



STANDING COMMITTEE ON PUBLIC ACCOUNTS

Hansard Verbatim Report

No. 5 – April 2, 2008



Legislative Assembly of Saskatchewan

Twenty-sixth Legislature

**STANDING COMMITTEE ON PUBLIC ACCOUNTS
2008**

Mr. Harry Van Mulligen, Chair
Regina Douglas Park

Mr. Warren Michelson, Deputy Chair
Moose Jaw North

Mr. Fred Bradshaw
Carrot River Valley

Mr. Michael Chisholm
Cut Knife-Turtleford

Mr. Jeremy Harrison
Meadow Lake

Mr. John Nilson
Regina Lakeview

Mr. Jim Reiter
Rosetown-Elrose

[The committee met at 10:00.]

Environment

The Chair: — We have with us today for the Public Accounts Committee officials from the Department of the Environment. And we are reviewing recommendations made by the Provincial Auditor in the 2007 report volume 3 and in particular chapter 7.

And I would ask at this point if the lead official for the Department of the Environment might introduce the officials that are here today. After which I want to go to the Provincial Auditor, ask him to do his introductions and then go into chapter 7 and your recommendations, then want to give you an opportunity to respond to that and then get into any questions that the committee members may have.

Mr. Ruggles: — Good morning, Mr. Chair. Deputy Minister Quarshie will be here in a minute or so. She's just had to step out but I can start with introductions if that's okay. Bob Ruggles, associate deputy minister with Environment; Dave Phillips, assistant deputy minister; Donna Johnson, our executive director of finance and administration; Rob Spelliscy our director of audit; Lin Gallagher, executive director, environmental protection; Wayne Dybvig vice-president Watershed Authority; and Bill Duncan with the Watershed Authority. And Liz will be here in a minute.

The Chair: — Thank you very much. And if I can turn it over to Mr. Wendel for your introductions and your comments.

Mr. Wendel: — Thank you, Mr. Chair. Next to me is Mobashar Ahmad from our office and, on the side, Kelly Deis and Rod Grabarczyk. They lead our work at Environment. And Mr. Ahmad is going to give you a brief presentation on the chapter, Environment chapter.

Mr. Ahmad: — Thank you, Fred. Good morning, Mr. Chair, and members of the committee. Chapter 7 on the Department of the Environment begins on page 89 of our report. The chapter describes the results of our audit of the department, its special purpose and revolving funds, and its Crown agencies for the year ended March 31, 2007.

The chapter also includes the results of our follow-up work on the Saskatchewan Watershed Authority's processes to ensure safety of dams.

Effective November 2007, the government reorganized the department. Prior to the reorganization, the departments were responsible for managing, enhancing, and protecting the province's natural and environmental resources and sustaining them for future generations.

In 2007 the department's program costs were \$194 million and acquired net capital assets of \$21 million. The department had revenue of \$52 million from licences and permit fees for fishing, gaming, and forestry. The department also raises revenue and incurs expenses through a special purpose and revolving funds.

On pages 94 through 99 we make three new recommendations

and repeat five recommendations from our past reports. First I will briefly talk about our new recommendations.

The first recommendation on page 94 requires the department to review the payroll accuracy, to ensure all of its employees' pay is approved as required by the law. We made this recommendation for almost all departments. Because of this weakness, the department overpaid its employees about \$40,000. At year-end the department either had collected or was seeking collection of overpayments.

The second recommendation on page 94 requires the department to make an appropriate service level agreement with the Information Technology Office, that is ITO. At the time of our audit the department did not have a service level agreement with ITO. A signed agreement would help reduce the risk of the department not receiving the service it needs and to resolve any future disputes about service level delivery.

Our third recommendation on page 98 required the department to improve its human resource plan by providing measurable targets and indicators for its key strategies. Agencies need measurable indicators and targets to help them determine their success. The department's human resource plan includes its current and future human resource needs and strategies to address those needs. It however did not have measurable indicators and targets for all of its key strategies.

We also repeat five recommendations from our past reports relating to segregating of duties of employees, clear communication of operating policies to employees, following established policies to promptly agree bank balances to bank's records, defining and documenting the department's compliance reporting needs, and preparing a complete business continuity plan. The committee has considered all these matters in the past and agree with our recommendation. The department needs to do more to fully address those recommendations.

