

Chapter

4

Assessing the First Sustainable
Development Strategies

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.

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Assessing the First Sustainable Development Strategies

Main Points

4.1 The six departments and agencies we audited all assessed their first sustainable development strategies, although we noted considerable differences in the process followed. We determined that there were two key ingredients to a good assessment—starting early and following a systematic process. In the future, we expect that an assessment of each strategy will be built into the sustainable development management system.

4.2 Natural Resources Canada did the most extensive assessment of its first sustainable development strategy. Senior management lent its support, involvement, and commitment to that process. The Department was the closest to having the strong management review and checking and corrective action components required in a sustainable development management system.

4.3 Departments and agencies identified two main problem areas in their assessments of the first sustainable development strategies. First, they found that the strategies were too broad, with too many goals and objectives and not enough measurable targets. Thus, they needed to set some priorities and develop more specific targets. Second, the departments and agencies recognized the need to develop or improve performance indicators to measure progress toward their sustainable development goals and objectives. We agree with these assessment results and will be auditing these areas in the future.

Background and other observations

4.4 The first sustainable development strategies were tabled in the House of Commons by December 1997. Since then, departments and agencies have focussed on implementing their strategies and reporting their progress.

4.5 In December 1999, we published the document *Moving Up the Learning Curve: The Second Generation of Sustainable Development Strategies*. This document outlined how departments could improve their next strategies and asked departments to do three things: assess their first strategies, strengthen the planning of their strategies, and accelerate the development of their management systems. This audit focussed on the first thing—assessing their first strategies.

4.6 We reviewed the assessments of the first sustainable development strategies in three departments—Health Canada, Natural Resources Canada, and Industry Canada—and in three agencies included in the Industry

portfolio—Atlantic Canada Opportunities Agency, Canada Economic Development for Quebec Regions, and Western Economic Diversification Canada. These organizations were chosen for two reasons. First, they represent a cross-section of policy and program mandates. Second, they provide a sample of organizations that are important to the success of the sustainable development effort government-wide.

4.7 Certain management practices are essential to continual improvement, such as internal audit, self-assessment, and the assessment of changing circumstances. We identified some good examples of these management practices and expect departments to expand their use of these tools.

Introduction

4.8 In June 1995, the government released a document entitled *A Guide to Green Government*. It provided initial objectives for sustainable development and a common approach to preparing sustainable development strategies. By December 1997, 28 departments and agencies had prepared their first sustainable development strategies and tabled them in the House of Commons. For the first time, there was a picture of how each government department viewed sustainable development and how each intended to promote it. Preparing their strategies made departments, and also their clients and stakeholders, more aware of sustainable development issues. Since then, they have focussed on implementing their strategies and reporting their progress.

4.9 In December 1999, we published *Moving Up the Learning Curve: The Second Generation of Sustainable Development Strategies*. The document outlined how departments could improve their next strategies and asked departments to do three things: assess their first strategies, strengthen the planning of their strategies, and accelerate the development of their management systems. The document also emphasized the importance of senior management support, involvement, and commitment (see Exhibit 4.1).

4.10 In February 2001, 29 departments and agencies tabled the second generation of sustainable development strategies in the House of Commons. The Parks Canada Agency, which became an agency since tabling of the first strategies, accounts for the 29th strategy.

Exhibit 4.1 The Commissioner's expectations for the second round of sustainable development strategies

I will be looking for a significant improvement in quality in the second round of sustainable development strategies. In particular, I expect departments to focus their efforts on three areas:

- **Assessing** their first strategies—determining what the first strategy has achieved, what has changed, and what needs to be done differently—and making those assessments available in the consultations leading to the second strategies.
- Strengthening the **planning** of strategies—drawing clear links between the departments' activities, the significant impacts of those activities and priorities for action.
- Accelerating the development of the **management systems** needed to turn the strategies from talk into action.

In each of these areas, the support, involvement, and commitment of senior management will be critical to move the organization up the learning curve.

