

2001



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

Managing for Sustainable Development

Chapter 2

Sustainable Development Management Systems

Chapter 3

Reporting on Sustainable Development:
Is the System Working?

Chapter 4

Assessing the First Sustainable Development Strategies

Chapter 5

Integrating the Social Dimension: A Critical Milestone

The 2001 Report of the Commissioner of the Environment and Sustainable Development comprises seven chapters, The Commissioner's Perspective—2001, and a Foreword. The main table of contents is found at the end of this publication.

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Chapter

2

Sustainable Development
Management Systems

The audit work reported in this chapter was conducted in accordance with the legislative mandate, policies, and practices of the Office of the Auditor General of Canada. These policies and practices embrace the standards recommended by the Canadian Institute of Chartered Accountants.

Table of Contents

Main Points	1
Introduction	3
Canadians expect a safe environment	3
A well-functioning management system is critical for sustained success and continual improvement	3
Focus of the audit	4
Observations and Recommendations	6
Leaders show it can be done	6
Four departments have well-functioning management systems	8
Four departments are almost there	8
Eight departments have not done it	8
Six departments have notable deficiencies	8
Two departments have significant deficiencies in most areas in the management of sustainable development	9
Developing and implementing a management system	9
Problems are consistent over time	9
Planning is generally well done	10
Trouble implementing the plan	10
Tools for continual improvement are the exception	11
Management review	12
Underlying causes of deficiencies	14
Critical roles and responsibilities	15
Lack of a government-wide implementation date	15
Conclusion	16
About the Audit	17
Appendix	
Best practices of six departments	18



Sustainable Development Management Systems

Main Points

2.1 This chapter presents a mixed message. Some departments have shown examples of real progress in implementing management systems for sustainable development—Industry Canada, National Defence, Natural Resources Canada, and Transport Canada. On the other hand, some departments could not produce sufficient evidence to show that they had management systems for the commitments contained in their sustainable development strategies.

2.2 Eight of the sixteen departments audited this year showed evidence that they have most of the elements of a management system to implement the commitments in their sustainable development strategies. However, eight departments could not show us that they have management systems. We are concerned that the departments that could not show us a system may be at risk of not meeting their sustainable development commitments and may also slow the progress of the federal government toward sustainability.

2.3 Reflections on the past three years. Three years ago we expected that departments could develop and implement management systems to meet their sustainable commitments. Leading departments have demonstrated that it can be done. However, there are still far too many links missing in the chain. We are concerned that non-performing departments will drag other departments down. We are concerned because the issue is not compliance with a management system model but the ability to deliver on the government's promise to adopt a sustainable development agenda. Adopting a methodical approach to managing sustainable development is one test to measure whether the government is serious about sustainable development or whether it is treating it as a paper exercise. Only half of the departments we audited this year passed that test.

2.4 The largest enterprise in Canada does not have a co-ordinated approach. The largest enterprise in Canada—the federal government—does not have a common management approach, completed standards, a timetable, or oversight to guide and hold departments accountable for their sustainable development programs. There must be a Government of Canada perspective, which includes an agreed-upon timetable for implementation of a management system, if there are to be consistent management systems in all departments within a reasonable time frame.

Background and other observations

2.5 In 1997, 28 federal departments tabled their first sustainable development strategies in the House of Commons. The strategies contained the departments' action plans, including the objectives and targets that the departments and others would use as benchmarks for measuring progress.

2.6 In 1999 and 2000, we reported on the management practices that 12 departments were following to implement their sustainable development strategies. We have demonstrated in previous reports that a well-functioning management system is a strong indicator that intended results will be accomplished. As a benchmark of good practice, we used the International Organization for Standardization (ISO) 14001 standard for environmental management systems. This year, using the same benchmark, we assessed the management practices of the remaining 16 departments.

2.7 As noted in our 1999 and 2000 reports, our review of documentation provided by departments found that in most departments, much of the documented evidence provided to describe systems and processes had been prepared after the department was selected for review by the Commissioner of the Environment and Sustainable Development. We noted that many of the departments had undertaken significant efforts to describe elements of their environmental and sustainable development management systems, make enhancements to programs, and develop additional plans and initiatives. In some departments—Industry Canada, Parks Canada, Royal Canadian Mounted Police, Public Works and Government Services Canada, and Human Resources Development Canada—consultants largely undertook much of this work. These organizations must be careful to ensure that they retain in-house the knowledge developed by the consultants.

