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Canada

## **2001-714 Final Report**

### **Audit of Sustainable Development, PWGSC**

#### **Phase I Review**

**2002-06-03**



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## Executive Summary

### Authority for the Project

This audit was approved by the Public Works and Government Services Canada (PWGSC) Audit and Review Committee (ARC) in February 2001 as part of the 2001/2002 Audit and Review Plan.

### Objective

To assess the adequacy of the PWGSC Management Control Framework (MCF) over sustainable development.

### Scope

The audit scope was limited to sustainable development activities, initiatives and management controls implemented by the three main environmental players in PWGSC: Real Property Services Branch (RPSB); Supply Operations Service Branch (SOSB); and Corporate Policy and Planning Sector (CPPS) within Government Operational Service Branch (GOSB).

A preliminary survey, completed in October 2001, identified monitoring and reporting as areas for further examination. However, due to unexpected resource limitations within Audit and Ethics Branch (AEB) in FY 2001/2002, a detailed assessment of these areas was not possible. Instead, a Phase I review was conducted which consisted of an overall review of sustainable development activities, initiatives and management controls. Based on interviews and documentation reviewed in Phase I, areas identified for further examination were incorporated into the proposed medium-term audit and evaluation approach, which is presented in Appendix A of this report.

Although PWGSC provides environmental management services which may be used by other government departments (OGDs) in the management of their own program delivery, these operations were excluded from the audit scope.

### Background

The federal government's commitment to greening its operations has grown in scope, depth and accountability since being first set down in the 1992 *Code of Environmental Stewardship*. The code states, among other things, that the government commits itself to integrating "environmental concerns with operational, financial, safety, health, economic development and

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other relevant concerns in decision making.” In 1995, amendments to the *Auditor General Act* established the position of the Commissioner of the Environment and Sustainable Development (CESD) within the office of the Auditor General and required that 24 federal departments and agencies table a Sustainable Development Strategy in Parliament. This marked the beginning of a formal, government-wide planning and reporting process to implement sustainable development throughout the federal government.

In the 1999 Speech from the Throne, the Government of Canada committed itself to placing greater emphasis on sustainable development in its decision making and to becoming a model of environmental excellence in its own operations.

As a major provider of common services to government departments and agencies, Public Works and Government Services Canada (PWGSC) is involved in numerous operations with environmental implications. In its *Sustainable Development Strategy 2000* (SDS), PWGSC documented its continued commitment to incorporate environmentally responsible principles and practices into the department’s operations, management and daily activities. DM Directive 074 *PWGSC Environmental Policy* outlines departmental roles and responsibilities for environmental and sustainable development management.

Audit and Ethics Branch (AEB), PWGSC, recognizes the importance of sustainable development issues and the need for a multi-year approach in order to meet the demands for continuous improvement in this area. To this end, AEB undertook a review of key SDS activities in order to develop a medium-term audit and evaluation approach for sustainable development for PWGSC. The results of the review and the medium-term audit and evaluation approach for sustainable development, presented in this report, represent the first phase of AEB audit work in this area. The second phase of AEB sustainable development work will commence with the Evaluation of Sustainable Development, which is scheduled for the first quarter of FY 2002/2003.

## **Key Observations**

The observations presented below pertain to sustainable development activities, initiatives and management controls implemented at the PWGSC, RPSB, and SOSB levels.

### **Public Works and Government Services Canada (PWGSC)**

- ***Development of SDS 2000:*** It was found that PWGSC used a reasonable approach in developing its Sustainable Development Strategy (SDS) 2000. The approach addressed concerns raised by the Commissioner of the Environment and Sustainable Development (CESD) in its assessment of PWGSC’s 1997 SDS. In the opinion of the audit team, the approach also resulted in a stronger and more comprehensive strategy which, appropriately, includes facilitating government-wide coordination of sustainable development initiatives as a priority. More extensive work would be required to observe on the adequacy of targets and performance measures.

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- ***Governance Structure:*** The audit team found that the existing governance structure for sustainable development is appropriate in terms of allowing for maximum participation and facilitating sound decision-making and accountability practices. For the structure to be effective, however, there needs to be increased clarity as to the roles and responsibilities of the various branches and agencies regarding the horizontal implementation of specific SDS commitments. To address this issue, a plan has been proposed for submission to the Executive Committee, whereby offices of primary interest (OPI) will be assigned to oversee sustainable development initiatives that require department-wide coordination.
- ***Corporate-level monitoring and reporting:*** Sustainable development monitoring and reporting has been enhanced due to semi-annual reporting to the PWGSC Executive Committee initiated in May 2001. Baseline information, past and current status and future actions for each SDS objective is reported. This approach is appropriate given the devolved nature of sustainable development activities in PWGSC and responds to management oversight issues raised by the CESD in its October 2001 report. Further audit work would be required to assess the adequacy of supporting systems and procedures for corrective action, such as those designed to actively monitor action plan implementation.
- ***Environmental Management System Manual:*** In October 2001, GOSB developed the PWGSC Environmental Management System (EMS) Manual which provides procedures and guidance to managers and employees for SDS implementation. Initial results from a third-party pre-registration audit indicate that the existing manual generally meets the ISO requirements and that a pre-assessment audit could proceed. This initiative responds to the Deputy Minister (DM) Directive 074 requirement for third-party EMS reviews as well as the current priority in government to strengthen sustainable development management systems. Future EMS audit work would focus on the degree and effectiveness of EMS implementation and periodic audits of the departmental and branch manuals against ISO 14001 standards.
- ***Green Citizenship survey:*** In June 2001, an awareness survey of Green Citizenship objectives was undertaken by CPPS as part of its SDS 2000 commitments. The survey, which establishes baseline data for ongoing awareness monitoring, provides a starting point for future AEB evaluation work.

