Chapter 8
Environment

1.0 MAIN POINTS

This chapter reports the results of the annual audits of the Ministry of Environment (Environment) and its agencies for the year ended March 31, 2012.

Environment and its agencies complied with the authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. The 2012 financial statements of Environment's agencies are reliable.

We made one new recommendation that Environment should comply with its policies for all purchases. It is important that employees understand the established policies and the importance of following those policies.

Environment has made some progress in addressing our past recommendations. However, Environment still needs to establish adequate processes to secure its systems and data, enter into an adequate agreement with the Information Technology Office, and prepare a complete business continuity plan.

This chapter also provides an update on the status of previous recommendations agreed to by the Standing Committee on Public Accounts (PAC).

2.0 INTRODUCTION

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]

2.1 Financial Overview

For the year ended March 31, 2012, Environment spent $200.9 million (2011 - $222 million) including net capital acquisitions of $13.1 million (2011 - $14 million). Also, Environment recorded revenue of $52 million (2011 - $51 million) from licenses and permit fees for fishing, hunting, forestry; non-refundable deposits on beverage containers; and fire suppression cost sharing agreements. In addition, Environment raised revenue and incurred expenses through the Fish and Wildlife Development Fund and nine forest management funds. At March 31, 2012, Environment had 754 employees.[2]

Information about Environment's revenues and expenditures appear in Environment's 2011-12 annual report (see www.environment.gov.sk.ca/Annual-Report).

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[1] Saskatchewan Ministry of Finance. *2011-12 Saskatchewan Provincial Budget: Estimates*, p. 59.
[2] Government of Saskatchewan. *Public Service Commission 2011-12 Annual Report*. p. 28.

Figure 1 presents Environment's major programs and spending.

Figure 1—Comparison of Estimates to Actual Spending by Program

	Estimates 2011-12	Actual 2011-12
	(in millions of dollars)	
Central Management Services	$ 16.8	$ 16.7
Climate Change	16.3	12.5
Land	3.0	2.8
Environmental Support	13.4	12.5
Fish, Wildlife and Biodiversity	9.1	8.7
Compliance and Field Services	16.1	16.7
Environmental Protection	34	66.8
Forest Service	11.7	11.7
Fire Management and Forest Protection	68.5	58.9
Total Appropriation[3]	188.9	207.3
Capital asset acquisitions	(15.1)	(13.1)
Capital asset amortization	6.7	6.7
Total Expenses	$ 180.5	$ 200.9

Source: 2011-12 *Ministry of Environment Annual Report*

3.0   BACKGROUND

The authority for Environment is contained in *The Ministry of Environment Regulations, 2007* under *The Government Organization Act*. At March 31, 2012, 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
Water Appeal Board

The Saskatchewan Water Security Agency is reported in Chapter 22.

4.0   AUDIT CONCLUSIONS, SCOPE AND FINDINGS

In our opinion, for the year ended March 31, 2012:

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

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[3] The Ministry received a special warrant of $33.86 million during the year. Therefore it did not exceed its appropriation.

> **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 Conservation and Development Act
The Conservation and Development Regulations
The Crown Resource Land Regulations
The Drainage Control Regulations
The Environmental Management and Protection Act, 2002
The Federal-Provincial Agreements Act
The Financial Administration Act, 1993
The Fisheries Act (Saskatchewan), 1994
The Fisheries Regulations
The Forest Resources Management Act
The Forest Resources Management Regulations
The Government Organization Act
The Ground Water Regulations
The Litter Control Act
The Litter Control Designation Regulations
The Ministry of Environment Regulations, 2007

The Natural Resources Act
The Prairie and Forest Fires Act, 1982
The Provincial Lands Act
The Provincial Lands Regulations
The Public Service Act, 1998
The Purchasing Act, 2004
The Reservoir Development Area Regulations
The Saskatchewan Watershed Authority Act, 2005
The State of the Environment Report Act
The Water Appeal Board Act
The Water Power Act
The Water Regulations, 2002
The Watershed Associations Act
The Wildlife Act, 1998
The Wildlife Regulations, 1981
Orders in Council issued pursuant to the above legislation

