

2008



Report of the
**Commissioner of the
Environment and
Sustainable Development**
to the House of Commons

DECEMBER

Chapter 4
Annual Report
on Sustainable Development Strategies



Office of the Auditor General of Canada

The December 2008 Report of the Commissioner of the Environment and Sustainable Development comprises The Commissioner's Perspective—2008, Main Points—Chapters 1 to 5, Appendices, and five chapters. The main table of contents for the Report is found at the end of this publication.

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Chapter

4

Annual Report on Sustainable
Development Strategies

All of the audit work in this chapter was conducted in accordance with the standards for assurance engagements set by The Canadian Institute of Chartered Accountants. While the Office adopts these standards as the minimum requirement for our audits, we also draw upon the standards and practices of other disciplines.

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Annual Report on Sustainable Development Strategies

Main Points

What we examined

In a 1995 amendment to the *Auditor General Act*, Parliament created a requirement for federal departments to prepare sustainable development strategies, table them in Parliament, and update them every three years. The process of creating the strategies was intended to ensure that government departments and agencies would examine their policies and programs to identify their potential social, economic, and environmental consequences. The strategies were to set out opportunities for more sustainable development in concrete action plans.

Over the past decade, we frequently reported significant weaknesses in the quality and relevance of the commitments presented in the sustainable development strategies. Last year in our 10th annual report on the strategies, we concluded that the government's current approach to producing and using sustainable development strategies was not working to deliver progress toward sustainable development. The government agreed with our recommendation that it review its approach to clarify its expectations and revitalize the process. It committed to completing a review by the end of October 2008.

Pending the outcome of the government's review and in accordance with our legal obligation to monitor and report annually on the strategies, we examined the implementation of one commitment each from the 2007–2009 strategies of 11 federal organizations. Given our findings regarding the quality and significance of sustainable development strategy commitments over the past decade, we did not carry out additional work this year to determine whether the commitments we examined were based on an examination of good practices elsewhere or on an assessment of the social, economic, and environmental impact of each department's key policies and programs. Consequently, we do not comment on the significance or relevance of the commitments we examined this year.

Why it's important

Through their policies, programs, and regulations, and the billions of dollars they spend each year, federal departments and agencies have a significant influence on just about every aspect of Canadian society.

In establishing its expectations for sustainable development strategies, the government recognized that Canada's economic health depends on its environmental health. It indicated that the strategies would help shape a better future for all Canadians.

What we found

- Eight of the eleven organizations in our audit had integrated structures and processes to effectively plan, implement, and monitor the selected commitment and could demonstrate some achieved results.
- Some of the commitments we examined on greening operations were related to the government-wide targets established by the federal Office of Greening Government Operations. Although we did not re-audit the Office of Greening Government Operations, we found in our work last year that the government-wide targets in this area were not specific and that the government was not in a position to know what progress it was making in greening its operations.

Introduction

4.1 In 1995, Parliament amended the *Auditor General Act*, requiring the ministers of designated departments and agencies to prepare sustainable development strategies, table them in Parliament, and update them at least once every three years. For assistance in holding the government to account, Parliament also directed the Commissioner of the Environment and Sustainable Development to monitor implementation of the strategies and report annually on progress.

4.2 Today, 32 departments and agencies prepare sustainable development strategies. This is the Commissioner's 11th annual audit report on the strategies.

4.3 The aim of the strategies is to make sustainable development an integral part of the mandate of each department and agency. Federal departments and agencies are to use the strategies to identify their sustainable development objectives. They are to develop concrete action plans for achieving these objectives, with clear benchmarks or expected results against which progress toward sustainable development can be measured. The requirement to table sustainable development strategies in Parliament was seen as a strong motivator for departments to take environmental issues into account when making management decisions.

4.4 In addition to the 1995 guidance provided to departments, the Commissioner has twice issued guidance on good management practices for sustainable development strategies. Nevertheless, our past reports have consistently noted that departments and agencies have made little progress in applying the principles set out in the guidance provided to them or in establishing good management practices for their sustainable development strategies. Our reports included several recommendations to departments and central agencies on these points.

4.5 In our October 2007 Report, Chapter 1, Sustainable Development Strategies, we noted that the strategies we had examined still were not substantive plans for sustainable development. We found little evidence that the strategies had encouraged federal organizations to integrate environmental protection with economic and social issues when developing policy proposals or managing programs and activities. We concluded that the individual strategies and the process of producing them were not realizing their full potential. We further noted that the federal government had still not acted on its repeated commitment to produce an overall plan, including clear goals to guide the efforts of individual entities, and it was not clear to us whether or

how departments and agencies had been held accountable by the government throughout the past decade for the generally poor quality of strategies. We said that parliamentarians could have no assurance that the sustainable development strategies of federal organizations were delivering progress toward sustainable development.

