Environment

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Main points

The Ministry of Environment (Environment) complied with the authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing and the financial statements of Environment's funds and agencies are reliable.

Environment should establish adequate processes to secure its systems and data, enter into an adequate agreement with the Information Technology Office and Public Service Commission, and complete a business continuity plan.

Environment has made some progress in addressing our past recommendations. However, progress is slow in the following areas.

Regulating air emissions—a follow up

In 2004, we assessed Environment's processes to regulate air emissions. We found that Environment had to improve how it gives permits to operators. Also, Environment had to establish a process to maintain information and report publicly on air emissions. Although two recommendations have been met, five continue to be outstanding.

Regulating contaminated sites—a follow up

In 2007, we assessed Environment's processes to regulate contaminated sites. We found that Environment needed better processes to assess, monitor, and report on the status of contaminated sites. Four recommendations remain outstanding.

Regulating reforestation—a follow up

In 2009, we assessed Environment's processes to regulate reforestation. We found that Environment needed to improve its monitoring and reporting of reforestation activities. Six recommendations remain outstanding.

Introduction

The Ministry of Environment (Environment) is responsible for working with Saskatchewan stakeholders to protect the water, air and natural resources to achieve a high environmental standard and to support sustainable development in the use of these resources. Environment's mandate includes guiding government efforts to help Saskatchewan people and communities "Go Green" and to meet provincial greenhouse gas emission targets.[1]

Special purpose funds and Crown agencies

At March 31, 2011, Environment was responsible for the following special purpose funds and Crown agencies (agencies). Each one has a March 31 year-end:

Fish and Wildlife Development Fund
Operator Certification Board
Saskatchewan Watershed Authority
Water Appeal Board

We report Saskatchewan Watershed Authority in Chapter 23.

Financial overview

For the year ended March 31, 2011, Environment spent $222 million (2010 - $186 million) including net capital acquisitions of $14 million (2010 - $18 million). Also, Environment recorded revenue of $51 million (2010 - $49 million) from licenses and permit fees for fishing, hunting, forestry and non-refundable deposits on beverage containers. In addition, Environment raises revenue and incurs expenses through the Fish and Wildlife Development Fund and eleven forest management funds.

Information about Environment's revenues and expenditures appear in Environment's *2010-11 Annual Report* (see www.environment.gov.sk.ca). Environment's major programs and spending include:

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[1] Saskatchewan Ministry of Finance. *2011-12 Saskatchewan Provincial Budget: Estimates,* p. 59.

	Original Estimates	Actual
	(in millions of dollars)	
Central Management Services	$ 17.1	$ 16.5
Climate Change	16.7	16.1
Land	2.8	2.7
Environmental Support	11.1	9.5
Fish, Wildlife and Biodiversity	8.9	8.5
Compliance and Field Services	16.6	17.6
Environmental Protection	31.2	74.6
Forest Service	9.9	9.6
Fire Management and Forest Protection	71.5	66.7
	$ 185.8	221.8
Capital asset acquisitions		(14.1)
Capital asset amortization		6.2
Total Expenses		$ 213.9

This chapter reports the results of our 2010-11 audit of Environment and our follow up on recommendations made on three previous audits: regulating contaminated sites, regulating air emissions, and regulating reforestation.

Audit conclusion and findings

We worked with Mintz & Wallace, the appointed auditor for the Operator Certification Board, to form our opinions for this agency. 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).

In our opinion, for the year ended March 31, 2011:

♦   **Environment and its agencies had adequate rules and procedures to safeguard public resources except for the matters described in this chapter**

♦   **Environment and its agencies complied with the following authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

>   *The Environmental Management and Protection Act,
>   2002*
>   *The Financial Administration Act, 1993*
>   *The Fisheries Act (Saskatchewan), 1994*
>   *The Forest Resources Management Act*
>   *The Government Organization Act*
>   *The Litter Control Act*
>   *The Ministry of Environment Regulations, 2007*
>   *The Natural Resources Act*
>   *The Prairie and Forest Fires Act, 1982*
>   *The Provincial Lands Act*
>   *The Public Service Act, 1998*
>   *The Purchasing Act, 2004*
>   *The State of the Environment Report Act*
>   *The Wildlife Act, 1998*
>   **Regulations and Orders in Council issued pursuant to
>   the above legislation**