### **Real Property Services Branch (RPSB)**

- ***Branch EMS Manual:*** RPSB has been undertaking annual reviews of its EMS framework since 1997, which have demonstrated continued development of the system within RPSB. A branch EMS manual was completed in 2001/2002, and has undergone an independent third-party review. Initial results indicate that, with the exception of three areas of minor non-conformance, since corrected, the manual satisfies the requirements of the ISO 14001 Standard and that a pre-assessment audit could proceed. The development and diffusion of this manual represents a key step in the RPSB commitment to implement an EMS consistent with ISO 14001 in the 107 PWGSC crown-owned facilities with a floor area of 10,000 square feet or more.

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- ***Planning, monitoring, and reporting:*** RPSB has progressed in terms of planning, monitoring and reporting on SDS commitments. Specific examples include the Sustainable Development Implementation Program, upgrades to the CatchAll reporting system, and a recent review of key performance indicators. Although the SDS Implementation Program provides a framework for monitoring the status of SDS commitments, procedures for active monitoring of either SDS outcomes or negative environmental aspects have not, as yet, been formalized. Assessing the quality of information for reporting, monitoring and decision making purposes represents an area for future audit and evaluation work. This includes financial reporting as it relates to sustainable development.
- ***Greening of the National Master Specification:*** In order to minimize the negative environmental impacts of construction activities, Technology Directorate, Environmental Services, RPSB has reviewed and updated the *National Master Specification* (NMS). Environmentally responsible choices, which will be acted upon by those who are environmentally motivated, have been added to all specification areas, including 18 which deal directly with energy and water conservation. This initiative should enhance the fulfilment of due diligence requirements regarding the management of negative environmental aspects as well as facilitating the integration of environmental issues into the decision making process.<sup>1</sup>

### **Supply Operations Service Branch (SOSB)**

- ***Roles and responsibilities:*** Based on interviews and the documentation review conducted in Phase I, it was found that certain roles and responsibilities related to the greening of PWGSC operations require clarification. As SOSB does not control all PWGSC procurement decisions, accountabilities for the achievement of departmental targets for green procurement purchases require further clarification. Similarly, there is a need to clarify accountabilities related to departmental green procurement training commitments. While SOSB has taken responsibility for providing green procurement training services, branches and agencies are responsible for supplying green procurement training to their staff. Nationally, the indirect reporting relationship between SOSB and regional supply operations has lead, in a few instances, to inconsistent implementation of sustainable development initiatives, with some regions offering services which are not considered by SOSB to fall within their sustainable development mandate. Given the importance attributed to green procurement in the PWGSC SDS 2000 and the fact that the CESD has identified it as an area for improvement, green procurement represents an area for future audit/evaluation work.
- ***Green Contracting Strategy Framework:*** A key commitment in the PWGSC SDS 2000 is to develop and implement a Green Contracting Strategy (GCS) which addresses client department contracting needs. A green contracting framework has been developed and is currently pending approval by senior SOSB management.

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<sup>1</sup> Several other key environmental initiatives are being undertaken within RPSB, such as “Sustainable Project Delivery”. These were not reviewed, however, within the scope of the audit.

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- **Branch EMS manual under development:** SOSB is in the process of replacing its 1999 EMS framework document *Development of an Environmental Management System* with a Branch EMS Manual. The manual is expected to be launched in May 2002, to be followed by a third party review.
  
- **Green procurement training:** A green procurement training course has been developed. Since January 2001, approximately 465 PWGSC staff members have received green procurement training. However, participation across the department has been less than anticipated. Responsibility for the funding of green procurement training was identified as a key issue regarding course take-up. Ongoing discussions with representatives from the various departmental branches and agencies are being undertaken by the Green Procurement Working Group to resolve issues related to the funding of green procurement training.

## **Conclusion**

Contributing more directly to the quality of life of Canadians is emerging as a key PWGSC priority. Given the nature and scope of its operations, sustainable development represents an area in which PWGSC can contribute significantly to quality of life. In light of this, and the requirement for periodic reviews and corrective action, AEB can play a role in the attainment of SDS commitments by undertaking a multi-year audit/evaluation approach in the area of sustainable development.

Results of the Phase I review indicate that, at the corporate level, adequate processes are in place to manage the implementation of PWGSC's sustainable development agenda. These include a sound governance structure, biannual reporting to senior management, the development of a departmental EMS manual and the independent review of the manual against ISO 14001 standards. However, given the diversity of PWGSC's mandates, which favour a devolved governance structure along business lines, the management of horizontal sustainable development activities remains a key challenge. The SDS/EMS Steering Committee, in collaboration with Corporate Policy and Planning Sector, GOSB, is currently looking at ways to facilitate the implementation and management of horizontal SDS commitments.

Given that the majority of high priority environmental commitments identified in the PWGSC SDS 2000 are related to RPSB activities and services, it would be expected that RPSB be advanced in the implementation of its SDS initiatives. Based on interviews and documentation submitted for review in Phase I, this was found to be the case. RPSB has progressed in the development of the necessary processes and tools to manage its environmental aspects and commitments. However, while RPSB is well advanced in this area, significant progress is still required. As RPSB's priorities turn towards the implementation of sustainable development initiatives across the branch, management is increasingly faced with the challenge of ensuring the uniform implementation of SDS activities and the achievement of results. Current management preoccupations in this area include the identification of barriers to implementation and their ensuing impacts on the attainment of SDS targets.

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Industry trends towards increased corporate responsibility, both financial and legislative, in the area of environmental management represent another area of concern for RPSB. Potential impacts of these trends on service delivery costs and due diligence requirements have increased management's desire for a more comprehensive approach to the management of its sustainable development agenda. As a leader in the implementation of sustainable development initiatives at PWGSC, RPSB's current priorities and concerns may reflect a growing departmental need for efficient risk/results-based reporting and monitoring frameworks to help ensure the effective management of both negative environmental aspects and the achievement of SDS targets. Assessing the quality of information for reporting, monitoring and decision making purposes represents a key area for future audit and evaluation work.

