

Environment

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Main points

The Department of Environment has made progress to address many of our past recommendations but it needs to do more to fully address some of these recommendations relating to:

- ◆ segregating duties of employees responsible for disbursement or expenditure of public money
- ◆ communicating clearly to its employees its operating policies and ensuring that its employees understand the reasons for the policies
- ◆ following established rules and procedures to reconcile its recorded bank balances to the bank's records promptly
- ◆ defining and documenting its compliance reporting needs
- ◆ preparing a complete business continuity plan

Our new recommendations expect the Department to adequately review the payroll for accuracy prior to paying employees, and include measurable targets and indicators in its human resource plan. Also, it should make a service level agreement with the Information Technology Office for information technology services.

Also, the Saskatchewan Watershed Authority has addressed our past recommendation to set long-term targets for measures related to dam safety to help it better monitor the effectiveness of its dam safety activities and has made progress on other past recommendations.

Introduction

The Department of Environment (Department) is responsible for managing, enhancing, and protecting the Province’s natural and environmental resources and sustaining them for future generations. Information about the Department is available on its website (www.environment.gov.sk.ca/).

For the year ended March 31, 2007, the Government’s summary financial statements show environment and natural resource expenses of \$212 million (2006 – \$174 million) comprised of the following:

	(in millions of dollars)	
	<u>2007</u>	<u>2006</u>
Department of Environment		
(2006-07 Public Accounts – Volume 1)	\$ 194	\$ 146
Deduct expenses shown as:		
Economic development related to forests	(12)	(12)
Community development related to urban parks	(4)	(4)
Other	(5)	(5)
Add expenses incurred by:		
Saskatchewan Water Corporation	17	28
Saskatchewan Watershed Authority	<u>22</u>	<u>21</u>
	<u>\$ 212</u>	<u>\$ 174</u>

The Department’s program costs were \$194 million (2006 – \$146 million) and its net capital acquisitions were \$21 million. Also, the Department had revenue of \$52 million (2006 – \$53 million) from licences and permit fees for fishing, gaming, and forestry. It also collects non-refundable deposits on beverage containers. In addition, the Department raises revenue and incurs expenses through its funds listed on the next page.

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Information about the Department's revenues and expenses appear in the Department's 2006-07 annual report, (see www.environment.gov.sk.ca). The Department's major programs and spending include:

	<u>Original Estimates</u>	<u>Actual</u>
	(Millions of dollars)	
Central Management and Services	\$ 17	\$ 18
Environmental Protection and Water		
Management	25	25
Forest Services	14	14
Fire Management and Forest Protection	94	98
Resource Stewardship	8	8
Parks	16	19
Compliance and Field Services	15	16
Planning and Risk Analysis	8	12
Other	<u>5</u>	<u>5</u>
	<u>\$ 202</u>	<u>\$ 215</u>

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

Year ended March 31

Commercial Revolving Fund
Fish and Wildlife Development Fund
Resource Protection and Development Revolving Fund
Operator Certification Board
Saskatchewan Watershed Authority
Water Appeal Board
Saskatchewan Centre of the Arts

Our audit conclusions and findings

We worked with Deloitte & Touche LLP, the appointed auditor for the Saskatchewan Watershed Authority, and Mintz & Wallace, the appointed auditor for the Operator Certification Board, to form our opinions. We used the framework recommended in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors* (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, 2007:

- ◆ **the Department and its agencies had adequate rules and procedures to safeguard public resources except for the matters described in this chapter**
- ◆ **the Department and its agencies complied with the authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the matters described in this chapter**
- ◆ **the financial statements of the Department’s funds and agencies are reliable**

The Department has made progress to address many of our past recommendations related to verification of forestry fees, control over capital assets, collection of revenue, and hiring practices for employees. However, the Department needs to do more to fully address some of the recommendations we made in our prior reports. We also make two new recommendations relating to payroll accuracy and lack of a service agreement with the Information Technology Office.

This chapter also provides an update on the status of recommendations previously made by the Standing Committee on Public Accounts (PAC) that are not yet implemented.

Better control over employees’ pay needed

The Department needs to better control employees’ pay.

During the year, the Department reviewed its payroll costs during its review of monthly financial reports. However, the Department did not adequately review the accuracy of key payroll data for each pay period prior to paying employees. As a result, employees’ pay has not been approved in accordance with *The Financial Administration Act, 1993*.

This weakness increases the risk that employees may be paid incorrect amounts. During the year, the Department overpaid employees by

approximately \$40,000. At March 31, 2007, the Department had collected the overpayments or was seeking collection of the overpayments.