In addition we did follow-up work to assess the Saskatchewan Watershed Authority's progress toward addressing our past recommendations relating to the safety of dams. We concluded that the authority now has long-terms targets for measuring dam safety. This will help the authority to better monitor the effectiveness of dam safety activities. It also has made progress in addressing our past recommendation to improve processes to ensure safety of dams.

The table on pages 102 and 103 provide the status of your committee's outstanding recommendations that we did not include in this chapter. We plan to follow up on those recommendations next year and report our findings in a future report. That concludes my overview. Thank you.

The Chair: — Thank you very much. Mr. Ruggles.

Ms. Quarshie: — Good morning, Mr. Chairman. I believe I had an introduction already to the staff members here, I believe, so I'll just proceed with my opening remarks.

Since Saskatchewan Watershed Authority falls under the responsibility of the Minister of Environment, the Provincial Auditor included dam safety recommendations within the

Minister of Environment's chapter of the report. Accordingly the officials from the watershed are here to answer specific questions relating to their mandate.

We appreciate the opportunity to provide a brief update respecting matters raised in the Provincial Auditor's report of 2007. My comments will be very specific to the Ministry of Environment, and Mr. Dybvig will follow with comments on behalf of the Saskatchewan Watershed Authority.

The Minister of Environment welcomes the advice and values the work of the Provincial Auditor and his staff as a means of improving our operations. The ministry last year appeared before the Public Accounts Committee in March 2007 related to 18 financial, administrative, and air quality recommendations included in the Provincial Auditor's 2006 report, and I'm pleased to note that through the dedicated effort of ministry staff, six of those 18 recommendations have been fully addressed and removed from the Provincial Auditor's 2007 report.

The ministry was able to complete recommendations related to verification and collection of forestry fees, identification of future human resource needs and development of plans to address competency gaps, ensuring that staff follow rules and procedures to safeguard capital assets, preparing complete and accurate year-end financial reports as required by the financial administration manual, establishing processes to collect money due from others, and assessing the government's standard blanket fidelity bond insurance coverage.

The auditor's 2007 report issued this past December includes 15 financial, administrative, and air quality recommendations related to the Ministry of Environment. The ministry's committed to fully addressing all of the remaining recommendations as soon as possible. Subject to comments by the Provincial Auditor, the ministry anticipates that efforts undertaken since the last audit have resulted in resolution of 11 out of the 15 remaining recommendations. The ministry considers six of the remaining nine financial and administrative recommendations to be resolved, including review of employee pay, inclusion of measurable targets and indicators for key human resource strategies, segregation of duties, timely bank reconciliations, compliance reporting, and assessing the risk of employees in positions of trust.

The ministry notes progress on the other three financial and administrative recommendations and the ministry continues to work on the recommendation to negotiate a shared service agreement with ITO, Information Technology Office. Delays in concluding an agreement are attributable for the most part to the need to involve other ministries in deriving consensus-based conclusions of setting government-wide issues and performance expectations.

The ministry continues to take incremental steps to address the recommendations related to effective direction to employees. This action includes new approaches to staff training on financial policies and procedures, undertaking risk-based internal audit reviews and internal controls self-assessments, communicating internal audit results to branches for understanding, documentation of financial policies and procedures, and initiating projects to enhance reporting and

assess the reasonableness of the ministry's internal control framework.

The committee should note that the ministry began this decade with no professional accounting staff. However, the ministry currently has 10 staff with accounting designations. They complement the ministry's other dedicated staff who have contributed to the significant progress being made on addressing the Provincial Auditor's financial recommendations. This has led to an improved overall focus on compliance with financial policies and staff supervision.

The ministry's progress on the recommendation to prepare a complete business continuity plan includes expansion of its existing emergency response plan, the identification of programs, information technology, people, and equipment that are most critical to ministry operations, and developing plans to restore services in the event of a disruption. Subject to comments from the Provincial Auditor, the ministry also anticipates that progress made during 2007-08 has resolved five of the six remaining air quality recommendations. This includes setting terms and conditions for air emission permits approval and timely follow-up of air quality permits; establishing and commenting, documenting processes for monitoring compliance with air emission permits and handling air emission complaints; establishing human resource plans and training for employees regulating air emissions; and improving internal and external reporting on air emissions.

Progress is also noted on the recommendation to establish systems to collect and maintain reliable reports. Steps taken include gathering air quality information from four monitoring stations in the province and commissioning of the Saskatchewan air monitoring laboratory, a mobile air monitoring vehicle.

