



## Briefing Note

### Proposed TSSA BPV Authorization, Audit and Attestation Framework

#### Issue

This briefing note outlines the proposed BPV Authorization, Audit<sup>1</sup> and Attestation Framework to enhance oversight of periodic inspections conducted by insurers.

#### Background

In February 2016, the Ministry of Government and Consumer Services (MGCS), in collaboration with TSSA, convened a volunteer round table panel of BPV industry stakeholders to provide advice regarding potential amendments to the Boilers and Pressure Vessels (BPV) Regulation (O. Reg. 220/01).

The panel met on five occasions between February and April 2016 to discuss periodic inspections conducted by insurers and TSSA's oversight of those inspections. The panel provided regulatory and operational advice to enhance safety while also minimizing the regulatory burden imposed on industry.

As part of the roundtable discussions, TSSA proposed three new mechanisms to enhance TSSA oversight of insurers: authorization, attestation and audit.

In reviewing and discussing the regulatory proposal for Authorization, Attestation and Audit, the industry roundtable endorsed only the Audit and Attestation components of the proposal and no consensus was reached on the authorization element.

The panel consensus noted that the attestation and audit process should address the following:

- Periodic inspections are conducted at proper frequency and standard (as defined in code adoption document);
- Inspection information collected is accurate;
- Incidents are reported to TSSA within allowable time;
- Insurers collect and maintain information in a format specified by TSSA, after consultation and agreement with Insurers;
- Inspectors are properly trained and certified;
- Insurers can fulfil reporting requirements, and the inventory of BPVs can be confirmed
- Whether insurers are directly conducting the inspections or retaining a third-party;
- Safeguards against potential conflicts of interest; and
- Descriptions of thresholds used for issuing recommendations to owners.

However, the panel did not reach consensus on an appropriate model for insurer authorizations or for other potential sanctions where an audit reveals deficiencies. The panel also expressed its support for an Audit and Attestation framework that was contingent on additional details related to specific attestation, audit requirements, protocols and sanctions.

#### Proposal Overview

##### Authorization

TSSA's proposal on insurer authorizations, previously presented to the ministry as a mechanism to provide oversight of insurer inspections, will not be considered at this point due to a potential regulatory conflict with the Insurance Act.

The proposal, which forms part of the audit and attestation framework is designed to ensure that insurer inspections are conducted at the frequency and quality mandated by the Boilers and Pressure Vessels regulation

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<sup>1</sup> The American Society of Mechanical Engineers (ASME) and the National Board (NB) differentiate between inspector audits and company surveys. ASME has implemented this change for nuclear surveys (as opposed to audits), and will be expanding this to conventional surveys. National Board typically follows ASME protocols. Going forward, TSSA shall use the term "compliance survey" instead of audit.



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and the Code Adoption document (CAD). A separate process will be pursued to address the potential regulatory conflict and provide TSSA with the right tools to ensure insurer compliance.

#### Attestation

TSSA's Audit and Attestation framework proposes an annual attestation from insurers initiated by TSSA and a triennial audit (compliance survey) by TSSA to verify information and processes for authorizing, inspecting, and reporting on BPVs to TSSA. In instances where attestations or audits identify significant non-compliances, increasing the frequency of audits may be a requirement to ensure compliance.

This section includes details on frequency, reporting timelines, and type of information to be requested by TSSA. Consequences to insurers for non-compliance are also described.

The BPV Regulation authorizes two providers of BPV periodic inspections namely, TSSA and Insurers. The National Board (In-Service) has accredited each organization for performing BPV periodic inspections. There are currently eight Tier One insurers active in Ontario that employ BPV Inspectors<sup>2</sup>. An additional 150 Insurers are licensed to undertake boiler and machinery insurance in Ontario (as of 15 Aug 2016)<sup>3</sup>. Tier Two insurers utilize the services of third Party AIAs for BPV periodic inspections. The third Party AIAs derive their authority to perform BPV periodic inspections from TSSA, via a Certificate of Authorization which authorizes them to perform in-service (periodic) inspections of boilers and pressure vessels on behalf of an insurer authorized to undertake boiler and machinery insurance.