Green procurement is an important element of the federal government's goal to become a model of environmental excellence in its operations. As the main purchasing agent for the Government of Canada, SOSB's key SDS commitments focus on the greening of the government contracting process. At present, the SOSB sustainable development agenda is focused on developing the strategies, plans and tools that will enable the branch to implement a comprehensive green contracting strategy across its numerous business lines. Progress in the attainment of SDS commitments has been achieved in the areas of the development of an EMS manual, enhanced green procurement training programs, increased diffusion of green procurement-related information, and continued consultations with client departments as to SOSB's role as a facilitator for green procurement in the Government of Canada. At the time of this report, SDS priorities at SOSB included the development of a strategy framework for green contracting, its most significant SDS 2000 commitment. Once developed, this framework will serve as a branch blueprint for the planning and implementation of specific green contracting initiatives.

While limited in scope, results of the Phase I review indicate that the main departmental players with respect to sustainable development, GOSB, RPSB and SOSB, are steadily making progress in advancing the sustainable development agenda within PWGSC. However, the results of our review also indicate that considerable effort is still required to ensure that sustainable development goals and commitments are effectively managed and integrated across the department. To this end, the medium-term AEB audit approach for sustainable development at PWGSC, presented in Appendix A of this report, identifies specific areas of interest for further audit and evaluation work by AEB.



## **1 Introduction**

### **1.1 Authority for the Project**

This audit was approved in February 2001 as part of the 2001/2002 Audit and Review Plan.

### **1.2 Objective**

To assess the adequacy of the PWGSC Management Control Framework (MCF) over sustainable development.

### **1.3 Scope**

The audit scope was limited to sustainable development activities, initiatives and management controls implemented by the three main environmental players in PWGSC: Real Property Services Branch (RPSB); Supply Operations Service Branch (SOSB); and Corporate Policy and Planning Sector (CPPS) within Government Operational Service Branch (GOSB).

A preliminary survey, completed in October 2001, identified monitoring and reporting as areas for further examination. However, due to unexpected resource limitations within AEB in FY 2001/2002, a detailed assessment of these areas was not possible. Instead, a Phase I review was conducted which consisted of an overall review of sustainable development activities, initiatives and management controls. Based on interviews and documentation reviewed in Phase I, areas identified for further examination were incorporated into the proposed medium-term audit and evaluation approach, which is presented in Appendix A of this report.

Although PWGSC provides environmental management services which may be used by other government departments (OGDs) in the management of their own program delivery, these operations were excluded from the audit scope.

### **1.4 Background**

The federal government's commitment to greening its operations has grown in scope, depth and accountability since being first set down in the 1992 *Code of Environmental Stewardship*. The code states, among other things, that the government commits itself to integrating "environmental concerns with operational, financial, safety, health, economic development and other relevant concerns in decision making." In 1995, amendments to the *Auditor General Act* established the position of the Commissioner of the Environment and Sustainable Development (CESD) within the office of the Auditor General and required that 24 federal departments and

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agencies table a Sustainable Development Strategy in Parliament. This marked the beginning of a formal, government-wide planning and reporting process to implement sustainable development throughout the federal government.

In the 1999 Speech from the Throne, the Government of Canada committed itself to placing greater emphasis on sustainable development in its decision making and to becoming a model of environmental excellence in its own operations.

As a major provider of common services to government departments and agencies, Public Works and Government Services Canada (PWGSC) is involved in numerous operations with environmental implications. In its *Sustainable Development Strategy 2000* (SDS 2000)<sup>2</sup>, PWGSC documented its continued commitment to incorporate environmentally responsible principles and practices into the department's operations, management and daily activities. DM Directive 074 *PWGSC Environmental Policy* outlines departmental roles and responsibilities for environmental and sustainable development management.

Audit and Ethics Branch (AEB), PWGSC, recognizes the importance of sustainable development issues and the need for a multi-year approach in order to meet the demands for continuous improvement in this area. To this end, AEB undertook a review of key SDS activities in order to develop a medium-term audit and evaluation approach for sustainable development for PWGSC. The results of the review and the medium-term audit and evaluation approach for sustainable development, presented in this report, represent the first phase of AEB audit work in this area. The second phase of AEB sustainable development work will commence with the Evaluation of Sustainable Development, which is scheduled for the first quarter of FY 2002/2003.

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<sup>2</sup> An overview of the PWGSC SDS 2000 is presented in Appendix B.

## **2 Issues Examined**

A preliminary survey was completed in October 2001, which included an initial review of the management control framework and practices pertaining to the planning, implementation and evaluation of sustainable development initiatives within the context of key operational activities and major environmental related projects.

As mentioned above in section 1.3, entitled Scope, unexpected resource constraints within AEB resulted in the decision to limit the scope to an overall review of key sustainable development management controls and initiatives implemented by GOSB, SOSB, and RPSB. Based on the observations resulting from this review a medium-term sustainable development audit and evaluation approach was developed. The review of management controls was guided by the main elements of the *Assessment Framework for Modernizing Comptrollership*, developed by the Comptrollership Modernization Office, Treasury Board Secretariat. The assessment framework identifies the following as key elements of modern comptrollership:

- Integrated financial and non-financial performance information;
- A mature approach to risk management;
- Supportive organizational culture and values;
- Clear accountabilities; and
- Rigorous stewardship.

### **3 Observations and Conclusions**

The observations presented below are based on audit interviews and documentation review conducted in Phase I. They pertain to sustainable development activities, initiatives and management controls implemented at the PWGSC, RPSB, and SOSB levels.