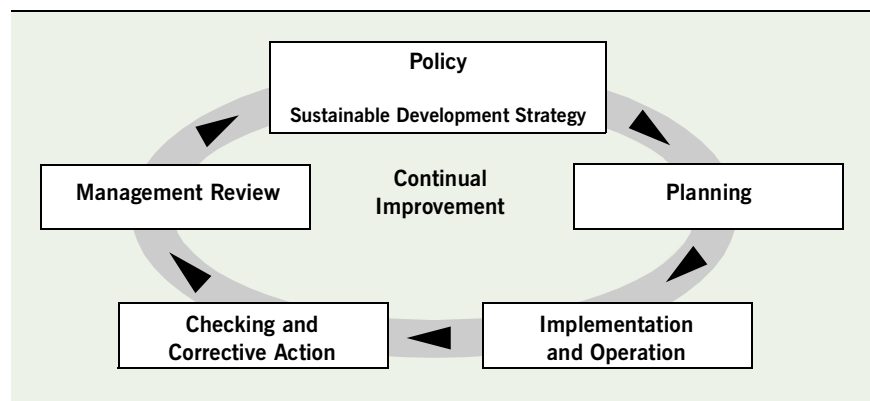
Source: Adapted from *Moving Up the Learning Curve: The Second Generation of Sustainable Development Strategies*, Commissioner of the Environment and Sustainable Development, December 1999

Strengthening management practices

4.11 In our previous reports, we have said that the federal government needs to pay more attention to the management side of sustainable development. Our emphasis on good management practices is founded on the premise that they go hand in hand with good results. Our approach has been to reinforce good management practices, which we believe will contribute to achieving expected results over the long term.

4.12 An approach based on continual improvement. We have encouraged the government to adopt a management system approach used by leading organizations. This approach is based on continual improvement and consists of four components—planning, implementing, checking and corrective action, and management review (see Exhibit 4.2). The last two components—checking and corrective action and management review—are the key components required to facilitate improvement.

Exhibit 4.2 A management system approach



Source: Report of the Commissioner of the Environment and Sustainable Development, Chapter 1, 1999

4.13 Our audits of sustainable development management systems, reported in Chapter 1 of the Commissioner's 1999 and 2000 reports, found that departments lacked strong checking and corrective action and management review components. We audited six different departments in each of the two years, using ISO 14001, an internationally recognized standard, for our audit criteria. The 12 departments we audited scored an average of 29 percent in the checking and corrective action component and 10 percent in the management review component over the two years.

4.14 In Chapter 2 of this Report, we report on the sustainable development management systems of 16 additional departments. This completes three years of audits of the sustainable development management systems in 28 organizations. The conclusion in Chapter 2 is similar to that of the two previous years. Planning is generally well done, but the number and seriousness of deficiencies increase as we look at implementation through to checking and corrective action and then to management review.

Focus of the audit

4.15 The audit focussed on the first of the three things we asked departments to do in *Moving Up the Learning Curve: The Second Generation of Sustainable Development Strategies*—that is, assess their first sustainable development strategies. The objective of this audit was to determine whether departments had moved up the learning curve through conducting this assessment. A broader objective of this audit was to identify good management practices.

4.16 We asked departments to do this assessment because it was a critical step in continually improving the management of sustainable development strategies. As recognized in *A Guide to Green Government*, sustainable development is not a fixed state and will not be achieved through a one-time effort. Rather, progress will be step by step based on continual improvement.

4.17 We reviewed the assessments of three departments—Health Canada, Natural Resources Canada, and Industry Canada—and three agencies included in the Industry portfolio—Atlantic Canada Opportunities Agency, Canada Economic Development for Quebec Regions, and Western Economic Diversification Canada. The agencies provide an audit sample of small organizations. The organizations we audited were chosen for two reasons. First, they represent a cross-section of policy and program mandates. And second, they provide a sample of organizations that are important to the success of the sustainable development effort government-wide.

4.18 Health Canada's mission is to help the people of Canada maintain and improve their health; Natural Resources Canada has the federal responsibility for the integrated management and sustainable development of Canada's natural resources; and Industry Canada has a legislative mandate that includes strengthening the national economy and promoting sustainable development. Exhibit 4.3 highlights the importance of the strategies in the three departments. The sustainable development strategies of the three agencies are important because they affect the sustainability of communities, the eco-efficiency of industry, and the development of environmental industries in their regions.