2.8 Our next audits will look at the performance of some departments in moving toward sustainable development. In those departments that presented evidence of well-functioning management systems, we will expect their management systems to be operating at all organizational levels and at all sites. In the departments with significant deficiencies, we will expect to see an active program to address these deficiencies, as well as progress toward their sustainable development commitments.

The Government of Canada recognizes that effective management processes are crucial for achieving results on the objectives outlined in departments' sustainable development strategies.

The Treasury Board Secretariat will assist departments and agencies by providing advice on establishing or strengthening appropriate management processes to support their activities. The Privy Council Office will ensure that senior managers recognize the priority that government has placed on sustainable development. Environment Canada will provide leadership and help to co-ordinate the efforts of departments across government to promote sustainable development. Each minister is accountable directly to Parliament for the department's performance against the objectives set out in the strategy.

Introduction

Canadians expect a safe environment

2.9 The federal government recognizes how important the environment is to Canadians and has committed to implementing a sustainable development agenda. There are significant risks if the government cannot deliver on its commitments for a healthier environment and more sustainable way of life. The risks to Canadians are larger and more complex than ever—they are more insidious in nature, such as the long-term exposure to toxic substances, and there is more at stake. Without a methodical approach toward implementing sustainable development for Canada, we are concerned that gaps in implementation will emerge and efforts could be focussed on less important issues.

2.10 Two founding principles. The success or failure of the government's sustainable development agenda rests on two principles. The commitments in the sustainable development strategies must be meaningful and address government priorities, and the government must have the capacity to deliver on these commitments.

2.11 Failure to meet these principles could mean putting the health and long-term well-being of Canadians at risk. We have written in past reports about the implementation gap—the federal government's failure to deliver on its policy commitments. Good performance is an effective way to close the implementation gap and regain credibility, both in Canada and abroad.

A well-functioning management system is critical for sustained success and continual improvement

2.12 In 1997, 28 federal departments tabled their first sustainable development strategies in the House of Commons. Each strategy contained an action plan, including the objectives and targets that departments and others would use as benchmarks for measuring progress.

2.13 We believe that results matter more to parliamentarians and Canadians than the systems or procedures that produce them. However, we decided that for the first three years of the sustainable development journey it would not be possible to audit results. It was too early in the implementation process, and many of the commitments in the first round of strategies did not include goals and targets that were measurable or that had a completion date. As an alternative, we determined that for now it would be more effective to look at the management systems that departments had established to deliver their sustainable development commitments. We believe that management systems are a valid indicator of a department's ability and intent to deliver commitments made in its sustainable development strategy. Furthermore, in the absence of more direct guidance, we expected that our audits would help departments establish effective management systems.

2.14 In February 2001, departments tabled their second sustainable development strategies in Parliament; for the last three years, they have reported on performance.

2.15 Exhibit 2.1 highlights just three meaningful departmental commitments from the second round of sustainable development strategies. There are many dozens more. We have noted from best practices that having a management system does not guarantee success; however, the lack of a functioning system increases the risk of not meeting commitments. In Chapter 3 of this Report, we note that, after three years, departments have reported attaining only 36 percent of the commitments in their strategies.

Exhibit 2.1 Meaningful commitments from departments' second strategies

Canadian International Development Agency

One of the Agency's development and program goals is "to support sustainable development in developing countries in order to reduce poverty and to contribute to a more secure, equitable, and prosperous world."

Indian and Northern Affairs Canada

A healthy human and natural environment is the Department's first goal in its commitments to the North (Yukon, Northwest Territories, and Nunavut).

Department of Finance

One of the Department's key issues is integrating the economy and the environment. This involves building on the Department's analytical foundation and knowledge base in support of more fully integrating environmental and economic considerations into targeting tax, spending, and related policies.

Source: 2001–03 sustainable development strategies

Focus of the audit

2.16 Our audit objective was to determine the extent to which federal departments and agencies have developed management systems to manage their sustainable development commitments. We assessed this capacity by looking at the completeness of each management system, and its application across the department.

2.17 In conducting our audits over the last three years, we set out to answer two questions: Have departments established the capacity to implement their strategies? Are federal departments doing what they said they would do in their strategies?

2.18 In our 1999 and 2000 reports, to answer the first question we compared the management practices of 12 departments with recognized standards of good management practice. This chapter repeats the process with the remaining 16 departments (see Exhibit 2.2). Chapter 3 of this Report answers the second question.