♦   **the financial statements of Environment's fund and agencies
    are reliable**

Monitoring of forest management funds needed

> *We recommended that the Ministry of Environment establish
> processes to verify that:*
> ♦   *the operators paid the correct fees to the relevant forest
>   management fund or forest trust fund*
> ♦   *the managers of these funds use the money collected for the
>   purposes intended including reforestation.* (2009 Report –
>   Volume 3)

On June 25, 2010, the Standing Committee on Public Accounts (PAC)
agreed with our recommendation.

Environment has eleven forest management funds used to collect fees
from forest operators and other licensees based on the number and types
of trees harvested under *The Forest Resources Management Act*. These
funds are held by the forest operators or their trustees. At March 31,
2011, these funds held approximately $8.5 million for the Government.

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Forest operators collect fees and pay for reforestation activities. Environment must ensure that all operators of forest management agreements and term supply licenses collect and pay the correct fees into the relevant forest management fund for reforestation and for other activities. Environment must also ensure that forest operators used the money for its intended purposes.

Environment receives periodic financial information on the revenues and expenses of the management funds. However, the financial information does not provide assurance that operators paid the correct fees into their related funds or that the funds' managers spent the money for allowable purposes.

Environment is currently developing and implementing directives under its forestry financial control framework. These directives will set processes to verify that the correct fees are paid into the funds and that the funds' managers spend the money for allowable purposes including reforestation.

Status – We continue to make this recommendation.

Need to follow payroll guidance

We recommended that the Ministry supervise its employees to ensure they follow the Ministry of Environment's policies and procedures for preparing the amount owing to terminated employees. (2008 Report – Volume 3)

On December 9, 2008, PAC agreed with our recommendation.

Environment paid salaries and wages totalling approximately $64.8 million for the year ended March 31, 2011.

As in the past, supervisors did not submit all staff termination documents to the Public Service Commission (PSC) prior to calculating final pay. As a result, Environment overpaid amounts totalling $18,197 to former employees, employees on seasonal layoff, and employees on definite leaves of absence. The Ministry is trying to collect this money.

Status – We continue to make this recommendation.

Adequate payroll service agreement needed

Environment does not have a complete service agreement with PSC. PSC provides payroll services to Environment.

Environment's current service agreement with PSC does not clearly assign responsibilities for key payroll activities. An inadequate agreement increases the risk that Environment will not receive the services it needs.

1.   **We recommend that the Ministry of Environment modify its agreement with the Public Service Commission clarifying responsibilities for key payroll activities.**

Adequate IT service agreement needed

We recommended that the Ministry of Environment sign an adequate agreement with the Information Technology Office for information technology services. (2008 Report – Volume 3)

On December 9, 2008, PAC agreed with our recommendation.

In 2011, the Information Technology Office (ITO) billed Environment $5 million ($6 million in 2010) for the services it provided to Environment.

Environment signed a service agreement with ITO on April 1, 2008. The agreement, however, does not adequately address disaster recovery and Environment's ability to obtain assurance as to security of its information systems. As a result, Environment does not know whether ITO can restore the systems and data when needed in the event of a disaster and that Environment's data is secure and appropriately stored. During the year, Environment made little progress in improving its agreement with ITO.

Management told us Environment is in discussions with the ITO to address disaster recovery within the scope of the agreement.

Status – We continue to make this recommendation.

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Establish processes to secure data

We recommended that the Ministry of Environment establish adequate processes to secure its systems and data. *(2008 Report – Volume 3)*

On December 9, 2008, PAC agreed with our recommendation.

To know the security of its computer systems, Environment needs to monitor whether the security ITO provides is adequate. Environment does not ask for or receive any information from ITO on the security or availability of its systems.