#### **3.1 Public Works and Government Services Canada**

##### **3.1.1 Reasonable approach used in developing SDS 2000**

In its 1998 Chapter entitled “Greening the Government of Canada - Strategies for Sustainable Development”, the Commissioner of the Environment and Sustainable Development (CESD) observed that PWGSC, like many other departments, did not adequately assess its activities in terms of their impact on sustainable development and did not consult sufficiently with its clients. In response to the Commissioner’s recommendations, both those addressed to departments in general as well as those specific to PWGSC, an assessment of the 1997 SDS and an extensive issue scan were undertaken prior to the development of the PWGSC SDS 2000.

A key result of the issue scan was the identification of major changes that had, or will have, an impact on PWGSC sustainable development activities, such as changes to the Canadian Environmental Protection Act, Federal Halocarbon Regulations, various Treasury Board and departmental policies, technology and the increased priority given to addressing climate change among stakeholders.

Consultations with clients and stakeholders were conducted regarding their views, expectations, and how PWGSC could make changes to improve performance. These culminated in a one-day session attended by over 200 representatives from client organizations, as well as the Deputy Minister and four Assistant Deputy Ministers of PWGSC. The consultations, combined with the review of sustainable development performance to date and the results of various studies, resulted in the identification of several new priorities which are reflected in PWGSC SDS 2000.

These and other priorities are embodied by the following three goals presented in the PWGSC SDS 2000:

- SDS Goal 1: PWGSC will green its operations as a custodian and provider of facilities and common-use office space.
- SDS Goal 2: PWGSC will green the services it provides to federal departments and agencies, in its role as a common service provider.
- SDS Goal 3: PWGSC will green its internal operations

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Based on our Phase I review, it was found that the processes used in developing the current SDS were reasonable. Specifically, they addressed the primary concerns raised by the CESD in its 1998 report and are consistent with the Commissioner's overall expectations as outlined in the December 1999 publication - *Moving Up the Learning Curve: The Second Generation of Sustainable Development Strategies*. In the opinion of the audit team, this consultative process has resulted in a stronger and more comprehensive strategy which, appropriately, includes facilitating government-wide coordination of sustainable development initiatives as a priority. More extensive audit/evaluation work would be required to observe on the adequacy of targets and performance measures associated with the commitments outlined in the SDS.

**3.1.2 Adequate corporate-level governance structure in place.**

The PWGSC Executive Committee, formerly the departmental Business Board, is the most senior executive committee within the department. With regard to the Sustainable Development Strategy (SDS) and management of environmental issues, its key responsibility is to review and approve the departmental SDS and to oversee its implementation.

The departmental Sustainable Development Strategy/Environmental Management System (SDS/EMS) Steering Committee includes members from the respective branches and special operating agencies (SOAs) responsible for implementing SDS commitments. It serves as the prime forum for coordinating PWGSC's environmental aspects and initiatives. One of its key roles is to review semi-annual SDS performance reports prior to submission to the Executive Committee.

In addition to these departmental committees, the governance structure centers on several key organizations within the respective branches and agencies. Branch and regional management committees oversee the implementation of approved SDS objectives and review biannual reports on current SDS activities submitted to the SDS/EMS Steering Committee.

At the directorate level, SDS project proposals are developed for SDS initiatives with support of Environmental Aspect Coordinators. Project proposals are submitted to the respective branch or regional SDS/EMS Coordinators for review and submission to the SDS/EMS Steering Committee.

The audit team found that this governance structure is appropriate in terms of allowing for maximum participation and facilitating sound decision-making and accountability practices. For the structure to be effective, however, there needs to be increased clarity as to the roles and responsibilities of the various branches and agencies regarding the horizontal implementation of specific SDS commitments. To address this issue, a plan has been developed for Executive Committee approval, whereby offices of primary

interest (OPI) will be assigned to oversee sustainable development initiatives that require department-wide coordination.

### **3.1.3 Positive 2001 CESD audit highlights PWGSC improvements**

The October 2001 CESD review of departmental EMSs resulted in a PWGSC rating of Level II, which indicated that most of the elements of a well-functioning management system were in place but were not functioning evenly across the entire department. Given the complexity and diversity of PWGSC operations, the Level II rating is considered to be a positive result.

While the results were encouraging, the CESD audit identified specific EMS areas for improvement, specifically:

- checking and corrective action;
- information management; and
- EMS and sustainable development audits.

In addition, while green procurement was not included in the CESD Chapter, this area has been identified for future audit work by the Commissioner.

Certain initiatives within PWGSC, described below, have been implemented that deal with several of the observations contained in the Commissioner's 2001 report.

### **3.1.4 Enhancements made to monitoring and reporting**

In May 2001, the Executive Committee approved a proposal to oversee the implementation of PWGSC's Sustainable Development Strategy 2000. The Executive Committee agreed to review progress semi-annually, each spring and fall, with CPPS coordinating a summary report based on input received from the various branches and agencies. The first iteration of this process occurred in October 2001 and at the time of this report, preparations for a May 2002 Executive Committee presentation were underway.

The SDS 2000 Status Report Template<sup>3</sup>, is a major contributor to the above-mentioned reporting process. This corporate-wide planning and reporting tool is used to collect baseline information, past and current implementation status, and future actions for each of the SDS 2000 objectives.

The PWGSC management framework assigns accountability for achieving sustainable development commitments to the individual branch/SOA ADMs/CEOs. While this

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<sup>3</sup> PWGSC EMS Manual, Appendix G, October 2001.

approach is appropriate to the department's diverse business lines, it also heightens the importance of strong monitoring, reporting and management oversight. In this regard, the new semi-annual reporting initiative is considered, by both the audit team and those interviewed in Phase I, as a positive development in terms of strengthening the "checking and corrective action" and "management review" elements of the EMS. It helps respond to the CESD concerns of October 2001 regarding the adequacy of senior management oversight of the SDS as a whole, and helps to ensure an ongoing focus on monitoring and achieving SDS commitments. Further audit work would be required to assess the adequacy of supporting systems and procedures for corrective action, such as those designed to actively monitor action plan implementation.