Exhibit 2.2 Departments audited

2001 Report of the Commissioner of the Environment and Sustainable Development

- Canadian Environmental Assessment Agency
- Canadian International Development Agency
- Correctional Service Canada
- Environment Canada
- Finance, Department of
- Foreign Affairs and International Trade, Department of
- Human Resources Development Canada
- Indian and Northern Affairs Canada
- Industry Canada
- National Defence
- Natural Resources Canada
- Parks Canada Agency
- Public Works and Government Services Canada
- Royal Canadian Mounted Police
- Transport Canada
- Treasury Board Secretariat

2000 Report

- Canada Customs and Revenue Agency
- Department of Canadian Heritage
- Fisheries and Oceans
- Canada Economic Development for Quebec Regions
- Solicitor General Canada
- Western Economic Diversification Canada

1999 Report

- Agriculture and Agri-Food Canada
- Atlantic Canada Opportunities Agency
- Citizenship and Immigration Canada
- Department of Justice
- Health Canada
- Veterans Affairs Canada

2.19 We did not assess departmental results; nor do we offer an opinion on the performance of departments to date, except as reported by the departments themselves. We will audit and report on performance in future reports.

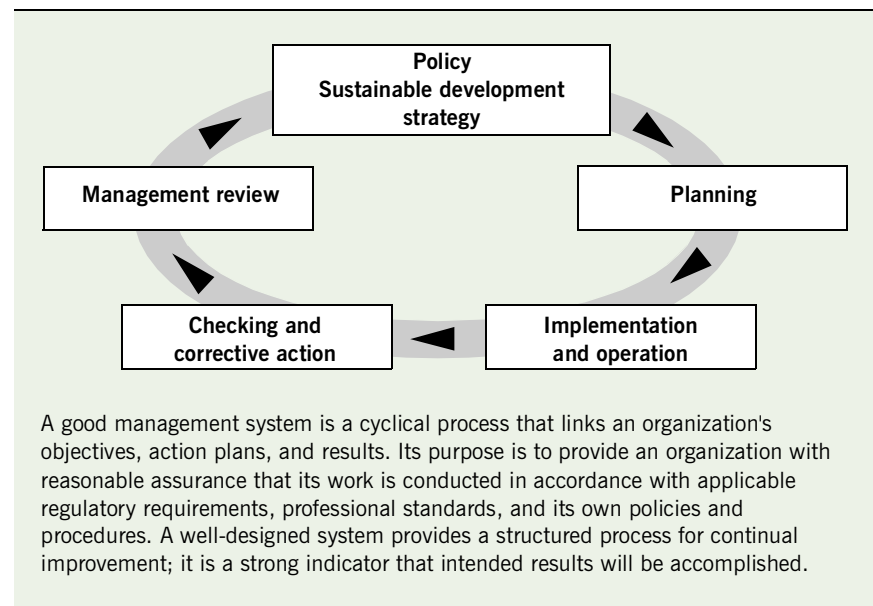
2.20 What we expected to find. In 1995 the government directed departments to establish environmental management systems that emulate the best practices in other sectors. The elements of a well-functioning management system are illustrated in Exhibit 2.3. This system reflects the same principles and steps articulated in the modern management agenda adopted by the Treasury Board Secretariat. Departments were also asked to make their management systems and operational practices more consistent with sustainable development. In response, all but three departments included in their 1997 sustainable development strategies a discussion of their

intent to develop appropriate management systems. Therefore, we expected that each department had a management system in place to deliver the commitments in its strategy.

2.21 For this audit, we requested that departments complete a self-assessment based on the International Organization for Standardization (ISO) 14001 environmental management system. In previous years we had completed assessments jointly with departments. That assessment also relied on the ISO 14001 standard for generic criteria. Our findings are based on the evidence presented by departments.

2.22 In assessing a department we looked for evidence that the five elements of a well-functioning management system were present (see Exhibit 2.3). We then compared the results for each department against the results for all of the departments in our sample. We found that each department fell into one of four levels. Further details on the audit are found at the end of the chapter in About the Audit.

Exhibit 2.3 A well-functioning management system



Observations and Recommendations

Leaders show it can be done

2.23 A mixed message. We found that the 16 departments we audited this year demonstrated a wide range of capacity to manage environmental and sustainable development issues. Most departments have some elements of a management system in place to address sustainable development and environmental commitments. However, only four departments have

management systems that are fully sufficient to manage and meet the commitments in their sustainable development strategies. Four other departments have developed their management capacity to a level where they have most of the elements of a functioning management system. Broader or better application in all areas of the department would give them a fully functioning management system. Six departments have significant deficiencies in their management systems. Their systems will require significant improvement to demonstrate a capacity to deliver the commitments made in their strategies. Finally, two departments show significant difficulties in most areas in developing appropriate management systems to meet their sustainable development requirements. More detail is provided in the following paragraphs and in Exhibit 2.4.