Environment needs to ensure it has strong security to protect its information technology (IT) systems and data. Without strong security plans and processes, Environment cannot ensure the confidentiality, integrity, and availability of its systems and data. Also, management may not know if it has addressed all of the threats and risks to Environment's systems and data. An IT plan can help management do so.

Environment accepts credit card payments for some fees, such as the Big Game Draw. Environment is required to comply with industry standards for credit cards as part of its agreement with its credit card service provider. Environment does not have processes to determine whether it complies with these standards. Lack of compliance with industry security standards increases the risk of unauthorized access to credit card information by others without ready detection. This could lead to a loss of public money, loss of reputation, and loss of the ability to process payments by credit card.

Environment has adequate procedures for granting and removing user access to its computer systems and data. However, employees did not always follow its established procedures. During the audit, we noted nine instances where Environment did not remove access to its systems and data for those who no longer needed such access.

Environment uses a computer system to issue licenses. During our audit, we noted that all users of this system were capable of carrying out some super user responsibilities. This increases the risk of loss of revenue.

Environment needs to monitor and limit access to ensure user access is appropriate.

Environment uses a computer system for its leases and land sale operations. During our audit, it was noted that user access for this system was not monitored from April – November 2010. Also, Environment did not have access to a current user access listing for the system. This increases the risk of inappropriate user access to the system. Environment needs to monitor and limit user access to this computer system to ensure user access is appropriate.

Status – We continue to make this recommendation.

Complete business continuity plan needed

We recommended that the Ministry of Environment prepare a complete business continuity plan. (2006 Report – Volume 3)

On March 27, 2007, PAC agreed with our recommendation.

Environment provides 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, Environment is at risk of not being able to deliver its programs and services in a timely manner.

Environment prepared an initial business impact assessment in March 2010 to identify priority systems. Since that time, Environment has had ongoing discussions with the ITO regarding their disaster recovery services.

Management told us that it has developed a draft Business Continuity Plan that addresses a broad range of catastrophic events including pandemic, environmental disasters, civil disorder and natural disasters. It was approved in principle pending the submission of the draft implementation plan.

Status – We continue to make this recommendation.

Regulating air emissions—a follow up

Our 2004 Report – Volume 1, Chapter 10 (pp. 140-151) concluded that Environment did not have adequate processes to regulate air emissions. Regulating air emissions is a challenge. To meet this challenge, Environment needed to decide what resources it needed to monitor air emissions. Environment also needed to establish processes to ensure it issued appropriate permits to operators and followed up expired permits. Environment could then establish processes to monitor compliance with permits, handle air emission complaints, maintain information relating to air emissions, and report publicly on air emissions. We made seven recommendations.

On December 1, 2004, PAC agreed with our recommendations.

In our 2006 Report – Volume 3 and our 2009 Report – Volume 3, we concluded that Environment still had not adequately addressed our recommendations.

The following section sets out the recommendations (in italics) and Environment's actions to March 31, 2011. We found that Environment has met two recommendations and still has work to do to meet the remaining five recommendations.

Sound and consistent terms and conditions for permits

We recommended that the Ministry of Environment should set sound and consistent terms and conditions for permits to regulate air emissions. (2004 Report – Volume 1)

In 2011, Environment updated its *Clean Air Permitting Protocol* for staff to follow in setting terms and conditions for permits. Environment also provided training to staff to reinforce the manner in which the protocol is to be applied.

Status – Environment has implemented this recommendation.

Prompt follow up and approval of expired permits

We recommended that the Ministry of Environment should establish processes to ensure permits to regulate air emissions are properly approved and expired permits are followed up promptly. (2004 Report – Volume 1)

Environment continues to maintain an inventory of permits and their expiry dates on a spreadsheet. Operators are required to apply for a clean air permit renewal sixty days prior to expiry. Employees use the spreadsheet to identify permits that will soon expire and notify the operators to apply for renewal of those permits. However, the spreadsheet is not current. For example, the listing does not include certain information on some permits such as: permit number, operator locations, and reasons why the identified permit is not renewable. Some permits that expired remain on the spreadsheet as current permits even though the permit holder is no longer in operation. We also found instances where Environment is aware of companies operating without permits and without waivers. Some of these companies had permits that expired prior to 2010. Under *The Clean Air Act,* the Minister can waive a permit for a minor source of air contaminants.