### **3.1.5 Third party assessment of PWGSC EMS Manual underway**

The PWGSC Environmental Management Systems (EMS) Manual, issued in October 2001, describes and documents the management framework for sustainable development at PWGSC, provides procedural guidance to managers and employees for the implementation of the departmental SDS, and maps out the associated accountabilities. RPSB and SOSB EMS Manuals support and further delineate their contributions to the departmental EMS.

A pre-registration audit, conducted by the Canadian General Standards Board (CGSB) at the request of CPPS, is underway in order to assess the PWGSC EMS Manual against the International Organization for Standardization (ISO) 14001 standards for environmental management systems. The *Document Review Report* recently released by CGSB indicates that the existing manual generally meets the ISO requirements and that a pre-assessment audit could proceed. The CGSB assessment responds to the ISO requirement for third party review, as well as the current priority across government to strengthen sustainable development management systems and achieve results.

From an AEB perspective, future environmental management systems audit work would focus on the degree and effectiveness of EMS implementation as well as audits of both the departmental and branch manuals against ISO 14001 standards.

### **3.1.6 Green Citizenship survey**

In June 2001, an awareness survey of Green Citizenship objectives was undertaken by CPPS as part of its SDS 2000 commitment to increase environmental awareness in PWGSC employees. The information obtained establishes baseline measures for future evaluations of results achieved and should help in the identification of areas for further development of the Green Citizenship program. Results of the national telephone survey indicate that employee support for PWGSC sustainable development initiatives is very high, with 95% of respondents agreeing that PWGSC should take a leadership role among departments in greening its operations and services. However, the results also indicated

that understanding of how corporate environmental initiatives may affect, or be affected by, their work activities could be improved.

Awareness of SDS objectives and commitments among decision makers is a key driver for successful SDS implementation. As such, there is an opportunity for AEB to build on the survey in future evaluation work. Specifically, to obtain baseline data regarding the extent of diffusion and the commonality of understanding of PWGSC sustainable development goals and commitments among decision makers.

### **3.2 Real Property Services Branch**

Real Property Services Branch (RPSB) is mandated with providing office accommodation for some 179,000 public servants and parliamentarians who work in more than 2,000 locations across the country. It has two principal functions: real property stewardship and the provision of professional and technical services, which encompasses architecture and engineering services, real estate services, and property and facilities management. RPSB manages approximately 1300 assets, some 350 of which are office buildings worth more than \$6.8 billion, and administers more than 2,000 leases every year in every province and territory.

RPSB is the office of primary interest (OPI) mandated with the achievement of PWGSC's SDS goal to green its operations as a custodian and provider of facilities and common-use office space to federal departments and agencies. The two key commitments for the greening of operations and building facilities at PWGSC are the reduction of greenhouse gas (GHG) emissions, including initiatives addressing energy conservation in buildings and office waste management, and the management of contaminated sites. Other important commitments include: enhanced asbestos management; reduction of water consumption; enhanced compliance with the Canadian Environmental Assessment Act (CEAA); and the enhanced management of ozone-depleting substances.

#### **3.2.1 Branch EMS well advanced, third party audit underway**

RPSB has been undertaking annual reviews of its EMS framework since 1997 in order to assess the degree of conformity to the ISO 14001 standards. The reviews have demonstrated the continued development of the system within RPSB: from 78% conformance in 1998/1999 up to 90% conformance by the end of 2000/2001. One of the remaining pieces to be developed was a branch EMS Manual. This manual was completed in 2001/2002, and has been independently reviewed by CGSB. The *Document Review Report* recently released by CGSB indicated that, with the exception of three areas of minor non-conformance, since corrected, the manual satisfies the requirements of the ISO 14001 Standard and that a pre-assessment audit could proceed. Once published, the RPS EMS Manual will be maintained on the PWGSC Intranet and kept up to date with changes in the PWGSC EMS Manual.



The RPS EMS Manual is intended to be the key reference document for environmental management practices in the branch. The development and diffusion of this manual represents a key step in the RPSB commitment to implement an EMS consistent with ISO 14001 in the 107 PWGSC crown-owned facilities with a floor area of 10,000 square feet or more.

### **3.2.2 Progress in planning, monitoring, and reporting**

RPSB has achieved significant progress in terms of planning and reporting on its SDS commitments. The SDS Implementation Program<sup>4</sup>, initiated and maintained by Environmental Services Directorate of RPSB, was a major contributor in the development of the departmental reporting process discussed in section 3.1.4 of this report. This combined planning, reporting and monitoring tool outlines actions, allocated resources and current status for RPSB SDS commitments as well as non-RPS related sustainable development activities undertaken in the Regions.

As the office of primary interest (OPI) responsible for the greening of federal holdings, RPSB has developed a formal environmental building review process. As stated in *Progress Towards Sustainable Development Commitments-KPI*, performance data is collected and analyzed through periodic building reviews on 12 technical and management elements for all government buildings and facilities. Based on the building review results, corrective action plans are developed, where required, by the respective property managers in their annual Building Management Plans (BMPs). The BMP represents the primary planning and funding process at RPSB.

The branch has also recently implemented upgrades to CatchALL, a repository for information used in the reporting of RPSB and Regional environmental performance against the department's SDS targets. The CatchALL system has been converted into a module within the Project Building Management System (PBMS), an oracle-based corporate system. This conversion will integrate CatchALL with other corporate systems such as the Financial Management System (FMS) and the Federal Inventory System (FIS). Interviews undertaken and documentation examined during the Phase I review revealed that while RPSB is responsible for collecting and maintaining data on key performance indicators (KPI) contained in CatchALL, responsibility for data integrity and completeness rests with the respective reporting units.

