Chapter 28
SaskPower—Gas and Electrical Installation Inspection

1.0 Main Points

This chapter reports our first follow-up on the actions taken by SaskPower to address seven recommendations we made in our *2011 Report – Volume 2* on its processes for inspecting gas and electrical installations. By March 31, 2014, SaskPower had implemented five recommendations and had work to do to implement the other two.

Since our 2011 audit, SaskPower has established strategies and requirements for installation inspections and a process to clear uninspected permits. Starting in late 2013, senior management began receiving quarterly reports on results of its installation inspection activities.

While SaskPower required management to review the rationale inspectors used to decide which permits to inspect, management did not leave evidence of such reviews. Leaving evidence shows they carried out these reviews and agreed with the inspectors' decisions. Also by March 2014, SaskPower had not started reporting its key inspection and installation activities to its Board. It plans to start this reporting in mid-2014.

2.0 Introduction

Under *The Power Corporation Act*, SaskPower is responsible for the inspection of apparatus and equipment related to the use of electrical energy and natural or manufacture gas. SaskPower is also responsible for administering and enforcing *The Gas Inspections Act, 1993*, as well as *The Electrical Inspections Act, 1993* and related regulations.

Improper installation of gas or electrical equipment places a safety risk on the Saskatchewan public. By law, anyone (e.g., contractors or homeowners) installing electrical or gas equipment on commercial or residential property must purchase a permit from SaskPower before the work begins.[1] SaskPower uses permits to authorize the homeowner or the contractor to do the installation. In 2013, SaskPower issued about 60,000 gas permits and 98,000 electrical permits. Its 30 gas inspectors did on average about 1,138 inspections each; its 34 electrical inspectors did on average about 1,142 inspections each.

Our *2011 Report – Volume 2*, Chapter 22 concluded that SaskPower had adequate processes for inspections of gas and electrical installations except for its processes to:

- Periodically re-evaluate the effectiveness of its inspection strategies including policies for documenting key inspection decisions and following up identified defects
- Monitor key inspection decisions
- Report summarized results of its inspection activities to senior management and the Board

[1] Details on how to obtain gas and electrical permits is publicly available at www.saskpower.com/accounts-and-services/service-requests/electrical-permits-and-inspections/electrical-permit-and-applications/ (10 March 2014).

We made seven recommendations. This chapter describes our follow-up of management's actions on the recommendations we made in 2011.

To conduct this review, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate SaskPower's progress towards meeting our recommendations, we used the relevant criteria from the original audit. SaskPower agreed with the criteria in the original audit.

3.0 Status of Recommendations

This section sets out each recommendation, context for the recommendation (in italics), SaskPower's actions up to March 31, 2014, and the status of the recommendation. We found that SaskPower implemented five recommendations and made some progress in implementing the remaining two recommendations.

3.1 Strategies Updated

We recommended that SaskPower periodically review and update its gas and electrical inspection strategies. (2011 Report – Volume 2; Crown and Central Agencies Committee agreement March 12, 2014)

Status – Implemented

Lack of periodic review of SaskPower's methodology surrounding gas and electrical inspection strategies could result in the right permits not being selected for inspection and therefore significant defects remaining unidentified.

By March 2014, SaskPower had updated its risk methodology for gas and electrical inspections. It documented these strategies within procedures for inspectors to use when they determine which permits to inspect. These procedures also outline the steps to assign a risk score for gas and electrical installations. SaskPower indicated that it plans to re-evaluate this methodology on a periodic basis.

3.2 Strategies Documented for Electrical Inspections

We recommended that SaskPower document its strategy for electrical inspections including guidance on selecting permits to inspect. (2011 Report – Volume 2; Crown and Central Agencies Committee agreement March 12, 2014)

Status – Implemented

Providing a strategy for its electrical inspectors to follow would allow SaskPower to communicate its expectations regarding electrical installation inspections. In addition,

providing written guidance would help reduce the risk that inspectors may not apply their judgment consistently when determining which installations to inspect.

By March 2014, SaskPower had documented its strategy for electrical inspections. It set out the number of electrical permits it expected to be inspected and cleared on an annual basis. SaskPower also documented guidelines for its inspectors to use when deciding which permits to inspect. These guidelines help ensure permits are assessed in a consistent manner.