- 1. We recommend that the Department of Environment adequately review the payroll for accuracy prior to paying its employees to ensure that all employees' pay is approved in accordance with *The Financial Administration Act, 1993*.**

Service level agreement needed

The Department does not have a service level agreement with the Information Technology Office (ITO). ITO billed the Department \$4 million for the services it provided to the Department for the year ended March 31, 2007.

ITO provides information technology (IT) services that the Department's own employees provided in the past. Therefore, the Department needs to sign a service level agreement with ITO setting out the roles and responsibilities of both ITO and the Department. For example, the agreements would describe the services that ITO would provide (such as help desk services and application development), the service availability requirements (such as the percentage of time networks will be available), the service delivery targets (such as timeframe for setting up new email accounts), and the duration of the agreement. The agreement should also identify security and disaster recovery requirements. Also, the agreement should address administrative matters such as the level of detail provided on invoices.

The Department needs sufficient information to assess the accuracy of services billed. Without a signed service level agreement, there is a risk that the Department may not receive the services it needs. Also, written agreements are useful to resolve any disputes because the roles and responsibilities of both parties are documented.

- 2. We recommend that the Department of Environment make an appropriate service level agreement with the Information Technology Office.**

Segregation of duties

Since our 2005 Report – Volume 1, we have recommended that the Department properly segregate the duties of the employees responsible for disbursement or expenditure of public money. Segregation of duties is important to prevent the misuse of public money.

PAC considered this matter in June 2005 and agreed with our recommendation.

The Department has established policies setting out proper segregation of duties for processing payments. It has also provided training to its employees about its policies. However, we found instances where employees did not always follow the policies resulting in a lack of segregation of duties. During the year, the Department's internal auditor also reported to senior management that employees do not always comply with the segregation of duties policies for processing payments.

We continue to recommend that the Department properly segregate the duties of the employees responsible for disbursement or expenditure of public money.

Management told us it continues to provide training to employees on the importance of proper segregation of duties for processing payments. Management also told us that the Department plans to continue to monitor the benefits of undertaking additional initiatives to improve the segregation of duties versus the cost of these initiatives. In addition, management told us that the Department would continue to use its financial reports comparing budget and actual results with written explanations to oversee the Department's operations.

Effective direction to employees

Since our 2005 Report – Volume 1, we have recommended that the Department clearly communicate to its employees its operating policies and ensure that its employees understand the reasons for the policies. PAC considered this matter in June 2005 and agreed with our recommendation.

The Department has various operating policies and procedures manuals that provide guidance to its employees. The manuals include direction to employees for initiating and processing payments and reconciling revenue billings and payment records to the accounting records. The Department also provides training to employees on the importance of following established policies and procedures. However, employees did not always follow those policies and procedures.

We found instances where employees made payments without approved invoices, did not properly reconcile revenue records to the general ledger and as reported later did not promptly reconcile its recorded bank balances to the bank's records.

We continue to recommend the Department of Environment clearly communicate to its employees its operating policies and ensure that its employees understand the reasons for the policies.

Control over bank accounts

Since our 2004 Report – Volume 3, we have recommended that the Department follow its rules and procedures to reconcile (agree) its recorded bank balances to the bank's records promptly.

In January 2005, PAC considered this matter and agreed with our recommendation.

Regular reconciliation and review of recorded bank balances to bank records provides a check that all charges to the bank accounts are proper and all money has been received and deposited in the right account.

The Department has established a policy to reconcile its recorded bank balances to the bank's records promptly. The policy also requires an independent review and approval of completed bank reconciliations. However, employees did not reconcile all bank accounts promptly. At March 31, 2007, employees had not reconciled the Department's key transfer account for March 31, 2003. The Department receives about one third of its entire revenues in this account for onward transfers to the General Revenue Fund.

Also, the Department could not provide us evidence of review and approval of monthly bank reconciliations for a significant bank account for the Department's Fish and Wildlife Development Fund.

We continue to recommend that the Department of Environment follow its rules and procedures to reconcile its recorded bank balances to the bank's records promptly.

Management informed us that the Department has taken steps in 2007-08 to improve the timeliness of completing the transfer bank account reconciliations. In August 2007, management told us the Department has reconciled the transfer account up to April 30, 2007. Management also informed us that the Department has now begun to review and approve the bank reconciliations for its Fish and Wildlife Development Fund bank account promptly.

Human resource plan needs improvement

In our 2006 Report – Volume 3, we reported that the Department did not have an adequate human resource plan.