4.6 We recommended that the federal government specify

- federal goals for sustainable development, including specific performance expectations, indicators, and targets that will serve as objectively verifiable benchmarks against which progress can be measured;
- how departmental sustainable development strategies should fit with and contribute to the achievement of the federal goals, and how existing tools such as strategic environmental assessment should fit with and contribute to departmental sustainable development strategies;
- the strengths, weaknesses, opportunities, and constraints associated with the current approach to producing, implementing, and reporting on departmental sustainable development strategies, including the key opportunities for improvement; and
- roles and responsibilities, including what departments and central agencies must do what to ensure that the opportunities for improvement are acted on, that the government's expectations for sustainable development strategies are met, and that key parties have the necessary authority and are held accountable.

4.7 The government accepted our recommendation and committed to performing a review led by Environment Canada, for completion by the end of October 2008. In May 2008, Environment Canada told us that it had developed a log to track the different facets of the review, had examined relevant documentation and had completed an analysis of the strengths, weaknesses, opportunities, and constraints associated with the current approach to producing sustainable development strategies. The Department also told us it was on schedule to finalize the review by October 2008.

4.8 In June 2008, Parliament passed the *Federal Sustainable Development Act*. The Act incorporates key aspects of our 2007 recommendation. Under the legislation, the government is to develop a Federal Sustainable Development Strategy that specifies measurable goals and targets for sustainable development, departments and agencies are to prepare their own strategies that comply with and contribute to the government-wide strategy, and Environment Canada

is to monitor implementation and report on progress. Environment Canada has informed us that as a consequence of the Act, its review will focus on experience to date and implementation of the new legislative requirement.

4.9 The Commissioner also has some new duties under the Act. For example, the Commissioner is required to

- examine a draft of the Federal Sustainable Development Strategy from the perspective of the external auditor,
- provide comments to the Minister of the Environment about whether the targets and implementation strategies can be assessed,
- examine the extent to which entities subject to the Act have contributed to meeting the targets set out in the government-wide strategy and have met the objectives and implemented the plans set out in their own organizations' strategies, and
- assess the fairness of information presented in the government's reports on the progress of the federal strategy.

Focus of the audit

4.10 This audit began prior to passage of the 2008 *Federal Sustainable Development Act* and was carried out in accordance with our legal obligation under the *Auditor General Act* (1995). This year, pending the government's review and implementation of the *Federal Sustainable Development Act*, we examined implementation of one commitment each from the 2007–2009 strategies of eleven federal organizations.

4.11 We sought to determine whether each of these departments and agencies had integrated structures and processes to effectively plan, monitor, and review implementation of its selected commitment, and whether each could identify some achieved results.

4.12 Given our findings regarding the quality and significance of sustainable development strategy commitments over the past decade, we did not carry out additional work this year to determine whether the commitments we examined were based on an examination of good practices elsewhere or on an assessment of the social, economic, and environmental impact of each organization's key policies and programs. Consequently, we do not comment on the significance or relevance of the commitments we examined this year.

4.13 The 11 commitments we selected are only a few of those contained in the sustainable development strategies tabled by departments and agencies in December 2006. Our findings on the

implementation of the selected commitments are not necessarily representative of each organization's overall progress in implementing its strategy or progress toward sustainable development in general.

4.14 More details on the objective, scope, approach, and criteria are in **About the Audit** at the end of this chapter.

Observations

Value of a well-functioning management system

4.15 In several previous reports of the Commissioner (including those for 1999, 2000, 2006, and 2007), we noted the clear link between well-functioning management systems and demonstrable progress on sustainable development strategy commitments. Again this year, we found that most departments and agencies that could demonstrate some results had well-functioning management systems in place for planning, implementing, and tracking progress on the commitments we selected for audit (Exhibit 4.1).

4.16 Eight departments and agencies had integrated structures and processes in place to effectively plan, implement, and monitor the commitment we had selected for audit, and could demonstrate some achieved results:

- Atlantic Canada Opportunities Agency,
- Canadian Environmental Assessment Agency,
- Department of Finance Canada,
- Economic Development Agency of Canada for the Regions of Quebec,
- Foreign Affairs and International Trade Canada,
- Human Resources and Social Development Canada,
- National Defence, and
- Parks Canada.

