

Chapter 23

Environment and Finance—Regulating Contaminated Sites

1.0 MAIN POINTS

Contaminated sites can pose risks to public health and safety if not properly managed.¹ The Ministry of Environment regulates all contaminated sites in Saskatchewan within the rules set by *The Environmental Management and Protection Act, 2010* and the new Saskatchewan Environmental Code. This includes sites for which a Provincial Government agency has caused contamination or the Government has accepted responsibility for cleanup of contaminates. At March 2017, it was regulating over 500 contaminated sites in Saskatchewan.

By mid March 2017, the Ministry of Environment and the Ministry of Finance had fully addressed four of the five recommendations remaining from two previous audits. Environment was using an IT system to help it regulate parties responsible for cleaning up contaminated sites. In addition, it had obtained and was tracking key information to help it regulate contaminated sites.

Environment had not evaluated about 4,000 manual files, which may contain contaminated sites identified prior to 2014. As such, it does not know whether it has obtained all expected information for these sites and whether parties responsible for cleaning up the sites are giving them sufficient attention and cleaning them up within an appropriate timeframe. Also, it received less than 40% of the priority rankings it expected to receive for the 500 identified contaminated sites in its IT system. Delays in cleanup may cause unnecessary risk to public health and safety.

2.0 INTRODUCTION

Regulating contaminated sites helps prevent, minimize, or mitigate potential damage to human or ecosystem health. Under *The Environmental Management and Protection Act, 2010* and related regulations, Environment is responsible for regulating activities that impact the environment.

In June 2015 as part of its regulatory regime, it implemented a new Saskatchewan Environmental Code.² The Environmental Code defines expected environmental outcomes. The Environmental Code allows the regulated community to determine how best to achieve those outcomes.

At times, the Provincial Government has caused contamination or has accepted responsibility for the remediation (cleanup) of contaminates. In these instances, the Provincial Government must assess the contamination to know and understand what risks

¹ Under *The Environmental Management and Protection Act, 2010*, section 2(l), an environmentally-impacted site is an area of land or water that contains a substance that may cause or is causing an adverse effect.

² The Environmental Code is a results-based regulatory approach to protect the environment. It incorporates the required environmental outcomes into regulations. www.saskatchewan.ca/business/environmental-protection-and-sustainability/environmental-code (14 March 2017).



exist, and decide on actions to address or mitigate those risks. In addition, it must determine and record in its financial statements its estimate of cleanup costs.

Our *2008 Report – Volume 1*, Chapter 4 reported that Environment, in regulating contaminated sites, needed better processes to assess, monitor, and report on the status of contaminated sites. It contained four recommendations. By August 2014, Environment had implemented two of the four recommendations.³ This chapter reports the results of our third follow up of the two recommendations remaining.

Our *2013 Report – Volume 1*, Chapter 10 reported that at March 2013, the Government was in the early stages of identifying and managing all contaminated sites for which it was responsible. It included four recommendations; three related to Finance and one related to Environment. By August 2014, Finance had implemented one of three recommendations. This chapter reports the results of our second follow up of three recommendations remaining—two related to Finance and one related to Environment.

To conduct this review, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate Finance and Environment's progress towards meeting our recommendations, we used the relevant criteria from the original audits. Management agreed with the criteria in the original audits.

To carry out this engagement, we reviewed related documentation (e.g., guidance Finance provided to government agencies to account for costs to remediate contaminated sites), gained an understanding of Environment's IT system to manage contaminated sites, and discussed key actions with relevant officials.

3.0 STATUS OF RECOMMENDATIONS

This section sets out each recommendation including the date on which the Standing Committee on Public Accounts agreed to the recommendation, the status of each recommendation at March 14, 2017, and Finance and Environment's actions up to that date.

The first part focuses on the outstanding recommendations related to Environment's regulatory role; the second part focuses on the outstanding recommendations related to the Government's readiness to address and account for its liabilities related to contaminated sites.

³ In 2011 and 2014, we reported whether Environment had implemented these recommendations.

3.1 Regulating Contaminated Sites—Ministry of Environment

3.1.1 Adequate System for Tracking Contaminated Sites Established

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

Status – Implemented

Since August 2014, Environment fully implemented its system to track and monitor contaminated sites. It uses an IT system (i.e., Client Relations and Impacted Sites Information System [CRISIS]) to help it regulate those responsible for cleaning up contaminated sites.

Environment designed CRISIS to track all expected information for each contaminated site. For example, it tracked location of the site, type of contamination, the responsible parties, status of the site, reports provided (e.g., site assessment reports, remediation plans), and national classification system for contaminated sites (NCSCS) rating.⁴ We observed that CRISIS can report on any combination of the data captured within the system.

In addition, Environment designed CRISIS to enable responsible parties to use CRISIS to give Environment expected information about sites. Responsible parties submit information such as site assessment reports and remediation plans.

We found Environment had created guides for its staff on how to use CRISIS.

3.1.2 Contaminated Site Priority Ratings Not Completed

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 Accounts Committee agreement June 16, 2008)

Status – Partially Implemented

Environment did not receive from parties responsible for site cleanup NCSCS ratings for all sites as it expected or assess those ratings itself.

