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# 9

## Environment

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## **Main points**

The Department needs to improve its internal reports to monitor its activities and follow its established processes to properly protect its capital assets from loss or theft. It also needs to strengthen its internal audit function and prepare a contingency plan to recover from computer system failures or destruction. Also, the Department should prepare a report on the operations of its special purpose funds and make that report public.

The Department has made progress towards implementing our recommendations to improve its management of forest fires. However, it needs to do more work to improve its processes for preparing and reporting on its fire prevention program. It also needs to ensure it has suitable infrastructure for detection and suppression of forest fires.

Next year, we will examine the Department's processes to regulate air emissions that originate in the Province. During 2003, we completed our research and established the criteria that we will use to do this work. The Department agreed the criteria are reasonable and attainable. We will report the results of our assessment in a future report.

We continue to report that the Operator Certification Board needs better processes for recording application fees. Because the Board does not know if it recorded all the application fees received, we cannot determine whether the Board's financial statements are reliable. We also report that the Board should prepare a financial plan for its operations.

We continue to recommend that the Saskatchewan Watershed Authority set appropriate security policies and procedures for its information technology systems and data. Also, the Authority needs to improve its annual report.

## Introduction

The Department of Environment (previously the Department of Environment and Resource Management) is responsible for managing, enhancing, and protecting the Province’s natural and environmental resources and sustaining them for future generations. Information about the Department of Environment’s (Department) mandate and its organizational structure are available at its web site (<http://www.se.gov.sk.ca/>).

For the year ended March 31, 2003, the Government’s summary financial statements show environment and natural resource expenditures of \$242 million. The following table shows the expenditures of government agencies for environment and natural resources.

(in millions of dollars)	
Department of Environment	
(2002-03 Public Accounts – Volume 2)	\$ 180
Deduct expenditure shown as:	
Economic development related to forests	(10)
Community development related to urban parks	(4)
Add expenditures incurred by:	
Saskatchewan Water Corporation	24
Saskatchewan Watershed Authority	13
Forest Fire Contingency Fund	34
Centenary Capital Fund	<u>5</u>
Environment and natural resources expenditures	
per the Government’s Summary Financial Statements	<u>\$ 242</u>

The Department received \$180 million from the General Revenue Fund for its programs. Also, the Department collected revenue of \$55 million. The Department collects revenue from licence and permit fees for fishing, gaming, and forestry. It also collects non-refundable deposits on beverage containers. In addition, the Department collects revenue and incurs expenses through its special purpose funds listed below.

The following table shows the Department’s major programs and spending reported in the *Public Accounts 2002-03: Volume 2: Details of Revenue and Expenditure* (to view a copy of this report, see <http://www.gov.sk.ca/finance/paccts.>)

	<u>Original Estimates</u>	<u>Actual</u>
	(Millions of dollars)	
Forest Fire Management	\$ 37	\$ 81
Field Operations and Land Management	45	44
Forestry, Fish, and Wildlife	20	20
Environmental Protection	13	15
Administration	13	13
Water Management	---	4
Other	<u>3</u>	<u>3</u>
	<u>\$ 131</u>	<u>\$ 180</u>

The Department is responsible for managing the following special purpose funds and Crown agencies:

- ◆ Commercial Revolving Fund
- ◆ Fish and Wildlife Development Fund
- ◆ Forest Fire Contingency Fund
- ◆ Resource Protection and Development Revolving Fund
- ◆ Operator Certification Board
- ◆ Water Appeal Board
- ◆ Saskatchewan Watershed Authority

## Our audit conclusions and findings

Our Office worked with Meyers Norris Penny LLP, the appointed auditor for the Saskatchewan Watershed Authority, and Mintz & Wallace, the appointed auditor of the Operator Certification Board. We used the framework recommended in the *Report of the Task Force on Roles, Responsibilities, and Duties of Auditors* (to view a copy of this report, see our web site at <http://www.auditor.sk.ca/rrd.html>). Our Office and the appointed auditors formed the following opinions.