As part of its development of a departmental Canadian Environmental Assessment Act (CEAA) follow-up monitoring framework, RPSB has modified six of the twelve KPIs used to monitor real property environmental aspects at the facilities level. However, KPI data could also be used to enhance corporate-wide monitoring. Although the SDS Implementation Program provides a framework for monitoring the status of SDS commitments, procedures for active monitoring of either SDS outcomes or negative

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<sup>4</sup> RPS EMS Manual, 2002, Page 44.

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environmental aspects have not, as yet, been formalized. For example, an area which could be strengthened is with regard to exception reporting, whereby listings of buildings that do not meet CEAA requirements or SDS targets are extracted from corporate systems in order to monitor follow-up activities or due-diligence concerns.

Current trends in both the insurance industry and the legislative environment indicate that corporate responsibility, both financial and ethical, is increasing for environmental and/or health-related damages resulting from an organization's negative environmental aspects. Proactive reporting and monitoring systems are, therefore, essential in ensuring that potential environmental risks are managed in both a timely and effective manner. Assessing the quality of information for reporting, monitoring and decision making purposes represents an area for future audit and evaluation work.

RPSB is currently reviewing opportunities to enhance sustainable development financial reporting. This represents an area of increasing relevance in sustainable development reporting for decision making and results evaluation. Given the growing interest in areas such as: analysis of the financial impacts of adopting environmentally sound practices; monitoring and reporting of sustainable development-allocated funds; attestation of reported environmental activities and liabilities; activity-based accounting; and the establishment of fund provisions for environmental-related liabilities, financial SDS reporting is an area of interest for future audit work.

### **3.2.3 Greening of the National Master Specification**

In order to minimize the negative environmental impacts of construction activities, Technology Directorate, Environmental Services, RPSB has reviewed and updated the *National Master Specification* (NMS). Environmentally responsible choices, which will be acted upon by those who are environmentally motivated (ie. contractors, building managers) have been added to all specification areas, including 18 which deal directly with energy and water conservation. The "greened" sections will also contain references to current Canadian environmental legislation applicable to the construction industry, as well as best practices in environmentally sound design and construction methods. This initiative should enhance the fulfilment of due diligence requirements regarding the management of negative environmental aspects as well as facilitating the integration of environmental issues into the decision making process.<sup>5</sup>

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<sup>5</sup> Several other key environmental initiatives are being undertaken within RPSB, such as "Sustainable Project Delivery". These were not reviewed, however, within the scope of the audit.

### **3.3 Supply Operations Service Branch**

Supply Operation Services Branch (SOSB) is responsible for providing procurement-related services to federal government departments and agencies, and contracting for the acquisition of goods and services. In its role as the nation's largest purchasing agent, SOSB is a key player in the achievement of the following two PWGSC SDS 2000 goals:

- greening of services to client departments; and
- greening of internal PWGSC operations.

Two key commitments linked with the greening of services to client departments include expanding the use of e-purchasing applications and facilitating green procurement in government. A key initiative for the greening of internal operations is the development and delivery of environmental training courses for departmental employees in order to promote environmental awareness and to encourage green purchasing, recycling, and the reduction of paper consumption within the department.

#### **3.3.1 Roles and responsibilities related to green procurement**

As the management board for the Government of Canada, Treasury Board Secretariat (TBS) is the government authority mandated with determining government procurement policies. Although SOSB is responsible for providing procurement-related services to government departments and agencies, determining procurement and contracting policies, in this area, lies outside departmental authority. The role of SOSB, compared to that of TBS, is to encourage government-wide green procurement through an increased choice and purchase facilitation for green products, and by increasing awareness of green procurement through training and information diffusion. As described below, consultations, see below, have confirmed that stakeholder understanding of the respective roles and responsibilities of TBS and PWGSC is consistent with this approach.

Based on interviews and the documentation review conducted in Phase I, it was found that certain sustainable development roles and responsibilities related to the greening of PWGSC operations require clarification. As with other client departments, SOSB is willing to take the lead in areas of promoting and facilitating green procurement within the department. However, as it does not control all PWGSC procurement decisions, accountabilities for the achievement of departmental targets for green procurement purchases require further clarification. Another related area that lacks clarity is accountability for departmental green procurement training commitments. While SOSB has taken responsibility for providing GP training services, branches and agencies are responsible for supplying green procurement training to their staff.

In terms of ensuring consistent application of roles and responsibilities across the department, the indirect reporting relationship between SOSB corporate and regional supply operations is a complicating factor. While SOSB is responsible for providing

overall direction to its regional offices regarding the implementation of branch sustainable development initiatives, Regional Directors General (RDGs) are responsible for implementing sustainable development initiatives in their respective geographic areas and then report on these initiatives through RPSB, which may or may not be aware of specific SOSB directives. The indirect reporting structure has led, in a few instances, to inconsistent implementation of sustainable development initiatives across the department with some regions offering services which are not considered by SOSB to fall within their sustainable development mandate. For example, although SOSB is not responsible for monitoring client purchasing practices, some SOS offices have implemented initiatives to monitor client green purchasing within their region.

Green procurement is an important element of the federal government's goal to become a model of environmental excellence in its operations. Given the importance attributed to green procurement in the PWGSC SDS 2000 and the fact that the CESD has identified it as an area for improvement, green procurement represents an area for future audit/evaluation work.