⁴ NCSCS rating is a national classification system for contaminated sites used to convey the degree of contamination and priority for cleanup. For example, class 1 classification indicates that action is required to address existing concerns for public health and safety.



At March 14, 2017, Environment had less than 40% of the NCSCS ratings that it expected to have for contaminated sites in CRISIS. It had not received NCSCS ratings for all sites that the Provincial Government is responsible for cleaning up. NCSCS ratings help identify the level of risk the site presents to the environment and priority for cleanup. The lower the NCSCS rating, the higher the priority for action.

The Environmental Code expects every person required to do a site assessment to give Environment the NCSCS rating for the site within 30 days of completing the site assessment.⁵ Alternately, Environment may choose to complete the NCSCS rating for a site.

We found, at March 2017, CRISIS contained records for about 500 contaminated sites. CRISIS included records for all new contaminated sites since 2014. CRISIS also included information on all sites the Provincial Government is responsible for cleaning up.

However, at March 2017, Environment indicated it had not yet evaluated about 4,000 manual files. These manual files included contaminated sites, spills, and registered hazardous waste storage sites. These files may include contaminated sites where responsible parties have not yet completed remediation. Environment is entering data into CRISIS for identified contaminated sites from these files when it receives new information for these sites or as time permits.

Because Environment had not evaluated these manual files and entered the identified contaminated sites into CRISIS, it did not know how many NCSCS ratings it should have received. As such, it did not have a way to determine whether all responsible parties complied with the Environmental Code. At March 2017, Environment relied on its environmental protection officers' understanding of sites to which they were assigned.

Obtaining and evaluating completed risk assessments for contaminated sites reduces the threat of high-risk sites not being given sufficient attention and not being cleaned up within an appropriate timeframe. Delays in cleanup may cause unnecessary risk to public health and safety.

3.2 Contaminated Sites for which the Government is Responsible for Cleanup

3.2.1 Responsibilities Appropriately Communicated to Government Agencies

We recommended that the Ministry of Environment take steps to make government agencies fully aware of their responsibilities under the proposed *The Environmental Management and Protection Act, 2010* and the related Environmental Code. (2013 Report – Volume 1; Public Accounts Committee agreement June 17, 2015)

Status – Implemented

⁵ Ministry of Environment, *Saskatchewan Environmental Code Chapter B.1.2 Site Assessment*, section 1-6. <http://environment.gov.sk.ca/Default.aspx?DN=7c959b1e-75b4-409c-afc9-9a4d4a42ec47> (14 March 2017).

In June 2015, Environment communicated the requirements of *The Environmental Management and Protection Act, 2010*, related regulations, and the Environmental Code to all government agencies. It explained, in an understandable way, the requirements to report spills and new contaminated sites to Environment; assess the site for contaminants, determine the potential impact on the environment; and to clean up the site.

3.2.2 Guidance Provided to Account for Costs Related to Contaminated Sites

We recommended the Ministry of Finance set out guidance in the Financial Administration Manual for recording liabilities of contaminated sites to enable complete recording in the Government's 2014-15 Budget and Summary Financial Statements. (2013 Report – Volume 1; Public Accounts Committee agreement June 17, 2015)

Status – Implemented

In June 2015, the Ministry of Finance approved a new section in the *Financial Administration Manual (FAM)* for determining costs relating to contaminated sites.⁶ This FAM section provided guidance on what information government agencies must obtain about contaminated sites (e.g., environmental site assessments). It also contained policies for government agencies to follow to keep Finance and Environment informed. For example, agencies are to:

- › Notify Finance of potential costs related to contaminated sites
- › Notify Environment of potentially contaminated sites so it can include those sites in its tracking system
- › Provide Environment with the NCSCS rating
- › Review estimated costs related to contaminated sites annually

The new FAM section also referred government agencies to Finance's further detailed guidance in its *Province of Saskatchewan: Year End Reporting Requirements and Procedures*. This guidance provided detailed accounting and reporting requirements (e.g., guidance on how to estimate the costs related to contaminated sites, how to use present value techniques to estimate costs when required).

Together, Finance's new FAM section and other detailed guidance provided adequate information to enable appropriate recording of costs related to contaminated sites.

⁶ *Financial Administration Manual*, section 2280 – Environmental Liabilities Management and Reporting. www.finance.gov.sk.ca/fam/toc (14 March 2017).



3.2.3 Contaminated Site Priority Rating Required in Budget Submissions

We recommended Treasury Board require government agencies, when requesting funds for cleanup activities, to use the National Classification System endorsed by the Canadian Council of Ministers of Environment to prioritize cleanup activities where the provincial government is responsible for cleaning up contaminated sites. (2013 Report – Volume 1; Public Accounts Committee agreement June 17, 2015)

Status – Implemented

In November 2014, Finance requested Deputy Ministers of government ministries who are responsible for cleaning up contaminated sites to provide NCSCS ratings for those contaminated sites when requesting funding for cleanup costs. Also, Finance included this requirement in its new FAM section related to contaminated sites.

Government agencies need time and resources to assess the degree of contamination and subsequent clean up plans for contaminated sites. Cleanup plans can be costly and complex. Each year, Treasury Board, in its budget process, must decide which sites to assess and/or clean up in the upcoming year(s). The NCSCS rating helps identify sites that pose higher risks to the environment and can help Treasury Board prioritize its funding decisions.