In conclusion, I'd like to acknowledge the tremendous efforts, professionalism, and co-operative spirit demonstrated by our staff of both the Ministry of Environment and the Provincial Auditor's office. On a combined basis, they have contributed to the significant progress that we have seen made on these very important matters.

I'll now turn the microphone over to Mr. Dybvig for comments from the Saskatchewan Watershed Authority.

Mr. Dybvig: — Thank you. Good morning. The Saskatchewan Watershed Authority welcomes the comments from the Provincial Auditor, agrees with the recommendations on dam safety, and is committed to addressing these matters in the near term.

As background, we wish to note that the authority has responsibility for the maintenance and rehabilitation of some 45 dams in the province.

In 2000 the previous provincial owner, SaskWater, started receiving a special GRF [General Revenue Fund] funding grant to support a general rehabilitation and dam safety program for its dams. The Watershed Authority continued with this program when it was established in 2002.

Four of the 45 dams are considered high consequence dams,

such that their failure would result in loss of life or result in several millions of dollars in damage. Following the Provincial Auditor's initial review of the authority's dam safety program in 2005, the authority increased funding to this program by approximately \$250,000 in succeeding years and added one and a quarter additional FTEs [full-time equivalent] to help address the dam safety issues.

I'm pleased to note that the Provincial Auditor has concluded that the Watershed Authority has fully addressed the recommendation regarding setting long-term targets for measures related to dam safety in order to better help monitor the effectiveness of its dam safety activities. Management is confident that we have an adequate plan in place to address the remaining recommendations.

The outstanding recommendation on independent dam safety reviews will be resolved in the short term given that reviews of the Watershed Authority's four major dams will be up to date this year with planned, five-year scheduling established for the future.

A review of the Alameda dam was initiated in 2006 and was completed in 2007. In January 2008 the authority commissioned a review of the Rafferty dam which will be completed prior to the calendar year end. First time reviews of the Gardiner and Qu'Appelle River dams were completed in 2001. This past March, the authority commissioned follow-up reviews for both of these dams. Again these will all be completed in 2008.

In terms of the recommendation for updated and tested emergency preparedness plans for each of the major dams, the development of emergency plans for the four major dams is well underway with public consultations and testing scheduled for fiscal 2008-2009. Dam break studies which are required in order to prepare these plans were completed for Rafferty and Alameda dams in 2006 and for the Qu'Appelle River dam in 2007.

Regarding the recommendation to establish processes that ensure manuals include complete procedures to operate, maintain, and monitor dam safety, the Watershed Authority has identified 22 manuals, and plans to update 19 of those by conclusion of 2009 and '10 with the remainder updated over the following three years. Thank you for the opportunity to provide these comments.

The Chair: — Thank you. I'd like to turn to recommendation no. 1 on page 94. Anyone have any questions or comments in respect to that recommendation? Mr. Chisholm.

Mr. Chisholm: — I think that that's the recommendation that's coming out in all of our reports, so just so that it doesn't appear that we're just glossing over it and it's not important. It's something that has been corrected, we understand, and is part of each of the reports. So I just thought I guess we can deal with that one in fairly short order, I would hope.

The Chair: — Any other comments? So I think we can note some progress here. Recommendation no. 2 with respect to the Department of Environment and the Information Technology Office and a service level agreement, any questions or comments on that?

Mr. Nilson: — I'd just make the comment here, and I think the deputy minister has said the same thing, which is that this is an ongoing process right across government in trying to get the appropriate documentation so that it'll be a common contract in many ways for departments, then with specific clauses related to each department. And it's very important that the Provincial Auditor continues to monitor this to make sure it happens, and I think the committee should basically encourage everybody — especially probably the people in Finance that are leading this — to get it completed as quickly as possible.

The Chair: — So can I then ask, like, where are we at in terms of this specific service level agreement again?

Ms. Quarshie: — Mr. Chairman, I think Bob Ruggles has more more up-to-date information, and perhaps he could provide that.

Mr. Ruggles: — Thanks, Mr. Chairman. We actually signed an agreement with the ITO office yesterday, and so that one is completed.

A Member: — Was that because we were having a meeting . . .

Mr. Ruggles: — Just a coincidence.

The Chair: — I think we can say, we can note compliance on this, right? Okay. Any further questions on the nature of the agreement or anything? No. Okay.

Then let me turn to recommendation no. 3 on page 98 and the question of measurable targets and indicators for your key strategy. I think the auditor's noting that progress has been made on your human resource plan, but the question is some targets, and any comments on that?