Management told us that in the future it plans to track permits on a central database similar to how it tracks compliance of water and wastewater permits.

Status – We continue to make this recommendation.

Monitoring compliance with permits

We recommended that the Ministry of Environment should set sound and consistent processes for monitoring compliance with permits to regulate air emissions and for handling air emission complaints. (2004 Report – Volume 1)

The Clean Air Permitting Protocol and the *Air Monitoring Directive for Saskatchewan* provide employees guidance on what to monitor and when. The guidance requires employees to review operators' annual compliance reports and prepare a summary report for management on non-compliance. Employees use a standardized form to monitor

operators and take action on complaints. Environment has also drafted a Clean Air Compliance Inspection Protocol to provide guidance for employees to follow for inspecting operators to monitor compliance with permits. Environment is also in the process of developing a comprehensive Industrial Compliance Inspection protocol. This Inspection Protocol is in the process of being approved by management.

Environment has processes to record, investigate, and document resolution of complaints. Environment needs to ensure employees follow those processes. Employees use a spreadsheet to track complaints for facilities that are not directly related to a larger assigned industrial facility. For the larger facilities, the complaints are directed to the appropriate Environmental Project Offices and are recorded in the operator's individual file. However, the spreadsheet does not always contain information about how employees resolved the complaints and when, and how they communicated the resolutions to the complainants, operators, management, and the public.

Status – We continue to make this recommendation.

Collecting and maintaining information to prepare reliable reports

We recommended that the Ministry of Environment should establish systems to collect and maintain information to prepare reliable reports. (2004 Report – Volume 1)

Environment maintains manual records for each of its permit holders. It uses a spreadsheet to collect and maintain centrally some information for each operator, such as the number and date of issued permits and their expiry dates. However, as we reported earlier, the spreadsheet is not always up-to-date. Also, it does not contain information about monitoring results. Management told us it did not design the spreadsheet to record monitoring results. We examined a sample of permit holder records to assess how Environment documents its monitoring of operators. Environment could not provide all of the files we requested.

Environment collects and stores air quality data from five monitoring stations (Regina, Saskatoon, Prince Albert, Swift Current and La Loche) in the province.

Status – We continue to make this recommendation.

Non-compliance reporting on air emissions

We recommended that the Ministry of Environment should improve its internal and external reporting on air emissions. (2004 Report – Volume 1)

Employees are expected to report to management any air emission incidents and non-compliant items identified for specific industries. Industries are required to meet the Saskatchewan Ambient Air Quality Standards along with any other site specific conditions in their operating approvals. The frequency of monitoring and reporting on air emissions are identified in each industry's operating approval. Environment determines the frequency of compliance inspections through branch compliance planning and individual employee work planning sessions.

Air quality reporting updates are provided to management through summaries of the Saskatchewan Air Monitoring Lab activities, the state of the environment reporting process and through internal processes at various levels including briefings and participation in meetings and teleconferences.

In 2011, Environment drafted a status of the environment reporting guideline covering reporting to senior management and the public. The draft guideline will set standardized reporting and terminology. Senior management plans to review and approve this guideline in 2012.

Environment has improved its external reporting. It now posts on its website the Air Quality Index and the Air Quality Health Index which contain real time and historical data for several sites in the province. Environment has established the Southeast Saskatchewan Airshed Association which reports continuous regional air quality monitoring results on its website. Ministry staff told us they also plan to table a ten-year provincial air quality monitoring report in 2011.

Status – We continue to make this recommendation.

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Regulating contaminated sites—a follow up

Under *The Environmental Management and Protection Act, 2002* and related regulations, Environment has responsibility to control and direct how best to manage a contaminated site.

Regulating contaminated sites is necessary to prevent, minimize, or mitigate damage to human or ecosystem health.[2] Environment is responsible for identifying contaminated sites, assessing risks to human and ecosystem health, and for determining who was responsible for contaminating the sites. It then must ensure appropriate remediation of the contaminated sites.