3.3 Documented Reasons for Not Inspecting Decisions

We recommended that SaskPower require, in writing, its gas and electrical inspectors to document rationale for not inspecting permits for high-risk installations. (2011 Report – Volume 2; Crown and Central Agencies Committee agreement March 12, 2014)

Status – Implemented

Requiring inspectors to document their rationale for why they inspected some permits and not others would enable SaskPower to determine if permits are being chosen and inspected in a consistent manner by all inspectors. We expected SaskPower to require documentation from inspectors explaining why permits scored as high-risk in its inspection system were not inspected.

During our follow-up, we found SaskPower provides guidance for inspectors to use to determine which permits are high risk and require inspection. The guidelines require inspectors to document their reasons for not inspecting permits and set out where inspectors must document this (i.e., in the inspection computer system).

3.4 Review of Documentation Required

We recommended that SaskPower require management to review inspectors' rationale for not inspecting gas and electrical permits for high-risk installations. (2011 Report – Volume 2; Crown and Central Agencies Committee agreement March 12, 2014)

Status – Partially Implemented

Management review of inspector rationale for deciding which permits to inspect would help ensure permits are being chosen for inspection consistently and appropriately. We expected SaskPower management to document their review to show it took place.

Since our audit, SaskPower introduced guidelines requiring management to review inspectors' rationales for which permits they chose to inspect. However, SaskPower was not able to provide us with evidence that showed these reviews took place. SaskPower indicated its inspection computer system is dated and does not permit

management to leave evidence of their review. It has plans to purchase and implement a new system within the next two years. In the interim, management has indicated that it will implement a manual process for documenting this review.

3.5 Process to Clear Uninspected Permits

We recommended that SaskPower establish a process to clear uninspected gas and electrical permits in its Gas Electrical Inspection System within a reasonable amount of time. (2011 Report – Volume 2; Crown and Central Agencies Committee agreement March 12, 2014)

Status – Implemented

Timely review and resolution of uncleared permits helps reduce the risk of property damage and injury for homeowners and businesses. We expected SaskPower to document and approve a plan that would outline all resources required and the timeframe to clear its backlog of uncleared permits.

During our 2011 audit, over 34,000 uncleared permits were over a year old.[2] By March 2014, SaskPower had implemented a plan to clear outstanding permits on a more timely basis. The plan outlines the resources needed to clear its backlog by 2018.

3.6 Reporting to Senior Management

We recommended that SaskPower give senior management quarterly written reports on high-risk older outstanding defects and on the number and age of all outstanding gas and electrical defects identified in inspections. (2011 Report – Volume 2; Crown and Central Agencies Committee agreement March 12, 2014)

Status – Implemented

Senior management's timely receipt of reports on inspection activities would help them effectively monitor if permits are being cleared efficiently and in accordance with policy. Inclusion of comparative information on inspection results would help identify common or emerging trends or risks. These trends or risks could alert SaskPower to change its methodology surrounding permit inspections.

We expected SaskPower's inspectors to provide quarterly reports to senior management for their review. These reports would include information on the amount of outstanding high-risk defects for both gas and electrical permits, and how long they have been outstanding for.

[2] Provincial Auditor Saskatchewan, *2011 Report – Volume 2*, Chapter 22, p. 433.

Since the last quarter of 2013, SaskPower required its gas and electrical inspector units to give senior management quarterly reports. Reports included information related to the number and risk assessment of outstanding defects, and inspectors' actions with respect to how these outstanding defects were cleared.

3.7 Reporting to Board of Directors Needed

We recommended that SaskPower periodically give its Board of Directors summary trend information on its gas and electrical inspection activities and common or emerging trends or risks in gas and electrical installations. (2011 Report – Volume 2; Crown and Central Agencies Committee agreement March 12, 2014)

Status – Not Implemented

In addition to sending the reports to senior management, we expected SaskPower to periodically provide summary and comparative information to its Board of Directors to enable them to monitor SaskPower's inspection activities.

At March 2014, SaskPower was working on developing a summary of trend information on inspection activities and common or emerging trends or risks to provide a basis for reports to the Board. It expects to start reporting to the Board by mid-2014 and to report annually thereafter.