think a lot of it is connected to the expediency of the program as it was being developed and created. I think the proper meetings and situations were taking place. It was the formal documentation of those steering committee meetings; the draft wasn't taken off the document as outlined by the Provincial Auditor.

So I do think the expediency of it was a challenge for the individuals involved in getting the program up and running, but I also think it has been a part of why we've been able to be so successful in getting as close to the \$400 million spent and

allocated.

Ms. A. Young: — Thank you. And what were some of those advantages? Because I again recall that this was celebrated by officials, the success of our program here in Saskatchewan compared to other jurisdictions that also had their own accelerated site-closure programs. Can you detail that a bit more?

Mr. Kistner: — Yeah. I can give one example and then maybe Eric can also jump in. I do think, given the time during COVID and the stimulus that needed to happen, lots of service companies and industry were letting people go and laying people off. With the program getting out there as quickly as we did, we were able to keep people employed as part of that and have their jobs maintained to be able to deliver this work.

I think also we were able to establish new service companies, Indigenous relationships that went with that as part of the expediency to get people employed and have industry working long-term with Indigenous service companies, which has been a huge success as part of the program as well.

The Chair: — We'll just remind any additional officials that come to the table just to state their name before they present.

Mr. Warren: — Good morning. Eric Warren with Energy and Resources. I think one of the key things, you know, that we did in terms of the expediency and allowing us to have the success that we've had, is the way that we allocated the funding. So some of the other jurisdictions did a contract-by-contract grant basis to the service companies themselves, whereas we allocated funding to the licensees and provided a lot of flexibility for licensees to then engage the service companies that they chose to engage.

So the flexibility that that provided, the certainty that that provided, the ability for licensees to plan out their abandonment programs under that structure, I think is really the key strength in our program relative to the others. It significantly reduced, I think, the administrative burden on industry and on the program administrators as well. So I think that's really the key, the key to it.

Ms. Laaksonen-Craig: — Yeah, and I would also add that both British Columbia and Alberta chose to deliver their program internally, and so they went through a process of acquiring more resources internally, ministry staff, and then delivered that program that way. SRC has significant experience, is very, very experienced and effective delivering these types of programs. So we had also the ability to take advantage of somebody's expertise in that matter and get going as the program was established.

Ms. A. Young: — Yeah. No, absolutely, hearing that and appreciating the flexibility of allowing those licensees to work directly with the service providers that they may have pre-existing relationships with or know certainly better than folks sitting in Regina. I guess two further questions on this because I do want to talk a bit more about the governance of the program certainly related to *The Executive Government Administration Act*.

You've talked about some of the successes that have emerged, you know, referencing ongoing work that can be done with Indigenous procurement and working with these companies,

recognizing after these recommendations were made and implemented that things like proper documentation, assessment of risks, minutes, decision items — again, those kind of, you know, standard project management tools — were implemented, have any of those been evaluated or documented retroactively?

You know, hearing this program was so successful both for government and for industry, how is the Ministry of Energy and Resources looking to capture, or how has the ministry captured some of that information to ensure that those learnings and best practices, in what sounds like an incredibly productive relationship with SRC, can potentially be modelled going forward?

Mr. Warren: — Yeah, I think in terms of capturing retroactively, certainly some of our key . . . Our program administration manual, for example, it certainly goes back to the beginning of the program and looks at the design, you know, from day one.

We have certainly had discussions as well as a program team with SaskBuilds and with the Saskatchewan Research Council of doing exactly this kind of thing, a bit of a post-mortem to really look at how we set this program up and what those key learnings are so that we can take that forward, you know, potentially into the future for other types of programs or other places. But yeah, definitely wanting to capture those key learnings from this program.

Ms. Laaksonen-Craig: — And I would also say that we very, very transparently document everything on our website, so a lot of the information we, for example, have provided here today is available through our website. And we will continue to do it for the information there as we update either, whether it's the program statistics or then these further learnings and closeout of the program.

Mr. Warren: — And we continue to look at some of those key documents like the risk registry, you know, on a regular basis as well under the program. So that's a building piece there.

Ms. A. Young: — Moving on to the lapse that's noted by the auditor in section 4.3, the lack of order in council approval for significant spending. Were officials aware of the obligation in legislation?

Ms. Laaksonen-Craig: — Yes and no. I understand that there was a discussion of these types of flow-through funding and the required authorities and what was required. I think that there was for a period of time a bit of unclarity around that, and then it took us a long time to get there. I think that even without Auditor General's recommendation, we essentially had identified the same problem that we were having and were working towards remedying. So I would say that we just were doing our due diligence, fully understanding, and clearly were too slow at the time while also trying to get the program out. But we certainly, as I said, welcomed and appreciated the Auditor General's recommendation and moved forward.

Ms. A. Young: — So hearing there was a bit of confusion internally, have there then been past instances in the ministry when proper approval for grants greater than 50,000 was not sought?

[09:30]

Ms. Laaksonen-Craig: — No, I don't believe so, but we also had not managed this kind of a program at the ministry prior to this, this kind of federal funding that kind of comes to us and then flows through. So it's not funding for the ministry per se. And so we just simply had not managed that kind of a program and then sought advice from different parts of government, helping us to understand what was everything that was required of us.

Ms. A. Young: — And are you able to share when the minister was made aware of this?

Ms. Laaksonen-Craig: — Unfortunately I wasn't here at the time nor was any one of my ADMs [assistant deputy minister] responsible for the program. My guess would be that we had kept the minister aware that we are trying to find out what exactly we need to do to properly manage the program. But it was ongoing work where we were very much trying to make sure that we understood exactly what we had to do, given that we had not managed the type of program before.

Ms. A. Young: — And those inquiries, those would go to I guess — I'm speculating — the Ministry of Justice?

Ms. Laaksonen-Craig: — Ministry of Justice would be one. Ministry of Finance naturally would be one of those places where that type of expertise resides.

Ms. A. Young: — Thank you. And maybe a question to the auditors just on this point. There's federal dollars that flow through other ministries, other programs in Saskatchewan. Is this in any way unique in terms of how approval was supposed to be sought for this program?

Ms. Clemett: — No. So those other ministries . . . I think the deputy minister has highlighted the fact that this ministry giving out grants is a bit unique to their types of operations. But you are correct; there would be other ministries in government that get funding, give out grants, and get the required orders in council as required by the governing legislation. And it's obviously, depending on the threshold, grants are given over a certain threshold.

Ms. A. Young: — And is that threshold, it's consistently \$50,000 across government?

Ms. Clemett: — Correct. Yes, that's what it says in law right now.

Ms. A. Young: — Okay, perfect. So yeah, not trying to put too fine a point on it, but within government there would certainly be an awareness of this threshold.

Ms. Clemett: — Correct.

Ms. A. Young: — Okay. Thank you.

Ms. Clemett: — I guess I'll just add that in the event . . . Like we look at this through our payments testing on a regular basis from a ministry standpoint. In the event they are not complying with that law, we would report it accordingly in the integrated audit. So I guess you don't have our current report in front of us,

but we don't have a lot of ministries that have any, yeah, non-compliance with the law in this area.

Ms. A. Young: — Excellent. And those, as you've just said, just to make sure I fully understand first thing in the morning, those would be documented publicly should that non-compliance occur.

Ms. Clemett: — Correct. Yes.

Ms. A. Young: — And it is uncommon. Excellent. Thank you. And the total grant payments made by the ministry prior to, I suppose, the understanding emerging that proper authority was needed, was it 15 million or was it the \$125 million?

Mr. Warren: — I believe it was the 125. Yeah. Yeah.

Ms. A. Young: — Okay. So roughly, like, just shy of a quarter of program spending was made without proper sign-off.

Mr. Warren: — Just over a quarter. Yeah.

Ms. A. Young: — Thank you. And a question about a comment made, and I'm not sure if this is best put to officials or to the auditor, so please indulge me. In section 4.4 when it's discussing some of the challenges around documentation of instructions and revenue with SRC, the auditor's report notes that "We were unable to receive further support from the Ministry." And it goes on to summarize that alternate auditing procedures were undertaken. Could someone help me understand this comment?

Ms. Clemett: — I'll go first and then the ministry can add any additional comments. So the revenue is recorded basically once SRC has, I guess, distributed funds to the licensees or the service companies and they have, you know, incurred those eligible expenses, those programs. So you need the information from SRC to go back to the ministry. And what was being provided to the ministry from SRC was not sufficient when it came to year-end cut-off. So we did find an overall error of that \$3.5 million.

Obviously we also audit SRC, so in the event the ministry didn't have the required support, we then went to SRC and we were able to figure out what's the amount of expenses that had been incurred with regards to this program, and therefore what is the amount of revenue that really the ministry should record. So an error did occur, and it would have been also an error in the summary financial statements in that year.

Ms. Laaksonen-Craig: — So I would just say that the comment is not that we wouldn't have tried to support the auditor's work. We simply didn't have the proper documentation to provide for them. However, as said, they were able to receive it from SRC.

Ms. Clemett: — Sometimes time is of the essence, so we probably decided which was the fastest mechanism in which we could have found the support.

Ms. A. Young: — Thank you very much. Just two last questions. Just to circle back to approval from the LG [Lieutenant Governor] in Council, do you have a date that you can provide in regards to when this clarity was obtained by the ministry?

Mr. Warren: — Yes, I have the date of the order in council

going forward. Or you're looking for . . . Is that what you're looking for?

Ms. A. Young: — When the understanding emerged within the ministry that you in fact required this.

Mr. Warren: — Gotcha. I mean, I think I would say it was flagged by the Provincial Auditor, was really the . . .

Ms. Laaksonen-Craig: — It confirmed it for us. We had been, as I said, working with parties who were more knowledgeable of these types of programs. But the auditor's finding then confirmed it for us that that indeed was the case. And after that we then started to take steps to move forward to receive those proper authorities.

Ms. A. Young: — So the publication of the auditor's report . . .

Ms. Laaksonen-Craig: — Well we had clearly discussed those findings prior that report becoming public. But I don't have a date with me when we would have had those conversations.

Ms. Clemett: — I'll just add some context. We always issue, obviously, management letters to the ministries, and the results of this would have been provided probably September, fall of 2021. Our public report comes out in December 2021, so like the deputy minister said, the minister as well as of course ministry officials would have been aware of this recommendation and that it was going public. And then the OC [order in council] was obtained in February, I believe, 2022.

Ms. A. Young: — Thank you. Yes, I'm just a humble opposition member. I've never sat around and issued OCs, but I read them when they come out. So I do know they can sometimes come quite fast and furious.

I guess what I'm curious about is, in between being made aware that this was an obligation on the ministry and on this program to obtain, you know, proper authority is documented in legislation, were any dollars flowed through this program in between that awareness being realized, that clarity being provided to the ministry and the minister, and dollars being spent?

Mr. Warren: — I believe there would have been, yes. Yeah.

Ms. A. Young: — Is there a reason why?

Ms. Laaksonen-Craig: — Well we were in the process on then preparing the OC and going through all those steps to acquire one and recognizing perhaps, you know, that there was also a break in between. But at the same time, you know, it was important to continue the funding for the program so that the actual dollars were able to continue to flow to the companies.

Ms. A. Young: — And my last two questions, Mr. Chair. Do you have an estimate for how many dollars were flowed through in that intervening period when you were aware that an OC was needed before making any grants and the OC actually being obtained?

And then my second question is, I assume the minister was also made aware of this and made a decision that they were comfortable with this.

Ms. Laaksonen-Craig: — I would have to . . . I don't have that exact dollar amount with me. We would have to go back and calculate that. But I'm not going to, you know . . . I'm not able to say, you know, exactly what minister's thoughts about the issue was, but we absolutely were working to make sure that we would get to that OC and to those right authorities.

Ms. A. Young: — But they would have been aware?

Ms. Laaksonen-Craig: — That is correct.

Ms. A. Young: — Okay, thank you.

The Chair: — There was just the one question and then information that you said that could be provided. Is that an undertaking? Are you able to provide that information back to the committee in the coming days?

Ms. Laaksonen-Craig: — Yes. Yeah, we will be.

The Chair: — Perfect. And that, to table that properly with the committee, can come through our committee Clerk. Thank you very much. Other questions? Mr. Harrison.

Mr. D. Harrison: — Just a comment and then a question, I guess. I got several contractors that called and said how beneficial this program was, so it was well planned and much appreciated.

The question is around the closure date. I know it was extended by the federal government. Does that include any work that's already started, in progress? I'm just thinking about establishing forages and stuff isn't going to happen in April, so I just wondered if there was some lag time allowed for finalization of these closures.

Mr. Warren: — Yeah. The way that the end of the program is set up, we have a March 15th deadline for final invoicing submissions from, you know, from the service companies through the licensees and into the program. So any work completed under the program would have to be completed before that March 15th deadline. It provides us the appropriate time to reconcile internally. And per the federal-provincial funding agreement, we have to return any funds that are unspent back to the federal government by mid-May. So that March 15th deadline gives us the appropriate time to reconcile the program internally and fulfill those obligations.

Mr. D. Harrison: — Does that lead to the risk of not having some of these sites completed?

Mr. Warren: — I mean, I think it's possible that some portion of the work could be funded under the program and then the remaining portion of the work, let's say the remediation and the reclamation, funded as it normally would be by the licensees themselves. So it's possible that you could have a situation where a site is addressed, you know, in part under the program and then in part after the fact.

Mr. D. Harrison: — Thank you.

The Chair: — Thanks, good question there as well. Any further questions? Not seeing any, I'd welcome a motion to concur with

recommendations 1 through 5 and note compliance. Moved by Mr. Harrison. All agreed?

Some Hon. Members: — Agreed.

The Chair: — That's carried. We'll move along to chapter 10, and I'll turn it back over to our Provincial Auditor.

Mr. Shaw: — Thank you, Mr. Chair. The Ministry of Energy and Resources levies and collects revenue on behalf of the government from the production and sale of Saskatchewan's non-renewable resources. In Saskatchewan, non-renewable resources primarily consist of oil, natural gas, potash, uranium, and coal. Different provincial Acts and regulations govern the royalty and tax structures for each of the resources.

Laws require each producer's individual mine or project to submit relevant production taxes and royalties to the ministry each quarter. The ministry has an audit unit responsible for determining whether producers comply with applicable legislation. The unit was made up of 11 full-time equivalent staff in 20-21. In 2019-20 fiscal year, the ministry's audits resulted in additional taxes and royalties owing of about \$21 million and refunds of about 8 million.

Chapter 10 in our 2022 report volume 1, starting on page 149, reports the results of the progress made on the recommendations initially made in our 2019 audit of the Ministry of Energy and Resources' processes to assess the completeness and accuracy of producer royalty and tax returns for potash, uranium, coal, and enhanced oil recovery.

[09:45]

By October 2021 the ministry partially implemented three recommendations and did not implement two recommendations. The ministry established a process to estimate staff time and costs required to complete planned audits during the year. However the ministry still needs to establish a long-term plan to eliminate the backlog of audits. The ministry was up to six years behind on potash audits, six years behind on enhanced oil recovery audits, four years on coal audits, and five years on uranium audits. Not completing audits in a timely manner increases the risk of more costly and time-consuming audits resulting from potential changes to legislation, producer operations, or personnel which increases audit complexity and time.

The ministry reviewed and updated its audit manual at March 31st, 2020, but further work is required to define audit processes and expectations for audit staff. For example, the manual did not include expectations for how timely its audits should be completed or guidance for how timely audit results should be provided to producers. Not having established expectations for timely audit-work completion, audit-results communication, or audit-work review increases the risk of delays or problems in completing audits.

The ministry developed tools to assist its auditors in documenting audit work; however we found staff inconsistently use these tools to document audit work. Of the 10 audit files we tested, we identified inconsistencies in documentation in the related file. Ten files did not document consideration of the reliability of data received from producers and did not include detailed evidence of

the procedures the auditor performed. Inconsistent and incomplete documentation in audit files can result in having insufficient and inappropriate support for audit results. In addition, inconsistent and incomplete documentation may result in expending additional resources in the event of disagreement with a producer on audit findings.

The ministry still needs to define what a quality review of an audit file should include and what it considers a timely review. Additionally the ministry needs to establish and follow expectations for completing reviews of audit files. Of the 10 audit files we tested, we found eight audit files showed evidence the ministry completed the review of the audit file after communication of audit results with producers. Not reviewing audit work timely increases the risk of ministry staff identifying errors after a producer has already made a payment or received a refund.