### In our opinion, for the year ended March 31, 2003:

- ◆ **the Department, its special purpose funds, and Crown agencies had adequate rules and procedures to safeguard public resources except for the matters described in this chapter;**

- ◆ **the Department, its special purpose funds, and Crown agencies complied with the authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing; and**
- ◆ **the financial statements of the Department’s special purpose funds and Crown agencies are reliable except for the Forest Fire Contingency Fund and the Operator Certification Board.**

We also include the results of our follow-up work on our recommendations that we made in 2001 for improving the Department’s processes to manage forest fires. In addition, we describe the criteria we plan to use to examine the Department’s processes to regulate air emissions.

## **Internal reporting needs improvement**

The Department needs better internal reports to monitor its activities.

In our 2002 Fall Report – Volume 2 and previous reports, we recommended the Department should:

- ◆ define and document its operational and compliance reporting needs; and
- ◆ follow its established rules and procedures for preparing its internal financial reports.

The Standing Committee on Public Accounts (PAC) considered this matter and concurred with our recommendations.

The Department’s internal financial reports are now adequate. However, the Department has not yet defined its performance (operational and compliance) reporting needs.

We expected senior management would set out its internal performance reporting needs to oversee the operations of the Department. The performance reports should show the performance targets for each of its objectives and progress towards those targets. The Department could

then assess its progress and make changes where needed. The Department has begun to set out targets for some of its objectives.

Also, the performance reports should show the Department's compliance with legislative and related authorities (e.g., the laws and policy manuals.) The Department does not require compliance reports showing if the Department has complied with authorities including key agreements that it manages.

We continue to recommend the Department define and document its operational and compliance reporting needs.

Management told us that the Department has begun to prepare quarterly operational reports.

## **Control over capital assets needed**

In our 2002 Fall Report – Volume 2, we reported that staff did not comply with the Department's rules and procedures to record and safeguard its capital assets (equipment, buildings, furniture, and fixtures).

The Department has established appropriate processes for maintaining complete records of its capital assets. They require staff to identify and record the capital assets acquired, transferred between locations, and disposed of during the year. They also require staff to reconcile regularly the capital asset records to the financial records.

Staff followed these processes for the capital assets the Department manages for its special purpose funds and Crown agencies. The Department manages capital assets with a net book value totalling \$282 million for its special purpose funds and Crown agencies.

Staff, however, did not always comply with these processes for managing the Department's capital assets. For example, staff did not record in the capital asset records the capital assets totalling \$0.5 million acquired during the year. Also, staff did not reconcile the capital asset records to the financial records. The Department's financial records show that the Department's capital assets had a net book value totalling \$13 million. Its capital asset records, however, show that the Department's capital assets had a net book value totalling \$8 million.

In addition, staff did not always obtain written authority to transfer capital assets from one location to another. As a result, the capital asset records did not properly show the assets' location.

The Department faces increased risk that its capital assets may be lost or stolen without detection because of its inadequate controls over capital assets.

In our 2002 Fall Report – Volume 2, we also reported that the Department did not report publicly on the use of its capital assets. Public information about the capital assets that a government agency uses to provide services should briefly describe the:

- ◆ capacity of each major category of capital assets;
- ◆ extent to which the use of capital assets achieved planned results, and;
- ◆ strategies used to manage major risks to the key capital assets.

The Department provides some information about its capital asset purchases in its annual report. The Department needs to provide more information about its capital assets in its annual report.

PAC considered these matters and concurred with our recommendations.

We continue to recommend that the Department:

- ◆ ensure staff follow the Department's established rules and procedures to safeguard the Department's capital assets; and
- ◆ describe the capacity of each major category of capital assets, the extent to which the use of capital assets achieved planned results, and the strategies used to manage major risks to the key capital assets in its annual report.

