

Chapter 7 Environment

1.0 MAIN POINTS

This chapter reports the results of the annual audits of the Ministry of Environment (Environment), its fund, and its agency for the year ended March 31, 2013.

Environment, its fund, and its agency complied with the authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. The 2013 financial statements of Environment's fund and agency are reliable.

Environment and its agency had effective rules and procedures to safeguard public resources except for the following matters.

Environment has made some progress in addressing our past recommendations. However, Environment still needs to establish effective processes to secure its information systems and complete its business continuity plan.

Two recommendations from our *2008 Report – Volume 1*, Chapter 4 on Regulating Contaminated Sites have been reiterated here because until Environment has improved its processes, neither Environment nor the Government of Saskatchewan is able to effectively record the associated liabilities for contaminated sites.

2.0 INTRODUCTION

Environment is responsible for working with Saskatchewan stakeholders to protect the province's water, air and natural resources to achieve a high environmental standard and to support sustainable development in the use of these resources.¹

2.1 Financial Overview

For the year ended March 31, 2013, Environment spent \$169.1 million (2012 - \$200.2 million) (see **Figure 1**). Also, Environment recorded revenue of \$60 million (2012 - \$52 million) from licenses and permit fees for fishing, hunting, and 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.²

Information about Environment's revenues and expenditures appear in Environment's *2012-13 Annual Report*.³

¹ Saskatchewan Ministry of Finance, *2012-13 Saskatchewan Provincial Budget: Estimates*, p. 57.

² Operators who harvest timber in the province are required to pay fees into a forest management fund and dues to the Ministry of Environment based on harvest amounts. These funds are monitored by the Ministry of Environment.

³ See www.environment.gov.sk.ca/Annual-Report (30 October 2013).



Figure 1 – Comparison of Estimates to Actual Spending by Program

	Estimates 2012-13	Actual 2012-13
	(in millions)	
Central Management and Services	\$ 16.7	\$ 16.4
Climate Change	5.4	2.4
Land	3.0	2.9
Environmental Support	14.1	13.5
Fish and Wildlife	9.1	9.3
Compliance and Field Services	16.7	16.4
Environmental Protection	42.7	42.4
Forest Services	12.8	11.9
Wildfire Management	64.6	59.2
Total Appropriation	<u>185.1</u>	<u>174.4</u>
Capital asset acquisitions	(14.3)	(13.7)
Capital asset amortization	7.7	8.4
Total Expenses	<u>\$ 178.5</u>	<u>\$ 169.1</u>

Source: 2012-13 Ministry of Environment Annual Report

2.2 Background

The authority for Environment is contained in *The Ministry of Environment Regulations, 2007* under *The Government Organization Act*. At March 31, 2013, Environment was responsible for the following fund and agency (each with a March 31 year-end): the Fish and Wildlife Development Fund and the Water Appeal Board.

3.0 AUDIT CONCLUSIONS AND SCOPE

In our opinion, for the year ended March 31, 2013:

- › Environment and its agency had effective rules and procedures to safeguard public resources except for the matters described in this chapter
- › Environment, its fund, and its agency complied with the following authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:

<i>The Environmental Management and Protection Act, 2002</i>	<i>The Litter Control Designation Regulations</i>
<i>The Mineral Industry Environmental Protection Regulations, 1996</i>	<i>The Natural Resources Act The Prairie and Forest Fires Act, 1982</i>
<i>The Federal-Provincial Agreements Act</i>	<i>The Provincial Lands Act</i>
<i>The Financial Administration Act, 1993</i>	<i>The Provincial Land Regulations</i>
<i>The Fisheries Act (Saskatchewan), 1994</i>	<i>The Crown Resource Land Regulations</i>
<i>The Fisheries Regulations</i>	<i>The Public Service Act, 2004</i>
<i>The Forest Resources Management Act</i>	<i>The Purchasing Act, 2004</i>
<i>The Forest Resources Management Regulations</i>	<i>The Saskatchewan Watershed Authority Act, 2005</i>
<i>The Government Organization Act</i>	<i>The State of the Environment Report Act</i>
<i>The Ministry of Environment Regulations, 2007</i>	<i>The Water Appeal Board Act</i>
<i>The Litter Control Act</i>	<i>The Wildlife Act, 1998</i>
	<i>The Wildlife Regulations, 1981</i>
	Orders in Council issued pursuant to the above legislation

› The financial statements of the fund and agency 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.