The ministry also had not yet developed a process to monitor actual-to-planned staff time and costs or delays in ongoing audits. The ministry maintains an audit statistics spreadsheet that provides information on the number of and total hours for completed audits within the year. However the ministry does not routinely update this spreadsheet for costs or time incurred to date.

The ministry completed 30 audits in 2020-2021 fiscal year compared to the planned 46. Routinely comparing actual resources used to date would help assess whether the audit unit achieves its plans and, if not, allow for timely decisions on required adjustments. To be effective, audits of producer royalties and taxes must be timely and executed properly.

This concludes my presentation. Thank you.

The Chair: — Well thanks again for the presentation, also for the important focus. I'll turn it over to Deputy Minister Laaksonen-Craig for brief comments. Then we'll open up for questions.

Ms. Laaksonen-Craig: — Thank you. Recommendations in the 2022 report volume 1 relate to Energy and Resources' audit program. These suggest that we estimate the staff time required for audits, maintain our audit manual, and consistently document key audit decisions, procedures, and results. The report also recommends that we complete quality reviews of audit files and monitor actual-to-planned staff time and cost to audit producer returns.

Today all changes have been fully implemented with the exception of one that is partially implemented, and we currently are working to fully implement this recommendation early in the 2023-24 fiscal year. With these new procedures and staff supports in place, we look forward to clearing the backlog of audit files in our care. Thank you.

The Chair: — Thank you for the work on this front and the presentation. I'll open it up for questions. Ms. Young.

Ms. A. Young: — Thank you, Mr. Chair. How long has this backlog existed, you know, averaging around six, between four and six years?

Mr. Kistner: — Yeah, so it's been six years consistently for a significant period of time, but we are now . . . Since the auditor's recommendations and report has been tabled, we've got to a little over three-year backlog that we're at now. And we're working towards getting that caught up by the end of the '24-25 fiscal year with a one-year backlog . . . two-year backlog because of the timing that has to be reported. Sorry. My apologies.

Ms. A. Young: — That's okay. Are you able to be more specific than "a significant" amount of time?

Mr. Kistner: — For the six years? We don't have that information with us specifically, but we can certainly bring that back.

Ms. A. Young: — Sure. Thank you. And by 2025 there will be a two-year backlog? Perfect. And can you speak in greater detail about how that will be achieved? Not seeing significant commitments to staffing up or contracting out auditing services, I'm interested, as this has been outstanding for a significant amount of time.

Mr. Kistner: — Yeah. I think there's a few things that we have targeted this year and started this year that will certainly help us, and one of them is acquiring contracting services to help us with the backlog. The Provincial Auditor can probably also comment on the challenge, hiring audit staff as part of this. It's a very high-demand pace of employment right now, and hard for us to compete in that area. So we are also working with the Public Service Commission on that, and how we attract and retain staff, but we've also engaged third-party services to help us get our backlog cleared up.

Ms. A. Young: — Thank you. And in the auditor's report, it's cited in the 2019-2020 year the ministry's audits resulted in reassessments of additional taxes and royalties of about \$21 million and refunds of just over \$8 million. Is that an average year? Does such a thing exist?

Mr. Khan: — I'm Muhammad Haroon Khan. I am a director with the audit unit. It cannot be used as a ballpark number or an average number simply because of the fact that over the years we have implemented penalty legislation, which has led to producer re filings, which down the stream leads to a lower number of audit assessments when audits are conducted by the ministry.

So the number you've quoted, we can't say that it's going to stay consistent from one year to another as recovery that's coming from audit work. But over the years, due to the efforts of the audit unit, the timing has significantly reduced in terms of how soon the money comes in.

Ms. A. Young: — Is there an estimate of what the outstanding, I guess, potential additional taxes and royalties as well as refund liabilities would be?

Mr. Khan: — We won't be able to put an accurate number to that. And that's again simply because of the fact that between the time a return is originally filed, to a previous year that's been audited, producers may re-file their returns based on previous audit results. So by the time the ministry receives a final return, that may not even be subject to an audit, right.

So over the years, so if you look at an overall span of three to four years or maybe five years, if you're looking at it today you may see that there is potential audit recovery. But if you look at the same return that's been refiled, three years down the road, there may not be any more audit recoveries associated to it.

Mr. Kistner: — I think it speaks to some of the audit process changes that we've made where we're not auditing year by year with an industry; we are auditing multiple years at a time now. And so what we may find in, whatever, 2018, they have an opportunity to re-file those future years out, which may not result in an actual audit required.

Ms. A. Young: — Thank you. In regards to some of the improvements that have been made around monitoring audit statuses, senior management now receives information to ensure that they're appropriately monitoring audit processes and success in clearing that backlog?

Mr. Kistner: — Yeah. So the executive director of our financial services area receives weekly updates, and then is subsequently passed on to me on a weekly basis as well.

Ms. A. Young: — Thank you. And last question from me, looking back at the 2020-2021 year, I think it was around like a 65 per cent success rate of achieving the audit number that was targeted. Yeah, 30 out of 46. Are you able to provide some more current numbers for the past year, as well as — you know, you've spoken about 2025 and having a two-year backlog — what your targets are for clearing this backlog, year over year?

Mr. Khan: — Sure. In terms of year over year, I can give you an average number that we're looking at in terms of potential targeted audits. That number would be between 25 and 30 audits a year. That's based on a revised risk assessment methodology that we have come up with now.

The results on the recommendations of the Provincial Auditor have given us an opportunity to relook at our risk assessment process, and it has also enabled us to now pick up files that are more targeted, that are more sensitive to an audit adjustment. And based on that, the number that typically may have been over that 30 for audit files for a complete inventory has now been reduced to between 25 and 30. And that's the 25 and 30 that we would to aim to audit from one year to another.

Going forward, maybe another three years from now, we may see that based on the audit work that we're doing we may not even have to complete those 25 to 30, and that number may even reduce. And again some of it is coming from the penalty legislation that we've introduced, and the other piece is coming from voluntary re-filing, that industry or producers continue to re-file their returns as they learn more about the legislation and the way we are interpreting it.

The Chair: — Any further questions on this chapter? Mr. Keisig?

Mr. Keisig: — No.

The Chair: — Okay. Not seeing any, I see that we have implementation on all five of these recommendations. Thanks for the work on this front. I would welcome a motion to conclude

consideration of chapter 10. Moved by Deputy Chair Hargrave. All agreed?

Some Hon. Members: — Agreed.

The Chair: — That's carried. Okay, that concludes our time with the Ministry of Energy and Resources. Deputy Minister Laaksonen-Craig, your leadership team, and all those that are involved in the work here today and the work of the ministry day in, day out, I just simply want to say thank you very much. And do you have any final parting words before we kick you out of here?

Ms. Laaksonen-Craig: — No, happy to be kicked out. Just to say that thank you again, Auditor, for all of your work and the opportunity to collaborate. And thank you for the opportunity today to highlight the good work we do. Thank you.

The Chair: — Wonderful. Thank you so very much, and we'll have a brief recess, a couple of minutes. Fill your coffees, and then we'll focus on the Saskatchewan Workers' Compensation Board.

[The committee recessed for a period of time.]

Saskatchewan Workers' Compensation Board

The Chair: — Okay, we'll reconvene the Standing Committee on Public Accounts. We'll turn our attention to the Provincial Auditor's chapters focused on Saskatchewan Workers' Compensation Board. Thank you very much, Chief Executive Officer Germain, for joining us here this morning along with some of your leadership team. We thank you for being here today and all those that are involved in this work that we'll be discussing here today. I'd ask you to briefly introduce who's with you here today. Refrain from getting into the chapters at this time. We'll come back to you after the auditor's provided the presentation.

A Member: — Do you want to tell him he doesn't have to touch it?

The Chair: — Oh sure, you don't have to touch the microphone. It's all, yeah, pretty high tech here.

Mr. Germain: — Perfect. Less . . . yeah, okay. So thank you, Mr. Chair. With me today is our director of claims operations, Trish Livingstone; our chief technology officer, George Georgiadis; our director of finance, Ty Gillies; and our director of legal policy, Julia Lacell.

The Chair: — All right, thank you very much. I want to thank you as well for submitting the status update PAC 92. I will table at this time that status update PAC 92-29, Saskatchewan Workers' Compensation Board: Status update, dated February 6th, 2023. And I'll turn it over to Provincial Auditor Clemett.

Ms. Clemett: — Good morning, Mr. Chair, Deputy Chair, committee members, and officials. With me is Mr. Jason Shaw. He's the deputy provincial auditor that's responsible for WCB [Workers' Compensation Board]. Behind me I have Ms. Kim Lowe, the liaison with our committee; Mr. Dane Reimer, he was involved in the audit work that is before you with regards to WCB; and Mr. Eric Nyannor, who is an M.P.A. intern with our office.

Jason's going to present the five chapters on the agenda in the order they appear. The first chapters will be done together, the next two chapters will go together, and finally the last one separately for a total of three presentations.

The second presentation has one new recommendation for the committee's consideration and the third presentation has five new recommendations for the committee's consideration. Jason will pause after each of the presentations so that the committee can deliberate accordingly.

I do want to thank the CEO [chief executive officer] and his staff for the co-operation that was extended to us during the course of this work. I'll now turn it over to Jason.

Mr. Shaw: — Thank you, Mr. Chair, and thanks, Provincial Auditor Clemett. The first two chapters we will discuss today relate to our first and second follow-up on six outstanding recommendations made in 2016 related to the Saskatchewan Workers' Compensation Board's processes to effectively coordinate workers' return to work.

Return-to-work programs are central to get an injured worker back to suitable and productive employment. WCB's average annual claim-duration target was 38 days compared to actual claim duration of 40.2 days in 2021 and 45.3 days in 2020. The results of our 2019 first follow-up audit work are found in chapter 43 in our 2019 report volume 2, starting on page 317. The results of our second follow-up to January 31st, 2022 are found in chapter 22 in our 2022 report volume 1, starting on page 219.

In 2019, we found WCB made some progress on three recommendations which we considered partially implemented. They made little progress on the remaining three recommendations, and we considered those not implemented.

During our 2022 follow-up, WCB indicated it was in early stages of addressing all six recommendations. The status of each of the six recommendations in 2022 remained the same as in 2019. WCB indicated it was undertaking a significant change to its processes and implementing a new claims IT system. It expects these changes to address all six recommendations and expects the IT system to be complete by December 2025. We will conduct our next follow-up on the outstanding recommendations after the new IT system is put in place.

We found WCB needs to continue to improve its processes to communicate timely with injured workers, employers, and health care professionals. For example, in 2019 we found WCB either did not receive ongoing employee reports on time or not at all in 70 per cent of files we tested. Also in 2019, we found WCB received only 60 per cent of progress reports from health care providers timely for the claims we tested. Without early communication to obtain complete information from injured workers, employers, and health care professionals, WCB is unable to coordinate an accurate and timely return-to-work plan.

WCB also still needs to verify the completeness and currency of recovery and return-to-work plans. For example in 2019, we found nine of 30 files we tested, or 30 per cent, lacked a documented return-to-work plan for the injured worker. Incomplete or missing return-to-work plans increases the risk of WCB not knowing whether injured workers receive appropriate

support in order to help get the injured worker returned to work.

In certain instances, WCB may conduct a secondary assessment of the injured worker to determine why that injured worker is not progressing as expected. This helps identify and address impediments to timely recovery of injured workers. Because of inconsistent documentation in the return-to-work plans, it was not always clear when secondary assessments were required. Without an effective process for WCB to identify and address impediments for a timely return-to-work plan, injured workers may not be receiving appropriate treatments and/or interventions to ensure their recovery within a reasonable time frame.

WCB provides information regarding its return-to-work program to various stakeholders such as health care providers. Some of the documents provided to stakeholders outlined report submission timing, while others discussed the need for timely reports submissions but did not define what WCB considers timely. Not receiving timely and complete reporting from employers, injured workers, and health care professionals may negatively impact an injured worker's treatment, recovery, and return to work.

WCB still needs to track and analyze key information about the quality and timeliness of its return-to-work program. WCB expects its planned new IT system to have the functions to analyze key information like high-risk claims. Not tracking and analyzing key information about the quality and timeliness of its return-to-work program increases the risk of WCB not identifying opportunities to use this program to reduce the duration of time-loss claims and return injured workers to work.

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

The Chair: — Thank you very much for the follow-up on this front. I'll turn it over to CEO Germain to provide brief comments, then we'll open it up for questions.

Mr. Germain: — So I'd like to thank you, Mr. Chair, and committee members, and to the Provincial Auditor and her team for the work that they have done.

As you know, we accept all the recommendations from the return-to-work follow-up audit. As it relates to this particular audit, since becoming CEO in 2019, we have made significant progress on the very complicated process of helping injured workers rehabilitate and return to work. While many claims may appear the same when they enter our system, there are many potential combinations of biopsychosocial factors that can positively or negatively impact the ultimate outcome of rehabilitation and return to work.

As indicated in the Provincial Auditor's follow-up audit on return to work, we have planned and are in the process of implementing a business transformation that will improve the people, process, and technology systems of the WCB that will better enable our staff to assist our customers and stakeholders in rehabilitating and returning injured workers to work.

One of those projects under the business transformation program is the development of a work disability prevention and mitigation project. Under the WDPM [work disability prevention and mitigation] project, we are in the process of better understanding

the training, skills, and technology we need to identify the unique barriers, if any, for each injured worker in order for them to effectively rehabilitate and return to work.

The Chair: — Just before we get going with questions, this may be a question for the auditor. And thank you for the comments.

So we're looking at these reports. This is a follow-up of course, and in fact there's been a couple of follow-ups. The original report was from 2018. Is that correct? The original recommendations?

Ms. Clemett: — 2016.

The Chair: — 2016. So we're in 2023 and we're looking towards 2025 here. And I understand that for implementing a large system that that part takes time. But you know, from I guess the auditor's perspective, there's a fairly significant lag of time in responding or complying with the recommendations that have been brought forward.

Is it, from the auditor's perspective, an adequate response to date, and is it appropriate for . . . Should we feel comfortable as committee members with, you know, recommendations that came in 2016, a solution that's going to be brought in 2025, or was there interim measures that could have been brought to address these recommendations? I guess, just looking for some feedback from the auditor.

Ms. Clemett: — Yeah. What we found when we did our last follow-up is there has been some steps taken. So we have seen effort when it comes to education, I would say, and staff awareness in terms of trying to increase the awareness when it comes to the information needed, when it comes to a return-to-work plan.

[10:15]

So that said, I do think automation will obviously enhance the ability to transfer information in a very timely manner. So what we are looking forward to obviously . . . that rollout of the new system. And I do think that that will be the answer to addressing these recommendations fully, and hence why we don't have intentions of going to follow up until that is near completion.

The Chair: — Thanks for those comments and giving us that perspective as well. I'll open it up to committee members for questions. Ms. Young?

Ms. A. Young: — Thank you so much. Perhaps jumping in where the last discussion left off, it's evident that the solve for, I believe, all of these outstanding items is the new IT system. So I guess, can you talk about that a little bit in terms of obviously scope of the project, cost, vendor, and how you anticipate an IT system addressing some varied and also some qualitative recommendations?

Mr. Germain: — Yes, thank you for that question. The IT system in essence is designed to do two things. One, take manual work off of the table so to speak, off of our case managers so that they've got time for more value-added work, which is really going to help in identifying the barriers and dealing with those barriers.

So one of the examples is, which we've manually piloted, is auto-adjudication of claims. There's a certain segment of claims that can be easily auto-adjudicated. We've piloted that manually to prove the concept works. We're certainly not the first. There are many, many jurisdictions in North America that successfully use auto-adjudication. And Trish . . . Go ahead.

Ms. A. Young: — Sorry to interrupt. Can you give an example of what that would be?

Mr. Germain: — Well so auto-adjudication is really an algorithm that's created where they look at all these questions and answers and through the process will decide whether or not the claim can be accepted or denied based on the information available. We, and Trish can talk about this more if you want more details, but we created the algorithm based on what other jurisdictions have successfully implemented, took the overlapping factors of other jurisdictions and created an algorithm that we knew other jurisdictions, factors that other jurisdictions had already used to successfully auto-adjudicate.