4.17 The Canada Public Service Agency, Citizenship and Immigration Canada, and Correctional Service Canada could not provide evidence that they had achieved expected results or had effectively planned, monitored, and tracked progress on the commitment we had selected for audit.

Exhibit 4.1 Most of the 11 organizations examined achieved progress on selected 2007–2009 sustainable development strategy (SDS) commitments

	Commitment	What we found
Atlantic Canada Opportunities Agency (ACOA)	Improved, sustainable community infrastructure: up to 175 “green” infrastructure projects funded through the Agency by 2010.	We found that ACOA approved 59 green infrastructure projects and had plans to meet its commitment under the Agency’s sustainable development strategy by 2010. However, ACOA’s 2007–08 Report on Plans and Priorities includes a one-year target of 197 green municipal infrastructure projects. That is significantly higher than its three-year SDS target of 175 green infrastructure projects. While this SDS commitment is clearly linked to the Agency’s Program Activity Architecture, SDS target setting could be better integrated with the annual planning cycle, and the Agency could set more challenging targets.
Canada Public Service Agency (CPSA)	The Corporate Services Branch of the Agency will work with Public Works and Government Services to divert 75 percent of waste at L’Esplanade Laurier and other occupied buildings (by 2007) through the redesign and implementation of an updated recycling program, including improvement to take-back and hazardous materials programs.	CPSA did not meet its target to achieve a 75 percent waste diversion rate by 2007 for any of the buildings it occupies. With the exception of L’Esplanade Laurier, no data was collected on waste diversion rates in buildings occupied by the Agency. We noted that CPSA has updated its recycling program and implemented new composting programs. Agency officials are confident that they will meet their 75 percent target rate for waste diversion at L’Esplanade Laurier in the next waste audit, scheduled for fall 2008.
Canadian Environmental Assessment Agency (CEAA)	The Agency will (by December 2007) develop guidance on meaningful public participation, and policy and skill-building training for engagement of Aboriginal peoples, in federal environmental assessment. The Agency will fund, through its Research and Development Program, projects that provide new understanding and approaches for the meaningful involvement of the public, including Aboriginal peoples, in environmental assessment.	CEAA has developed guidance material on meaningful public participation, as well as policy and skill-building training for the engagement of Aboriginal peoples. Through its Research and Development Program, the Agency has also funded projects that provide new understanding and approaches for the meaningful involvement of the public (including Aboriginal peoples) in the environmental assessment process. We noted that CEAA has not updated its SDS management reporting system since 2006. The Agency has a sustainable development champion function but this position has been vacant for several months.
Citizenship and Immigration Canada (CIC)	Take sustainable development considerations into account in immigration-levels planning.	CIC has yet to establish formal guidelines, timelines, and clear, measurable performance expectations to ensure that sustainable development will be taken into account in immigration-levels planning. This commitment was carried over from the Department’s previous three-year sustainable development strategy.
Correctional Service Canada (CSC)	Reduction of our water consumption via the implementation of multiple measures to conserve potable water. By March 2010, CSC will reduce its potable water consumption by 10 percent.	Because of a lack of accurate monitoring and reporting by its facilities, CSC is unable to reliably track progress on its commitment.

Exhibit 4.1 Most of the 11 organizations examined achieved progress on selected 2007–2009 sustainable development strategy (SDS) commitments (cont'd)

