

Chapter 8 Environment

1.0 MAIN POINTS

This chapter reports the results of the annual audits of the Ministry of Environment (Environment), the Fish and Wildlife Development Fund (Fund), and the Water Appeal Board (Board) for the year ended March 31, 2014.

Environment, the Fund, and the Board complied with the authorities governing their activities related to financial reporting, safeguarding public resources, revenue rising, spending, borrowing, and investing. The 2013-14 financial statements of Fish and Wildlife Development Fund and Water Appeal Board are reliable.

Environment and the Board had effective rules and procedures to safeguard public resources except for the following matters. Environment needs to complete its business continuity plan and follow procedures to remove unneeded user access to systems and data promptly. Additionally, Environment needs to consistently record the cost of inventory purchases.

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.¹

At March 31, 2014, Environment was responsible for the Fish and Wildlife Development Fund (a special purpose fund) and Water Appeal Board.

2.1 Financial Overview

For the year ended March 31, 2014, Environment spent \$158.5 million (2013 – \$169.1 million) including net capital acquisitions of \$9.6 million (2013 – \$13.8 million). Also, Environment recorded revenue of \$58.8 million (2013 – \$59.9 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 Fund and nine forest management funds.²

Information about Environment's revenues and expenditures appear in its *2013-14 Annual Report* (see www.environment.gov.sk.ca/annual-report2013-14). **Figure 1** presents Environment's major programs and spending.

¹ Saskatchewan Ministry of Finance, *2013-14 Saskatchewan Provincial Budget: Estimates*, p. 59.

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.

**Figure 1—Comparison of Estimates to Actual Spending by Program**

	Estimates 2013-14	Actual 2013-14
	(in millions)	
Central Management and Services	\$ 16.9	\$ 14.9
Climate Change	4.3	1.7
Landscape Stewardship	3.9	3.3
Environmental Support	3.0	2.5
Fish and Wildlife	9.8	10.2
Compliance and Field Services	16.8	16.6
Environmental Protection	39.6	38.7
Forest Services	12.5	11.6
Wildfire Management	60.2	59.0
Total Appropriation	<u>167.0</u>	<u>158.5</u>
Capital Asset Acquisitions	(12.7)	(9.6)
Capital Asset Amortization	9.1	9.4
Non-Spending Control Items	0.0	(4.2)*
Total Expense	<u>\$ 163.4</u>	<u>\$ 154.1</u>

Source: 2013-14 Ministry of Environment Annual Report.

* This number represents the change in inventory and the change in prepaid expenses.

3.0 AUDIT CONCLUSIONS AND SCOPE

In our opinion, for the year ended March 31, 2014:

- › **Environment and the Water Appeal Board had effective rules and procedures to safeguard public resources, except as noted in this chapter**
- › **Environment, the Fish and Wildlife Fund, and the Water Appeal Board complied with the following authorities governing their activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

The Crown Resource Land 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 Litter Control Act
The Litter Control Designation Regulations
The Mineral Industry Environmental Protection Regulations, 1996

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 State of the Environment Report Act
The Water Appeal Board Act
The Water Security Agency Act (section 84)
The Wildlife Act, 1998
The Wildlife Regulations, 1981
 Orders in Council issued pursuant to the above legislation

- › **The financial statements of the Fish and Wildlife Fund and the Water Appeal Board are reliable**

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

Our audit included examining the effectiveness of Environment's and the Water Appeal Board's 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 and the Board used to keep reliable financial records, prepare reliable financial reports, and the controls Environment used to safeguard the Crown lands that it administers. This year, in our audit of Environment, we paid particular attention to the following areas:

- › Revenue reconciliation from the Beverage Container Collection and Recycling program
- › Payment processes including the operating grant to the Fish and Wildlife Development Fund and the Water Appeal Board
- › Purchases, payments, and inventory management in Wildfire management and forest services as these help to safeguard public resources
- › Lease, licence, and permit revenues

4.0 KEY FINDINGS AND RECOMMENDATIONS

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

4.1 Timely Removal of User Access Needed

Staff are not always following Environment's established procedures for promptly removing user access to its computer systems and data.

Staff did not request prompt removal of access to the payroll system for one individual we tested. The user access was removed 40 days after the person's last day of employment. Also, for two out of ten individuals that we tested, staff did not request prompt removal of their computer network access. For one of those individuals, Environment requested the removal of their network access 102 days after their last day of employment.

Not removing user access to its systems promptly increases the risk of inappropriate access to systems and data.

- 1. We recommend that the Ministry of Environment follow its established procedures and remove unneeded user access to systems and data promptly.**



4.2 Processes to Secure Data

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 – Implemented

In April of 2013, Environment implemented the Hunting and Angling License (HALs) system for issuing hunting and fishing licenses. Since this system was implemented, patrons who choose to purchase their licenses online are taken to a website that is compliant with industry standards for securing credit card information.

With respect to timely removal of user access, we found that some weaknesses still exist (see **Section 4.1**).

4.3 Complete and Tested 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. Environment has assessed certain programs and services, such as hunting enforcement and wildfire management, as being critical. Therefore, should a disaster occur, Environment's ability to deliver these programs and services should not be disrupted for an extended period of time.

During the 2013-14 year, Environment began updating the current business continuity plan (BCP) to include all newly-assessed risks. Completion of its BCP to address these risks and testing of the BCP had not occurred. Environment plans to begin testing the BCP and training staff in the 2014-15 year.

4.4 Need to Record the Cost of Inventory Items

Environment did not follow its policies to keep complete records of its inventory.

Environment maintains inventory consisting primarily of airplane parts used to maintain firefighting airplanes. At March 31, 2014, \$19 million of its \$23 million inventory total related to airplane parts.

Environment has policies that provide guidance on how inventory items are to be recorded; however, they were not always followed. Policies expect staff to record, in its inventory records, the number of items purchased (quantity) and their cost. Environment

uses the cost information in its inventory records to determine the value of its inventory in its accounting records at year-end.

During our audit, we found Environment did not record the cost of approximately \$1.2 million in airplane parts it purchased when it entered the related inventory quantities in its inventory records. Subsequently, Environment determined the costs for each of these inventory items, and recorded them in its inventory records by March 31, 2014.

Without timely recording of the cost of inventory items, Environment can not accurately determine the value of its inventory in its accounting records.

- 2. We recommend that the Ministry of Environment follow its established policies for recording the cost of inventory items in its inventory records.**