Because we don't have an IT system that can auto-adjudicate, we actually gave that algorithm in a pilot to people who knew nothing about claims and asked them to use it. And we had an extremely high success rate. It was well over 99 per cent success rate in the auto-adjudication algorithm, selecting the right answer to accept or deny.

So these types of tools, once we prove they work . . . We don't want to put them in an IT system and find out they don't work. They could have disastrous consequences. So we've manually piloted it. That's an example of something that will get built into the new system, which will pull manual work off of our staff's workload and allow them to do more value-added work with employers and injured workers.

As it relates to the solution itself, we've gone through a very long, rigorous selection process. We are in the BAFO stage — the best and final offer. In fact, today and tomorrow the selection committee will be going through consensus decision on which of the two finalists we will be presenting to our board. The first phase — assuming we get through this — the first phase, so the implementation of that system, will be kind of employer services or premium side of the business, and then claims side.

The less risky phase 1 is employer premiums, employer . . . the claims policy-related side of the work comp solution. That will start in July and end in 18 months. Immediately following that will be the implementation of the work comp side of the solution, which we think will take 12 to 18 months to implement as well.

I hope that answered your questions.

Ms. A. Young: — Yeah. Recognizing . . . So I guess let me back up. You're at the best and final offer stage. There has not been a vendor formally selected.

Mr. Germain: — No.

Ms. A. Young: — Perfect. And when does WCB anticipate that decision being made, hearing what you've said about it being presented to the board for consensus?

Mr. Germain: — So we expect the committee to make a decision on the vendor within days. And then we'll go through the proper steps to bring that forward to our transformation oversight committee, which is a subcommittee of the board. Once the subcommittee approves the decision, it will go to our board for final decision. We expect to have those steps completed by May 9th, 10th.

Ms. A. Young: — And what's the anticipated cost of this system?

Mr. Germain: — So the transformation program itself is a five-to seven-year, \$150 million program, because it doesn't just involve the work comp solution. On February 1st we went go-live with our Oracle financial system, so a new financial system. And starting within the next few weeks we'll be implementing a new Oracle HR [human resources] system. So those three IT solutions will come together to help the organization better serve the customers that we have.

The work comp solution, the whole program including all costs in, are estimated to be about \$150 million over the five to seven years.

Ms. A. Young: — Perfect. And as it relates to these two chapters, "Co-ordinating Injured Workers' Return to Work," this is the work comp solution that we're primarily addressing.

Mr. Germain: — Yes, that's a big piece of it. That's a huge piece of it, and we believe automation with improved taking manual work off as well as better information and analytics for our staff, for our management, for our injured workers and employers will allow us to make quicker, better decisions related to the claims.

Ms. A. Young: — Sure and thank you. Hearing you've referenced Oracle, the decision that's anticipated on May 10th, that's specifically related to the work comp.

Mr. Germain: — Yes.

Ms. A. Young: — And the budget for that project?

Mr. Germain: — For the work comp solution?

Ms. A. Young: — Yes.

Mr. Germain: — Of the 150 million, the range of 60 to 80 million.

Ms. A. Young: — And now you've spoken about automation and this allowing for more value-add to be provided by your claims specialists. For the committee, can you explain what those value-added offers may be?

Mr. Germain: — Yeah. So there's a few pieces in there, but the essence . . . And that's really a lot of what the work disability prevention mitigation program is; it's process related. It doesn't necessarily need an IT solution to implement, but it will be augmented by an IT solution. So the work disability prevention mitigation strategy — I'll say it in layman's terms and then Trish can correct me — but it's really about identifying the unique barriers surrounding an injured worker or related to the injured worker, being able to quickly identify them and being able to

quickly address them so that that rehabilitation and return to work stays on track.

The same claim, so you can have . . . Let's use a psychological injury. Somebody could come in and never leave work. They might take their treatments and continue to work through the whole process. Some, as we all know, are very, very complicated and there can be any number of biological, psychological, or sociological factors that are impacting that individual's ability to stay focused on rehabilitation, get their treatments, and return to work in whatever a timely manner is for that particular individual. There's no one-size-fits-all, especially as you look at the complexity of the claim. And really the complexity of the claim is more associated with those biopsychosocial factors than the injury itself.

Ms. A. Young: — So to summarize then, the IT system, the work comp solution in collaboration with the work disability prevention mitigation strategy that you've talked about, those will essentially do some of the heavy lifting on the front end. And then the human factor comes into looking at the specifics of each, the unique factors of each claim. Is that . . .

Mr. Germain: — Right. That's correct. The IT solution and the work disability prevention program will come together to help us quickly identify workers that have unique challenges and deal with those unique challenges. Most of our workers go through the system with no challenges at all, but we need to quickly identify those that do have challenges and work with them to work through those challenges.

Ms. A. Young: — Thank you. The work comp solution, is this being run, managed I suppose, exclusively through WCB? Or is this one of those IT projects that also runs through SaskBuilds through some component as well?

Mr. Germain: — So Saskatchewan WCB's procurement does not require us to go through SaskBuilds. Now having said that, we have touched base with them all the way through. In fact just last week we had a meeting with them to give them an update.

Ms. A. Young: — But all the management, all the spending, it'll just come exclusively through . . .

Mr. Germain: — That's correct, yes.

Ms. A. Young: — Okay. And Mr. Germain, in your initial comments you talked about developing the algorithm after having evaluated other jurisdictions that have successfully modelled this type of solution. Which jurisdictions were primarily the most helpful for the work here in Saskatchewan?

Mr. Germain: — I do know Washington state has had auto-adjudication since the 1980s. WorkSafeBC uses auto-adjudication. Was there other jurisdictions that we referred to . . . [inaudible interjection] . . . Yeah. So those were the two that we knew had long-standing auto-adjudication processes that had been successful, that we were able to pull from in order to learn what factors might we need to pay attention to.

Ms. A. Young: — And looking at the timelines, with an offer being made in kind of — what was it? — May 2023 and successful implementation occurring in I believe it's December

2025, that's a timeline . . .

Mr. Germain: — That's right.

Ms. A. Young: — That feels achievable?

Mr. Germain: — Yes, right now we have our plans. So Oracle financial was our first test. It was a pilot in terms of our abilities to use all the systems we'd developed in terms of project management, change management, to effectively run a project. That project came in on time, on budget. So early indications are our systems that help us manage through a complex IT implementation are working well so far. So we're optimistic we can hit that 2025 timeline.

Ms. A. Young: — And the existing systems will continue to run until . . .

Mr. Germain: — Yeah.

Ms. A. Young: — Okay, perfect. So there won't be any lapse for employers or for workers.

Mr. Germain: — No.

Ms. A. Young: — Will there be any anticipated implications on staffing numbers with a move to greater automation?

Mr. Germain: — Yes, there already have been. So part of the plan was what we called the backfill augmentation. So we did analysis in terms of what our subject-matter experts would need to invest in the project, and we have timed it all, we've back-timed it all so that we hire, train, and have staff in place as people are going to the project, so that there's no unintended consequences in terms of service delivery.

Now having said that, we are still challenged, like every other workplace, in finding staff, but the plan is there to maintain current levels and augment specifically during the project.

Ms. A. Young: — So essentially the challenges are in fact in scaling up, not in reducing the number of FTEs [full-time equivalent].

Mr. Germain: — Yeah, we have no plans. We want to take our current staff's time ultimately and reinvest it in the right way.

Ms. A. Young: — Thank you. Moving on to a couple of specific questions.

One of the challenges, to a relative layperson, seems to be . . . One of the primary challenges seems to be, from the auditor's report, the receipt of medical records from health care providers and how those can impact the successful development of return-to-work plans. And it's noted that these delays continue to occur. It's also, I think, noted in the status updates that this is something that WCB is hoping the new IT project — I wish it had a name — the work comp solution, will help address.

How do you anticipate that happening? Because with respect, if it's not a priority for someone, say a medical professional, to get those reports off within three days or whatever, how will the new IT system impact that?

Mr. Germain: — Well specifically the IT system, what's on the books in terms of the business transformation is ultimately an actual data exchange with the health care system, the billing system itself. So if we have an exchange with that, we can get the information almost live from the practitioners. Maybe not all of them, but most of them. So we're looking for a system that will allow us to actively do a data exchange with the health care providers so when they submit their information, they're also submitting it to us at the same time.

[10:30]

That is a sub-project within. It's not prioritized for . . . Late 2023, early 2024, that will be a piece of the puzzle. So we're trying to make it easier for health care providers to submit the information to us and then the appropriate information made available to the injured worker and the employer.

Ms. A. Young: — So again forgive me; I'm so far out of anything I'd feel remotely comfortable claiming any level of expertise in. That would necessitate some sort of, some sort of agreement and I imagine privacy agreement with . . . Would it be eHealth or 3S [Health Shared Services Saskatchewan] or . . .

Mr. Germain: — eHealth. But we already get this information. It's just a lot of it is sent to us either in electronic, like PDF [portable document format] format. Then we've got to either re-enter it or scan it into the system. So there's a bunch of effort in trying to get the right information into the system once we get it. We think an automatic electronic data exchange will simplify that and won't put administrative pressure on the health care providers to produce that document specifically for us.

Ms. A. Young: — Perfect. So essentially automating it on the health care provider's side to reduce that friction point.

Mr. Germain: — Yeah, that's the intent.

Ms. A. Young: — I guess last question as it relates to the medical professions: are you able to offer an update on the fee structure negotiations?

Mr. Germain: — Sorry?

Ms. A. Young: — It's noted that there's fee structure negotiations going on with health care providers.

Ms. Livingstone: — Oh, that's solely in relation to the primary provider's initial report, the PPI [primary practitioner's initial report]. So we have done some improvement work this past year, in 2022, to improve that form. We are looking at . . . Well we did revise it to align with work disability prevention, so focused more on abilities rather than restrictions, and also streamlined it. And so that form was tested, piloted last year, and implemented.

What we're trying to do now is roll it out across the province and in connection with the electronic medical record so it can come directly, electronically from physicians' offices. So right now we're in fee negotiations with the SMA [Saskatchewan Medical Association] to find out what the new fee would be for the form.

Ms. A. Young: — And when are those anticipated to conclude?

Ms. Livingstone: — Negotiations are supposed to wrap up the end of March with SMA responding to us on their decision.

Ms. A. Young: — Coming quickly then.

Ms. Livingstone: — Yes.

Ms. A. Young: — Yes. I'm not sure if this is fair, but I'm interested in, you know, the subsequent chapters that discuss psychological injuries as well as the increasing prevalence both here in Saskatchewan as well as, you know, nationally and the impact that that has on workers as well as the economy, and the complexity that can exist in some of these psychological injuries. I anticipate that is also something your project management team is working on in the development of this work comp solution.

Is it fair to ask you to offer some comments on this, kind of, evolving field of psychological injury and the impacts on WCB, and how you anticipate the new IT system having hopefully a positive impact on claims and return to work?

Mr. Germain: — Yeah, I think the new system again will help us because many psychological claims would fall under what we would consider a complex claim, which requires more of a counselling approach versus a process-related approach. Now having said that, we take a two-pronged approach. We are investing heavily in trying to support the prevention of psychological injuries so that employers and workers, in particular employers, understand how they can develop and implement certain programs that support workers that may ultimately help prevent or minimize the impact of being exposed to traumatic types of events.

Now having said that, once someone has a psychological work-related injury, to your point, that's an evolving field as well in terms of the expertise and the abilities. What are the knowledge, skills, and abilities our psychological injury unit needs in order to really effectively help the worker and the employer through often a very, very challenging situation? That's evolving. We're learning from different specialists. Again we collaborate across jurisdictions, both nationally and internationally, through committees to learn what other jurisdictions are doing, what's successful, and we're trying to figure out how to adapt or adopt those programs.

So just recently, in the last . . . So in 2019 we created a specialized unit to manage psychological injuries. Their processes have been slowly evolving. And based on the feedback we got from the Provincial Auditor, we took additional steps to really understand whether or not our staff were as equipped as well as possible to help workers. Because I think that's a piece of the puzzle as well is making sure your staff really understand how to deal with these types of situations.

Ms. A. Young: — Yeah, thank you. That kind of leads nicely into my next question around some of the consultation and collaboration that I would anticipate will be done with stakeholders both on the employer and worker side.

Mr. Germain: — We've done two rounds of consultation. The first one was in 2019-2020. We met with researchers, employers, injured workers, union representatives, and we talked . . . with a primary focus on emergency response, so there was police,

firefighters, part of that event. We got them to give us extensive feedback on how we might be able to improve our processes related to adjudicating and managing psychological injuries. We made some adjustments.

And then again in late 2022, we pulled together a similar group of employers, workers, unions, specialists, and went through another round of conversations around what's working, what's not working, what can we change, especially in light of the feedback we received from the Provincial Auditor.

Ms. A. Young: — And more broadly speaking, with the eventual implementation of the work comp solution, I notice in your planned actions for implementation, there's a lot of discussion of customer-centred work, and I would imagine customers would include both employers and workers. Is there still the ability for employers or workers, will there still be the ability for them to access, you know, to be able to talk to people?

Mr. Germain: — Oh yes, yes. Yeah, as you move towards the more complex claims, that's the idea, is you need more touchpoints. And it's human centred, there's no question. So you know, the timeliness of . . . One of the things for example we learned from WorkSafeBC is they've got a segment of claims that they found you slowed the rehabilitation and return to work down when there was human intervention. But then as the claims get more complex, you need more human intervention, which is why we moved from more of a process-related, dealing with claims from process, into counselling. So it's very, very labour intensive, so to speak, when you get to some of the more complex claims.

Ms. A. Young: — So access to, like, printers or computers or something isn't going to suddenly become necessary for customers as of 2025?

Mr. Germain: — I hope not.

Ms. A. Young: — Okay.

Ms. Livingstone: — I can maybe talk a little bit more about the disability prevention and mitigation strategy. It's designed to be very customer centred, so as Phil said, you know, treating each individual as a unique person, looking at all the factors that are affecting them in particular. So looking at them holistically, looking at all those social-psychological factors that might be impacting their return to work, could be barriers to transportation, could be, you know, they don't like their job. There might be many things that are preventing them from actively participating in recovery and return to work.

We're also looking at taking more of an outcomes-based approach as opposed to a compliance-based approach, so building trust and empathy with the customers as opposed to focusing more on compliance with our policies and procedures. So we are looking at building up our skills in our staff in understanding empathy, in trauma-informed care, how to build trust, how to de-escalate — those types of things.

It's very much a collaborative approach as well. So putting the worker at the centre of it but working with the employer and the health care provider as a team to come up with a collaborative plan as opposed to just allowing medical professionals to drive

the recovery. So it's more holistic, again, a more holistic plan.

And it does involve a lot of proactive communication. So right now we do have a target to reach out proactively to customers every three weeks. With the new model that we'll be implementing in April, we'll be looking at setting that timeline uniquely for each individual. So some individuals may need to be contacted more frequently; some may require less frequent communication. And also figuring out what is the best way to communicate with them. So we haven't done that in the past.

And then of course timeliness is really important to preventing work disability, too. So we know we have issues with timeliness and we're actively working on that. In fact this week we have an improvement project going on looking at timeliness of adjudication, but that will also be really important when we move into work disability prevention, ensuring timely reports and timely communication is happening so that we can get that person into recovery and into treatment programs as quickly as possible.

Ms. A. Young: — Thank you very much. Appreciating, kind of, the expediency that's sought both in helping people return to work and . . . I'm forgetting what chapter it is, but I believe it discusses somewhere how, you know, the longer people are off work the less likely they are actually to eventually make a successful return and transition.

With the new work comp solution and what appears to be presented as a kind of solve-all for a lot of certainly the outstanding recommendations included here, can you speak to what, if any, new targets or outcomes WCB has as a part of that? Because I would imagine if you're spending this significant amount of money, you're making some fairly significant transformations to your business processes and functions. Are there clear measures or metrics that you're targeting in terms of improving things like your claim duration, adjudication processes, number of appeals? I'm not clear on what your target metrics might be for success, but it would be great to know some of those up front for the committee.

Mr. Germain: — Yeah, so we have several targets as a result of the business transformation program. Those will be refined as we take forward the final business case in terms of requesting approval from the board to release the funds to implement the work comp solution. One of the requirements is the detailed targets. In general we are expecting to see durations go down.