	Commitment	What we found
Department of Finance Canada	By 2009, the Corporate Services Branch will increase purchases of green office furniture from 2005–06 levels by 50 percent where and whenever new fit-up opportunities exist, and where current design configuration permits.	Finance Canada developed green furniture procurement standards, and provided training on green procurement to most acquisition cardholders and materiel personnel. In 2007, 100 percent of office furniture purchases over \$20,000 were green (compared to 79 percent in 2006). Since September 2007, green office furniture purchases are monitored using the new Integrated Financial and Materiel System green procurement tracking field. The Department decided to track purchases under \$20,000 on a prospective basis using the system's green procurement tracking field.
Economic Development Agency of Canada for the Regions of Quebec (CED)	As of 1 April 2007, apply the Strategic Environmental Assessment (SEA) as early as the design of Agency plans, policies, and programs. Anticipated results: Sustainable Development Strategy commitments are integrated in decision-making processes as early as the planning stage.	CED performed SEAs for its two main programs, "Vitality of Communities" and "Competitiveness of Quebec SMEs and Regions." The Agency determined that it did not need to perform SEAs for its other programs. The Agency was also able to show that it has an integrated management system that takes environmental and other impacts into account with regard to the sustainable development of the various projects that it administers. The integrated management system links information compiled by CED officers with the Agency's performance indicators.
Foreign Affairs and International Trade Canada (DFAIT)	Provide funding for the dismantlement of a minimum of five decommissioned Russian nuclear submarines.	Evidence provided by the Department showed that its funding contributed to the de-fuelling of 24 nuclear reactors containing highly enriched uranium in 12 decommissioned Russian nuclear submarines from the 2004–05 fiscal year to the 2007–08 fiscal year. The Department also indicated that dismantling has been completed for 11 of these. The 12th is currently being dismantled under a joint arrangement with the United States and Russia.
Human Resources and Social Development Canada (HRSDC)	Further develop two green processing activities: Processing Automation Initiative and Simplification of Program Delivery Document Requirements. Short-term outcomes: <ul style="list-style-type: none"> • reduced energy and paper use through service process automation, and • decreased service delivery processing requirements. 	Evidence provided by the Department indicates that both components of the commitment have been substantially implemented, and that progress is monitored, measured, and reported on internally. Some results have been identified, and plans are in place for ongoing implementation.
National Defence (DND)	Developing and integrating where appropriate green procurement modules and messages into all existing training: <ul style="list-style-type: none"> • A green procurement training module is developed by 30 June 2007. • A green procurement course is delivered to 100 percent of acquisition cardholders, materiel managers, and procurement personnel by 31 March 2010. 	National Defence developed and approved a green procurement training module in conformance with policies of Public Works and Government Services and Treasury Board. The Department has begun online green procurement training. A firewall issue has restricted access to the course, with the result that only a few acquisition cardholders, materiel managers, and procurement personnel have taken the course thus far. DND officials expressed confidence that the firewall issue will be resolved by fall 2008.

Exhibit 4.1 Most of the 11 organizations examined achieved progress on selected 2007–2009 sustainable development strategy (SDS) commitments (cont'd)

	Commitment	What we found
Parks Canada	Parks Canada will conduct ecological monitoring and reporting on the state of aquatic ecosystems in national parks. Fully functioning ecological integrity monitoring and reporting systems will be developed for all national parks by March 2008.	<p>As of March 2008, 30 of the 39 national parks with aquatic ecosystems had fully functioning systems for monitoring and reporting on ecological integrity. For the remaining parks, especially those located in the North, the Agency indicated that it faced challenges in developing systems.</p> <p>The Agency has developed measures for reporting on the ecological integrity of aquatic ecosystems. It has established a new Information Centre on Ecosystems, which serves as a repository for summary descriptions, data, and reports related to national parks. The Agency also hired ecologists and acquired equipment to facilitate monitoring in national parks.</p> <p>We found that the Agency is transparent in its reporting, is effectively managing the implementation of its commitment, and is well aware of the challenges it faces.</p>

4.18 Some of the commitments we examined on greening operations were related to the priority areas established by the federal Office of Greening Government Operations. However, in our March 2008 Status Report, Chapter 10, Management Tools and Government Commitments—Greening of Government Operations, we noted that the government-wide targets were non-specific and not consistently incorporated into departmental strategies. We also noted that the government was not in a position to know what progress it was making in greening its operations.

Environment Canada's key role

4.19 In response to our October 2007 recommendation, Environment Canada is undertaking a thorough review to identify ways of improving the government's approach to sustainable development strategies. The target date for completing the review is October 2008. The review should help guide implementation of the *Federal Sustainable Development Act*.

4.20 As the department responsible for establishing federal sustainable development goals and for monitoring and reporting progress under the *Federal Sustainable Development Act*, Environment Canada has the task of providing clear guidance to departments and agencies on the requirements to be met as well as ensuring that they have the capacity to meet those requirements.

Conclusion

4.21 Eight of the 11 organizations we examined—the Atlantic Canada Opportunities Agency, the Canadian Environmental Assessment Agency, the Department of Finance Canada, the Economic Development Agency of Canada for the Regions of Quebec, Foreign Affairs and International Trade Canada, Human Resources and Social Development Canada, National Defence, and Parks Canada—had structures and processes in place to effectively plan, implement, and monitor the selected commitments, and could also demonstrate some achieved results.

4.22 Our findings this year do not change our view that the government's approach to the preparation and use of sustainable development strategies over the past decade has not worked. While individual organizations have taken some action in specific areas, there are still no clear federal goals or indicators to clarify the government's expectations for sustainable development strategies or to measure the individual or collective progress of departments and agencies. Consequently, there is as yet no basis for a meaningful assessment of results in relation to the sustainable development strategies.