Ms. Quarshie: — Mr. Chairman, I think progress has been made. We've identified measurable targets for the human resource area, and the implementation of that is being postponed to subsequent later on this year when actually we've reviewed a . . . [inaudible] . . . plan to, you know, go back and identify those particular measures to see if they really fit within the current regime.

The Chair: — So I think we can move progress. And that concludes the specific recommendations, and I was pleased to hear your comments on the outstanding recommendations. It appears there are two that a great deal of work is being done, and we appreciate that. Mr. Nilson.

Mr. Nilson: — Yes, I have one question because the work done by the Watershed Authority around the dam safety is not specific recommendation, but it's an ongoing monitoring, is how I would see this. One of the questions that comes up relates to the acquiring by the provincial government of further dams in the Qu'Appelle Valley. And I was wondering if there could be some report on the status there and whether or not they will then be included into this overall dam safety program.

Mr. Dybvig: — The status, there are some six structures in the Qu'Appelle Valley controlling the various lakes. These are all owned by the federal government currently.

With respect to the negotiations that are underway with the

flood claims that the First Nations have with the federal government and with provincial involvement, there has been agreement reached between the federal and provincial governments that once these flood claims are resolved that the province will negotiate a transfer agreement with the federal government and take ownership of these structures.

So we think we have made good progress on the negotiation of flood claims. We're hopeful that there'll be something resolved in the near term. And when that is done, we will then proceed with negotiations with the federal government for transfer of these structures, and then they would be included as part of the ongoing provincial rehabilitation and maintenance responsibilities.

The Chair: — Any further questions? That's it. Thank you very much. We appreciate your attendance. And we never say we look forward to seeing you again, but who knows. Thank you very much.

Ms. Quarshie: — Thank you.

The Chair: — We don't need a motion. Is there concurrence on . . . You can do a motion, whatever you want. Yes. Okay. No. 1, what's your motion?

Mr. Chisholm: — Concurrence on no. 1.

The Chair: — Concur with no. 1. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Agreed. We don't need a motion as such. I think just we note concurrence of the committee. And no. 2, I think we can note compliance. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Yes. And no. 3, I think we can note progress. That's agreed?

Some Hon. Members: — Agreed.

The Chair: — Okay. Cool. Okay. Very good.

Mr. Nilson: — Should we note the ones that was completed of the outstanding ones as well?

The Chair: — I think we can note in our records that we note that the department continues to make progress on compliance with previous recommendations of the committee without getting into details.

Mr. Nilson: — But my understanding was that five of them weren't completed that were listed here. They're not to the standard of the Provincial Auditor yet.

Mr. Wendel: — When the deputy minister was speaking, I don't want to put words in her mouth, but there was many more recommendations in the 2006 report that we made, and they've solved and got rid of a number of those recommendations and fixed those. And these are the ones that were left and they're still working on. And other ones, I think, they may have said

some . . . I think they said that . . .

Mr. Nilson: — I thought that five out of six were done.

Mr. Wendel: — The information technology agreement is now signed, so I guess that's compliance. And I don't know if I could comment, the business continuity plan, I don't believe is complete. They're working on it.

Compliance reporting, I think I might ask Ms. Scott to . . . she could probably answer that question. She's from Environment.

Ms. Johnson: — I'm sorry, I was having a conversation with . . .

Mr. Wendel: — We're just discussing some of the older recommendations.

Ms. Johnson: — Right.

Mr. Wendel: — And I was trying to remember what the deputy minister had said, but I was trying to see whether some of these older recommendations are now complied with.

Ms. Johnson: — Well I think we would suggest that there are a number that are resolved. But of course, Mr. Wendel, it's for your office to come back and determine whether or not they've been resolved to your satisfaction. So I'd welcome the committee noting that we've made progress on five more of the outstanding recommendations, but it's obviously for you to judge.

Mr. Wendel: — And I was trying to remember what the deputy minister had said about them and I thought it best come from you, so.

The Chair: — Well I think on that again and . . . We can note progress has been made on the outstanding recommendations and appreciate the good work of the department in that regard.

Okay. Can we get . . . We now need to deal with an item that deals with personnel, and I wonder if I could have a motion to move in camera?

Mr. Michelson: — I'd like to make a motion that we go into camera.

The Chair: — Okay. Moved by Mr. Michelson. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Agreed. Thanks. It won't be long.

[The committee continued in camera.]

[The committee adjourned at 10:40.]