4.19 We interviewed 24 senior managers from the departments and agencies to discuss their involvement in the assessments. In addition, we discussed more broadly what sustainable development means to each organization. To review departments' and agencies' assessments of their first strategies, we developed criteria based on the Commissioner's expectations in *Moving Up the Learning Curve: The Second Generation of Sustainable Development Strategies* (see Exhibit 4.4). Additional details can be found in About the Audit at the end of the chapter.

Exhibit 4.3 Importance of the sustainable development strategies in three departments**Health Canada**

Health Canada's *Sustainable Development Strategy 2000: Sustaining our Health* contains targets for collective actions to sustain and improve our health and well-being and to protect our environment. Its purpose is to chart a course forward so that Health Canada can assist all Canadians to maintain and enhance their health in a way that is environmentally, socially, culturally and economically sustainable now and in the future.

Industry Canada

Industry Canada's *Sustainable Development Strategy, 2000-2003* is guided by a commitment to promote sustainable development as part of its mandate to create the foundation for a more productive, competitive, knowledge-based economy. This vision calls for the Department to play a leadership role and form partnerships to promote sustainable development through eco-efficiency, environmental technologies and decision making.

Natural Resources Canada

The commitments in *Sustainable Development Strategy—Now and for the Future* continue to move this agenda toward a future in which the wise use of our natural resources enables us to protect the health of Canadians, the environment, and landmass, while continuing to efficiently meet human needs for energy-, forest-, and mineral-based products, both now and for the future.

Source: Adapted from the second sustainable development strategies of Health Canada, Industry Canada, and Natural Resources Canada

Exhibit 4.4 The Commissioner's expectations for assessing the first sustainable development strategies

Departments are now partway through their first strategy cycle. Planning for the first generation of strategies has been completed and implementation is under way. Now is the time to check and improve

This assessment is a critical part of managing the sustainable development strategy process. Senior management needs to be involved in assessing the first strategy as the basis for improvement.

The assessment should include a review of the following:

- the goals, objectives, and targets set in the first strategy, and performance against them;
- findings from our audits and departmental internal audits or self-assessments of sustainable development management processes; and
- changing circumstances, including policy direction, legislation, activities, advances in science and technology, and stakeholder interests.

This process would conclude with an assessment of the current strategy's suitability and the need for any changes to [the strategy].

These questions—what has the department achieved with its first strategy, what has changed, and what needs to be done differently—are what participants in the first consultations told us they would like the consultations to address in the next round of strategies.

I expect each department to conduct and document an assessment of its first sustainable development strategy and use that assessment in its consultations for its second strategy. And I expect the second strategy to describe the assessment process and its outcome.

Source: Adapted from *Moving Up the Learning Curve: The Second Generation of Sustainable Development Strategies*, Commissioner of the Environment and Sustainable Development, December 1999

Observations and Recommendations

Learning from the past

Using the knowledge gained in the first strategies is critical

4.20 Incorporating the knowledge and lessons learned from preparing and implementing the first round of sustainable development strategies is critical for the federal government's journey toward sustainable development.

Two key ingredients: Starting early and following a systematic process

4.21 The six departments and agencies we audited assessed their first sustainable development strategies; however, we noted considerable differences in the process followed. We determined that there were two key ingredients in a good assessment—starting early and following a systematic process. In our opinion, it is important that an assessment of each strategy be built into the sustainable development management system as part of the checking and corrective action and management review components.

Natural Resources Canada did the most extensive assessment

4.22 Natural Resources Canada started to assess its first strategy immediately after it was tabled in December 1997. The Department followed a systematic process that included revisiting and evaluating its goals and objectives; establishing time-bound, measurable targets; consulting with stakeholders on a performance measurement framework; strengthening the Department's management system; conducting an internal review of the first sustainable development strategy; and evaluating changing circumstances. The Department's assessment process unfolded gradually over time.