Management told us the Department plans on identifying and recording all the capital assets that it manages. Management also told us the Department plans to provide staff training on the importance of proper documentation and record keeping of capital assets. In addition, management told us the Department is reviewing how best to provide more information about its capital assets in its annual report.



## **Contingency plan needed**

In our 2002 Fall Report – Volume 2, we reported that the Department did not have a complete written and tested contingency plan for its information systems.

A contingency plan is important because the Department's operations depend on the reliability of its information systems. The Department needs a complete contingency plan covering its computer systems to ensure that it can operate effectively in case its computer systems fail or are accidentally destroyed.

A contingency plan sets out the procedures needed to ensure the continuity of operations and the availability of data. These plans should cover all significant information technology (IT) operations based on the importance of each program and service. An agency's contingency plan is an important part of its business interruption plan, which sets out how the agency will recover from an unplanned business interruption.

Management should regularly review and approve the contingency plan. Management should also test the contingency plan regularly to ensure it works.

The Department has documented some contingency plan procedures for storing programs and data for all major systems. However, the Department does not have a complete written, tested, and approved contingency plan for its major IT systems.

PAC considered this matter and concurred with our recommendation.

We continue to recommend that the Department prepare a complete written information technology contingency plan and test that plan to ensure that it works.

Management told us that the Department plans to complete documenting its IT contingency plan.

## Internal audit function needs strengthening

The Department needs to ensure that its internal auditor can provide it with timely information on the adequacy of the processes to safeguard public resources and to comply with the law.

Departments that carry out diverse programs and activities should receive independent assurance on their processes from their internal auditors. To be independent, the internal auditor should report directly to the Deputy Minister or the Executive Committee established by the Deputy Minister.

The Deputy Minister formed an Executive Committee comprised of senior management of the Department. The Executive Committee is required to approve the internal auditor's annual audit plan. This approval helps ensure the internal auditor co-ordinates its work with other branches for monitoring the Department's processes.

The Executive Committee approved the annual audit plan for its internal auditor. However, the audit plan approved was not adequate. The internal auditor's audit plan did not include a risk assessment of all the Department's programs and activities. A complete risk assessment would ensure the audit plan covers the key operational areas of the Department.

Under the approved audit plan, the Committee expected that the internal auditor would provide reports semi-annually. The Committee received only one report from the internal auditor. The Committee has not yet reviewed and discussed the report with the internal auditor.

To be effective, the Committee should ensure that the internal auditor completes its approved audit plan. Also, the Committee should discuss the audit findings and reports with the auditor promptly. The Committee can then make recommendations to the Deputy Minister to help improve the management of public money.

- 1. We recommend that the internal auditor prepare its audit plan based on a complete risk assessment of the Department's programs and activities.**

**2. We recommend that management receive the internal auditor’s reports as planned and discuss those reports with the internal auditor promptly.**

Management told us that it plans to receive and review the internal auditor’s findings and reports on a timely basis.

## **Annual report needs improvement**

The Department does not have an adequate annual report on the operations of its special purpose funds.

The Department’s annual report includes some information about its special purpose funds and unaudited financial statements. However, the Department needs to include in its annual report the funds’ audited financial statements and discussion of the funds’ goals, key performance targets, and progress towards achieving these targets.

We reported this matter in our 2002 Fall Report – Volume 2 and previous reports. PAC considered this matter and concurred with our recommendation.

We continue to recommend that the Department prepare a report on the operations of its special purpose funds and make that report public.

Management told us the Department plans to include in its annual report audited financial statements for its special purpose funds. Also, management told us the Department plans to include financial statement discussion and analysis for the funds in its annual report.

## **Department’s progress toward improving its management of forest fires**

In 2000-01, we audited the Department’s systems and practices for managing forest fires. In our 2001 Fall Report – Volume 2, we reported the Department had adequate processes to manage forest fires. However, we made four recommendations to help the Department improve its practices. On February 19, 2002, PAC considered these matters and concurred with our recommendations.