2.24 In reviewing the first and second set of sustainable development strategies, we found that of 27 departments and agencies (Parks Canada was part of the Department of Canadian Heritage) only 3 strategies did not contain a commitment to develop some kind of management system. By 2001, 19 of the 28 strategies showed that the departments did not have complete management systems in place.

Exhibit 2.4 Assessment of the management system in 16 departments

Level I	These departments have either a functioning management system for their environmental and sustainable development commitments or their system did not meet the audit criteria in a few minor areas.	<ul style="list-style-type: none"> • Industry Canada • National Defence • Natural Resources Canada • Transport Canada
Level II	These departments have either a significant deficiency in one of the five elements of a management system or their system was not functioning evenly across the entire department.	<ul style="list-style-type: none"> • Correctional Service Canada • Department of Foreign Affairs and International Trade • Public Works and Government Services Canada • Treasury Board Secretariat
Level III	These departments have more than one significant deficiency. In most cases, the deficiency related to the department's ability to measure and report on performance, review current practices, and guide improvement.	<ul style="list-style-type: none"> • Canadian Environmental Assessment Agency • Environment Canada • Human Resources Development Canada • Parks Canada • Royal Canadian Mounted Police • Canadian International Development Agency
Level IV	These departments had significant deficiencies in most areas in the management of their sustainable development commitments.	<ul style="list-style-type: none"> • Department of Finance • Indian and Northern Affairs Canada

Four departments have well-functioning management systems

2.25 Level I departments. National Defence, Industry Canada, Natural Resources Canada, and Transport Canada all provided evidence that they had well-functioning management systems to implement the commitments in their strategies.

2.26 These departments have demonstrated that a systematic approach to managing sustainable development is possible. They identified environmental and sustainable development aspects well; developed objectives and targets, programs, monitoring and tracking systems, and reporting procedures; and actively involved senior management in reviewing performance. There was evidence that specific commitments were managed from initial identification to management review of progress and accomplishments.

2.27 These departments have dedicated resources and, more important, commitment from senior management to set up management systems that guide their environmental and sustainable activities. Our audit of these four departments noted a number of best practices, some of which are presented in the Appendix to this chapter.

Four departments are almost there

2.28 Level II departments. These departments have initiated many of the elements of a well-functioning management system. Individual elements are in place; however, they either they are applied unevenly across all departmental programs (in Public Works and Government Services Canada, Foreign Affairs and International Trade) or the departments have weaknesses in one or more elements of their system (Correctional Service Canada, Treasury Board Secretariat). These deficiencies were often evident in the monitoring or performance reports we reviewed; there were not consistently strong links back to the objectives and targets identified in the department's strategy. These departments have made significant efforts to manage their sustainable development commitments. With additional effort, they should be able to demonstrate the capacity to manage their sustainable development strategy commitments on a department-wide basis. We have presented some additional best practices of two of these departments in the Appendix to this chapter.

Eight departments have not done it

Six departments have notable deficiencies

2.29 Level III departments. These departments (Human Resources Development Canada, Parks Canada Agency, Canadian Environmental Assessment Agency, Royal Canadian Mounted Police, Environment Canada, Canadian International Development Agency) have deficiencies in their capacity to manage sustainable development commitments, based on the evidence presented by each department. We found that senior management needs to reassess its level of commitment or its approach to managing the

implementation of its department's strategy. It should be noted that the Parks Canada Agency had until recently come under the strategy of the Department of Canadian Heritage. The Parks Canada Agency has written its first strategy and is in the early stages of developing a management system for its strategy.

Two departments have significant deficiencies in most areas in the management of sustainable development

2.30 Level IV departments. These departments (Department of Finance and Indian and Northern Affairs Canada) did not present sufficient evidence that they had adequately addressed the management of sustainable development at the corporate level. In our opinion, there is a significant risk that activities and initiatives to support sustainable development commitments are occurring ad hoc in the different programs of each department. While the Department of Finance introduced new processes and co-ordination in its first sustainable development strategy, we believe that efficiency and effectiveness would increase if these departments adopted a more systematic structure and approach. We note that six years have passed since the government asked departments to adopt a management system, and progress remains slow in these two departments.

2.31 The Department of Finance stated that it was integrating sustainable development into all aspects of its work. However, the Department did not provide us with convincing evidence that its sustainable development commitments in its first strategy (1997–2000) were managed in a systematic way or that they had been fully incorporated into existing processes.