You know, 12 per cent of our claims represent 80 per cent of our comp days. Those 12 per cent are the complex claims. Some of those people rightfully will never go back to work. Some of them can and should be back to work. And that's not a fault of necessarily the injured worker or employer. That's a system fault. Have we done all the right things in the right way to help that employer, that worker facilitate a good rehabilitation and return to work?

So I guess what I'm saying is we don't have the detailed targets, but we have several targets built within the business transformation program that need to be articulated for our board prior to them approving us moving forward with implementing the work comp solution.

Ms. A. Young: — Okay. So to make sure I'm understanding, those detailed targets aren't available yet, but prior to the project actually fully green-lighting and proceeding, those will be agreed upon by your board?

Mr. Germain: — Right. So the high-level targets around claims processing, our reduction in claims durations, reduction in time to decision, reduction in time to payment. On the employer services side, percentage of registrations completed within five days. So we have several key targets, metrics that our board has agreed to.

[10:45]

Our obligation now is to come back to them with the detailed target that's acceptable to them in order for them to release the funds to implement the system.

Ms. A. Young: — And last question from me. Recognizing, you know, some of the transformative projects that are being undertaken at WCB, but also noting things that are outside of your control such as, you know, there's a slight increase in the number of loss claims that we've seen year over year. I believe in a subsequent chapter we can see the number of workers is actually going down, but the cost of claims is increasing.

Another thing we see reported fairly widely in the news is some challenges that people have accessing health care services and treatments. And for some of those things that may be outside of the control of WCB, I'm wondering if you see those broader factors currently impacting or in the future impacting your ability to achieve some of those goals.

Mr. Germain: — Well certainly a negative impact during COVID, during the pandemic as everyone else. I would say we're starting to see a bit of light at the end of the tunnel. An example is through most of 2022, it was taking us over 50 days to get a psychological assessment done. The latter part of 2022, that was down to 25 days. So you know, some of that is us really working hard to get agreements in place to access providers, you know, and some of that I think is getting through the backlog that all of us were experiencing as we went through the pandemic.

At this point our actuarial reviews aren't indicating it to be a big issue going forward, but that can change pretty quickly.

Ms. A. Young: — So stay tuned, I suppose.

Mr. Germain: — Yes, I think so.

Ms. A. Young: — Thank you. No further questions from me, Mr. Chair.

The Chair: — Okay. Thank you very much. Looking to committee members. Any further questions on this chapter?

Well thanks for the engagement on this chapter here. It sounds as if we likely won't have you before the committee on this chapter for a couple years. We always have the ability to bring you forward. But just best wishes with this very important work, and we'll be looking to follow up.

With that being said, I'd welcome a motion to conclude

consideration of chapters 43 and 22. Moved by Deputy Chair Hargrave. All agreed?

Some Hon. Members: — Agreed.

The Chair: — All right, that's carried.

I'll turn it over to the Provincial Auditor to focus on the next couple chapters.

Mr. Shaw: — Thank you, Mr. Chair. This presentation provides our audit results of two years of annual integrated audits of the Saskatchewan Workers' Compensation Board. These results are included within our 2020 report volume 1, chapter 4 and 2021 report volume 1, chapter 1. We worked with WCB's appointed auditor to carry out the integrated audit of WCB.

In each of the years ended December 31st, 2019 and December 31st, 2020, we report that Workers' Compensation Board had reliable financial statements and complied with relevant authorities. WCB had effective rules and procedures to safeguard public resources for each of the two years, other than it needed to better manage user access to its IT systems and data.

In chapter 4 in our 2020 report volume 1 on page 40, we recommended the Saskatchewan Workers' Compensation Board follow its documented procedures for managing user access to its IT systems and data. WCB makes significant use of its IT systems to manage operations, including recording premiums revenue, paying claims, and preparing financial statements. In 2019 and in 2020, WCB did not consistently remove user access for terminated users on a timely basis, and it did not perform its periodic review of IT users to assess validity of user accounts as its policy requires. Not having proper account management practices could result in not promptly removing unneeded user access and increases the risk of unauthorized access to WCB's IT systems and data, including access to confidential information and of inappropriate modifications to its IT systems or data.

We recognize this recommendation is now implemented by December 31st, 2021. During 2021, for the sample of terminated users tested, WCB removed IT access on a timely basis and it performed periodic IT user-access reviews to verify only legitimate users have appropriate IT access.

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

The Chair: — Thanks for the focus in these chapters. Thanks as well for reporting out the implementation, the actions taken to ensure implementation on this front. But I'll open it up to members for questions. Ms. Young.

Ms. A. Young: — Thank you. Just two quick ones for me as a matter of course. Any evidence of inappropriate access to IT systems or data having occurred?

Mr. Germain: — No. We monitor that closely, and while we have had none related to user access, but having said that, from a cybersecurity perspective, we've invested heavily in that over the last two years and have made significant improvements and are also participating on the province's new — was it one committee? — one government committee as it relates to cybersecurity. So we've had a couple of close calls from a

cybersecurity perspective, but nobody has penetrated the system.

Ms. A. Young: — Glad to hear it. And it's noted in the timeline for further improvements that the ongoing actions plan for implementation will be happening in 2023, and I'm just wondering if you can be more specific about when those are anticipated?

Mr. Germain: — Yeah, so once our HR system, new HR system gets implemented, we'll be able to automate some of the steps that we take manually, which will increase the accuracy of it. So it's less likely that something will get missed based on the fact we'll be able to automate these steps.

Ms. A. Young: — Thanks. And pardon me for not recalling, the new HR modernization project, that's anticipated when?

Mr. Germain: — We expect it to be in by August of 2023.

Ms. A. Young: — Okay, so kind of Q3 [third quarter], Q4 of 2023.

Mr. Germain: — Yes.

Ms. A. Young: — Thank you.

The Chair: — Any further questions with respect to this recommendation or these chapters? Not seeing any, I'd welcome a motion to concur and note compliance. Moved by Mr. Jenson. All agreed?

Some Hon. Members: — Agreed.

The Chair: — That's carried. I will turn it over to the Provincial Auditor to focus on chapter 7.

Mr. Shaw: — Thank you, Mr. Chair. The Saskatchewan Workers' Compensation Board is responsible for administering workers' compensation claims in Saskatchewan, including psychological injury claims. Psychological injuries are often complex, generally more difficult to administer as a claim, and require more judgment than some other injuries such as a broken bone. WCB typically administers over 500 psychological injury claims each year.

The Workers' Compensation Act, 2013 describes a psychological injury as an injury that is a diagnosable disorder and includes post-traumatic stress disorder, anxiety, stress, and depression. Effective processes to administer psychological injury claims minimize delays in taking necessary steps for injured workers to receive appropriate support they need to improve their mental health and return to work.

Chapter 7 in our 2022 report volume 1 starting on page 105, reports that we concluded for the 12-month period ended December 31st, 2021, the Saskatchewan Workers' Compensation Board had effective processes, except in the following areas, to administer compensation claims for psychological injury. We made five new recommendations to WCB.

On page 119 we recommended WCB develop formal guidance about key information appeals officers need to support and

communicate psychological injury claim appeal decisions to stakeholders. We found WCB does not have documented guidance for what key information appeals officers need in the file to support appeal decisions. In addition, we found the appeals decision template does not provide appeals officers with sufficient guidance on what information to communicate to stakeholders about the results of the appeal and the rationale.

Our testing of 10 appeals department files found two instances of inconsistencies in the information appeals staff considered significant enough to request further information. In these two cases, the additional requested information did not directly align with WCB's psychological injury criteria. Also we found the appeal decision communicated to stakeholders for 3 of 10 appeals tested did not reference policy or legislation, or contained unclear supporting rationale.

Lack of guidance increases the risk that appeals staff request unnecessary information or there is insufficient information in the file, which may result in delayed or unsupported appeal decisions. Also not clearly communicating rationale for appeal results to stakeholders increases the risk of additional appeals and increased costs as stakeholders may not understand the decision and how the appeal decision aligns with policies and legislation.

On page 120 we recommended WCB develop formal guidance for staff on what file information for psychological injury claims to release when an employer requests information during an appeal. We found WCB did not have sufficient guidance for staff on what information about a worker it expects to release to employers during an appeal. In our sample of 10 appeal files, in one appeal we noted the employer received insufficient information from WCB to make decisions. Not having guidance for staff on what file information WCB expects to provide to employers increases the risk they may provide confidential worker information. This risk increases in the instance of staff turnover or new staff managing claims or appeals. Additionally WCB did not provide sufficient information to inform the employer of its decision making.

On page 121 we recommended WCB make decisions on psychological injury claim applications consistent with its established target, which is within 14 business days. WCB expects staff to make decisions and communicate results within WCB's target of 14 business days. WCB did not meet its target in 10 of 12 months in 2021. We also found in our testing that staff are not always making decisions on claim files in a timely way. We found 17 of 30 claims we tested did not meet the 14-day target. Of the claims that did not meet this target, staff communicated the claim decision between 15 and 43 days after WCB received the claim. Not adjudicating claims on time can create delays for injured workers to begin receiving benefits and treatment.

On page 121 we recommended WCB regularly communicate with psychological injury claimants consistent with its established time frame, which was at least every three weeks. WCB expects staff to contact the claimant at least once every three weeks. WCB's own tracking of this measure in 2021 found it met this expectation for only one month in 2021.

In our testing, we found in 3 of 12 claims where the claim extended beyond three weeks that it did not communicate with

the worker during the three-week period as expected. Regular communication with workers decreases the risk that their claim status may change or that WCB does not adjust the worker's treatment plans if they are not progressing as expected.

On page 123 we recommended WCB implement ongoing quality reviews for psychological injury claim and appeal files. We found that WCB's review of psychological injury claim files did not occur as expected. These reviews help identify whether staff are following its policies and processes for administering claims. For example, the manager of the psychological injuries unit is to complete a quality review of each claim file 12 weeks after the claim is accepted. During 2021 we found no record was kept of these reviews.

Also WCB's service excellence department has a quality-review program to look at a sample of injury claims. In 2021 this department did not conduct any quality reviews of psychological injury claim files and did not perform as many quality reviews as planned. Its goal was to review 20 claim files per month for quality. The department completed 92 file reviews, or about 8 per month in 2021.

WCB has not established a formal quality-review process for its appeals department appeal files, including for psychological injury claim appeal files. During 2021 WCB did not complete any quality reviews of appeal files for psychological injury claims. Not having an effective quality-review process increases the risk of WCB not detecting instances of non-compliance with its policies and processes or not identifying opportunities to continually improve its processes. This increases the risk that injured workers may experience less-than-optimal outcomes such as delays in receiving appropriate treatment for injuries as well as may increase the risk of additional appeals occurring.

That concludes my presentation. Thank you.

The Chair: — Thank you. Thank you very much. Such an important focus here that we're discussing today so thank you to the auditor, thanks to WCB for their engagement. I'll turn it over to CEO Germain for comments and then we'll open it up for questions.

[11:00]

Mr. Germain: — Thank you, Mr. Chair, and again we'd like to thank the Provincial Auditor and their team for this report. We accept all the recommendations and in fact have made progress. Even though this audit only happened a few months ago, we have made progress in every one of these recommendations and we will continue to work towards a resolution of these.

As noted earlier, some of these recommendations are part and parcel of the business transformation program. As we evolve and get better at managing all claims, we will also get better at managing psychological claims. In addition to that, there are additional steps over and above the work disability prevention program that we've recently taken to try and mitigate and address some of the opportunities for improvement, including we did an assessment of the number of claims that the average staff can take on in this unit. That resulted in us adding an FTE.

As well, we have completely reviewed the training program for

this unit. And we have updated it and are in the process of implementing that new training program, which should provide additional knowledge and skills to the staff.

And those are my comments to date. Again, we've made progress in each one of the recommendations and we continue to work on those.

The Chair: — Deputy Chair Hargrave.

Mr. Hargrave: — Just a quick question. You must have an internal audit, like not from the auditors but your own audit, that audit these files. Like there's, if we're only doing 8 out of 20, do you have a department or do you have personnel that are assigned to do all these internal audits?

Mr. Germain: — Yes, our internal auditor would potentially, if they noted a potential risk or problem, they would come in and audit the process. The regular process was intended to have quality assurance happening by the manager. In both the appeals and psychological unit, there was a transition of management within those units between 2020-2021.

And even though those were fairly new processes, it looked like they weren't necessarily transitioned from one manager to the other. They weren't overly formalized. So my key point is, those processes are formalized now. We will make sure that they're happening on a consistent basis. And it would be typically the job of our internal auditor to make sure that those systems and processes are working as intended.

Mr. Hargrave: — I think there would be a written process; if we're supposed to do 20 a month, that somebody would follow and do 20 a month, I would assume. You know, I used to be a banker many years ago and was involved in that sort of thing and, trust me, they audited. If they were supposed to audit 50 a month, they audited 50 a month.

Mr. Germain: — And I think part of the transition is us understanding that, I think, historically for us, a claim was a claim was a claim, and now understanding that there are claims of varying complexity. When we created the psychological unit, it was about creating a specific team that would learn and understand the uniqueness of adjudicating and managing a psychological claim.

I would say when we created that unit in late 2019, I'm not sure we didn't know what we didn't know. And part of us adding an additional FTE was starting to understand the workload of that team. So part of the problem was there was likely too much work for the individuals to get to the standards that we have expected. So it wasn't that people weren't trying to follow it, it was there just wasn't enough time in the day to get all this work done. So, thank you.

The Chair: — Good questions, good comments. Further questions? Ms. Young.

Ms. A. Young: — Thanks so much. Recognizing the work that has been done in this short time period, I do still have a couple questions. And I think to start, you know, I found in contemplating this, some of the WCB claim statistics that were provided in the chapter quite useful. I'm wondering if those are

available for 2022 yet, recognizing that's when most of the work has taken place. I'm thinking of the ones on page 107.

Mr. Germain: — The draft, the 2022 claims, there were 672 submitted, 241 accepted. Of those, 197 were time-loss, 44 no-time-loss, and 397 disallowed.

Ms. A. Young: — And that last one?

Mr. Germain: — 397 disallowed.

Ms. A. Young: — Disallowed?

Mr. Germain: — So disallowed is a bit of a misnomer. Sometimes people will abandon the claim or it wasn't work related or whatever the case may be.

Ms. A. Young: — So disallowed would include those that were basically voluntarily withdrawn, as well as those that are rejected?

Mr. Germain: — That's right.

Ms. A. Young: — And so seeing a bit of an uptick from 2021 there in the number of claims received by WCB, do you have the 2022 number of workers insured by WCB? Has that also increased?

Mr. Germain: — It did from 2021. So the number of workers has increased from roughly 392,000 full-time equivalents to roughly just over 400,000 full-time equivalents.

Ms. A. Young: — Thank you. And then looking at the psychological injury claims overall that are provided historically, I believe it's fair to say that these have doubled from 2016 when these first changes to legislation occurred, kind of from, I think it's 1.3 to 3 per cent, and WCB accepting about 41 per cent of claims for a psychological injury compensation, as compared to 28 per cent in 2016.

For the committee's understanding, does that fairly significant increase, is that anticipated to continue? Or is there essentially a levelling off as the obligations of WCB as well as the understanding of workers and employers evolves?

Mr. Germain: — That's a very good question. Certainly I believe the legislation had its intended impact of allowing, encouraging workers to come forward and report. Our processes have evolved since the legislative change in 2016, and we did see the uptick in acceptance.

I think as time goes forward we will, I think, get better at helping prevent psychological injuries as well as get better at managing psychological injuries. So obviously I don't have a crystal ball, but the numbers that I look at over the last few years kind of point towards a levelling off. But that could change quickly.

Ms. A. Young: — Thank you. And recognizing again I found this very interesting work and commend the good work that's gone on already, and you know, echo the Chair in recognizing how important it is.

I was also really struck by psychological illnesses being the

number one cause of disability in Canada, especially given the relative novelty of the legislative changes here, you know, from 2016 till now. And again was struck by the cost to the Canadian economy. I think it was noted at like 51, 50-odd billion dollars. Is that something we measure in Saskatchewan in terms of the cost of psychological injuries to the Saskatchewan economy, or is it just like simply a matter of saying, well we're 3 per cent of the Canadian economy, so do the math, which I'm not . . . [inaudible].

Mr. Germain: — I'm not sure if we have statistics. Like from a workplace perspective, obviously we monitor it. I don't know if we do from a provincial perspective. Now having said that, I think there is opportunities where we have somebody come into our system with a psychological injury but it may not be work related. Our conversations are, how do we create warm hand-offs between the various private and public providers so that people don't fall between the cracks? Whether collectively we have those numbers in terms of, you know, the impact of psychological injuries on society, I don't have those.