During 2002-03, we reviewed what the Department has done to address our recommendations. We describe below our recommendations and the Department's progress.

## **Adequate fire prevention program needs improvement**

*Recommendation 1 – The Department should improve its rules and procedures for preparing and reporting on its prevention program.*

The Department continues to work on setting measurable targets for its fire prevention program. Once it has set those targets, it needs to set a process to assess how well it is achieving those targets. Establishing measurable targets and monitoring them would help the Department assess the effectiveness of its fire prevention activities.

The Department has not yet documented its forest fire prevention program. However, the Department prepared an internal report on the education and prevention activities for the 2002 fire season.

Also, the Department has not yet documented its policies to determine when and where to use fuel treatment activities (reducing underbrush, thinning the tree stands, and replanting trees that are more fire resistant). Documenting its policies would help the Department ensure that areas with high values and high risk continue to be the priority for its fuel treatment activities.

In 2002, the Department set up educational signs along highways where a fire had occurred. The signs described how fire is a natural part of the ecosystem, how much forested area was lost, the cause of the fire, and how much the fire cost the Department. This type of information helps the public to understand the need to prevent fires. The Department should also publish its policy on prosecuting those responsible for starting fires and the results of its prosecutions.

We continue to recommend the Department improve its rules and procedures for preparing and reporting on its prevention program.

## Values at risk still being updated

*Recommendation 2 – The Department should prepare a complete record of the values at risk in the forest and update that record regularly.*

The Department is in the process of identifying, recording, and ranking all values at risk (e.g., public and private properties, forests, natural habitat) in the province in a geographical information system (GIS). When completed, the information will help the Department to determine what preventative and suppression action it should take in any specific area. The Department has begun documenting all known forest values at risk and a map of the most likely areas of the forest to burn. This documentation will help the Department to link fire suppression priorities to the most important values at risk.

The Department has updated its guidelines concerning fire management priorities. The guidelines identify directives and principles to set priorities, the level of suppression, and the appropriate suppression response for values at risk.

We continue to recommend the Department prepare a complete record of the values at risk in the forest and update that record regularly.

Management told us that the initial recording of all values at risk will take time and will need regular updating.

## Determine the resources required for forest fire suppression based on the values identified

*Recommendation 3 – The Department should ensure it has suitable infrastructure for detection and suppression of forest fires.*

The Department continues to regularly determine its detection and suppression capacity following a fire preparedness approach. This approach allocates a pre-determined level of resources to forest areas with high values and high risk of fire. The Department also continues to evaluate the available computer systems to help make resource positioning decisions.

In 2001, the Department identified that its capacity to detect and suppress fires was at risk because of unsafe fire towers and ageing aircraft. Because all 51 fire towers had been deemed unsafe in 2001, the Department built six new towers for the 2002 fire season and used aerial detection as a short-term solution for detection purposes. The Department built the new towers in areas with a high risk of forest fires. Also, the Department contracted four additional fixed wing aircraft for the 2003 fire season to enhance detection capability.

The Department needs to do more to ensure it has suitable infrastructure for detection and suppression of forest fires. We continue to recommend the Department ensure it has suitable infrastructure for detection and suppression of forest fires.

Management told us that the Department is currently reviewing its long-term fire detection needs. As a part of this review, management told us the Department is evaluating the available computer systems to help make resource positioning decisions. Also, management told us that the Department is considering alternatives for upgrading its aircraft capacity for fire suppression.

## **Timely and effective investigation of each major fire**

*Recommendation 4 – The Department should establish written guidelines for referring forest fires to investigators, for investigators to follow in their investigation, and when and how much of the cost to fight fire staff should recover.*

The Department has revised its guidelines for referring forest fires to investigators. The Department now has adequate guidelines for fire staff to report suspected human-caused fires to conservation officers. The Department implemented these guidelines for the 2002 fire season.