It is currently estimated that 12 of the 158 licensed insurers are active, as Tier Two, in providing boiler and machinery insurance. There are currently two third party AIAs authorized in Ontario to support these insurers: GTT OnSET and B&M Risk Advice.

Insurers perform the vast majority of BPV periodic inspections in Ontario. Insurer reporting to TSSA on the results of insurer periodic inspections is inconsistent in participation, content and format. As a result, TSSA has been unable to collate any reliable data regarding the number and condition of the vast majority of BPVs in Ontario. More specifically, the following is not known to TSSA:

- The number of BPVs currently operating in Ontario.
- The number of BPVs periodically inspected at the frequency defined in the BPV CAD
- Whether there is a backlog of BPV periodic inspections in Ontario.

Thus, the purpose of the attestation component in the BPV Safety Program is to:

1. Confirm which insurers are active in the provision of BPV periodic inspections
2. Determine the number of BPVs operating in Ontario, as categorized in Section 4.2 of the CAD<sup>4</sup>; and
3. Confirm that all operating BPVs are inspected as required in the BPV CAD, or if not, that the backlog has been defined and a corrective action plan is in place to ensure compliance.

Subsequently, the proposed annual Letter of Attestation from all 158 insurers shall contain attestations for the following:

1. The number of clients that the insurer is providing B&M insurance, and thus responsible for periodic inspections;
2. The number of known BPVs to the best of their knowledge, as of the date of attestation, for which the insurer is providing periodic inspections, and issuing Reports of Inspection (ROI), either from internal resources or via a third Party AIA;

<sup>2</sup> All BPV Inspectors in Ontario (TSSA, Insurer, third Party AIA) hold a National Board Commission and a Certificate of Competency from TSSA

<sup>3</sup> This list is updated annually on the last Saturday of July by the Financial Services Commission of Ontario

<sup>4</sup> Section 4.2: Deaerator, High Pressure Boiler, Low Pressure Boiler, Pressure Vessel, Pressure Vessel fitted with Quick-Opening Door



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3. That the BPVs identified in bullet number 2 above are periodically inspected as required by the BPV CAD, or if not, that the backlog has been defined and a corrective action plan is in place to achieve compliance within a reasonable time;
4. Recognition that every active insurer is subject to a compliance survey by TSSA to verify the above information;
5. TSSA shall utilize a list provided by Financial Services Commission of Ontario which is annually updated and includes email contact information for all B&M licenced insurers; and
6. There will be no fee associated with the letter of attestation, although replies shall be mandatory and tracked. Fees may apply for addressing non-responsive insurers.

## Audit

An integral component of TSSA's oversight of insurers as the providers of periodic inspection services in Ontario is an Audit or compliance survey that will verify information provided by insurers through Letters of Attestation, as well as determining compliance with regulatory requirements.

The design of the audit or survey envisioned within TSSA's BPV program are similar to other internationally recognized audit organizations within the pressure equipment industry (e.g. ASME and National Board) and include the following:

- It will not duplicate the technical material covered by the NB Compliance Surveys
- In broad terms, the survey will include three activities namely:
  - Written document review regarding how data is being captured, how recommendations are tracked and closed, what processes are in place to ensure compliance with TSSA stipulated reporting<sup>7</sup>;
  - Site verification of attestation information provided and selected documents presented, and
  - Spot checks of insurer inspected sites randomly selected by TSSA to validate findings;
- For each compliance survey, TSSA will provide a checklist to the applicant for the items required for the compliance survey's document review and site verification. The applicant will complete all applicable checklist items with references to their documentation (e.g. procedure numbers) that addresses the subject as part of their application to TSSA;
- The survey would assess (*inter alia*) whether:
  - Attestation data provided to TSSA is valid over a 3 year period
  - Periodic inspections are conducted at the frequency specified in the Code Adoption Document
  - Inspections are completed in accordance with O.Reg.220/01 and the Code Adoption Document
  - Any backlog of periodic inspections is identified and a plan to address the backlog developed
  - Inspection information collected is timely, accurate and complete, fulfilling the following elements:
    - That inspections are conducted when due and/or as per the CAD,
    - Inspections represent a true picture of the state of BPV machinery,
    - That all elements of the inspection are covered,
  - Inspection recommendations are being resolved within the allowed time to comply that is identified during periodic inspections by insurer,
  - Notices of cancellation of insurance are reported, complete with any outstanding inspection recommendations,
  - Known reportable incidents are reported to TSSA within required time frames,
  - Inspectors working for insurers have continued education for Ontario requirements (such as for a newly issued CAD Amendment<sup>5</sup>), in addition to the continued education required for maintaining their National Board Commissions,
  - Confirmation that Insurer Inspectors meet the new NB requirements for repair inspections,
  - Insurers keep required information (install base data) and documents (quality manuals and SOPs) in the retrievable format specified by TSSA
  - Insurers can fulfill their reporting requirements as specified by TSSA,