> **The financial statements of the agencies listed in Section 3.0 are reliable**

We used the control framework developed by the Canadian Institute of Chartered Accountants (CICA) to make our judgments about the effectiveness of Environment and its agencies' controls. The CICA defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

In our 2011-12 audits, we examined the effectiveness of Environment's and its agencies' financial-related controls used to administer their spending, their revenues, and their various assets consistent with related authorities. In addition, we examined the effectiveness of the controls Environment used to keep reliable financial records, prepare reliable financial reports, and safeguard the Crown lands that it administers. This year, we paid particular attention to the following areas:

> The Beverage Container Collection and Recycling system

> The payment processes as Environment provides financial support through operating grants to the Fish and Wildlife Development Fund, the Saskatchewan Watershed Authority and the Water Appeal Board

> The wildfire management, forest services, and land policies as these help to safeguard Crown resources (such as land, forests, and water)

> The lease, licence, and permit revenues including controls over key computer systems that Environment relies on to administer its programs

4.1　Monitors Forest Management Funds

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; and

❭ the managers of these funds use the money collected for the purposes intended including reforestation

(2009 Report – Volume 3; Public Accounts Committee agreement June 25, 2010)

Status – Implemented.

Environment has nine 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*. The forest operators or their trustees hold these funds. At March 31, 2012, these funds held approximately $9.3 million for the Government.

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.

During 2011-12, Environment created and implemented a directive on the quarterly and year-end review of reforestation fees in the funds to determine if operators paid the correct fees into the funds and if managers used the funds for purposes intended.

4.2　Payroll Guidance Followed

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; Public Accounts Committee agreement December 9, 2008)

Status – Implemented.

Environment paid salaries and wages totalling approximately $63.3 million for the year ended March 31, 2012.

In the past, supervisors did not submit all staff termination documents prior to the Public Service Commission (PSC) calculating final pay, which resulted in overpayments. Environment has since implemented a process for having termination documents submitted to PSC in a timely manner.

4.3   Payroll Services Agreement Signed

We recommended the Ministry of Environment modify its agreement with the Public Service Commission clarifying responsibilities for key payroll activities. (2011 Report – Volume 2; Public Accounts Committee agreement October 4, 2012)

Status – Implemented.

In 2011-12, Environment and the Public Service Commission signed an agreement that clearly assigns responsibility for key payroll activities.

4.4   Compliance with Policies Needed

Environment has various operating policies and procedure manuals that provide guidance to its employees. The manuals provide direction to employees for initiating purchases and processing payments. The Ministry must ensure its employees understand the established policies and the importance of following them.

During the year, Environment's Internal Audit found several instances where purchase orders were created after the goods or services were received. Most of these instances were in the Wildfire Management Branch.

It is important that goods and services be appropriately authorized prior to purchase so that only needed items and services are purchased.

1.   **We recommend that the Ministry of Environment comply with its policies for all purchases.**

4.5   Adequate IT Service Agreement Needed

We recommended the Ministry of Environment sign an adequate agreement with the Information Technology Office for information technology services. (2008 Report – Volume 3; Public Accounts Committee agreement December 9, 2008)

Status – We continue to make this recommendation.

During 2011-12, Environment made some progress on implementing this recommendation. However, Environment's agreement with the Information Technology Office (ITO), signed in July 2011, does not adequately address disaster recovery and Environment's ability to obtain assurance as to the security of its information systems. Also, although Environment's officials met with ITO officials to discuss services provided

and issues, Environment does not receive sufficient information about the quality of ITO's security controls or ITO's plans to handle disasters that may affect Environment's computer systems or data. As a result, Environment does not know whether ITO can restore Environment's systems and data when needed in the event of a disaster and whether ITO has kept Environment's data secure.

4.6 Processes to Secure Data Needed

We recommended that the Ministry of Environment establish adequate processes to secure data. (2008 Report – Volume 3; Public Accounts Committee agreement December 9, 2008)

Status – We continue to make this recommendation.