4.23 Health Canada took steps such as reviewing its targets and revising them to be time-bound and measurable, reviewing the preparation of its progress reports, and reviewing its environmental management system. Efforts were concentrated at the end of 1999 and in 2000.

4.24 Industry Canada conducted a structured mid-term evaluation of its first strategy, reviewing the results achieved during the first two years of strategy implementation, aspects that changed, and lessons learned. This evaluation was completed in the spring of 2000.

4.25 The Atlantic Canada Opportunities Agency (ACOA) did a baseline study of one of its objectives and had an external assessment of its first strategy prepared in 2000. Canada Economic Development for Quebec Regions had a strong assessment process. It had an external consultant prepare an annual report for each of the three years of implementation. The report monitored progress against targets and made recommendations for improvement. The third report in the series added information on knowledge acquired, lessons learned, and preparation for the 2000 strategy.

4.26 Western Economic Diversification Canada did not have a system in place to track progress against goals, objectives, and targets and therefore had a weak foundation on which to base an assessment. It waited until very late in the three-year implementation cycle to conduct an assessment. It prepared a discussion paper in July 2000 based on discussions with Agency staff, and this paper was circulated to stakeholders. An external consultant did an assessment of the first strategy in August 2000. Thus, the major part of the Agency's assessment was done after its consultation process was complete. However, senior management at the Agency was involved in the assessment of the first strategy and helped to identify fundamental areas that could be improved. The Agency's second sustainable development strategy indicates that, as a result of the assessment, the Agency has made a number of improvements. These include implementing changes to the environmental management system, and developing procedures to provide regular review of performance by senior management and establish goals, objectives, and targets.

First strategies needed improvement

4.27 The six departments and agencies assessed the continuing suitability of their first strategies, and most found them unsuitable. The exception was Natural Resources Canada, which found the direction of its first strategy to be suitable but identified areas that could be improved.

4.28 Some changes that departments and agencies commonly identified were the need to do the following:

- focus on fewer but more achievable goals, objectives, and targets;
- make targets clear and measurable;
- introduce a performance measurement system or strengthen the existing one; and
- improve the sustainable development management system and/or the environmental management system.

4.29 Changes that two or three departments identified were the need to do the following:

- involve senior management more;
- develop a long-term vision for the department; and
- increase the focus on the social dimension of sustainable development.

4.30 ACOA's second strategy captured its assessment results. These focussed on the need to build the profile of sustainable development within the Agency, educate employees, implement its environmental management system, make sustainable development commitments clear and measurable, and have senior management commitment (see Exhibit 4.5).

Exhibit 4.5 The Atlantic Canada Opportunities Agency assesses its first sustainable development strategy

What have we learned?

- Sustainable development as a concept and a goal needs a higher profile within the Agency.
- Educating our employees is a key part of implementing the sustainable development strategy.
- The Agency needs to strengthen the implementation process, namely, through its environmental management system.
- Our strategy commitments need to be clearer and more measurable.
- Senior management commitment to the strategy is essential.

Source: Adapted from Atlantic Canada Opportunities Agency, *Opportunities for Sustainable Development, 2001–2003*

Weaknesses in tracking progress and measuring performance

Goals, objectives, and targets provide focal point for departmental efforts

4.31 A *Guide to Green Government* required departments and agencies to develop goals, objectives, and targets when preparing their first sustainable development strategies. These provide tools for managing the organization's sustainable development agenda and benchmarks for measuring progress. Goals establish the overall sense of direction and set the parameters for action; objectives set the aims arising under each goal; and targets provide the detailed performance requirements that departments attempt to achieve.

Need to focus on a few critical issues and develop more measurable targets

4.32 The assessments for all of the strategies found that the strategies were too broad, with too many goals, objectives, and targets. They identified the need to focus on a few critical issues and to develop more measurable targets. For example, Health Canada's "lessons learned" section of its new strategy states that there was "a need to set better targets that focus on the Department's major sustainable development impacts. This meant narrowing the focus of the Department's sustainable development activities and concentrating on a few critical issues." Industry Canada's assessment indicated that the Department should concentrate on key strategic areas where it can make the greatest contribution.