### **3.3.2 Consultations undertaken with client departments on green procurement**

In May 2001, SOSB engaged Consulting and Audit Canada to undertake a series of interviews with client departments that had made a commitment to green procurement in their 2000 SDS. The results of these consultations indicate that client departments are aware of the challenges associated with supporting and promoting green procurement; notably, diminished influence resulting from decentralized purchasing authority and the lack of reliable, defensible information on green procurement. The information gathered also indicates that client departments are aware that PWGSC is not responsible for procurement policy and that they could not, therefore, directly control their clients' procurement practices and decisions. However, there appeared to be a consensus among those interviewed that PWGSC should be the government's principle source of information on green procurement, particularly, in the following areas:

- developing training on obtaining and evaluating green products and services as well as their benefits;
- providing knowledge and advice on green products, services, sources of supply, green criteria and standards, and how they are applied in the solicitation and supplier selection process;
- providing timely access to expert advice in various commodity groups; and
- acting as a catalyst in initiating discussions and encouraging information sharing on best practices and routinely communicating newsworthy information from both within and without the government.

Client departments consulted gave a very high rating to the Standing Offer Index web site maintained by SOSB and noted that for the most part their standing offer requirements were being met. Departments surveyed almost unanimously proposed the establishment

of a green procurement web site and the use of green criteria in the evaluation of standing offers and contracts as the means by which PWGSC could most meaningfully provide support to their green procurement initiatives. As a follow-up to these consultations, SOSB has recently upgraded the PWGSC Green Procurement Network web site. One of the results of the improvements to the web site is that more information on green criteria and methods for evaluating green products is now available to client departments.

### **3.3.3 Advances in the development of a Green Contracting Strategy framework**

A key commitment in the PWGSC SDS 2000 is to develop and implement a Green Contracting Strategy (GCS) which addresses client department contracting needs. Two key objectives to be achieved by the GCS are to:

- ensure that contracting officers receive training on how to help client departments green their procurement; and
- set up standing offers for environmentally responsible goods and services that client departments want to buy.

A green contracting framework has been developed and is currently pending approval by senior SOSB management.

### **3.3.4 Branch EMS manual under development**

SOSB is in the process of replacing its 1999 EMS framework document *Development of an Environmental Management System* with a Branch EMS Manual. The manual is expected to be launched in May 2002, to be followed by a third party review.

### **3.3.5 Advances in green procurement training**

A green procurement training course has been developed. Since January 2001, approximately 465 PWGSC staff members have received green procurement training. However, participation across the department has been less than anticipated. Responsibility for the funding of green procurement training was identified as a key issue regarding course take-up, in that many of the branch and regional directorates to whom training programs were marketed indicated that given that green procurement training is a corporate issue, courses should be paid by corporate funds. Ongoing discussions with representatives from the various departmental branches and agencies are being undertaken by the Green Procurement Working Group to resolve issues related to the funding of green procurement training.

### **3.4 Conclusion**

Contributing more directly to the quality of life of Canadians is emerging as a key PWGSC priority. Given the nature and scope of its operations, sustainable development represents an area in which PWGSC can contribute significantly to quality of life. In light of this, and the requirement for periodic reviews and corrective action, AEB can play a role in the attainment of SDS commitments by undertaking a multi-year audit/evaluation approach in the area of sustainable development.

Results of the Phase I review indicate that, at the corporate level, adequate processes are in place to manage the implementation of PWGSC's sustainable development agenda. These include a sound governance structure, biannual reporting to senior management, the development of a departmental EMS manual and the independent review of the manual against ISO 14001 standards. However, given the diversity of PWGSC's mandates, which favour a devolved governance structure along business lines, the management of horizontal sustainable development activities remains a key challenge. The SDS/EMS Steering Committee, in collaboration with Corporate Policy and Planning Sector, GOSB, is currently looking at ways to facilitate the implementation and management of horizontal SDS commitments.

Given that the majority of high priority environmental commitments identified in the PWGSC SDS 2000 are related to RPSB activities and services, it would be expected that RPSB be advanced in the implementation of its SDS initiatives. Based on interviews and documentation submitted for review in Phase I, this was found to be the case. RPSB has progressed in the development of the necessary processes and tools to manage its environmental aspects and commitments. However, while RPSB is well advanced in this area, significant progress is still required. As RPSB's priorities turn towards the implementation of sustainable development initiatives across the branch, management is increasingly faced with the challenge of ensuring the uniform implementation of SDS activities and the achievement of results. Current management preoccupations in this area include the identification of barriers to implementation and their ensuing impacts on the attainment of SDS targets.

Industry trends towards increased corporate responsibility, both financial and legislative, in the area of environmental management represent another area of concern for RPSB. Potential impacts of these trends on service delivery costs and due diligence requirements have increased management's desire for a more comprehensive approach to the management of its sustainable development agenda. As a leader in the implementation of sustainable development initiatives at PWGSC, RPSB's current priorities and concerns may reflect a growing departmental need for efficient risk/results-based reporting and monitoring frameworks to help ensure the effective management of both negative environmental aspects and the achievement of SDS targets. Assessing the quality of information for reporting, monitoring and decision making purposes represents a key area for future audit and evaluation work.

Green procurement is an important element of the federal government's goal to become a model of environmental excellence in its operations. As the main purchasing agent for the Government of Canada, SOSB's key SDS commitments focus on the greening of the government contracting

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process. At present, the SOSB sustainable development agenda is focused on developing the strategies, plans and tools that will enable the branch to implement a comprehensive green contracting strategy across its numerous business lines. Progress in the attainment of SDS commitments has been achieved in the areas of the development of an EMS manual, enhanced green procurement training programs, increased diffusion of green procurement-related information, and continued consultations with client departments as to SOSB's role as a facilitator for green procurement in the Government of Canada. At the time of this report, SDS priorities at SOSB included the development of a strategy framework for green contracting, its most significant SDS 2000 commitment. Once developed, this framework will serve as a branch blueprint for the planning and implementation of specific green contracting initiatives.