Our 2008 Report – Volume 1 (Chapter 4) concluded that Environment had adequate processes at August 31, 2007 to regulate contaminated sites except it needed to implement processes for assessing, monitoring, tracking, and reporting the status of contaminated sites. We made four recommendations. On June 16, 2008, PAC agreed with our recommendations.

In our 2009 Report – Volume 3, we concluded that Environment had not adequately addressed the recommendations relating to regulation of contaminated sites.

We completed our second follow up to assess Environment's progress. The following sections set out our past recommendations (in italics) and our findings to March 31, 2011. We found that Environment needs to do more work to meet our recommendations.

Adequate system needed for tracking contaminated sites

We recommended that the Ministry of Environment establish an adequate system for tracking contaminated sites. (2008 Report – Volume 1)

Environment continues to use a contaminated sites tracking system that is not up to date, complete and accurate. Environment is developing a replacement system called the Impacted Sites Information System (ISIS)

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[2] System involving interaction between organisms and the non-living environment.

database. This system is intended to contain information about the condition of a contaminated site, the contaminants found at the site, their toxicity levels, health and human safety issues, and identify risks that require remedial action.

Effective February 15, 2010, Environment has implemented the National Classification System for Contaminated Sites (NCSCS)[3] for all impacted sites in Saskatchewan. This system will facilitate the tracking of contaminated sites to prioritize actions at impacted sites.

Status – We continue to make this recommendation.

Assessing the risks of contaminated sites

We recommended that the Ministry of Environment complete its risk assessments for identified contaminated sites and rank them in terms of priority. *(2008 Report – Volume 1)*

Environment has made little progress towards this recommendation. Through the NCSCS work discussed above, management told us it is becoming better positioned to be able to undertake evaluations of all known impacted sites and rank them in terms of priority action.

Status – We continue to make this recommendation.

Monitoring and reporting on the status of sites

We recommended that the Ministry of Environment complete its written guidance for monitoring contaminated sites. *(2008 Report – Volume 1)*

Environment is currently developing written guidance for the various activities associated with contaminated sites. These documents are being developed in conjunction with the ISIS database, Information management enhancements, as well as the Environmental Code.[4]

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[3] As developed by the Canadian Council of Ministers of the Environment.
[4] Once completed, the Saskatchewan Environmental Code is intended to be a clear, concise statement of objectives and best practices that will govern the management and protection of Saskatchewan's environment and natural resources while promoting economic growth. This code will provide directions and guidelines for projects, allowing operators in many situations to proceed in environmentally friendly manners without unnecessary permits from the ministry (*2010-11 Annual Report*).

Environment anticipates that this guidance will be finalized by fall 2011. Environment expects that the Environmental Code will then enter the regulatory approvals process and become effective in June 2012.

Status – We continue to make this recommendation.

We recommended that the Ministry of Environment prepare a communication plan for internal and external reporting on the status of contaminated sites. *(2008 Report – Volume 1)*

Environment has started a review of a plan developed in 2009 (Communication Strategy Contaminated Sites and Hazardous Materials Environmental Emergencies Communication Plan). Changes to the plan will be made once the Environmental Code, database and information management components are finalized. Environment plans to have a revised communication plan in place prior to enabling the Environmental Code in June 2012.

Status – We continue to make this recommendation.

Regulating reforestation—a follow up

Our 2009 Report – Volume 3, Chapter 6 (pp. 95-106) concluded that Environment had adequate processes to regulate reforestation of the provincial forest on Crown land as at June 30, 2009 except for the lack of:

♦ processes to set and approve reforestation terms and conditions, and fees at a level to cover reforestation costs
♦ monitoring of forest operator compliance with reforestation requirements
♦ a communication strategy to inform stakeholders about the effectiveness of reforestation and regular reports to oversee proper reforestation

We made seven recommendations. On June 25, 2010, PAC agreed with our recommendations.