Departments tracked progress but had difficulty measuring performance

4.33 We found that the three departments tracked progress against targets but had difficulty assessing performance against goals and objectives.

4.34 Tracking progress. The three departments had systems in place to monitor progress against targets, on either a semi-annual or an annual basis. Natural Resources Canada developed a Web-based tracking and reporting

tool that expedites reporting on implementation of its strategy. The Department made its 1999 progress report public by sending it to interested parties for comment. Industry Canada places an annual progress report on its Web site so that it is available for Canadians to track the Department's progress against individual targets. Health Canada has incorporated its progress reports on sustainable development commitments into its general management reporting system. The Department provides its annual report on progress on its Web site and on an internal departmental database.

4.35 Measuring performance. The three departments' assessments of their first strategies indicated that performance indicators to assess performance against goals and objectives were lacking or could be improved.

4.36 Consultations held shortly after tabling of its first strategy encouraged Natural Resources Canada to build on the draft performance measures in that strategy. As a result, the Department has built on its accountability framework (see Exhibit 4.6), which provides the foundation for all departmental planning and reporting. The three levels of the framework include reporting on first, actions; second, indicators and targets that allow the Department to measure progress against objectives; and third, at a broader level, indicators that allow the Department to report on goals that deal with the sustainable development of Canada's natural resources. The degree of difficulty of measurement increases over these three levels.

Exhibit 4.6 Natural Resources Canada builds on its accountability framework

Natural Resources Canada's work in promoting sustainable development can be assessed by stakeholders at three different levels.

At the most basic level, by reporting regularly on action commitments, stakeholders will have a clear indication of whether the Department is meeting its commitments.

At the second level, by refining indicators and establishing targets, the Department's performance can be measured against the strategy's objectives.

Finally, at a broader level, Canada's overall progress in the sustainable development of its natural resources can be assessed with indicators that deal with sustainable development practices in the areas of forest management, energy, and minerals and metals.

Source: Adapted from Natural Resources Canada, *Sustainable Development Strategy—Now and for the Future*

4.37 To illustrate this measurement, Exhibit 4.7 provides an extract from Natural Resources Canada's second sustainable development strategy. It shows the second and third levels of the Department's accountability framework. Natural Resources Canada will use these performance indicators to report to Canadians on one objective of one goal—that is, how Canada is addressing its international Kyoto commitment to reduce greenhouse gases. The exhibit also indicates the dates the Department will be tabling this information. (See Chapter 3 of this Report for a further discussion on reporting to Parliament on progress toward sustainable development and Chapter 6 for follow-up work on our 1998 audit of climate change.)

Exhibit 4.7 An example of performance indicators at Natural Resources Canada

Goal: To provide Canadians with strategies that reduce environmental impacts in the natural resources sector			
Objective as demonstrated by	Performance indicator	Targets and approaches	Tabling date
Canada addressing its international Kyoto commitment to reduce greenhouse gases	a) Greenhouse gas (GHG) emissions compared with Kyoto protocol	Canada's Kyoto protocol target is to reduce GHG emissions to 6 percent below the 1990 level between the years 2008 and 2012.	2001
	b) GHG emissions to GDP ratio compared with other countries		
	Trends in use of renewable energy	Trend analysis and monitoring	2002
	Trends in energy efficiency	After the energy efficiency index has been developed, a desired directional target will be stated and a quantitative target will be considered.	2001
	GHG emissions from federal operations	By the year 2005, reduce GHG emissions from federal operations by 20 percent below 1990 levels	2003
	Progress toward the identification of impacts and adaptation measures	To be determined*	2001

*Commissioner's note: Natural Resources Canada plans to continually improve its performance measurement framework.

Source: Adapted from Natural Resources Canada, *Sustainable Development Strategy—Now and for the Future*

4.38 Industry Canada's assessment of its first strategy indicated that its performance measurement system relies heavily on meeting targets and that few performance indicators exist. The Department is conducting a program evaluation to develop performance indicators that are intended to include sustainable development.