While limited in scope, results of the Phase I review indicate that the main departmental players with respect to sustainable development, GOSB, RPSB and SOSB, are steadily making progress in advancing the sustainable development agenda within PWGSC. However, the results of our review also indicate that considerable effort is still required to ensure that sustainable development goals and commitments are effectively managed and integrated across the department. To this end, the medium-term AEB audit approach for sustainable development at PWGSC, presented in Appendix A of this report, identifies specific areas of interest for further audit and evaluation work by AEB.

## **Appendix A - Audit and Evaluation Approach for Sustainable Development**

Based on the Phase I work undertaken, it is clear that the main departmental players with respect to sustainable development: GOSB, RPSB and SOSB, are steadily progressing in advancing the sustainable development agenda. Areas that warrant further audit/evaluation work by AEB have been identified and are presented below in the context of a medium-term AEB audit program for sustainable development at PWGSC.

### **Financial Year 2003**

- In either SOSB or RPSB, evaluation of one or more SDS 2000 commitments and/or the development of an evaluation framework.

### **Financial Years 2004 to 2005**

- Periodic audits of EMS<sup>6</sup> as per ISO 14001 (i.e. PWGSC; RPSB, SOSB); and/or
- Audit engagements focussing on specific aspects of the management control framework, risk management, and information used for decision making. Based on the Phase I work undertaken, possible lines of enquiry include the following:

#### **PWGSC:**

- Horizontal planning and integration of SDS commitments/activities;
- Adequacy of information for decision making; and
- Adequacy of SDS strategic development process, e.g. target setting.

#### **RPSB/SOSB:**

- Integrity of reporting information;
- Adequacy of monitoring and reporting processes;
- Financial audit of SDS reporting;
- Review of environmental emergency and due diligence requirements; and
- Development of results-based evaluation framework for SDS initiatives.

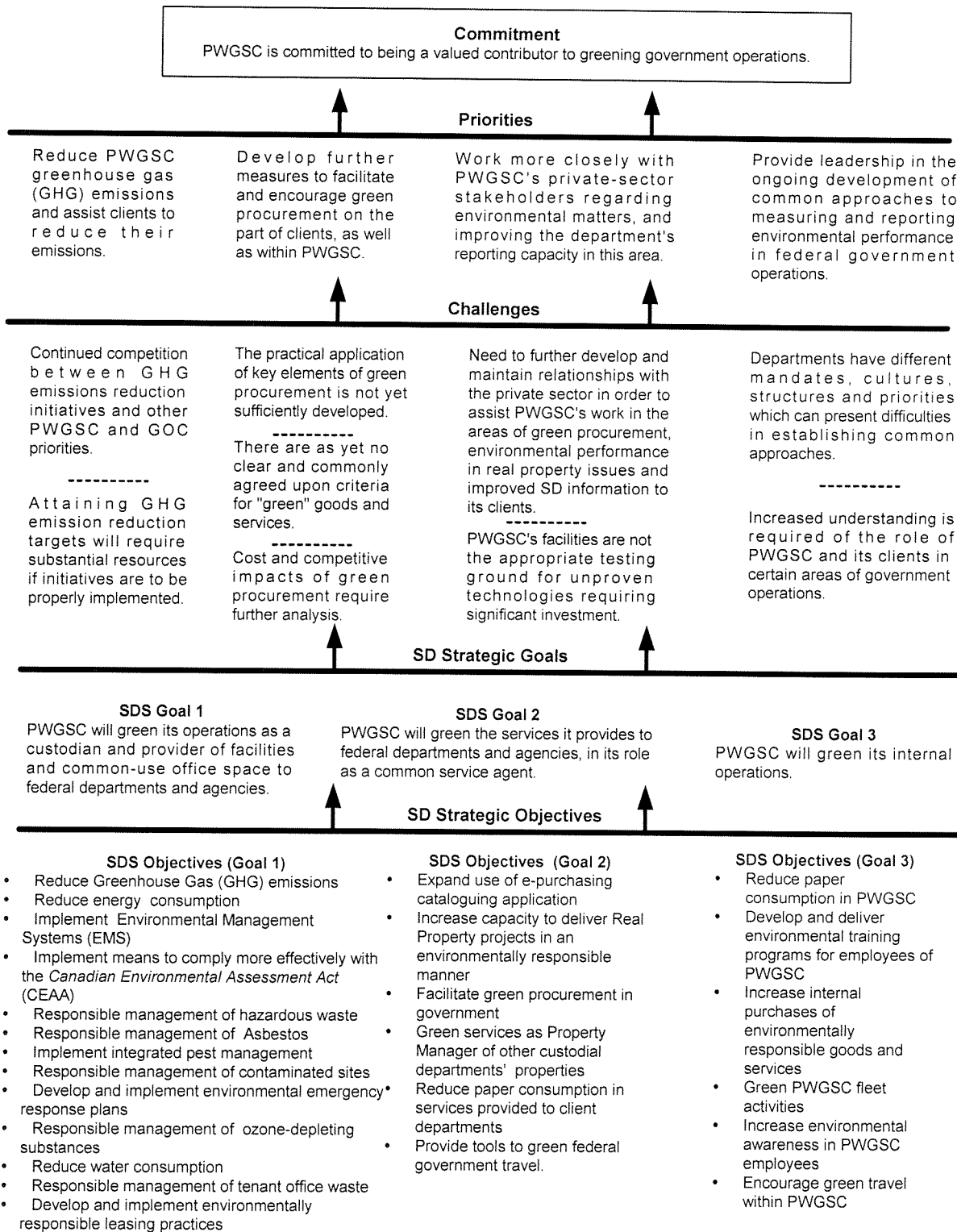
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<sup>6</sup> From an audit perspective, the components of the ISO 14001 standards for environmental management systems (policy, planning, implementation and operation, checking and corrective action, management review, and continual improvement) meet the standards and practices used by AEB in the conduct of management control framework (MCF) audits in PWGSC.



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**Appendix B - Overview of PWGSC Sustainable Development Strategy 2000**



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