Fire staff received extensive training on how to use these guidelines and how to protect the origin of fire to help the fire investigators. Conservation officers also received training on how to investigate fires. The Department now has detailed procedures for conservation officers to investigate fires. In addition, the Department has established processes to assist staff to determine when and how they should recover costs of fighting forest fires.

## Regulating air emissions

The Department is responsible to protect Saskatchewan's air quality by regulating air emissions that originate in the Province. An emission is the release of an air contaminant into the atmosphere that contributes to air pollution.

### Background

As stated earlier, the Department is responsible for managing, enhancing and protecting the Province's natural and environmental resources. The Department protects those resources for conservation, social, economic, and recreation purposes and to ensure they are sustained for future generations. To fulfil its mandate the Department needs to protect primary resources including air by using regulatory and non-regulatory controls.

Under *The Clean Air Act* and *The Mineral Industry Environment Protection Regulations, 1996*, the Department is responsible to protect Saskatchewan's air quality by regulating air emissions that originate in the Province. The Department regulates emissions by issuing permits to certain industrial or mines operators who may release potentially significant sources of air contaminants (e.g., carbon dioxide, methane, benzene.) Other sources of air contaminants such as stubble burning and crude oil production are monitored by the Department of Agriculture, Food and Rural Revitalization and the Department of Industry and Resources, respectively.

The Department issues permits under *The Clean Air Act* to operators of certain industries. It also issues permits for exploration and mining of mineral resources operations under *The Mineral Industry Environment Protection Regulations, 1996*.

Permits specify air contaminants limits or requirements specific for each operator. The Department then monitor compliance (e.g., independent air contaminant testing, review of operator emission reports.)

The Department must have effective processes to identify operators that need permits, develop the terms and conditions of the permits, monitor the operators to ensure they comply with the permits, and take appropriate action when operators do not comply with the permits.

If the Department does not effectively regulate air emissions, it can lead to poor air quality. Poor air quality could result in harm to environment and human health. For example, contaminants in the air make breathing difficult, form urban smog, impair visibility, and attack ecosystems.

Recently, the Government of Canada has agreed to reduce greenhouse gas emission (e.g., carbon dioxide, methane, nitrous oxide) levels between 2008 and 2012 by 6% from the 1990 levels. To achieve these reductions, Saskatchewan is expected to do its part in reducing emissions of greenhouse gases.

## **Our audit objective and criteria**

The objective of the audit is to assess whether the Department has adequate processes to regulate air emissions in accordance with *The Clean Air Act* and *The Mineral Industry Environment Protection Regulations, 1996*.

We will focus on processes the Department used during the period from April 2002 to October 2003.

Auditors use criteria to evaluate matters they examine. Criteria are reasonable and attainable standards of performance and control against which auditors can assess the adequacy of processes. We develop criteria based upon our review of relevant literature and best practices. We discussed and agreed the criteria with officials of the Department.

To regulate air emissions, the Department needs processes to:

1. Issue relevant permits for sources of significant air contaminants
  - ◆ Identify operators that require a permit
  - ◆ Set criteria for permits
  - ◆ Issue approved permits promptly
2. Regularly monitor compliance with permits
  - ◆ Regularly assess compliance with permit terms and conditions



- ◆ Maintain records of compliance, complaints, and investigations
  - ◆ Enforce compliance with permits
3. Maintain capacity to regulate air emissions
- ◆ Maintain and use a human resource plan
  - ◆ Use adequate equipment to monitor emissions
  - ◆ Evaluate capacity against needs and take appropriate action
4. Regular reporting on air emissions for permit holders
- ◆ Collect data
  - ◆ Regular operational reports for senior management
  - ◆ Regular reports to the industry and the public

We plan to complete our work over the next few months and report our findings in a future report.