2.32 Indian and Northern Affairs Canada, which is responsible for developing and co-ordinating a sustainable development strategy for the North on behalf of the federal government, has developed three separate sustainable development management systems at the branch level. Although actions supporting sustainable development have been carried out, progress among branches is uneven. Considerable effort is required before the Department can demonstrate department-wide capacity to manage sustainable development.

2.33 We are concerned about these findings because the Department of Finance and Indian and Northern Affairs Canada are important participants in meeting the government's sustainable development agenda.

Developing and implementing a management system

Problems are consistent over time

2.34 Patterns in previous audits. In our 1999 and 2000 reports, we noted that departmental practices were most developed at the planning stage of the departments' management systems. The systems became weaker as departments moved from the planning stage to the implementation and operation stage, and they were weakest at the checking and corrective action

stage and at the management review stage. Exhibit 2.5 provides details on our previous findings. They are consistent with findings from this audit.

Exhibit 2.5 Previous audit findings

Regulations and implementation

- Departments have yet to itemize or prioritize regulatory and other potentially applicable environmental and sustainable development obligations.
- Departments have yet to establish and apply systematic practices, procedures, and work instructions for strategy implementation, monitoring, and control.

Training

- Departments have yet to assess their training requirements.

Internal audit

- Most departments have yet to perform an internal audit of their management practices for environmental issues and sustainable development.

Top management review

- Top management has generally not reviewed the adequacy of the department's management practices for strategy implementation.
 - Performance targets and performance reporting are non-existent or vague; consequently, departments (and independent stakeholders) lack the information necessary to track progress or to take corrective action.
 - Most departments have no procedures to ensure that corrective action is taken when performance does not meet expectations.
 - Although we were told that top management had periodically reviewed progress toward strategy objectives, we found no documentation showing the results of the reviews or management recommendations for corrective action.
-

Planning is generally well done

2.35 Implementation separates leaders from others. Consistent with our previous audits, we found that while almost all departments demonstrated a strong capacity for planning their sustainable development requirements, leading departments were able to adopt a systematic approach in establishing objectives, targets, and programs for all significant issues. We also noted that many departments had committed limited resources to the specific processes needed to develop their next sustainable development strategies for 2001. In many cases, level III and IV departments had to focus their efforts on drafting a revised strategy, which further hindered development of a management system.

Trouble implementing the plan

2.36 Half the departments (those with numerous deficiencies) did not articulate clearly the structure of and responsibilities for their programs. Almost all departments were able to identify the structure and organizational approach they use to produce a strategy, but many departments lack a similar

organizational approach for implementation. In departments with significant deficiencies, there was a failure to establish objectives and targets at the working level.

2.37 Going beyond the planning phase. Departments that primarily see sustainable development as a policy exercise were unable to show significant changes in programs, activities, or the way they do business. Although specific activities or projects could be shown to contribute to sustainable development objectives and targets, a systematic approach did not exist to establish responsibility and accountability for all commitments. In several cases, departments said that they had already been managing for sustainable development and had fully integrated it into current operations. However, they were unable to show the assignment of work and performance measurement systems for their sustainable development commitments.

2.38 Almost three years after the departments tabled the first strategies, we note a clear delineation between those departments that have gone beyond the planning stage and started to implement systems and operating procedures for managing their commitments and those departments that have not. This finding is also consistent with our previous audits.

2.39 Training is essential but uneven. Because the concepts and application of sustainable development are new to most staff, training is an essential part of the implementation stage.

2.40 Many good practices are emerging for sustainable development training. Public Works and Government Services Canada, for example, has developed and initiated a department-wide training program for environmental and sustainable development issues. Industry Canada also has developed a course that covers sustainable development issues in its programs. However, most departments have had little or no systematic training and have not systematically identified training needs within the department. None of the departments were able to provide evidence that all key staff had received training appropriate to the environmental risks of their activities or to the environmental and sustainable development objectives for which they are responsible.

2.41 Staff that we interviewed noted the need for information on how to manage sustainable development across the government and the lack of good information on “what to do” in this area. Awareness of sustainable development issues has been largely communicated through the Interdepartmental Network on Sustainable Development Strategies. However, this forum is not intended to meet the broader training needs of managers.

Tools for continual improvement are the exception

2.42 Monitoring and measurement are essential. There are significant differences in how departments have established procedures for monitoring and reporting sustainable development performance. Level I departments (National Defence, Natural Resources Canada, Transport Canada, and

Industry Canada) have taken steps to establish procedures for tracking sustainable development commitments and for assessing progress regularly. Without these procedures, a department's ability to manage and track progress toward sustainable development commitments is questionable. This information is critical for management to track how well the organization is doing and to take corrective action in areas where performance does not meet planned levels.