The following section sets out the recommendations (in italics) and Environment's actions to March 31, 2011. We found that Environment still has work to do to meet these recommendations.

Setting out reforestation requirements

We recommended that the Ministry of Environment establish processes for setting reforestation terms and conditions and for approving forest product permits. (2009 Report – Volume 3)

During 2011, Environment did not include reforestation terms and conditions for the issued permits. However, during 2011 Environment approved a forestry directive that sets out the process for issuing forest product permits (FPPs) and the approval process for FPPs. These processes are being incorporated into a new digital permitting system, which Environment has told us will go live in late 2011. Once operational, the new permitting system should ensure that FPPs are issued with the necessary reforestation requirements.

Status – We continue to make this recommendation.

We recommended that the Ministry of Environment establish processes to set reforestation fees at a level to cover reforestation costs. (2009 Report – Volume 3)

In 2011, Environment approved a new forestry directive on the calculation and assessment of forest management fees. The stated intent of the directive is to support the sustainable renewal of the forest by ensuring the fees levied will cover the expected future cost of renewal activities. Environment has begun to work with operators to reassess forest management fees.

Environment told us it is planning to implement changes to the Forest Resource Management Regulations that would allow for a reassessment of fees charged to TSL licensees, in place of the current prescribed fee.

Status – We continue to make this recommendation.

Monitoring forest operators' reforestation activities

We recommended that the Ministry of Environment set a formal plan to ensure proper reforestation of the forest. (2009 Report – Volume 3)

In 2010, Environment approved a new directive for the preparation of a five-year forest renewal plan for the Forest Service's renewal program. The stated purpose of the program is to address the backlog of Not Sufficiently Regenerated (NSR) lands that Environment is responsible to remediate. In 2011, Environment developed a plan outlining the activities it would undertake in 2011-12 to renew NSR lands. Management told us it expects to complete the five-year plan later in 2011 after it has obtained more survey information verifying the location and extent of NSR lands. Environment told us that it expects all NSR lands it is responsible for will be reforested in 10 to 15 years.

Status – We continue to make this recommendation.

We recommended that the Ministry of Environment establish processes to monitor operators' compliance with reforestation requirements. (2009 Report – Volume 3)

In 2011, Environment developed a series of directives to provide guidance to Forest Service staff on monitoring operators' compliance with reforestation requirements. The various directives specify the assessment procedures, monitoring and reporting, needed to ensure operators are meeting reforestation requirements. Because Environment approved these monitoring procedures in 2011, Forest Service staff are just starting to carry out these processes.

Status – We continue to make this recommendation.

Report on reforestation activities

We recommended that senior management of the Ministry of Environment receive regular reports with adequate information to properly oversee and regulate reforestation. (2009 Report – Volume 3)

In 2011, Environment drafted a silviculture[5] reporting directive that includes reporting to senior management and the public. Senior management plans to review and approve the directive in 2012. The draft directive states the intent of the annual report to senior management is to

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[5] Silviculture is the practice of controlling the establishment, growth, composition, health, and quality of forests to meet diverse needs and values.

provide adequate information upon which management could base decisions that direct policy on licensee compliance and any related enforcement actions. The information would form part of a larger annual statistical report. At March 2011, Environment did not provide senior management with regular reports.

Status – We continue to make this recommendation.

We recommended that the Ministry of Environment develop a communication strategy to inform stakeholders about the effectiveness of reforestation activities in the Province. *(2009 Report – Volume 3)*

As noted earlier, Environment drafted a silviculture reporting directive covering reporting to the public. Senior management plans to review and approve the directive in 2012. The draft directive outlines how the public is to be informed of reforestation requirements and of industry compliance with these requirements annually.

Management released its *State of the Forest Report* in December 2009. *The Forest Resources Management Act* requires Environment to provide the Legislative Assembly the *State of the Forest Report* every ten years. This report provides information on various environmental, economic and social indicators on the forestry industry in the province. The report contains some indicators that are specific to the state of reforestation, such as the proportion of timber harvest area successfully regenerated, and rate of compliance with forest management laws and regulations.

Status – We continue to make this recommendation.

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