## **Forest Fire Contingency Fund**

Section 8.1 of *The Prairie and Forest Fires Act, 1982* established the Forest Fire Contingency Fund (Fund) effective April 1, 2001. The Fund was established to record the costs related to fighting wildfires in excess of 100 hectares (escaped fires.) The Department administers the Fund. The Department records in the Fund the costs of fighting escaped fires including the costs that were incurred before the fire escaped.

For the year ended March 31, 2003, the Fund's financial statements report no revenues, expenses of \$34 million and no net assets. For the reasons described below, those financial statements are incorrect.

### **Reliability of the financial statements**

The Fund's financial statements understate the Fund's revenue and overstate the annual deficiency for 2003 by \$34 million. This gives readers of the financial statements the wrong message. The message given is that expenses exceed revenues by \$34 million.

The errors in the financial statements result from the Department incorrectly recording money received from the General Revenue Fund. It

recorded this money as revenue immediately regardless of when the Department incurs the escaped fire costs. Generally accepted accounting principles require the Department to record money received for restricted purposes (escaped fires) as an amount owing to the General Revenue Fund until the money is used for the specific purpose or returned. *The Prairie and Forest Fires Act, 1982* only allows the Department to receive money for the Fund to pay for the costs of escaped fires.

In 2002, the Forest Fire Contingency Fund recorded a transfer of \$40 million from the General Revenue Fund to pay for certain escaped fire fighting expenses and recorded this transfer as revenue in 2002. However, these transfers should be recorded as revenue when the related eligible expenses are incurred. Any transfers received in advance should be recorded as deferred revenue. Had the Fund properly recorded the transfer, the revenue from the General Revenue Fund for 2003 would have been increased by \$34 million (2002 – decreased by \$34 million) and the excess of expenses over revenues for 2003 would have been decreased by \$34 million (2002 – excess of revenues over expenses decreased by \$34 million). Also, deferred revenue at the year-end would have been nil (2002 – increased by \$34 million) and the net financial assets at the year-end would have been nil (2002 – decreased by \$34 million).

In June 2001, The Canadian Institute of Chartered Accountants (CICA) announced it would begin a project to address the differences that have arisen in the interpretation and application of accounting standards concerning government transfer payments. The CICA continues to work on this project. Clarification of these standards will help to address the matters we raise concerning the reliability of the financial statements of the Fund.

We reported this matter in our 2002 Fall Report – Volume 2. PAC considered this matter and deferred its decision on our recommendation pending the results of the CICA project that is examining accounting standards for government transfer payments.

## **Operator Certification Board**

The Operator Certification Board (Board) is continued under *The Water Regulations, 2002* to certify operators of water and sewage works.

For the year ended March 31, 2003, the Board's financial statements report revenues of \$34,000, expenses of \$36,000, and net loss of \$2,000. At March 31, 2003, the Board held assets of \$19,000. The Board's financial statements are included in its annual report.

## **Better processes to receive revenue needed**

The Board needs to establish processes to ensure that it receives all application fees.

The Board employs one person to keep its books and records. In a small agency, it is often impossible to have adequate segregation of incompatible duties. That is, to ensure that no one person is in a position to conceal errors or frauds. To reduce the risk of errors and frauds occurring without timely detection, small agencies often establish other processes to compensate for the lack of segregation of duties.

The Board does not have an adequate segregation of duties for application fees from waterworks operators applying for certification. The Board's administrator receives the operators' applications with the application fees, records the application fees, deposits the fees, reconciles the bank account, and prepares financial reports. The Board should establish other processes to compensate for the lack of segregation of duties over application fees (e.g., pre-numbered certificates or a written contract with the Department to receive and record all revenue).

In 2003, the Board recorded application fees of \$23,000 from operators. However, we are unable to determine whether the Board recorded all application fees it received.

We reported this matter in our 2002 Fall Report – Volume 2 and previous reports and recommended that the Board establish rules and procedures to ensure it receives all application fees. PAC considered this matter in February 2002 and concurred with our recommendation.