PAC considered this matter in March 2007 and agreed with our recommendation.

An adequate human resource plan would help the Department to ensure it has the right employees, in the right jobs, at the right time. An adequate human resource plan would:

- ◆ set out priorities and human resource needs and link to strategic direction of the Department
- ◆ identify key human resource risks and any competency gaps in current resources
- ◆ set out strategies and implementation plans to bridge competency gaps

Agencies also need measurable indicators and targets for key strategies to determine their success.

The Department's human resource plan included its current and future human resource needs. It also outlines strategies to address these gaps.

However, the Department has not set out measurable indicators and targets for all of its key strategies.

- 3. We recommend that the Department improve its human resource plan by providing measurable targets and indicators for its key strategies.**

Improving compliance reporting

Since our 1998 Fall Report – Volume 2, we have recommended the Department define and document its compliance reporting needs. The compliance reports should show the Department's compliance with the law, agreements, policies and procedures.

PAC considered this matter in January 1999 and agreed with our recommendation.

The Department has developed a compliance plan. It has prioritized its risks and has defined compliance actions to reduce these risks. However, the Department has not yet documented all of its compliance reporting needs. Management told us the Department has begun reviewing all of its legislation to assess the risk of non-compliance and the Department's reporting needs.

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

Management told us that in July 2007 the Department had documented all of its compliance reporting needs. Management also told us that the Department has established an annual process to monitor and report its compliance activities.

Complete business continuity plan

In our 2006 Report – Volume 3, we recommended that the Department prepare a complete business continuity plan.

PAC considered this matter in March 2007 and agreed with our recommendation.

The Department needs a written, tested, and approved business continuity plan to help ensure that it can deliver its programs and services in the event of a disaster.

The Department delivers a number of environmental programs and services to the residents of Saskatchewan as part of its mandate. It must carry out its mandate, even if a disaster disrupts its ability to deliver its programs and services in the usual manner. Without an adequate business continuity plan, the Department is at risk of not being able to deliver its programs and services in a timely manner.

The Department does not have a complete and tested business continuity plan. However, it has ranked its critical services and begun developing procedures for the recovery and restoration of these critical services.

We continue to recommend the Department of Environment prepare a complete business continuity plan.

Saskatchewan Watershed Authority's processes to ensure dams are safe – a follow-up

Saskatchewan Watershed Authority (Authority) is responsible for the operation of the Gardiner, Qu'Appelle River, Rafferty, and Alameda dams. In 2005, we examined whether the Authority had adequate processes to ensure the above dams are safe. We reported the results of the audit in our 2005 Report – Volume 1, Chapter 3 and made recommendations for the Authority to help improve its processes.

We recommended the Authority:

- ◆ obtain an independent comprehensive dam safety review on each of its very high consequence dams (i.e., Rafferty, Alameda, Qu'Appelle River, and Gardiner) at least every five years
- ◆ have up-to-date tested emergency preparedness plans for each of its major dams (i.e., Rafferty, Alameda, Qu'Appelle River, and Gardiner)
- ◆ set processes that ensure its manuals always include complete procedures to operate, maintain, and monitor dam safety

- ◆ set long-term targets (e.g., five to ten years) for measures related to dam safety to help it better monitor the effectiveness of its dam safety activities

The Standing Committee on Public Accounts considered these matters in June 2005 and agreed with our recommendations.

In September 2007, we assessed the Authority's progress towards addressing our recommendations. We set out the results of our work below by recommendation.

Independent comprehensive dam safety review

A dam safety review is a comprehensive formal review carried out by an independent registered professional engineer at regular time intervals. The review is to determine whether the dam is safe, and if it is not safe, to determine required safety improvements.¹

In 2005, the Authority planned to have independent comprehensive dam safety reviews performed on the Gardiner and Qu'Appelle River dams during the 2006-07 fiscal year. However, the Authority has not yet commissioned these independent reviews. In addition, it planned for the first time to start independent dam safety reviews for the Alameda dam in 2006-07 and Rafferty dam in 2007-08. An independent comprehensive dam safety review of the Alameda Dam was conducted in 2006-07. This review concluded that the Alameda Dam is well maintained and operated, and is in fair to satisfactory condition. The review also made several recommendations for improvements.

We continue to recommend that the Saskatchewan Watershed Authority obtain an independent comprehensive dam safety review on each of its very high consequence dams (i.e., Rafferty, Alameda, Qu'Appelle River, and Gardiner) at least every five years.

¹ *Canadian Dam Association Draft Dam Safety Guidelines*. (Feb 2005). p. G-2.