Ms. A. Young: — Even hearing what you said about the impact on workplaces, and I imagine communicating with both employers and employees about this is a critical part of any mitigation and prevention strategy, are you able to share what some of those workplace numbers are?

Mr. Germain: — In terms of mitigation?

Ms. A. Young: — You just referenced the economic impact on workplaces.

Mr. Germain: — So our claims, there's direct and indirect, and I don't know the calculation for indirect. A common reference is a 4 to 1. So whatever you see as a direct there's often, sometimes — depending on the complexity of it — the rough number is a 4-to-1 ratio of indirect costs. But I don't have a handle on that. That's a broad insurance reference.

Now having said that, I think, like I said, there are opportunities to mitigate as employers and workers start to understand how to reduce psychological injuries. I think that's going to have the biggest impact across . . . because workplaces, you know . . . Psychological situations aren't just simply work and non-work related. We have the tough obligation of determining whether an injury's work related, but people are people and we bring the whole package to work. So anything employers can do to help workers on and off the job deal with psychological issues will benefit overall.

Ms. A. Young: — And you know, on that note, recognizing the majority of the claims come from health care or first responders — and, I believe, Corrections if I'm not mistaken — does WCB track whether the employees or the workplaces submitting claims for psychological injuries, whether those workers have access to things like the family and employee assistance programs?

Mr. Germain: — I don't know that we have that information, but one of our policy changes is if there is a serious incident at the workplace, we will offer counselling to the workplace if they don't have it because the impact can be beyond just the people who are directly related to that incident. So recognizing there can be peripheral, a ripple effect so to speak, we do offer some level

of counselling for workplaces that do not have access to it.

Ms. A. Young: — Is that covered by pre-existing employer premiums?

Mr. Germain: — Yes, it's part of the system.

Ms. A. Young: — Kind of a similar general question and then to get into some of the specifics. Again we've talked about, you know, some challenges with access to health care providers. My understanding, which may be incorrect, is that WCB has relationships with service providers and mental and paramedical professionals, health professionals. Are there challenges as we see shortages of these specialists, you know, certainly in Saskatchewan, across the country? Are there challenges for WCB in ensuring timely access to the type of supports or mental health professionals that are needed or health professionals in evaluating psychological injuries?

Mr. Germain: — I think that's always been a challenge in terms of trying to find practitioners that meet certain requirements and/or are willing to take on our clients. That's an ongoing opportunity. I don't think we ever stop trying to recruit new health care providers, especially as it relates to supporting workers with psychological injuries. I don't know if it's more acute now, the challenge over the last few years.

Ms. Livingstone: — Probably more acute now than it's been, but I know our health care services area has been working on agreements with different providers, some out of province. We sometimes have to send workers out of province to get mental health assessments because we don't have service here. And we know how timing is so important, right? So if we can't get a mental health assessment here, we may have to send them out to ensure that it gets it in a timely way.

But also looking at some agreements with other providers, doing some online therapies, like I know we've tried a lot of different, innovative ways to get access to those services working with our primary care providers as well and just, you know, helping understand the capacity across the province and where we might be able to shift some resources.

So that was a big part of our stakeholder engagement event in December. We brought some primary psychologists together to talk about how we might work together with them more collaboratively to see where there is some capacity we could tap into.

[11:15]

Ms. A. Young: — Are you able to share any kind of positive outcomes or strategies emerging from that session?

Ms. Livingstone: — Yeah. So from that session we have developed an action plan that we'll be sharing back with the stakeholders at the end of March. It has three focal areas. So the one would be timeliness of adjudication. One is awareness training and skill development for our staff, but also for employers and health care providers. So we have a number of actions under that one. And then the third one is looking at our care provider capacity and looking at what opportunities exist to better coordinate among our existing resources and what other

options we might have to access additional resources. Those are the three priority areas coming out of that stakeholder engagement.

Internally, we're also looking at our policies. So in 2016 we had the new legislation on presumptive legislation. And so we're looking at the policy there as well to make sure that we're applying it as effectively as we can. And we hope that that will also improve timeliness in those circumstances where we may not be applying it to its full capabilities.

Ms. A. Young: — Thank you. And just circling back to, you know, folks having to travel out of province for psychological assessments, is that fairly common even within WCB? Like is there a . . .

Ms. Livingstone: — It's a last resort.

Ms. A. Young: — It's a last resort.

Ms. Livingstone: — Yes.

Mr. Germain: — Some of that is virtual.

Ms. A. Young: — Okay. So it would be through telemedicine as opposed to, you know, somebody going to Edmonton?

Mr. Germain: — For certain types of health care providers, the remote access can be an issue in terms of travel or location. So where it makes sense, we have a telemedicine or virtual medicine approach to try and get timely access to certain types of medical support like psychology.

Ms. A. Young: — Do you have a percentage of kind of how many, roughly, successful claimants or — that's a terrible way to put it — people suffering psychological injury would be accessing services remotely? Because I imagine it could be an advantage as well, depending on their location within the province and the need for travel.

Ms. Livingstone: — I don't know the exact percentage accessing online.

Mr. Germain: — Do we know how many out of province?

Ms. Livingstone: — I don't know exactly what the numbers . . .

Mr. Germain: — Yeah. It would be the minority for sure.

Ms. A. Young: — Thank you. Moving on to some specific questions here, what is the current backlog for appeals?

Mr. Germain: — Level 1 appeals in the appeals department, or board appeal tribunal?

Ms. A. Young: — Let's do both.

Mr. Germain: — Do both? So we've made good progress in both areas. Our appeals department is now typically down to around 30, so a 30-day wait time, and our board appeal tribunal is I think one of the best in the country. I think it's around 100 days total. So it's not so much how many, it's the timeliness of trying to get to each one of those customers.

Ms. A. Young: — And what are the implications for the employer and the employee in that kind of time lag in between? Like would, for example, the employee be receiving benefits?

Mr. Germain: — It depends on the situation. That could be the reason they're appealing. Their benefits may have ended, and so they're maybe appealing that decision. We usually give notice, significant notice if benefits are ending and try and transition people. But obviously the impacts on the employer side is it's, you know, from an administrative perspective, if they feel the appeal is not warranted, then they're pulled into an administrative process that takes them away from their day-to-day work. If the appeal is successful, it could be a lump-sum cost coming onto their statement.

Now having said that, in some cases when an appeal like that — a large appeal — is won, in some cases there's cost relief applied so the employer isn't unduly burdened with those costs.

Ms. A. Young: — Thank you. Moving on to some of the recommendations from the auditors, I guess kind of picking up where my colleague had left off. You know, hearing what you've said about the volume of work for the psychological unit which I think you said emerged in 2019, can you help the committee understand, especially in regards to some of the essential things like the quality reviews not taking place and some of those targets being fairly substantially missed in previous years, why were psychological injuries handled so differently within WCB?

Mr. Germain: — So after the legislation, we were treating, as we'd historically done, we had treated psychological claims as every other claim. And given the increase in volume of psychological injuries that started to come in post-legislation, we were hearing from staff that a typical psychological claim was not a typical claim and they were struggling. So the idea being, creating a smaller unit that would focus on this, become experts in handling these types of claims, communicating more effectively with the employer and the injured worker. So we set it up. We did some basic analysis on what we thought would be the structure and the FTEs that would be needed in that area.

After a couple of years of data we went back in and analyzed it and realized that it needed to be adjusted. So we were working from a historical context that didn't fully apply to this new unit, and it needed some adjusting. And realistically, even though all the processes that we had put in place were valid processes, we didn't fully understand the time and energy it would take to do every one of those steps and whether or not we'd staffed it appropriately.

And part of that solution is also technology. A lot of what we're doing is manually, and we anticipate technology to reduce that administrative burden on our staff.

Ms. A. Young: — Thank you. And are you able to detail the training program that's now offered? Interested in learning more about that, obviously, given the complexity of psychological claims — that's been discussed here — as well as getting a better understanding of kind of the frequency. Is that just a one-time onboarding for new staff? Is it kind of a quarterly thing they have to accomplish? Really looking to understand how some of these changes are being made to better serve the unit and customers.

Ms. Livingstone: — The training program itself was updated in September of 2022. So we took our basic training and did some additional enhancements for the psych injuries unit. They've also been focusing on trauma-informed care, cultural safety and competency, and the working mind, which is just training that helps them understand psychological injuries better, and also helps them work with our clients who, again, are particularly vulnerable. All of our clients are vulnerable, but our psych injury clients are particularly vulnerable.

And as Phil has mentioned, we're moving into work disability prevention training starting in April. And we have several modules there, some which will be core to all staff but will include training for the psych injuries unit as well. So I think I talked about some of this already, but building trust, empathy, mental health first aid, emotional intelligence, how to de-escalate situations that are . . . where there's conflict. They'll be looking at holistic risk factor assessments, effective interviewing skills.

So one of the things we're looking at is motivational interviewing skills, which is something already used in the field of psychology to help people, again, participate in their recovery programs. We'll also be looking at proactive communication skills and proactive return-to-work planning. So as a core skill again across the entire ops area, but in particular the psych injury unit will be part of that as well. And then for our staff as well, looking at some stress management resiliency self-care so that they can, again, be their best selves for dealing with our clients. Because it's very difficult for them as well.

So that's some of the training we've been working on, as well as workplace disability prevention and mitigation is really about a mindset shift. So we're doing some foundational training around that too, so kind of taking that historic traditional approach we've taken to insurance and flipping it on its head. So becoming more proactive rather than reactive, focusing on being supportive and there for our clients rather than focusing on compliance as much. Moving to more active return to work as opposed to passive return to work, having our claims being medically supported as opposed to medically driven, so again looking at the holistic person. So there may be factors beyond the medical injury itself that are impacting return to work.

A greater focus on abilities. So historically we've focused on restrictions, but what is the worker able to do? So how can we get them back to work and start working while they're healing, because again we know that that can reduce their time away from work. And we know being at work is the healthiest place for them to be, and really much more collaborative. So collaborating with the worker, the employer, the health care provider on some of that planning.

So some of those foundational mindset shifts are some of the training we'll start with in April. And then moving into some of the customer service skills and customer-centred service skills, and then focusing on, okay, the collaborative work plans now. So now that we . . . It's looking at our customers in a different way, engaging them in a different way, and then collaborating with them on those return-to-work plans, having . . . you know, doing some mutual goal setting. So I think that will address a lot of the recommendations in here around setting particular time frames for when we will see certain goals be achieved, and then checking in frequently to see if we're progressing towards those goals.

Ms. A. Young: — In regard to those check-ins, when and how frequently does your team anticipate evaluating whether these changes have been successful?

Ms. Livingstone: — Right. Well last year we did put in a target to have our case facilitators reach out every three weeks. So in the psych unit they have a target of 90 per cent. In December they were at 76 per cent. So they're not quite meeting that target yet, but a great improvement over the past year.

As I mentioned, going into a work disability prevention model, we'll be looking at what is the most appropriate time to reach out. And so it may be more frequently than three weeks, depending on the person. If they're starting a new program, we may want to check in with them the day after the program to see how it's going, make sure that they're comfortable staying there, and kind of encourage that recovery. So we may be reaching out more frequently or less frequently, depending on their situation and circumstances.

Ms. A. Young: — Are there concerns about staffing adequacy in order to meet some of those targets? You know, again hearing 76 per cent is an improvement but still significantly off the target of 90 per cent.

Ms. Livingstone: — Yeah, well as Phil said, this past year we have done some analysis to look at the workload. One of the things that the unit does that's different than our other case facilitators is they adjudicate and manage the claim so that we have one person consistently working with that worker, as opposed to a hand-off. So that is an additional piece of work that our other case facilitators don't have. And so we did add an FTE in September. And we'll continue to monitor our targets to see how that is affecting our timeliness.

Ms. A. Young: — Thank you. And in regards to developing some of this necessary guidance about release of information being both timely and suitable, where does the responsibility for that lie? Does that lie specifically within the psych unit?

Ms. Livingstone: — Well we have a file release process that is for all of claims ops, and we are looking at improving that file release process. We have a project starting in April. One of the great advantages will be, we'll be able to take advantage of some technology and that will help improve the timeliness of getting the information out. But at the same time, we'll also be looking at what is appropriate information to be releasing, ensuring that we're complying with privacy legislation and policy.

Ms. A. Young: — And have there been any documented concerns or complaints in years previous about unnecessary information being provided?

Ms. Livingstone: — I don't know the answer to that, and I wouldn't have complaints about timeliness right now.

Mr. Germain: — It would be on both sides. So employers want more information quicker so they can try and facilitate a return to work. And not all, but some workers are skeptical. They don't want anybody to access the information. So it's really important for us to look at the outcome and, from a legal perspective, you know, what information can we share — no more, no less so that we can get a good facilitated return to work.

Ms. A. Young: — And are the existing regulations or legislation, are they suitable to help WCB establish this?

[11:30]

Mr. Germain: — I'm not a privacy expert so, you know, we'll work within those requirements and do what we can in terms of trying to help both injured workers and employers. And as we all know, that field of work is evolving as well so it's important for us to stay on top of it because, as the Provincial Auditor noted, you know, there are even cases where we could have provided more information to an employer. And we've been, I think, abundantly cautious in that area so we need to figure out where the balance really is.

Ms. A. Young: — And then on that, I noted in the auditor's report, I think in the past year there were about 20-odd, 23 complaints received from December 2021 to February 2022. Curious about stakeholder feedback, both in terms of the progress that you've made so far as noted in the status update as well as there's a significant amount of work that's taking place in the next year. The complaints that have been noted to date, are those primarily around timeliness? Are you able to share some of the kind of high-level categories that those would fall into as well as some of the anticipated work and improvement on that?

Mr. Germain: — In general — I don't have the detailed breakdown — but in general, timeliness is a trigger for a lot of other issues. It creates friction in the system so, you know, if we can fix our timeliness issues, we believe a lot of concerns . . . And we do get concerns about timeliness from both the worker and the employer, there's no question. And when we fix those issues, we believe it will take a lot of friction out of the system including building trust. If we can communicate quicker, that builds trust and that keeps the claim on track.

Ms. Livingstone: — I know one thing we're focused on this year too is improving the communication of decisions because, although most of the decisions are upheld through appeals, what we're finding is that the primary concern was in how the decision was communicated. So providing more clear information as to how the decision was made and what policies were referenced I think, as the auditor mentioned, in order to make that decision I think will help our customers understand the decisions better and reduce appeals.

Ms. A. Young: — And in that kind of overlap between complaints and appeals, recognizing the recommendation that specifically references, you know, lack of a suitable acknowledgement of existing policies in decision making, have there been any appeals or complaints received in which it was found that WCB actually wasn't following its own policies or is it more a matter that they just weren't being documented thoroughly?

Mr. Germain: — It would be both. You know there are some — a few, not many — situations where the issue, if it goes all the way up to the board of appeal tribunal, well they're not required to follow policy. They have noted at times that we may not have followed our own process or policy, as even the Provincial Auditor has pointed out. So having better reviews and quality control will help minimize those potential issues from happening.

Ms. A. Young: — And is there a current measure of or a percentage of how many those are, or a target that WCB is working towards?

Mr. Germain: — Well our target would be zero. And it's not many in terms of that would go all the way through the appeal process and the ultimate decision was we didn't follow the policy. I don't have the numbers, but it's not a lot, because part of the board of appeal tribunal's ability is they can make a decision outside of policy if they want. So even if they make a different decision, that doesn't necessarily mean that our staff didn't follow policy.

Ms. A. Young: — No, of course but those would certainly lead to potentially different outcomes for WCB.

Mr. Germain: — Absolutely.

Ms. A. Young: — Yeah. I appreciate kind of the generosity that may exist for the appeals board to make a decision outside of policy. But if it's . . . I think you can understand if, you know, 90 per cent of the things making its way to the board were because WCB wasn't following its own policy or processes, I think that would be more concerning than if it's, as you noted kind of generally a few.

Mr. Germain: — Right. Yes, it is just a few. Yes.