The Board told us it plans to contract another agency to receive and record all cash receipts.

## Reliability of the financial statements

The Board's financial statements for the year ended March 31, 2003 may not be reliable. As explained above, the Board did not have adequate processes to ensure that it receives all application fees. As a result, we could not determine whether the Board had recorded all revenue in its financial statements for the year ended March 31, 2003.

## Financial plan needed

The Board did not approve a financial plan (budget) for the year setting out the resources it needs to accomplish its goals and objectives.

Agencies need to set out their goals and objectives so that they can determine what resources they need to achieve those objectives. *The Water Regulations, 2002* sets out the goals and objectives of the Board. However, the Board did not prepare and approve a budget for the year ended March 31, 2003 setting out what resources it needs to achieve those goals and objectives. Accordingly, the Board operated throughout the year without knowing whether the resources it used were appropriate to achieve its goals and objectives. The Board did receive regular financial reports reflecting actual results throughout the year. However, without a budget, these financial reports could not include a comparison of planned to actual results. Comparison of planned to actual results is a significant management tool to monitor financial performance.

### **3. We recommend the Board prepare and approve a financial plan for its operations.**

The Board told us it has prepared and approved a financial plan for 2003-2004.

## Saskatchewan Watershed Authority

*The Saskatchewan Watershed Authority Act* set up the Saskatchewan Watershed Authority (Authority) on October 1, 2002. The Authority replaces the former Saskatchewan Wetland Conservation Corporation. The Authority's mandate also includes certain activities that the Saskatchewan Water Corporation (Sask Water) did until October 1, 2002. These activities are ground and surface water investigations, water

management and dam safety programs, water control programs, and the regulation of development affecting water resources.

For the year ended March 31, 2003, the Authority held financial assets of \$4.8 million, capital assets of \$261 million, and had revenues of \$13.1 million, and expenses of \$12.7 million. The Authority's 2003 Annual Report includes its financial statements.

## **Better security needed**

In past reports to the Legislative Assembly, we recommended that Sask Water set better security policies for its information technology (IT) systems and data. In December 2001, the Standing Committee on Crown Corporations concurred with our recommendation.

Sask Water transferred the corporate services component of its operations to the Authority on October 1, 2002. Therefore, the previous recommendations on security for Sask Water now apply to the Authority.

The Authority depends on a number of IT systems to deliver its services, ensure compliance with laws governing its services, and manage its financial affairs. As a result, the Authority must protect its IT systems and data from unauthorized access, unauthorized changes, and accidental or deliberate destruction.

The Authority does not have a formal security policy or an approved and tested disaster recovery plan. As a result, the Authority is at risk of disclosing confidential information, making decisions based on incorrect information, or losing information.

We continue to recommend that the Authority set appropriate security policies and procedures for its IT systems and data.

Management told us that the Authority has begun work to create a more formal corporate security policy that is based on the risks it faces and that integrates requirements related to the Government's privacy initiatives. Also, management told us that it has put new processes in place to ensure tighter security in certain areas.

## Annual Report needs improvement

The Authority's annual report for the year ended March 31, 2003 needs improvement.

To assess the Authority's performance, legislators and the public need information about the Authority's plans and its progress in achieving those plans. Annual reports can provide this information.

We assessed the annual report using the Department of Finance's *Public Performance Reporting Guidelines* (see [www.gov.sk.ca/finance](http://www.gov.sk.ca/finance)). These guidelines are for annual reports prepared by Departments and Treasury Board Crown corporations.

We found that the annual report does not comply with those reporting guidelines. For example, the annual report does not set out the Authority's mission, goals, objectives or performance measures. As a result, the annual report does not show the Assembly and the public the Authority's progress in achieving its objectives.

**4. We recommend that the Saskatchewan Watershed Authority prepare its annual report using the Department of Finance's reporting guidelines.**

Management told us that the Authority is committed to reporting in accordance with the annual report guidelines set out by the Department of Finance.