Up-to-date tested emergency preparedness plans

An Emergency Preparedness Plan (EPP) “is a formal written plan that identifies the procedures and processes that the dam operators should follow in the event of an emergency at a dam.”² The EPP is prepared to safeguard lives and to reduce property damage in the event of natural flooding or dam failure.

In 2005, the Authority planned to update the Gardiner dam EPP and start preparing an EPP for the Alameda dam in 2005-06. In addition, it had planned to do an EPP for the Qu’Appelle River dam in 2006-07 and the Rafferty dam in subsequent years.

The EPP for Gardiner Dam was redrafted and dam break analyses for the Rafferty, Alameda and Qu’Appelle River dams were completed during the past two years. The dam break analysis is a prerequisite to preparing EPPs. The Authority told us it plans to complete revisions of the Gardiner Dam EPP in 2007-08, then use the document as a template for preparing the remaining EPPs. Public consultation and testing of the EPPs is planned for 2008-09.

We continue to recommend that the Saskatchewan Watershed Authority have up-to-date tested emergency preparedness plans for each of its major dams (i.e., Rafferty, Alameda, Qu’Appelle River, and Gardiner).

Complete manuals

Complete and current operation, maintenance, and surveillance manuals provide direction to employees to ensure that they maintain the structural integrity and safety of the dams. Complete manuals also help transfer key knowledge when personnel change.

The Authority has made progress in updating its manuals. However, more work remains to be done to complete the manuals in order to meet the Canadian Dam Association’s Guidelines.

² *Canadian Dam Association Guidelines*. (Jan 1999). p. 4-1.

We continue to recommend that the Saskatchewan Watershed Authority set processes that ensure its manuals always include complete procedures to operate, maintain, and monitor dam safety.

Long-term targets

The Authority uses two performance measures to monitor the safety of its water management infrastructure (i.e., the risk associated with water management infrastructure, and the number of dams requiring upgrades to meet dam safety criteria). The Authority has now set long-term internal targets for these measures to help it better monitor the effectiveness of its dam safety activities.

Status of other outstanding recommendations of the Standing Committee on Public Accounts

The following table provides an update on recommendations previously made by the Standing Committee on Public Accounts (PAC) that are not yet implemented and are not discussed earlier in this chapter.³

PAC REPORT YEAR⁴	OUTSTANDING RECOMMENDATION	STATUS
2005	<p>PAC concurs:</p> <p>7-5 that the Department of Environment should assess the risk of loss of public money by employees in positions of trust (responsible for collection, receipt, disbursement, or expenditure of public money) and reduce the risk to an acceptable level (e.g., increasing insurance coverage or requiring criminal record checks).</p>	<p>Partially implemented (as at March 31, 2007)</p> <p>The Department and PSC have identified job positions that would need criminal record checks with the objective to receive all such checks over the next three years. We plan to report our assessment of their progress in a future report.</p>

³ For the definitions of the key terms used in the table, see Chapter 25 – Standing Committee on Public Accounts pages 398 to 399.

⁴ PAC Report Year refers to the year that PAC first made the recommendation in its report to the Legislative Assembly.

PAC REPORT YEAR ⁴	OUTSTANDING RECOMMENDATION	STATUS
Department of Environment (Air Quality)		
2005	PAC concurs: 10-2 that the Department of Environment should set sound and consistent terms and conditions for permits to regulate air emissions.	Partially implemented (as at March 31, 2006). Follow-up planned for 2008-09.
2005	PAC concurs: 10-3 that the Department of Environment should establish processes to ensure permits to regulate air emissions are properly approved and expired permits are followed up promptly.	Partially implemented (as at March 31, 2006). Follow-up planned for 2008-09.
2005	PAC concurs: 10-4 that the Department of Environment should set sound and consistent processes for monitoring compliance with permits to regulate air emissions and for handling air emission complaints.	Partially implemented (as at March 31, 2006). Follow-up planned for 2008-09.
2005	PAC concurs: 10-5 that the Department of Environment should complete its human resource plan including a plan for employee training to regulate air emissions.	Partially implemented (as at March 31, 2006). Follow-up planned for 2008-09.
2005	PAC concurs: 10-6 that the Department of Environment should establish systems to collect and maintain information to prepare reliable reports.	Not implemented (as at March 31, 2006). Follow-up planned for 2008-09.
2005	PAC concurs: 10-7 that the Department of Environment should improve its internal and external reporting on air emissions.	Partially implemented (as at March 31, 2006). Follow-up planned for 2008-09.

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