2.43 Poor monitoring affects the credibility of performance reports. The lack of monitoring procedures raises questions about the reliability of performance information in reports. Performance reports are often prepared in response to specific requirements such as issuing a call letter to provide information for preparing the departmental performance report. However, the procedures for compiling reports and assessing performance are not well defined. To produce the required report, an ad hoc effort is usually needed. It is clearly better practice and more effective to report progress more than just once a year.

2.44 An example of the value of taking a systematic approach to monitoring progress is the case of Human Resources Development Canada. The Department was unable to provide evidence to support an assertion made in its Performance Report. The Department had stated that it had met the second key objective in its sustainable development strategy—to consider sustainable development in the design of human resources development policies and programs. The Department was unable to show us evidence, beyond making the statement that it had done it, to prove this assertion contained in its Performance Report to Parliament. This objective may have been met, but because of gaps in its monitoring systems, the Department is unable to demonstrate this fact.

2.45 Aside from level I departments, all other departments require significant improvement in the procedures used to monitor and track progress on sustainable development commitments.

2.46 Robust corrective action system is rare. We noted that many departments lack a formal checking and corrective action procedure, which is critical to continual improvement of the management system.

2.47 Our assessment of the management systems and procedures for corrective action noted that they were in a very early stage of development in all departments, with the exception of the level I departments. For example, departments such as National Defence and Industry Canada demonstrated strong procedures in this area, including regular monitoring of action plan implementation, independent evaluations of their sustainable development strategy implementation, and a documented corrective action process.

Management review

2.48 In the early stages of a new program, senior management needs to conduct reviews frequently, focus on the effectiveness of the management system, and ensure that key implementation milestones have been met. In the

level I departments, management reviews have been occurring regularly. In level III and IV departments, we consistently identified management review as a significant deficiency.

An effective management review needs to do the following:

- focus on the management system;
- review performance objectives to assess why objectives may not have been achieved;
- identify the root cause of problems and determine system changes; and
- identify and correct potential problems before they negatively affect performance.

Many departments were unable to demonstrate a significant level of involvement by senior management.

2.49 Review of the management framework was rare. We noted that departments with the most gaps in their management systems presented little evidence of a process for conducting reviews (including reviewing implementation plans, audit reports, corrective actions) and for comparing the results of departmental performance against strategy objectives and targets. Senior management needs to determine which items to review regularly in order to assess how effective the management system is in implementing environmental and sustainable development commitments. Best practice reinforces the role of senior management in reviewing the management of the sustainable development strategies. Such a review can improve efficiency and consistency in meeting the commitments in their strategies. Without review, senior management will not know which questions to ask or what areas need attention.

2.50 Internal audit can play a key role. The recent Policy on Internal Audit released by the Treasury Board Secretariat affirms the internal audit function as a provider of assurance to senior management on the soundness of management processes within the organization. Sustainable development management systems are important management processes and, as such, are ideal for internal audit consideration.

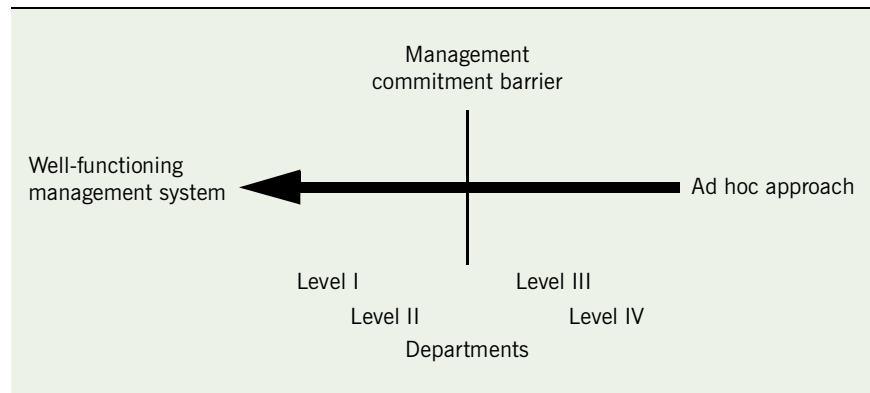
2.51 Internal audit cannot ensure management capability, but it is an essential component in assessing management processes and identifying gaps that could hinder the achievement of results. In the early stages of implementing a management system, internal audit can be an effective tool in identifying the gaps where the existing system does not meet all requirements. It also allows departments to prioritize their efforts. Most departments have involved their internal audit and review groups in the assessment of sustainable development issues. However, in about half the departments, these assessments have not looked at the sustainable development management systems and procedures.