4.39 Health Canada's new strategy indicates that the Department has a long-term target to develop and disseminate information on indicators of health and sustainable development to Canadians. Its short-term target is to develop and disseminate information, with partners, on at least 15 indicators of health related to social, cultural, and economic conditions by 2004.

4.40 Recommendation. Departments and agencies should develop or continue to strengthen performance indicators to measure the progress toward sustainable development.

Agencies need to monitor progress and measure performance

4.41 The three agencies did not have ongoing systems in place to monitor progress and measure performance toward sustainable development. Both the Atlantic Canada Opportunities Agency and Western Economic Diversification Canada left it until very late in the three-year implementation cycle to monitor progress and measure performance. However, Canada Economic Development for Quebec Regions had an external consultant

prepare an annual report for each of the three years of implementation; the report monitored progress against targets and made recommendations for improvement.

4.42 Recommendation. Small organizations should either have a system in place to monitor progress and measure performance toward sustainable development or ensure that the process is done in a meaningful way at a minimum of once a year.

Senior management support, involvement, and commitment

Senior management needs to play a key and active role

4.43 Senior management support, involvement, and commitment are critical to moving an organization up the learning curve. In Chapter 5 of our 1998 Report and Chapter 7 of our 1999 Report, we described the key and active role that senior management plays in developing and implementing strategy in leading organizations in both the private and public sectors.

4.44 We expected senior management to be involved in assessing the first strategy as the basis for improvement. Specifically, we expected to see the following:

- the identification of a senior manager with overall responsibility for sustainable development;
- the identification of an appropriate lead manager for the assessment of the first strategy;
- responsibility for the assessment clearly assigned and communicated;
- participation and support of senior management at headquarters and regional offices; and
- formal sign-off or approval of the assessment by senior management.

At a broader level, we expected to see both regular review by management of performance information on implementation of the strategy and discussion of sustainable development at senior management meetings.

Senior management at Natural Resources Canada is far ahead

4.45 Senior management in the six departments and agencies were involved in the assessment of the first strategy to some extent. However, there was a wide variation in commitment, with Natural Resources Canada being far ahead of the others. At that Department, senior management has lent its support, involvement, and commitment to the assessment of the first strategy and to sustainable development efforts in general. In our opinion, it is leading the cultural change necessary to make sustainable development part of the Department's operations. Some of the key elements that illustrate this cultural change are the following:

- appointment of a departmental sustainable development champion at the assistant deputy minister level several years ago (there has been continuity in that position);
- realignment of policy goals to match those in the sustainable development strategy;
- start of assessment of the first strategy shortly after it was tabled in the House of Commons;
- discussion of the assessment and sustainable development more broadly in senior management meetings; and
- clear identification and communication to staff of an appropriate assessment leader in the person of the Director of the Sustainable Development and Environment Division.

Senior management at Industry Canada and Health Canada are becoming involved

4.46 Senior management at both Industry Canada and Health Canada were involved to some extent in the assessment of the first strategy, and are becoming involved in sustainable development efforts in general.

4.47 At Industry Canada, senior management regularly reviews progress toward targets set in the first strategy. However, the Department had not appointed a champion for sustainable development at the assistant deputy minister level at the time of assessment of the first strategy. Senior managers told us that this would be done near the end of 2000. Its mid-term evaluation noted that the Department should “increase commitment and buy-in from senior management For example, a senior-level ‘champion’ responsible for sustainable development should be more clearly communicated to the Department.” Further, the Department did not involve regional management in the assessment of the first strategy.

4.48 At Health Canada, senior management also regularly reviews performance relative to targets set in the first strategy. Champions for sustainable development at the deputy minister and assistant deputy minister levels have been designated. The Director of the Office of Sustainable Development was clearly identified as the assessment leader and this was communicated to staff. The Director made sincere efforts to involve senior management; however, senior managers told us that they did not have sufficient opportunity to discuss sustainable development with their peers. They said that the reorganization of the Department and other urgent issues precluded the thoughtful discussion that this topic deserved. In addition, the Department’s Sustainable Development Steering Committee held one meeting during 1998 and 1999, but did not consider the assessment of the first strategy.