Ms. A. Young: — Thanks. And then my last question on prevention, psychological injuries. Again you know, recognizing the majority of these seem to come from health care fields, corrections — very, very human-focused areas of employment — and the initial comments that were made by yourself and officials around the necessity of preventing and managing workplace psychological injuries, can you help the committee understand some of the real, tangible impacts that WCB hopes to have with stakeholders, with employers and employees in addressing some of these which, you know, to the average layperson may seem like they're largely outside of the control of an insurer?

Mr. Germain: — Yeah. So there's a multi-pronged approach in terms of trying to prevent psychological injuries. There is a Canadian standard around managing and preventing psychological injuries in the workplace. The standard is one thing; trying to understand the standard and apply it within your workplace, especially a small work environment, very challenging. So we've created micro-training opportunities for employers that can understand the standard, maybe more to their situation, as well as then what we're calling communities of practice, where we're bringing employers together and they can work on developing and implementing systems, appropriate systems at their workplace to manage psychological health and preventing injuries.

A good example is we're starting a pilot project with Merit Contractors where they've selected and had four employers volunteer. They will go through this process and provide us feedback in terms of how do we coach and support employers in developing and implementing prevention strategies related to psychological injuries.

Beyond that we've partnered . . . The Edmonton city police have

had a very successful program in preventing and reintegrating people who have been exposed to psychological situations, trauma, trauma-type situations. We've created another committee where we've got many of the police chiefs involved across the province in learning this Edmonton model and starting to practise and apply it in Saskatchewan.

We have another committee of first responders, provincial first responders that we participate in, and we've been working with them to develop and implement resources specific to the nature of their work. And we even worked with them to develop their own website that they could provide resources to their members.

So there's a number of different programs that are being developed and implemented that will really help not just first responders but really all employers trying to understand what practically can they do to help prevent psychological injuries from occurring within their work environment.

The Chair: — Any further questions from committee members on this chapter? Not seeing any, but a good and important exchange on a really important chapter here. I would invite a motion that we concur and note progress towards compliance for recommendations 1 through 5. Mr. Keisig moves. All agreed?

Some Hon. Members: — Agreed.

The Chair: — That's carried. That concludes our focus, our work here this morning with the Workers' Compensation Board. CEO Germain and to your team that's joined us here today, thank you so much for your time, for your leadership, for your work. All those that are involved and connected to this work as well and all those that are involved in working, you know, to improve conditions and support injured workers across Saskatchewan, thank you very much. Do you have any final remarks?

Mr. Germain: — Just to thank the committee and the Provincial Auditor. Been very good working with the Provincial Auditor and their team. The value we get in the assistance, we genuinely appreciate, so thank you.

The Chair: — Thank you very much. We'll take a brief recess for lunch and return calls, eat an omelette, things like that, and we'll be back here at 12:45.

[The committee recessed from 11:39 until 12:45.]

Saskatchewan Liquor and Gaming Authority

The Chair: — Okay. Well good afternoon. We'll reconvene the Standing Committee on Public Accounts, and we'll turn our attention to Saskatchewan Liquor and Gaming Authority and the chapters that are focused on their end by the Provincial Auditor.

I'd like to welcome Susan Ross, president and CEO of Saskatchewan Liquor and Gaming Authority to the committee here today. And I'd ask her to briefly introduce the officials that have joined her here today, and refrain from further comments at this time. We'll kick it over to the auditor and then come back.

Ms. Ross: — All right, thank you very much, Mr. Chair. With me today is Charlene Callander, sitting behind us, vice-president of corporate services and gaming operations. And Fiona Cribb is

on my left, vice-president of regulatory services. Warren Fry on my right, acting vice-president of liquor wholesale and distribution. We're pleased to be here to discuss the Provincial Auditor's reports in relation to the Saskatchewan Liquor and Gaming Authority.

The Chair: — Right. Thank you very much. I'll turn it over to the Provincial Auditor, and I think they're going to focus on chapter 10 to start.

Ms. Clemett: — Good afternoon, Mr. Chair, committee members, and officials. With me today is Mr. Jason Shaw. He's the deputy provincial auditor responsible for the Saskatchewan Liquor and Gaming Authority. I also have Ms. Kim Lowe, our liaison with this committee. And beside her is Ms. Nicole Dressler who is a principal in our office and does work on the audit of Liquor and Gaming.

The first chapter includes eight new recommendations with regards to regulating cannabis. The third chapter includes five new recommendations related to regulating locally manufactured alcohol. And the last chapter includes one new recommendation for the committee's consideration around protecting credit card information.

Jason will pause after each chapter to allow for the committee's discussion and consideration, and I do want to thank the president and CEO of Liquor and Gaming for the co-operation that was extended to us during the course of our work. I'll now turn it over to Jason.

Mr. Shaw: — Thank you. The Saskatchewan Liquor and Gaming Authority is responsible for regulating Saskatchewan's recreational cannabis retail and wholesale businesses. Recreational cannabis refers to cannabis products used for non-medical purposes. Increased health risks, especially in minors, associated with the use of cannabis makes the regulation of its sale and distribution important.

The industry began operating in October 2018. Effective regulatory processes help prevent the sale of legal recreational cannabis to youth, keep profits from cannabis sales in the regulated market, and allows adults to access legal cannabis.

At December 2020 the authority's processes to regulate recreational cannabis were relatively new and still evolving. As a result, the authority appropriately focused its efforts on educating retail and wholesale permittees about operating requirements instead of taking more strict enforcement action on non-compliance found. The authority had issued 54 retail and 4 wholesale active cannabis permits at the time.

Chapter 10 in our 2021 report volume 1, starting on page 131, reports that we concluded for the 12-month period ended December 31st, 2020, the Saskatchewan Liquor and Gaming Authority had, other than in the following areas, effective processes to regulate the distribution and sale of recreational cannabis in Saskatchewan. We made eight recommendations to the authority.

On page 138 we recommended the authority develop guidance for centrally keeping results from its key regulatory activities of recreational cannabis, for example, its assessment of cannabis

permit applications. We found the authority did not have written guidance about documenting results of the retail and wholesale permit process, including guidance on what information to keep and where.

As a result, for certain permit applications tested that it approved, the authority did not sufficiently document its due diligence procedures. For example, 4 of 10 permit applications tested, the authority could not provide evidence that it completed some of its due diligence processes such as its social media search of the applicant. Not keeping key records centrally increases the risk that due diligence procedures are not performed sufficiently.

On page 140 we recommended the authority implement a risk-informed plan for inspecting retail and wholesale permittees who sell or distribute recreational cannabis. As at December 2020, the authority had drafted but not finalized or implemented a risk-informed inspection plan. A risk-informed inspection plan is typically based on an assessment of key risks of non-compliance. Such plans use risks to determine the nature and frequency of inspections.

It is good practice to develop inspection plans based on risk. Having a risk-informed inspection plan would help ensure the authority treats cannabis permittees consistently and fairly. A risk-informed inspection plan would also help the authority allocate its resources to the highest priority areas, which will become increasingly important as the number of permittees increase.

On page 142 we recommended the authority actively monitor the frequency of inspections of retail and wholesale permittees that sell or distribute recreational cannabis and obtain reasons for delayed inspections. As at December 2020, the authority relied on management's review of individual inspection reports in its IT system as its means of determining whether inspections occurred monthly as it expected.

Our analysis of all inspection records for 2020 found 40 instances out of about 470 inspections where an inspection was not completed in accordance with management's monthly frequency expectation. For these 40 instances, we found there were between 51 and 196 days between inspections. The authority was not able to provide a reasonable explanation for 11 of these 40 instances. Not actively monitoring if and how often retail and wholesale permittees are inspected increases the risk of the authority not detecting significant non-compliance. Unidentified violations could lead to increased risk of public safety.

On page 144 we made two recommendations around enforcement. We recommended the authority approve policies governing the escalation of regulatory enforcement actions taken to address non-compliance with cannabis permit operating requirements. We also recommended the authority advise permittees when the authority expects to start taking regulatory enforcement action to address identified non-compliance with cannabis permit operating requirements.

Although the authority had drafted guidance about addressing identified non-compliance, at December 2020 it had not finalized its guidance nor decided when it planned to take enforcement actions other than educating recreational cannabis retail and wholesale permittees. Also the draft guide did not set out

expected time frames to review and approve recommended sanctions.

Not having a complete and approved guideline increases the risk of staff not performing expected procedures or not performing them consistently. In addition, it increases the risk of the authority making decisions on how to deal with non-compliance that are not in line with senior management's expectations. Furthermore not having approved enforcement policies available to all permittees reduces transparency. A shift to enforcement from education will be needed after the initial start-up phase of cannabis regulation. As a regulator, the authority must be fair and transparent to cannabis retail and wholesale permittees as to when it expects to make this shift.

On page 145 we recommended the authority promptly communicate to cannabis retail and wholesale permittees sanctions about addressing identified non-compliance. For two of six instances of the authority's inspector-identified non-compliance that we tested, the authority had not reviewed or approved as of January 2021 sanctions drafted several months earlier.

In our further review of all non-compliance identified by the authority during our audit period, we found up to 12 more instances where cannabis inspectors had identified non-compliance and drafted a sanction letter, and the authority had either not issued a sanction at January 2021 nor finalized what enforcement action to take.

By not reviewing and approving sanctions timely, the authority increases the risk of cannabis permittees continuing to not comply with the authority's operating requirements. This may increase risk to public safety.

On page 145 we recommended the authority enable effective monitoring of the status of enforcement actions to address cannabis retail and wholesale permittee identified non-compliance from operating requirements.

The IT system the authority used at December 2020 to regulate cannabis did not have the capability to report on the history of identified non-compliance and actions taken to address that. Staff will need effective monitoring capabilities prior to the authority transitioning to taking enforcement actions to address non-compliance. This will enable management to readily determine what sanction level is required for continued non-compliance or to monitor whether staff took appropriate action in accordance with the guidelines.

On page 147 we recommended the authority periodically give senior management written reports on the nature and extent of non-compliance with cannabis retail and wholesale permit conditions and related enforcement strategies and actions. Senior management did not receive written reports about the nature and extent of permittees not complying with operating requirements or the implications of identified non-compliance. Also senior management did not receive information about enforcement strategies to achieve compliance.

By not reporting this information to senior management, the authority increases the risk of senior management not being aware of the nature and extent of identified non-compliance and

implications thereof. It also may increase the risk of the authority not taking sufficient or appropriate action to bring permittees into compliance for significant infractions.

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

The Chair: — Thank you very much for the focus and the work and the presentation. And I'll turn it over to Ms. Ross for a brief response. Then we'll open it up for questions.

And I should table as well . . . I want to thank everyone involved that provided the status update, and I'll table that at this time. I'll table PAC 93-29, Saskatchewan Liquor and Gaming Authority: Status update, dated February 6th, 2023.

I'll turn it over to Ms. Ross.

Ms. Ross: — Thank you very much, and thank you to the Provincial Auditor as well. We appreciate the work done and the excellent working relationship we have.

Of the eight recommendations related to regulating recreational cannabis, we're pleased to report that steps have been taken to address all of the recommendations. The first recommendation is for SLGA [Saskatchewan Liquor and Gaming Authority] to develop guidance for centrally keeping results from its key regulatory activities of recreational cannabis, for an example, an assessment of cannabis permit applications. SLGA agreed with the recommendation and has provided additional training to staff regarding documenting the results of key regulatory activities.

The second recommendation is for SLGA to implement a risk-informed plan for inspecting retail and wholesale permittees who sell and distribute recreational cannabis. SLGA agreed with the recommendation as well and has finalized and implemented a risk-based inspection plan and process to assess permittee risk for the purpose of scheduled inspections. These were both implemented in March of 2022.

The third recommendation is for SLGA to actively monitor the frequency of inspections of retail and wholesale permittees that sell or distribute recreational cannabis, and obtain reasons for delayed inspections. SLGA agreed with the recommendation and has established a process to monitor the achievement of inspection frequency targets based on the risk-based plan and address any deficiencies.

The fourth recommendation is that SLGA approve policies governing the escalation of regulatory enforcement actions to address identified non-compliance with cannabis permit operating requirements. SLGA agreed with the recommendation and improved and implemented its cannabis sanctioning guideline as of June 2021.

The fifth recommendation is that SLGA advise permittees when it expects to start taking regulatory enforcement actions, such as fines to address identified non-compliance with permit operating requirements. SLGA agreed with the recommendation and in April of 2021 notified all cannabis permittees and registrants that it would begin assessing financial sanctions.

The sixth recommendation is that SLGA promptly communicate to cannabis retail and wholesale permittees sanctions about

addressing identified non-compliance. SLGA agreed with the recommendation and has taken steps to ensure that communications to permittees about non-compliance will be carried out in a timely way going forward.

The seventh recommendation is that SLGA enable effective monitoring of the status of enforcement actions to address cannabis retail and wholesale permittee identified non-compliance with operating requirements. SLGA agreed with the recommendation and has taken steps, including training, to improve consistency in how enforcement activities are recorded and monitored.

The eighth recommendation is that SLGA periodically give management written reports on the nature and extent of non-compliance with cannabis retail and wholesale permit conditions and related enforcement strategies and actions. SLGA agreed with the recommendation and has implemented a process to provide periodic written reports regarding cannabis non-compliance and enforcement activities to senior management. Initial reporting will be implemented in the fourth quarter of '22-23 and continue thereafter annually.

Thank you. That concludes my remarks, and we'd be pleased to answer any questions.

[13:00]

The Chair: — Well thank you very much, and thanks again for detailing the many actions to implement the recommendations of the auditor on this front. I'll open it up to members for questions. Ms. Young.

Ms. A. Young: — Thank you, Mr. Chair. Good afternoon. Nice to see everyone here today. Thanks for making the time. I propose going through the recommendations just sequentially, as I have a question or two, I believe, about almost all of them, beginning with the first recommendation on page 138, which I do note is considered implemented.

And the actions taken to date indicate that SLGA provided additional training for staff as well as sharing the notes and outcomes of that training for future guidance. Recognizing that training did take place in May 2022 for the staff at that time and this was shared, can the committee be confident that this central keeping of results from its key regulatory activities is taking place? It is going on? It wasn't simply a "training has been held, information has been shared," but those results are in fact being kept?

Ms. Ross: — If I can I'll turn this over to Fiona Cribb.

Ms. Cribb: — Yes, I believe that the staff is adequately keeping the records now as per the training. There was some bumps at the beginning about inspectors keeping things in notebooks and not getting them into the computer system, which is a habit you have to develop. I think we've made good progress on that.

Ms. A. Young: — But there is still like a manual input component for staff?

Ms. Cribb: — Yes, because they're on the road looking at cannabis outlets so typically they'd be taking notes then, but then

they need to come back to the office and enter it into the system.

Ms. A. Young: — And within SLGA is there a kind of a periodic review of some of these processes at which senior management would verify yes, the processes, the training that we provided was sufficient? These are taking place; we don't have any kind of ongoing systemic gaps in information being recorded.

Ms. Cribb: — Well the oversight at that level would be by managers, and managers passing information on to directors. And then you would only have a senior management review at the end of the year.

Ms. A. Young: — Okay, so it's an annual review then. Thank you. For the second recommendation, in regards to SLGA implementing a risk-informed plan for inspecting retail and wholesale permittees selling and distributing recreational cannabis, understanding from the implementation of actions that a risk-based inspection plan and model does now exist, is there any incentive on the permittee side? You know, ongoing compliance means fewer inspections or . . .

Ms. Cribb: — Yes, one of the key risk factors would be your compliance history. So if your compliance history is good and you haven't had any sanctions, then you would fall on the less-frequent list.

Ms. A. Young: — And there is a matrix that exists within SLGA that's regularly updated in terms of — I'm not sure what the right term is for it — but permittees who may be higher risk rather than lower risk?

Ms. Cribb: — Yes, as sanctions are issued, their risk ranking is to be updated.

Ms. A. Young: — Okay. And is there a threshold within that risk ranking in which . . . Can you talk about what could potentially happen should a permittee continue to exist in a very high-risk state?

Ms. Cribb: — Well the typical inspection frequency for a high-level risk is once a month. I mean, you couldn't make it more frequent, but that's how we have it structured now.

Ms. A. Young: — And at what point do you . . . Maybe I'll save it for my question about sanctions later on.

Moving on to the third recommendation, recognizing the nature of the province as well as the distribution of cannabis retailers across the province and the limited number of staff that you do have, can you talk about inspection frequency and how the authority ensures that cannabis retailers across the province are inspected equitably and it's not just, you know, those in the . . . Recognizing there will be more in perhaps Regina and Saskatoon than there would be in smaller communities, talk about the inspection process across the province.