4.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we outline key observations from our assessments and the resulting recommendations.

4.1 Compliance with Policies

We recommended that the Ministry of Environment comply with its policies for all purchases. (2012 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

Status – Implemented

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, we noted that Environment employees followed the established policies and procedures that were in place.



4.2 IT Service Agreement Updated

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 – Implemented

During 2012-13, Environment updated its existing service agreement with the Information Technology Office (ITO). The agreement now outlines all Environment's critical IT systems and their disaster recovery requirements. However, as noted in **Section 4.4**, testing has not been completed.

4.3 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 – Partially Implemented

For 2012-13, Environment continued to receive the same reports from ITO and use the same credit card system for the sale of their hunting and fishing licenses as in prior years.

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 assurance from ITO on the security or availability of its systems.

Environment accepts credit card payments for some fees, such as the Big Game Draw.⁴ It is required to comply with industry standards (i.e., Payment Card 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 (PCI) compliance; however, they are not adequate and do not comply with PCI 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 has established procedures for granting and removing user access to its computer systems and data. However, employees did not always follow its established procedures. For example, during the audit, we noted six instances where Environment did not remove network access to its systems and data for those who no longer needed such access.

⁴ The Big Game Draw is a method of allocating a limited number of hunting licences to Saskatchewan residents.

4.4 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 – Partially Implemented

Environment provides a number of environmental programs and services to Saskatchewan residents as part of its mandate through the use of different computer systems. Environment has assessed certain programs and services, such as the Big Game Draw and Wildfire Management as being critical. Therefore, should a disaster occur, Environment's ability to deliver these programs and services should not be disrupted.

In January 2013, Environment incorporated its business continuity plan (BCP) into its service agreement with ITO, however testing of the BCP has not occurred, therefore the BCP cannot be considered complete.

4.5 Lacking Effective Identification, Management and Recording of Contaminated Sites

We recommended that the Ministry of Environment establish an adequate system for tracking contaminated sites. (2008 Report – Volume 1; Public Account Committee agreement June 16, 2008)

Status – Partially Implemented

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; Public Account Committee agreement June 16, 2008)

Status – Partially Implemented

In our *2013 Report – Volume 1*, Chapter 10, our Office did an assessment of the Government's readiness to account for liabilities for contaminated sites by April 1, 2014 because of changing accounting standards. Where the existence of the Government's obligation to clean up a contaminated site is known and determinable, a government must account for the associated costs in its financial statements. Environment is responsible under law for protecting and managing the environment including designating an area as a contaminated site.



During 2013, Environment worked towards developing a database to track key information on contaminated sites. This database is intended to provide a complete and accurate inventory of contaminated sites including those that the provincial government is responsible for cleaning up. Once the database is developed, Environment needs to identify and rank this list of contaminated sites to determine which ones should be assessed and cleaned up first. Until this process is complete, neither Environment nor the Government of Saskatchewan is able to effectively record the associated liabilities for contaminated sites.

5.0 EXHIBIT

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

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

PAC Report Year	Outstanding Recommendation	Status
Ministry of Environment (Regulating Air Emissions) (2003 Report – Volume 3)		
2005	10-3 that the Ministry of Environment establish processes to ensure permits to regulate air emissions are properly approved and expired permits are followed up promptly.	Partially Implemented (as of September 30, 2012) We plan to follow up in the future.
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 September 30, 2012) We plan to follow up in the future.
Ministry of Environment (Regulating Reforestation) (2009 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) We plan to follow up in 2014.
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) We plan to follow up in 2014.
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) We plan to follow up in 2014.
2011	6-7 that the Ministry of Environment establish processes to monitor operators' compliance with reforestation requirements.	Partially Implemented (as of March 31, 2011) We plan to follow up in 2014.
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) We plan to follow up in 2014.

PAC Report Year	Outstanding Recommendation	Status
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) We plan to follow up in 2014.
Ministry of Environment (Contaminated Sites) (2008 Report – Volume 1)		
2009	4-3 that the Ministry of Environment complete its written guidance for monitoring contaminated sites	Partially Implemented (as of March 31, 2011) We plan to follow up in 2014.
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) We plan to follow up in 2014.