Underlying causes of deficiencies

2.52 Leaders show it can be done. The leading departments have shown that it is possible to design, implement, and reap the benefits of a well-functioning management system. We note that most of the 16 departments face the same constraints and challenges of competing priorities. Half the departments broke through the implementation barrier and half did not. The obvious question is, why?

2.53 Sustained senior management commitment is critical. In the departments that have moved forward (level I and II), we found a visible and sustained commitment from senior management. We did not see evidence of this kind of commitment in the other departments. We have observed that, in most cases, the major difference between the leading departments and the rest is the involvement of senior management (Exhibit 2.6). In the level I and II departments, we saw a high level of participation and involvement by senior managers on a regular basis. We noted a correlation between the quality of the management system and the interest and participation of senior managers. We did not tend to see this type of leadership in the level III and IV departments.

Exhibit 2.6 Breaking through the management commitment barrier



2.54 After three years of auditing the management systems, it is our opinion that a lack of commitment by some departmental officials may mean that the sustainable development strategies and related management systems are at risk of becoming a paper exercise, with the primary goal of compliance with the *Auditor General Act* and meeting the requirements of the Commissioner of the Environment and Sustainable Development. Exacerbating the situation is a lack of managerial guidance from the Treasury Board Secretariat, acting on behalf of the government as a whole. In 1995, departments were told to implement management systems for their sustainable development programs. While many departments promised to do this in their first strategy, many are still not there.

Critical roles and responsibilities

2.55 The Privy Council Office and the Treasury Board Secretariat play a critical role. Past audit reports have consistently identified the lack of co-ordination among departments as a major concern. More and more of the government's priorities and initiatives cross departmental responsibilities. Success in these areas requires a high degree of co-operation and co-ordination. The role of the Privy Council Office is to ensure that departments are aware of the priority that the government has placed on sustainable development and that they understand the role they are expected to play. The Treasury Board Secretariat, as the management board of the government, must ensure that departments have management systems in place to meet their objectives.

2.56 Environment Canada has been assigned the responsibility to co-ordinate sustainable development efforts for the government. It is also important to note that each minister is responsible directly to Parliament for the performance of his or her department against the goals set out in the department's sustainable development strategy.

2.57 At the departmental level, leadership can be demonstrated by the commitment of senior management. As we have noted, such leadership can be observed in the leading departments. However, government-wide leadership is more difficult to assess. The federal government, through its central agencies, has issued several pieces of guidance and policy on sustainable development and its management. The Treasury Board Secretariat has also issued guidelines for the reporting of annual performance. However, Chapter 3 of this Report notes that only 7 out of 28 departments have complied with these guidelines in their 1999–2000 performance reports. Furthermore, we found that 4 departments met none of the reporting criteria. We also found no evidence to suggest that any agency has been holding departments to account for their lack of compliance. In our opinion, leadership can also be shown by holding organizations to account. If guidance is developed and issued, then there is also a responsibility to monitor adherence to the guidance, and to question non-adherence. Without such pressure, it is unlikely that the situation will improve.

Lack of a government-wide implementation date

2.58 Based on three years of audits, we note that each of the 16 departments is working at its own rate. Some have chosen to complete their management system; others have not. The government has failed to establish a timetable. Without a timetable, an implicit message is sent that although this may be important, it is not urgent.

2.59 Recommendation. The Treasury Board Secretariat should work with departments to establish management processes for the achievement of sustainable development commitments and to gain a commitment for a timetable from departments. These processes should be congruent with the modern management agenda adopted by the Treasury Board.

Government's response. *The Government of Canada recognizes that effective management processes are crucial for achieving results on the objectives outlined in departments' sustainable development strategies, as well as for the continual improvement of the strategies themselves. All management processes across departments should contain the basic elements of a well-functioning management system noted in this chapter (strategy, planning, implementation and operation, checking and corrective action, and management review). At the same time, given the broad spectrum of departments and agencies, the flexibility should exist to tailor management processes to individual departmental circumstances, including the options of integrating sustainable development strategies into existing departmental management processes or establishing separate management processes.*

The Treasury Board Secretariat, as the government's management board, will assist departments and agencies by providing advice on establishing or strengthening appropriate management processes to support their activities, including sustainable development. Where required, departments will make improvements to their management processes in order to fulfil their sustainable development commitments. It is important to emphasize that each minister is accountable directly to Parliament for the department's performance against the objectives set out in the strategy.