Ms. Cribb: — Well the risk-based inspection matrix would inform you as to how many times an establishment should be inspected. And then that would be entered into the system and reviewed by managers to make sure that the planned inspections are happening as they are supposed to. I'm not sure if that answers your question.

Ms. A. Young: — Sure. And are the existing targets currently being met?

Ms. Cribb: — Yes.

Ms. A. Young: — Perfect. And the monitoring and the inspections are reported how frequently, and to whom?

Ms. Cribb: — The monitoring happens within the branch. I can't answer confidently how often they're doing that, whether it's weekly or monthly. I would have to go back and ask.

Ms. A. Young: — But from a senior management perspective, there is?

Ms. Cribb: — Yes. My person who reports to me, the director of the cannabis licensing and inspection branch, her role is to bring forward to me any concerns about how that is being, actually happening.

Ms. A. Young: — Okay, thank you. For number 4, in terms of the policies governing escalation and SLGA's cannabis sanctioning guideline being finalized and implemented, it may be a question to the auditor. Recognizing this is an evolving area for the province, relatively speaking, is the guideline and the sanctions therein, is it sufficient to meet the needs of the authority?

Ms. Clemett: — Yeah, as long as I think, like you said, it's implemented. So it's a matter of, if someone has been inspected, that the I guess, degree of the non-compliance was severe enough to warrant a sanction, that they're being notified, and that's being communicated in a timely manner, and then it's being addressed or re-inspection occurs.

So I think in terms of something high risk, it would be an instance whereby an inspector saw them potentially not carding someone and potentially selling to minors, right? You'd probably want to go and reconfirm the next month whether that continues to occur, and if not, that that gets addressed in a timely manner, because that is not something we want to occur at the various cannabis outlets.

Ms. A. Young: — And on the topic of sanctions, I believe the report says that these permittees were notified in 2021, April 2021. How many have occurred to date?

Ms. Cribb: — As of June 30th we had issued four sanctions, and I would say by memory there's probably another two that have come out. The sanctions are published on the slga.com website, and currently there's four publicly reported, but I think I've signed two more since then.

Ms. A. Young: — And those, pardon me, those would be financial sanctions.

Ms. Cribb: — Yes.

Ms. A. Young: — And with recommendation 6, communicating with cannabis retail and wholesale permittees sanctions in regards to addressing identified non-compliance, in the actions taken to date it speaks about dated incidents of non-compliance. Should I understand those as like historical? I'm curious,

basically just the distinction being made between dated incidents of non-compliance and current incidents.

Ms. Cribb: — Yes, I think the Provincial Auditor was commenting on the length of time between the observations of the non-compliance and when the sanctions were being considered higher up the chain and being issued, and that we didn't have a written target for issuing those sanctions. And we now do, consistent with our liquor policy at six months from when the non-compliance was observed.

Ms. A. Young: — So is that a . . . Am I understanding that properly then?

Mr. Shaw: — Yeah, my understanding was we were commenting on some situations that had been found that were potentially going to warrant sanctions but that just hadn't happened at the time of our audit and had been sitting in the queue for a while.

Ms. A. Young: — And that was going to be my next question in terms of the consistency with other sanctions. It is consistent with liquor, the six-month period? And how does Saskatchewan compare? Is this consistent with other jurisdictions? Do we have a . . .

Ms. Cribb: — I don't know the answer to that.

Ms. Clemett: — Yeah, I'm not sure we have that. I will say that when we do our follow-up work that obviously they're describing, you're right, the new policy that they've put in, the time frame, the frequency they've identified, we will look at whether or not that aligns with good practice or other regulatory audits in what we would expect in terms of addressing in a timely manner at that point.

Ms. A. Young: — Okay, perfect. And then my last question on this recommendation, recognizing it was implemented I think from mid- to late 2022, so this is fairly recent: has the target of six months for dealing with incidents on a go-forward basis, has that been achievable?

Ms. Cribb: — Yes.

Ms. A. Young: — Okay. And then for recommendation no. 8, skipping over no. 7, seeing again a timeline for implementation, currently is senior management or some level of management, not being overly familiar with your internal structure, currently receiving this reporting in regarding non-compliance and enforcement?

Ms. Ross: — I'm assuming that that is the managers and then going up to the vice-president, and that then it will be reported to the executive committee annually. And that's anticipated to take place this last quarter of this year.

Ms. A. Young: — And, pardon me, anticipated to take place this current year?

Ms. Ross: — That's right.

Ms. A. Young: — Okay. So it has not occurred to date.

Ms. Ross: — No, it has not.

Ms. A. Young: — And I believe it was mentioned that there would be periodic reporting on this, in your opening comments. That's the same, annual?

Ms. Ross: — Annual, yes.

Ms. A. Young: — Okay. That's all my questions on this chapter.

The Chair: — Any further questions, committee members? Not seeing any at this time. Thanks again for the very clear report on the status update and the actions that have been taken to ensure implementation, to the leadership at SLGA. And I would welcome a motion to concur and note compliance with recommendations 1 through 8. Moved by Mr. Goudy. All agreed? That's carried.

We will move along now to chapter 25. I'll turn it over to the Provincial Auditor's office.

Mr. Shaw: — Thank you. The Saskatchewan Liquor and Gaming Authority is responsible for permitting and monitoring over 3,000 commercial permittees in the province. It regulates commercial permittees' on-table sale of liquor to the public by issuing permits, inspecting permitted establishments, enforcing permit requirements, and educating permittees. It used about 13 staff as of February 2021 to carry out this work. It works with various law enforcement agencies to enforce its terms and conditions and the related laws.

Chapter 25 in our 2021 report volume 1 starting on page 267 reports the status of the three outstanding recommendations initially made in our 2017 audit of the Saskatchewan Liquor and Gaming Authority's processes to regulate the on-table sale of liquor by commercial permittees to the public. By 2019, the authority had implemented three of six recommendations made in our original 2017 audit. We found, by February 2021, the authority implemented one of the three outstanding recommendations.

The authority sufficiently documented when it expects inspectors to complete liquor inspections and investigations and provide reports to the managers. It also documented when managers need to provide the director with the recommendations for sanctions. For each of the 10 inspections we tested, the authority completed inspections within its established timelines.

[13:15]

While the authority made progress, more work remained on the final two recommendations. Firstly the authority was not consistently monitoring whether staff completed inspections of permitted establishments as required and obtaining reasons for delayed inspections. Monitoring that inspections occur as planned reduces the risk of not detecting significant violations by permitted establishments.

Secondly the authority completed reports of non-compliance items, but did not perform a written analysis of key trends of identified non-compliance with requirements for selling liquor for consumption in permitted establishments. Without written analysis on key trends, the authority may not know whether its

liquor regulatory processes work, if it applies its regulatory processes fairly and consistently, or if commercial permittee compliance is getting better or worse. Knowing this can assist the authority in planning its resources for the next fiscal year.

I'll now pause for the committee's consideration. Thank you.

The Chair: — Thank you very much. Thanks for the follow-up on this front. Thanks as well for the actions that you've reported out that these recommendations have in fact been implemented at this point in time. But I'll toss it over to Ms. Ross for a couple remarks, and then we'll open it up for questions.

Ms. Ross: — Okay. Thank you. I'll just speak to the two outstanding recommendations regarding regulation of on-table liquor sales in permitted establishments.

So the first partially implemented recommendation was that SLGA monitor that its staff complete, when planned, inspections of permitted establishments that sell liquor for on-premise consumption, and obtain the reasons for delayed inspections. We agreed with the recommendation.

We have fully implemented an enhanced risk matrix on April 1st, 2021 that allows for improved planning and better monitoring in this area. Procedures and processes regarding monitoring and tracking were updated and communicated to staff, and we believe that in 2021 the objectives of the risk matrix were met and they are expected to be met in '22-23.

The second recommendation was that SLGA analyze and report on key trends for non-compliance with requirements for selling liquor for consumption in permitted establishments. We agree with the recommendation, and the updated risk model that I just mentioned is relevant for that work. An initial trend report was provided to SLGA's executive in January 2023. Those are my submissions.

The Chair: — Thank you very much for that report and for that work. I'll open it up to members if there is questions. Ms. Young.

Ms. A. Young: — One question of clarification on the recommendation 3.1. In the auditor's report on page 268, it discusses that the authority requires each inspector to complete 17 inspections per month and that this number includes inspections, investigations, and consultations, and then the footnote breaks down the distinction between those three categories.

So forgive me, just for clarification, is each inspector required to complete 17 inspections per month or 17 inspections and/or investigations and/or consultations?

Ms. Cribb: — Seventeen of that group . . .

Ms. A. Young: — Okay, the latter.

Ms. Cribb: — Of inspections, investigations, or consultations. Yes.

Ms. A. Young: — Okay. And for SLGA, recognizing, you know, 3,000 establishments and 13 staff including 10 inspectors, is that a staffing component that remains sufficient to meet the needs of

the authority at this time?

Ms. Cribb: — We have 10 inspectors who would be out in the field doing the inspections, and we could always make use of more and keep them busy, but we are managing with the 10 that we have, yeah.

Ms. A. Young: — And then just on the second recommendation, noting of course that an initial trend report was provided in this past month to the executive, are you able to provide any input or preliminary analysis to the committee of some of the trends that were found?

Ms. Ross: — So we looked at selling to minors. We have a minors-as-test-shoppers program that's been active since August of 2022. It was delayed for a while during COVID. The current trending in December 2022 shows an overall 81 per cent compliance which is a dramatic improvement over the 62 per cent rate observed in the prior period that was between February '19 and March 2020. So we've reinstated the program, and it is appearing that it is quite successful.

On the U-brew/U-vin industry where you can make wines and beers in commercial establishments, we did note some commercial use had been noted, and they will all be inspected in the '23-24 fiscal year and educated as to proper practice and to stay within the boundaries of that program.

On minor-aged employees, we've had several observations of minor-aged employees in permitted premises left alone with access to alcohol or serving alcohol, and we have identified a need there to further education prior to doing anything else in relation to that.

On the special-occasion permits, some of them are very major events like rodeos, trade shows and the public is there, and we've noted a trending toward not having proper security monitoring resulting in intoxications and minors being served alcohol. So we've identified a need with more high-risk, special-occasion permittees prior to the event to ensure a real clear understanding of the rules and need to comply. That was our initial report.

Ms. A. Young: — Interesting. Thank you so much. Mr. Chair, no further questions from me on this chapter.

The Chair: — Thanks for the questions, the responses. Other committee members? Not seeing any. These are outstanding recommendations. We don't have to vote on them again. Glad to see that implementation has occurred. I'd invite a motion to conclude consideration of chapter 25. Moved by Mr. Harrison. All agreed?

Some Hon. Members: — Agreed.

The Chair: — All right. That's carried. We'll move along now to chapter 6, and I'll turn it over to the Provincial Auditor's office.

Mr. Shaw: — Thank you, Mr. Chair. The Saskatchewan Liquor and Gaming Authority is responsible for regulating and controlling the manufacturing, possession, sale, and delivery of beverage alcohol in Saskatchewan, including locally manufactured craft alcohol. Locally manufactured craft alcohol

refers to craft alcohol products produced and sold in the province and typically includes cider, beer, distilled alcohol, and wine.

Alcohol consumers are increasingly purchasing craft alcohol products made in Saskatchewan. For example, craft alcohol sales nearly doubled in 2020-2021 compared to 2017-2018. At November 30th, 2021, the authority had issued permits to 64 different craft alcohol producers in the province. Effective regulation of craft alcohol production reduces the risk of the public consuming unsafe alcohol or alcohol inconsistent with labelling.

Chapter 6 in our 2022 report volume 1, starting on page 87, reports we concluded that for the 12-month period ended November 30th, 2021, the Saskatchewan Liquor and Gaming Authority had, other than in the following areas, effective processes to regulate the production and sale of locally manufactured craft alcohol in Saskatchewan. We made five recommendations to the authority.

On page 95 we recommended the authority renew locally manufactured craft alcohol producer permits prior to expiry as required by *The Alcohol and Gaming Regulation Act, 1997*. Our testing of 10 permit renewals found the authority did not issue nine renewal letters at least one month in advance of permit expiry, consistent with its expectations. Rather, it sent these renewal letters 3 to 14 days before expiry.

Since branch staff had not issued timely renewal reminders, our testing of 10 permit renewals found four instances where craft alcohol producers operated between 3 to 41 days without a valid permit. We also found that two of these producers without valid permits had produced at least some craft alcohol during this time. *The Alcohol and Gaming Regulations Act, 1997* does not allow craft alcohol producers to produce alcohol without a valid permit.

On page 97 we recommended the authority implement a risk-informed plan for inspecting locally manufactured craft alcohol producers. Once craft alcohol producers received an approved permit, the authority did not always regularly inspect them. Our analysis found the average time between inspections was almost 12 months. We also found the authority had not inspected 19 craft alcohol producers since their pre-permit inspection, which was almost 30 per cent of permitted producers, with the longest time without an inspection being 36 months. The authority's IT system does not have the ability to run a report for management to review whether inspections occur as frequently as they should.

Additionally, the authority has not set an expectation for how often inspectors should periodically inspect craft alcohol producers. Having an inspection plan that states the required frequency of craft alcohol producer inspections will help reduce the risk of non-compliance going unnoticed for an extended period. It is good practice to develop inspection plans based on risk. Such plans use risk to determine the nature and frequency of inspections. Having a written risk-informed inspection plan would help the authority allocate its resources to the highest priority areas.

On page 99 we recommended the authority utilize a locally manufactured craft alcohol inspection checklist addressing all key risks associated with alcohol manufacturing. Prior to October 2021, authority inspectors used the same checklists to inspect

craft alcohol producers as it used for all other licensed establishment inspections. In October 2021, a manager drafted the new inspection checklist for craft alcohol producers; however we did not see evidence of staff using this checklist between October and November 30th, 2021.

The new inspection checklist considers more risks associated with craft alcohol manufacturing such as maintaining adequate production information, federal government traceability requirements, and documenting proper product formulas to ensure methanol is properly removed during distillation, but needs enhancement.

The updated checklist did not contain a complete list of all manufacturing risks. For example, it did not require authority inspectors to consider whether producers used proper food-grade chemicals for cleaning equipment, properly sealed containers during the bottling processes, and have processes to manage broken glass should that happen during bottling processes. Having inspection checklists that addressed all key risk areas associated with manufacturing alcohol would help authority inspectors check whether craft alcohol producers comply with their permit operating requirements. These checks and balances also decrease the risk to public safety, for example consuming alcohol with higher-than-labelled alcohol content.

On page 99 we recommended the authority obtain certificates of analysis from locally manufactured craft alcohol producers every two years as required by its quality assurance policy. The authority's quality assurance policy requires craft alcohol producers to submit certificates of analysis which are lab test reports for a minimum of one active product from each alcohol product line every two years. For example, if the authority permits a craft producer to produce craft beer and craft spirits, the producer would be required to submit updated lab reports for at least one beer and one spirit every two years.

At November 5th, 2021, we found over half of the permitted product lines on its tracking sheet — which was 43 out of 83 alcohol product lines — required certificates. Craft alcohol producers had not submitted these by the deadline and the authority had not followed up. Some of these craft alcohol producers had not provided certificates of analysis to the authority for more than nine months past their deadline.

By not following up on overdue certificate of analysis renewals, there's an increased risk of craft alcohol producers producing alcohol that is not at advertised alcohol content or does not meet quality assurance standards. This increases the risk of an adverse impact on human health. Also following up on outstanding reports helps the authority and craft alcohol producers confirm equipment is measuring alcohol content accurately.

On page 103 we recommended the authority perform reasonability assessments of locally manufactured craft alcohol producers' monthly sales and production reporting to help ensure collection of all production levies. We found the authority did not assess the reasonability of production and sales information submitted by craft alcohol producers. The authority uses this information to determine the production levy producers must pay to the authority. Producers may have a bias to under-report sales, so formally assessing the reasonability is expected.

We analyzed producers' monthly reported information for the audit period by comparing open inventory of one month to closing inventory of the prior month. We found for 33 instances out of 594 items where opening inventory of one month did not agree with closing inventory of the prior month. No evidence of the authority obtaining explanations for the differences from the producers.