To ensure 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.[4] It is required to comply with industry standards for credit cards as part of its agreement with its credit card service provider. Environment has processes in place surrounding Payment Card Industry compliance, however they are not adequate and do not comply 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 loss of public money, loss of reputation, and loss of the ability to process payments by credit card. Environment indicated that it has initiated a third-party review to assess its existing processes.

Environment has established 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 ten 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 in this system are capable of carrying out some computer administrator responsibilities. This increases the risk of loss of revenue. Environment needs to monitor user access to license systems to ensure user access is appropriate.

Environment uses a computer system in its leases and land sales operations. During our audit, we found that there was no process for the Ministry to review the computer

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[4] The Big Game Draw is a transparent and equitable method of allocating a limited number of hunting licences to Saskatchewan residents.

system's user access to determine if the access granted was appropriate. This increases the risk of inappropriate user access to the system. Environment needs to monitor user access to this computer system to ensure user access is appropriate.

4.7 Complete Business Continuity Plan Needed

We recommended that the Ministry of Environment prepare a complete business continuity plan. (2006 Report – Volume 3; Public Accounts Committee agreement March 7, 2007)

Status – We continue to make this recommendation.

Environment provides a number of environmental programs and services to Saskatchewan residents 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 (BCP), Environment is at risk of not being able to deliver its programs and services in a timely manner.

In May 2012, Environment prepared an overall BCP document but needs to complete the business resumption plans for each of its critical systems.

5.0 EXHIBITS

5.1 Status of Previous Recommendations of the Standing Committee on Public Accounts

The following exhibit provides an update on recommendations agreed to by PAC that are not yet implemented and are not discussed earlier in this chapter. Our intent is to follow up outstanding recommendations in upcoming reports.

PAC Report Year	Outstanding Recommendation	Status
Ministry of Environment (Regulating Air Emissions) (2004 Fall Report – Volume 1)		
2005	10-3 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.	**Partially implemented** (as of March 31, 2011)
2005	10-4 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.	**Partially implemented** (as of March 31, 2011)
2005	10-6 that the Ministry of Environment should establish systems to collect and maintain information to prepare reliable reports.	**Partially implemented** (as of March 31, 2011)

PAC Report Year	Outstanding Recommendation	Status
2005	10-7 that the Ministry of Environment should improve its internal and external reporting on air emissions.	**Partially implemented** (as of March 31, 2011)
Ministry of Environment (Regulating Contaminated Sites) (2008 Fall Report – Volume 1)		
2009	4-1 that the Ministry of Environment establish an adequate system for tracking contaminated sites.	**Partially implemented** (as of March 31, 2011)
2009	4-2 that the Ministry of Environment complete its risk assessments for identified contaminated sites and rank them in terms of priority.	**Not implemented** (as of March 31, 2011)
2009	4-3 that the Ministry of Environment complete its written guidance for monitoring contaminated sites.	**Partially implemented** (as of March 31, 2011)
2009	4-4 that the Ministry of Environment prepare a communication plan for internal and external reporting on the status of contaminated sites.	**Partially implemented** (as of March 31, 2011)
Ministry of Environment (Regulating Reforestation) (2009 Fall Report – Volume 3)		
2011	6-4 that the Ministry of Environment establish processes for setting reforestation terms and conditions and for approving forest product permits.	**Partially implemented** (as of March 31, 2011)
2011	6-5 that the Ministry of Environment establish processes to set reforestation fees at a level to cover reforestation costs.	**Partially implemented** (as of March 31, 2011)
2011	6-6 that the Ministry of Environment set a formal plan to ensure proper reforestation of the forest.	**Partially implemented** (as of March 31, 2011)
2011	6-7 that the Ministry of Environment establish processes to monitor operators' compliance with reforestation requirements.	**Partially implemented** (as of March 31, 2011)
2011	6-9 that the Ministry of Environment receive regular reports with adequate information to properly oversee and regulate reforestation.	**Partially implemented** (as of March 31, 2011)
2011	6-10 that the Ministry of Environment develop a communication strategy to inform stakeholders about the effectiveness of reforestation activities in the Province.	**Partially implemented** (as of March 31, 2011)