<sup>5</sup> This is a future requirement, as it yet to be implemented.



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- Inspection information collected by insurers can be confirmed to have been entered into a system provided by TSSA, and
- Processes are sufficient for how inspection non-compliances are addressed;
- A modified version of the Survey Checklist would be developed and utilized for Tier Two Insurers
- A sample draft version of the new Tier One checklist is attached to this report as Appendix A

The proposal requires TSSA to audit all insurers on a triennial basis. The timelines for implementation are to be determined, but it is expected that the implementation will be staggered and audits scheduled as resources permit, but all to be completed within 3 years<sup>6</sup>.

Survey deficiencies would be addressed using a Corrective Action Report (CAR) format, whereby the insurer would either:

- Correct the noted deficiencies and submit a declaration of compliance within the stated due date, and/or,
- Be subject to a follow-up survey by TSSA;

In the absence of insurer authorizations, TSSA is limited in its ability to deal with non-compliant insurers. Where audits reveal non-compliance, TSSA may increase audit frequencies and conduct spot audits for repeat offenders and in cases where there is sufficient grounds for fraudulent activities.

Initial costing of the triennial survey would be in accordance with the current fee schedule for an “Authorized Inspection Agency survey”:

- \$4,140 (Additional fees will apply if a pre-survey is requested),
- It is expected that a Tier Two survey would be at a reduced cost TBD, and
- As the outcome of the new regulatory requirements is determined, survey checklists and requirements shall be revised, which may require a fee review.

#### Next Steps

- 45 Day Regulatory Registry Posting
- Government Decision Making

**Prepared by:** Mike Adams, Director of BPVOE  
Cathy Turylo, Manager BPV Engineering  
Caslav Dinic, Technical Services Supervisor, BPV

**Reviewed by:** Humphrey Kisembe, Policy Advisor Stakeholder Relations  
Wilson Lee, Director of Stakeholder Relations

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<sup>6</sup> BPV will have to survey seven insurers/AIAs every year in order to ensure all 21 are done over a three year period. This can be accelerated if deemed necessary. Steady state will be approximately seven per year unless additional Tier Two insurers identified.



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Appendix A – DRAFT Checklist for Tier One Insurers

Subject to revision as requirements are further defined

**REVIEW CHECKLIST  
OF  
TIER ONE INSPECTION AGENCIES  
FOR  
JURISDICTIONAL INSPECTIONS PROGRAM**

*TSSA Guide for Review Teams*

The Technical Standards and Safety Authority  
Boilers and Pressure Vessels Safety Division  
345 Carlingview Drive  
Toronto, Ontario, M9W 6N9

Company Name:

Company Address:

Name (print):

Signature

Review Date:



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No.		Yes	No	N/A	Comments/ Objective Evidence
1.	Does the AIA have a Current Certificate of Accreditation/Acceptance from the National Board? (Please attach copy of the Certificate)				
2.	Does the AIA have a Current Certificate of Accreditation from the ASME? (Please attach copy of the Certificate)				
3.	Does the Organization ensure Inspectors performing inspections and Supervisors maintain TSSA Certificates of Competency?				
4.	Has the agency provided indoctrination and training to Jurisdictional requirements? O.Reg. 220/01 and CAD, CSA B51 & B52				
5.	Has the Agency provided the Inspector and Supervisor access to the TSSA Act and Boiler Pressure Vessel Regulations, the Code Adoption Document and CSA B51 & B52?				
6.	Has the Agency ensured that the Inspector's Certificates of Inspection contain all necessary data as required by TSSA? (Please attached copy of typical Certificate of Inspection)				
7.	Has the Agency established a system or procedure for controlling and tracking all Certificates of Inspection issued? (Demonstration of control will be required for list of facilities and items)				
8.	Has the Agency established a system or procedure for monitoring and scheduling Follow-ups on Inspection findings?				
9.	Does the Agency perform periodic inspection on BPV insured by Agency?				
10.	Does the Agency perform periodic inspection through contract with insurer licensed under the Insurance Act to undertake boiler and machinery insurance.				
11.	Does the Agency perform periodic inspection on BPVs non-insured or insured with other then insurer licensed under the Insurance Act to undertake boiler and machinery insurance.				
12.	Verify Inspection Orders (IO's): 8.1 are according to Ontario list 8.2 status is recorded (completed, in progress) 8.3 any IO's overdue in accordance with completion timeframe				
13.	Has the Agency established a system or procedure for notifying TSSA of Inspections and Repairs performed?				
14.	Has the Agency established a system or procedure for notifying TSSA of; <ul style="list-style-type: none"> <li>• 10.1 Cancelled Insurance? (O. Reg. 220/01, s. 10 (4).)</li> <li>• 10.2 Any open compliance orders at the time of cancellation?</li> </ul>				
15.	Have the Inspectors completed all Periodic Inspections of Boilers and Pressure Vessels according the frequency set out in the TSSA Code Adoption Documents as a minimum. If not, what is the backlog?				
16.	Does the Agency maintain records in accordance with TSSA requirements? (State actual minimum years?)				
17.	Can the Agency retrieve critical information regarding				



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	BPVs under Certificates of Inspection?				
18.	Are Ad hoc reports delivered on time in a user-friendly manner, possibly searchable / sortable if very large?				
19.	Does the Agency perform repair inspection of boilers and pressure vessels?				
20.	Have the Inspectors performing repair inspection of boilers and pressure vessels Verified that the repair organization holds a Repair certificate of authorization from the TSSA or National Board (R Stamp)				
21.	Have the Inspectors performing repair inspection of boilers and pressure vessels verified that the repair organization's qualified welding procedures and performance qualification record are registered with jurisdiction (TSSA )				
22.	Does the agency use the TSSA Report of Repair and Alteration (PV 09114 (06/16)) for repair inspections?				
23.	Does the Agency have a suitable procedure for providing accurate Attestation numbers?				
24.	Does the Agency establish procedure to ensure that new contracts are on time cover and that all equipment inspected?				
25.	Demonstrate Incident Reporting: <ul style="list-style-type: none"> <li>• 20.1 record of incidents and TSSA reporting procedure</li> <li>• 20.2 data retrieval for incident</li> </ul>				
26.	Does the Agency have in place an Unsafe condition procedure by which the Agency notifies TSSA of any unsafe BPVs? O. Reg. 220/01, s. 11.				
27.	Does the Agency subcontract inspection services to a 3rd Party AIA?				
28.	Does the subcontracting Agency maintain TSSA AIA C of A?				
29.	Does the Agency provide subcontracting Agency with QA and reporting requirements?				
30.	Does Agency maintain BPV inventory that are required to be inspected per O.Reg.220/01?				
31.	Agency prescribe rules for non-conformances identifications and processed?				
32.	Does Agency provide TSSA with free and timely access to inspection and repair data?				

Number of inspectors with Certificate of Competency: \_\_\_\_\_

Number of Supervisors with Certificate of Competency: \_\_\_\_\_

Approximate number of periodic inspections performed from last TSSA review: \_\_\_\_\_

Percentage of inspections resulted in unacceptable findings during periodic inspections: \_\_\_\_\_

Number of repairs performed from last TSSA review: \_\_\_\_\_

Reviewed by (print): \_\_\_\_\_ Sign: \_\_\_\_\_ Date: \_\_\_\_\_