[13:30]

Authority internal audit work at one producer also found the producer under-reported sales which resulted in the authority charging about \$5,000 less production levy than it should have. By having ineffective processes to assess producer-prepared production and sales information, the authority is at risk of receiving inaccurate production levies.

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

The Chair: — Okay, thanks for the presentation. I'll turn it over to Ms. Ross for a response, then we'll open up for questions.

Ms. Ross: — Thank you very much. I'm pleased to say that we have increased our focus in response to the auditor's report on locally manufactured craft alcohol, and we've made some good progress, I think.

The first recommendation was that SLGA renew the craft alcohol producer permits prior to expiry as required by *The Alcohol and Gaming Regulation Act, 1997*. And we of course agreed with the recommendation and we've corrected the associated IT system error. We've implemented a process where permits are reviewed by management monthly to ensure that they are renewed prior to expiry, and that process continues to be followed.

The second recommendation was that SLGA implement a risk-informed plan for inspecting craft alcohol producers. We agreed with the recommendation, and we're actively in the process of developing and operationalizing the risk-informed plan. As of January 2023 this work continues, but we expect it to be complete by the second quarter of '23-24.

The third recommendation was that SLGA use an improved craft alcohol inspection checklist addressing all key risks associated with alcohol manufacturing. We agreed with the recommendation, and we have implemented an improved checklist for inspections and we've added additional key risk areas as recommended. And that checklist was shared with the local craft industry associations to ensure relevancy and understanding.

The fourth recommendation was that SLGA obtain certificates of analysis from craft alcohol producers every two years as required by our quality assurance policy. We agreed with the recommendation, and we're implementing processes to ensure the certificates are submitted when required. There are currently 14 of 87 certificates of analysis outside of the two-year period. This is a decrease from 43 of 83 that fell outside of the two years when last reported. That's an improvement from 51 per cent outstanding to 16 per cent, and we are well on our way to completion of that.

The fifth recommendation is that SLGA perform reasonability assessments of locally manufactured craft alcohol producers' monthly sales and production reporting to help ensure the collection of all production levies. We agree with the recommendation, and we have implemented processes to ensure that the monthly sales and production reports are reviewed monthly for reasonability. And that concludes my response.

The Chair: — Thanks so much for the responses. I'll open it up to committee members for questions. Ms. Young.

Ms. A. Young: — Thank you very much. Just a question for clarification. In the instance in which some craft producers were operating without a valid permit, what were the consequences?

Ms. Cribb: — As the reason they . . . You could have held them responsible. They have a permit that has on it the date that it expired. But as people do get to rely on your practice of sending out reminders a month or so in advance, we did not impose any penalties on the producers that had not renewed in time. We just fixed it up.

Ms. A. Young: — Perfect. Great. Thank you. And on the recommendation of an inspection checklist to address risks associated with alcohol manufacturing, can you help me understand? Did it exist and was being used but its use wasn't being documented? Or it did not exist and was not being used?

Ms. Cribb: — At the time that the Provincial Auditor was doing the report, the inspection checklist had been prepared. Like we had been working through the process of iterating a checklist, but it hadn't been well established with the inspectors. They weren't out there using it so that the Provincial Auditor could note that it had been appropriately used. So we incorporated the changes that they suggested, and now it's well entrenched in the processes.

Ms. A. Young: — Just a question for interest. On page 98 in footnote 11, the report notes that "The Authority requires craft producers to obtain its approval prior to purchasing each batch of bulk spirits from manufacturers outside the province."

This would be people, potentially producers, buying like grain alcohol and then flavouring or turning it into crazy things here for consumption, if you'll pardon the colloquialism. Is there a certain percentage of, like a threshold that a producer needs to meet to be considered local for production, or does that final stage just have to happen here in the province?

Ms. Cribb: — When you buy the neutral grain spirits, you have to distill it in your facility before you can be considered a local craft producer. So they would run it through their still equipment here and then, you know, do the various flavourings, etc. That will lead you to be considered a type 2 craft producer in the province. The type 1 craft producers would start from the grain, for example, and produce that alcohol from the start in Saskatchewan. That would be considered a type 1.

Ms. A. Young: — Okay. Interesting. Thank you. Then on the fourth recommendation, in chatting with some folks in industry, specifically as it relates to certificates of analysis for locally manufactured craft alcohol, I've heard like positive feedback from people, saying yeah, of course we should do this. But I was interested to note that SLGA has worked closely to accredit a lab

here in Saskatchewan to alleviate cost and timing.

I know I obviously haven't chatted with every single craft producer in the province, but those that I have discussed this with have said, actually it's significantly more expensive to have this done in Saskatchewan. And the majority still go to, I believe it's the LCBO, [Liquor Control Board of Ontario] for that analysis. And I'm wondering if there's any comment that the authority can offer on that, and if it's a goal to have it done in province or just to have a market option available.

Ms. Ross: — The three of us seem to be at loss as to the answer to that question.

Ms. A. Young: — That's okay.

Mr. Fry: — I don't think it's a goal. It was something to provide as an alternative for a quicker turnaround. As for the cost, I'm not sure of the cost differential between LCBO and the Saskatchewan lab.

Ms. A. Young: — Okay. And again, I'm not a manufacturer myself, so this is just through conversations with folks. But I've heard it's about half as expensive to go out of province as it is to have it done here. Again not a lot of personal expertise, but I was curious just noting that cost and timing were stated here as goals for the authority, and if that was something that was being considered, or you know, understanding it's a private company that you don't have control over, but if the goal was simply to provide an in-province option or something like that.

Mr. Fry: — I'm not sure what the costs are. From my understanding some of the costs associated with it are the shipping costs to get it to LCBO, which would be significantly less in Saskatchewan.

Ms. A. Young: — Yes, hence my surprise at learning it was still cheaper to go to Ontario.

Mr. Fry: — Yeah, yeah. But I don't know the exact answer to that.

Ms. A. Young: — Okay. No problem. Thanks. And then in regards to the craft alcohol enforcement actions, noting the significant drop-off in 2020-2021 compared to years previous, the chart on page 100 begins in 2017, and you know, kind of bounces around from 5 to 13 to 6 enforcement actions and then one in 2020-2021. Is this a result of COVID or compliance?

Ms. Cribb: — It would be more a result of COVID and not having people out making contact with people, making that as little as possible.

Ms. A. Young: — Okay, great. So the committee should not anticipate this is the beginning of a trend necessarily.

And then one last question for information for the committee. On page 102 in chapter 6, I struggle to wrap my head around this. And I wasn't going to ask but we're doing okay for time, so I do not for the life of me understand the first sentence there: "Production levy rates are lower than the markup that applies if craft producers sell craft products to the Authority." Can you unpack that for me?

Mr. Fry: — Yeah. So if they're producing and selling to the authority, regular markup applies to the product. If they're selling it directly to retail stores and selling it out of their manufacturing facility, they pay levy on the product. If it's sold through our warehouse, they would pay markup, or markup would be applied to it.

Ms. A. Young: — So which way does the incentive work then for producers?

Mr. Fry: — For them to sell directly.

Ms. A. Young: — Directly. Okay. And then for the last item, in regards to differentials on inventory and production volumes coming from producers, is there an estimated cost to the authority that these inconsistencies resulted in?

Mr. Fry: — There wouldn't be a cost because we follow up and collect anything that's owing to us. So the recommendation here was more because we weren't following up. And that's been addressed.

Ms. A. Young: — So the follow-up has taken place.

Mr. Fry: — The follow-up has taken place and is taking place. So if there's a variance now it's followed up with immediately to determine the cause of it.

Ms. A. Young: — And how's that shaken out? Has the authority ended up being owed money or owing?

Mr. Fry: — I think it . . . [inaudible] . . . Can you repeat the question?

Ms. A. Young: — So if SLGA is in the process of following up with producers who have either over- or under-reported, is there money owed to the authority that's outstanding?

Mr. Fry: — It would be a bit of both. If they are owing us money, their invoice would be adjusted, and they'd be credited back if they overpaid.

Ms. A. Young: — And do you have an overall figure for that?

Mr. Fry: — I don't have an overall figure.

Ms. A. Young: — Would it be material, significant?

Mr. Fry: — It wouldn't be material or significant.

Ms. A. Young: — Okay. Thanks.

The Chair: — Any further questions on this chapter here? Certainly we have an incredibly, I'd say, strong, dynamic, you know, industry on this front, and exceptional craft brewers and distillers. And so I appreciate the attention on this front. And you know, a shout-out to them for their talents and the investments they're making and the employment and opportunities they're creating across Saskatchewan as well.

I would entertain a motion to concur and note compliance with recommendations 1, 3, and 5. Mr. Jenson moves. All agreed?

Some Hon. Members: — Agreed.

The Chair: — That's carried. With respect to recommendations 2 and 4, I'd welcome a motion that we concur and note progress towards compliance. Moved by Mr. Goudy. All agreed?

Some Hon. Members: — Agreed.

The Chair: — That's carried as well. Okay. We'll move along to our last item on our agenda, and that'd be chapter 5. I'll turn it over to the Provincial Auditor's office.

Mr. Shaw: — Thank you, Mr. Chair. This presentation provides our audit results of the annual integrated audit of the Saskatchewan Liquor and Gaming Authority for the year ended March 31st, 2022. The results are included within our 2022 report volume 2, chapter 5, starting on page 35.

For the year ended March 31st, 2022, we report that Saskatchewan Liquor and Gaming Authority, SLGA Holding Inc., and SLGA Retail Inc. each had reliable financial statements and complied with relevant authorities. The authority had effective rules and procedures to safeguard public resources other than it needed to follow its data protection policy for credit card information.

On page 38 we recommended the Saskatchewan Liquor and Gaming Authority follow its established policy for protecting credit card information it receives from liquor retailers and regulatory clients. The authority has a policy for data protection; however we found staff were storing credit card information of liquor retailers and regulatory clients electronically, which is prohibited under the policy.

In December 2021 the authority was subject to an external cyberattack where an unauthorized third party may have accessed or taken sensitive information, including credit card information.

[13:45]

After the cyberattack, authority management assessed how it stored credit card information. We reviewed management's assessment and found staff stored some credit card information obtained from liquor retailers and regulatory clients on the authority's network, which is not in accordance with its policy. The authority indicated it identified about 125 unique credit card numbers it inappropriately stored electronically in 2021-22. Not following its policy for properly protecting credit card information can result in the loss of sensitive information and negatively impact the authority.

Thank you. That concludes my presentation.

The Chair: — Thanks for the presentation. I'll turn it over to Ms. Ross for a response, and then we'll open it up for questions.

Ms. Ross: — Thank you. In respect to the recommendation that SLGA follow its established policy for protecting credit card information that it receives from liquor retailers and regulatory clients, specifically liquor purchases and permit fee payments, SLGA agreed with the recommendation, and we've reviewed and updated our processes on storing credit card information.

We have a policy and improved process in place requiring all employees to now annually sign off on its IT data protection policy which addresses the storage of credit card information. We've also updated our process on storing and moving credit card information. Employees who obtain credit card numbers from customers for payments now enter numbers immediately into SLGA's system. This eliminates the practice of documenting numbers outside of the system or emailing them to SLGA's financing branch to process them into the system. So we believe that we have covered that off.

The Chair: — Thank you very much. I'll open it up to committee members for questions. Ms. Young.

Ms. A. Young: — Thank you very much. My take in reading this chapter, and please let me know if I'm off base, is that there were existing policies that were in place; however they weren't being followed, which led to the private credit card information potentially being accessed by third parties.

And in reading this, you know, it just struck me as an uninformed person that potentially this is due to, you know, ease for the employees who were or the customers who were, in theory, managing this credit card information and storing it inappropriately. As such, is there comment that can be offered on the sufficiency of SLGA's IT infrastructure and whether it's meeting the needs of employees and customers, if potentially . . . This sounds like it was a bit of an inappropriate workaround on behalf of staff.

Ms. Callander: — It wouldn't have anything to do with the IT infrastructure. It was a process that was used inappropriately. So the process was that we could document them, you know, on paper and use it that way and store it properly. However there were some employees that emailed the information instead of on paper. So that didn't really have anything to do with our IT infrastructure. That process that we had to use the credit card information was just not followed.

Ms. A. Young: — Okay, so they weren't emailing it then for . . .

Ms. Callander: — Yeah, sure they were emailing it but . . . Sorry, maybe I misunderstood the question. But I don't think our IT infrastructure had anything to do with the reason why they were doing that. It was just, like you say, for ease.

Ms. A. Young: — So the programs and like payment processing and things like that, that employees at SLGA would have, would be sufficient to work efficiently and this was just . . .

Ms. Callander: — Yes. Yeah. Like so the finance staff or the staff that had access to Moneris to enter credit card information . . . which we've now changed. We put it right to the source. So if a customer calls in with credit card information to pay a bill, the customer rep can enter it immediately rather than taking it down and handing it to finance.

Ms. A. Young: — Right. So they'll just do it over the phone, punch it in, sort of like the point-of-sale system.

Ms. Callander: — Yeah, that's right.

Ms. A. Young: — Okay. And so I guess I'm just trying to

understand then why, in the first place, why it was being emailed if the processes were there and it wasn't, you know, to save time or increase efficiency or ease?

Ms. Callander: — Well I can surmise that that was why people did it. We were unaware that people were doing that.

Ms. Ross: — If I may. And Charlene may be able to correct me on this, but I believe that what we're trying to say is that the Moneris was there, but it wasn't available to the customer representatives to input directly. So there was a two-step process to get it to the people that could input it. Now we've changed that so that they can input it directly. So maybe we hadn't structured our process properly, but we did have the technology to do it.

Ms. A. Young: — Okay, thank you. Yeah, that makes much more sense. That was the friction point, was that second step.

Ms. Ross: — Yeah.

Ms. A. Young: — Okay. And then for, I think, the 125 unique credit card numbers that were potentially impacted or that were stored inappropriately, do you have a number of how many were potentially impacted or accessed?

Ms. Ross: — Well we don't, and we haven't sort of received any feedback on that. I suppose you could . . . Conceivably they were all potentially compromised at the end of the day. But we have not received any feedback, and of course we've provided a lot of credit monitoring services to ensure that people are made alert of that.

Ms. A. Young: — Thank you. And is 125 credit card numbers, is that 125 unique customers?

Ms. Ross: — I don't know. I'm guessing it would be.

Ms. Callander: — I would guess so.

Ms. A. Young: — And then in terms of not having received any feedback, I assume the authority has reached out to all 125 credit card owners?

Ms. Ross: — I'm trying to think about our processes. Sorry, it was awhile ago and there were many processes. If you would, I would take that and find that answer for you. I'm thinking we will have.

Ms. A. Young: — Okay, perfect, thanks. Yeah, just picking up on the comment about not having received any feedback, I'm just curious if the authority would have gone forward to ensure that people actually were informed. Which, if they were offered credit protection I'd assume that communication had taken place but yeah, it'd be great to know.

Ms. Ross: — I'm just trying to put them into the category of information, but let me confirm that for you, please.

Ms. A. Young: — Thank you.

The Chair: — Thank you so much for that undertaking. Just to make sure it's kind of formal and recorded, that information, once you've confirmed that, can flow directly through the Clerk,

so it's tabled properly for the committee, part of our formal record.

Ms. Ross: — Of course.

The Chair: — Any further questions, committee members? Keisig, the *Last Mountain Times* is watching.

Mr. Keisig: — They're watching all the time, Mr. Chair, and I am attentively doing my duty. So thank you for that.

The Chair: — That's good. Any further questions? No. Not seeing any, I would welcome a motion to concur with recommendation no. 1 and to note compliance.

Mr. Keisig: — I would move that motion, Mr. Chair.

The Chair: — Moved by Mr. Keisig. All agreed?

Some Hon. Members: — Agreed.

The Chair: — That's carried. And that concludes our considerations here with Saskatchewan Liquor and Gaming Authority. I want to say thank you very much to Ms. Ross and the leadership that's joined us here today, and all others that work within SLGA and that are connected to your work. Would you have any final words that you'd like to offer us before we move along?

Ms. Ross: — No. Thank you very much and thank you to the auditor.

The Chair: — Thank you very much. Okay, that concludes our agenda, so I would welcome a motion to adjourn at this time. Mr. Harrison moves. All agreed?

Some Hon. Members: — Agreed.

The Chair: — That's carried. This committee stands adjourned until Monday, February 27th, 2023 at 1 p.m.

[The committee adjourned at 13:53.]