4.23 The 2008 *Federal Sustainable Development Act* requires Environment Canada to establish federal sustainable development goals and targets by June 2010 and to provide a progress report at least once every three years after the day on which the Act came into force. As part of the process of developing federal goals and targets for sustainable development and determining which organizations will be responsible for meeting them, we expect Environment Canada to identify means for improving on the previous approach and increasing accountability for results. We look forward to examining progress in our future annual reports.

About the Audit

Objective

Our audit objective was to determine whether each department and agency

- had integrated structures and processes to effectively manage the implementation of a selected commitment from its sustainable development strategy, and
- could identify some achieved results.

Scope and approach

As part of our annual monitoring of strategy commitments, we audited the implementation of selected commitments from the 2007–2009 sustainable development strategies of the following 11 organizations:

- Atlantic Canada Opportunities Agency,
- Canada Public Service Agency,
- Canadian Environmental Assessment Agency,
- Citizenship and Immigration Canada,
- Correctional Service Canada,
- Department of Finance Canada,
- Economic Development Agency of Canada for the Regions of Quebec,
- Foreign Affairs and International Trade Canada,
- Human Resources and Social Development Canada,
- National Defence, and
- Parks Canada.

In establishing the list of entities subject to the audit this year, we excluded entities that we had audited six or more times in the past five years, as well as entities that had been audited more than twice in the past two years. We also excluded the Canadian Firearms Centre and Public Safety Canada, since they did not table sustainable development strategies for the 2007–2009 period.

In selecting commitments to be audited, our criteria included auditability and availability of evidence, as well as the time elapsed since the commitment was made. This was to ensure we could reasonably expect to find progress or completion of the commitment at the time of our audit. We also asked the organizations involved to suggest commitments they considered to be of particular importance in advancing their sustainable development strategies. In addition, we considered the relevance to current or previous audit work conducted by the Commissioner of the Environment and Sustainable Development.

Various audit teams of the Office of the Auditor General conducted the work. For example, the audit team responsible for Finance Canada audited that department's commitment. Preliminary evidence for our examination was collected through a questionnaire that asked for a detailed description of the status of the commitment and the progress made by the department or agency on that commitment. After a review of completed questionnaires, the Office's entity teams conducted further investigations involving interviews with key officials and requests for additional documentation.

Our assessment applies only to the 11 commitments we examined and is not necessarily representative of the overall progress made by each department or agency in implementing its sustainable development strategy.

Given the findings of our previous audits during the last decade and the conclusions of our October 2007 Report, Chapter 1, Sustainable Development Strategies, we did not carry out additional work to determine whether the selected commitment was relevant to the mandate of each department or agency, or whether the departments and agencies base their strategy commitments on an examination of good practices elsewhere. Consequently, we do not comment on the quality or relevance of the commitments we examined.

Criteria

Listed below are the criteria that were used to conduct this audit and their sources.

Criteria	Sources
The departments and agencies should provide evidence of progress on implementation of the selected commitment, and have the systems and procedures in place to manage implementation of the selected commitment.	<ul style="list-style-type: none"> • ISO 14001 Environmental Systems Handbook, 2nd ed., 2004 • Government of Canada, A Guide to Green Government, Section III, Minister of Supply and Services, 1995
<p>The departments and agencies should manage implementation of their commitments effectively, from short term outputs to long term outcomes. Effective management would include</p> <ul style="list-style-type: none"> • planning for implementation of the commitment by documenting timelines, responsibilities, and performance expectations; • monitoring, documenting, and reporting the actions taken and results achieved; and • reviewing the sufficiency of the actions taken and identifying necessary corrective action. 	<ul style="list-style-type: none"> • Office of the Auditor General and Treasury Board of Canada Secretariat, Modernizing Accountability Practices in the Public Sector, 1998 • Treasury Board of Canada Secretariat, Preparing and Using Results-Based Management and Accountability Frameworks, sections 3 and 4, 2005
The departments and agencies should have implemented and monitored their commitments as specified in their strategies.	Government of Canada, A Guide to Green Government, Minister of Supply and Services, 1995

In accordance with our October 2007 Report, Chapter 1, we also considered

- the requirements of the commitment;
- the complexity of the commitment;
- the amount of time that had elapsed since the commitment was made;
- whether actions had led to demonstrable results; and
- whether significant changes had occurred since the commitment was made, such as a reorganization (splitting or merging) of departments or agencies.

All work was conducted to an audit level of assurance.

Audit work completed

Audit work for this chapter was substantially completed on 27 May 2008.

Additional work was carried out to review the requirements of the *Federal Sustainable Development Act* after it was passed on 26 June 2008.

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