The Commissioner has noted the important role of senior management in establishing effective management systems. The Privy Council Office will ensure that senior managers recognize the priority that government has placed on sustainable development. Environment Canada will provide leadership and help to co-ordinate the efforts of departments across government to promote sustainable development.

Conclusion

2.60 The objective of this audit was to determine the extent to which federal departments and agencies have developed management systems that manage their sustainable development commitments.

2.61 Overall, we found that 8 of the 16 departments we audited have developed management systems to deliver their sustainable development commitments. While it is extremely difficult to measure intent, this issue became central while we carried out our audit. We noted a correlation among the level of senior management interest, the quality and frequency of the performance reports to management, and the apparent quality of the management system. Furthermore, we are concerned that some departments view their sustainable development activities as a paper exercise, with the primary goal of meeting the requirements of the Commissioner of the Environment and Sustainable Development.

About the Audit

Objective

Our audit objective was to determine the extent to which federal departments and agencies have developed management systems to manage their sustainable development commitments.

In order to determine the extent to which federal departments and agencies have developed these management systems, we looked at the completeness of the management system, and its application across the department. In this way we were able to get a measure of a department's capacity to manage its sustainable development commitments.

Scope and approach

To perform the audit, we used a self-assessment for the first time. We sent each of the 16 departments a questionnaire based on the International Organization for Standardization 14001 environmental management systems standard. We gave the departments almost six months to complete the questionnaire and to compile related documentation and evidence. Most departments stated that it took between five and ten working days to complete the questionnaire. They also commented that they found the exercise worthwhile as they understood their deficiencies much more clearly than if an outside agency had done the assessment.

We reviewed the documentation provided by the departments to determine if assessment criteria had been satisfied. One-day interviews were then scheduled with each department to obtain additional information for assessing whether criteria had been satisfied. As a result, we relied primarily on the self-assessment and documentation provided by departmental officials.

Criteria

In conducting this audit, we looked for evidence that the five major elements of a well-functioning management system were in place (see Exhibit 2.3). This management system reflects the same principles and steps articulated in the modern management agenda adopted by the Treasury Board. The criteria we used to assess the management capacity of the 16 departments reflect the principles set out in the ISO 14001 standard. This standard is a widely accepted benchmark of good management practice and due diligence. The standard is consistent with the Treasury Board Secretariat's principles of good management for planning, reporting, and accountability structures. As with the capacity audit program assessments completed for 12 departments and agencies in the preceding two years, the criteria were closely based on ISO 14001 and were designed by the Commissioner of the Environment and Sustainable Development to assess whether the 16 departments had implemented management systems to meet their sustainable development objectives. Specific audit criteria were provided for a number of elements of a management framework, including planning, implementation and operation, checking and corrective action, and management review and improvement.

Audit team

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Appendix—Best practices of six departments

Level I

Industry Canada

Strong planning documentation provides a good basis for identifying the key issues and the departmental programs or activities that support sustainable development initiatives.

A program has been implemented that clearly assigns resources and responsibility for the achievement of commitments made in the strategy. This allows easy tracking of progress.

Bi-annual monitoring and reporting of progress assesses achievements and deficiencies in meeting targets of the strategy. Deficiencies are reported to senior management.

National Defence

There is a clear and effective framework of objectives and targets that is set out in the management system.

Management programs are directly aligned with the identified significant aspects, legal requirements, and the Code of Environmental Stewardship.

Natural Resources Canada

A sustainable development working group system has been established within the Department. There is a departmental group and a series of sectoral groups.

A consultative approach to developing, reviewing, and improving the strategy has been adopted, which involves internal and external consultations.

Senior management is regularly involved in strategy development, implementation, and review.

The Office of Environmental Affairs manages environmental aspects of departmental operations, which includes conducting compliance audits and managing corrective actions.

Transport Canada

The planning and reporting aspect of the sustainable development management system has been integrated into the Department's overall reporting and accountability structure.

A comprehensive internal audit of environmental and sustainable development management issues was conducted, using ISO 14001 criteria, in preparation for the 2001 strategy.

Level II

Department of Foreign Affairs and International Trade

Comprehensive audits of the Environmental Services Division and the Sustainable Development Portfolio provide recommendations for improving the management of sustainable development.

Public Works and Government Services Canada

The structure and responsibilities for environment and sustainable development have been defined and documented in the environmental policy and draft manual.

Detailed programs and operating procedures have been implemented in the Real Property Services.