4.49 During the assessment of its first strategy, Health Canada learned that it is important to be clear about roles and responsibilities for sustainable development commitments. The Department has addressed this in its second strategy. A Sustainable Development Policy has been developed that contains roles and responsibilities for senior management, the Department’s

Sustainable Development Steering Committee, and the Office of Sustainable Development.

4.50 In Chapter 7 of the Commissioner's 1999 Report, *Building a Sustainable Organization: The View From the Top*, we reported that senior managers at Health Canada told us that they were exploring the relationship between population health and sustainable development. They were studying the interactions among the determinants of population health to advance their future work in areas that support both population health and sustainable development. During this audit, some senior managers told us that they were not aware of how work in this area was progressing and how the two concepts reconcile.

Atlantic Canada Opportunities Agency identified need for enhanced involvement of senior management

4.51 The Atlantic Canada Opportunities Agency prepared a baseline study in 1999 to assess its performance against one goal in its first strategy—to set an example in the environmental management of its operations. One of the conclusions of the study was that there was a gap in senior management commitment and a need to increase leadership and directives so that all employees are aware of the importance of the sustainable development priority. The Agency's broader assessment of its strategy confirmed the need for senior management commitment.

The social dimension of sustainable development is starting to be taken into account

4.52 Our interviews with senior managers highlighted a positive trend in their consideration of the social dimension of sustainable development. At Natural Resources Canada, for example, managers said that they have identified communities reliant on natural resources in order to establish a dialogue with them. Health Canada senior managers told us that they are focussing more on issues such as healthy childhood development and First Nations and Inuit health. (See Chapter 5 of this Report for a discussion of the social dimension of sustainable development.)

4.53 Recommendation. Senior management should increase its level of support, involvement, and commitment to enable organizations to move up the learning curve.

Some good management practices

Internal audit, self-assessment, and external audit are effective tools for continual improvement

4.54 Internal audits, self-assessments, and external audits are critical components of a sustainable development management system. They are effective tools for identifying gaps in good management practice and opportunities for improvement. They also provide the feedback necessary to

give assurance to senior management and other stakeholders that the management control processes are operating as designed and producing results. We found examples of departments and agencies using internal and external audit effectively to identify opportunities for improvement.

4.55 Internal audit. Natural Resources Canada's internal audit of its 1997 sustainable development strategy encouraged the Department to improve its accountability structure by assigning responsibility for achieving sustainable development strategy commitments to specific individuals or positions. The audit also noted that in some cases only commitments that were fully met were addressed in the 1999 progress report. It recommended that cases where commitments have not been fully completed should also be explained. In its second sustainable development strategy, the Department stated that it will address the recommendation to report on all commitments through its Web-based tracking and reporting system.

4.56 Since 1997, Health Canada has used internal audit extensively to audit its major facilities. The Department is the custodian of over 750 buildings and associated lands, and it leases space in approximately 250 additional facilities across the country. These facilities include laboratories, health centres, nursing stations, and hospitals, as well as offices, warehouses, and other storage facilities. The Department also manages a national fleet of approximately 540 vehicles. The internal audits of these facilities and vehicles identified the following issues that could negatively affect the environment:

- the use of resources including gasoline and vehicle fuels, water, various products, and energy used in buildings;
- leaking fuel storage tanks and contaminated sites;
- the use and/or presence of hazardous materials, ozone-depleting substances, PCBs, asbestos, and pesticides; and
- wastes and emissions including liquid effluents, mobile and stationary air emissions, hazardous wastes (including biomedical, radioactive, and chemical wastes), and non-hazardous wastes.

4.57 Health Canada has included many targets in its new sustainable development strategy that address these issues. Some examples are the following:

- Conduct building performance reviews at all Health Canada laboratories on an annual basis commencing by the end of March 2002.
- Remediate at least 75 percent of the assessed fuel-contaminated sites of the First Nations and Inuit Health Branch by the end of March 2004.
- Implement an environmental management system that is compatible with the ISO 14001 standards for hazardous wastes at all Health Canada laboratories and hospitals by the end of March 2003.
- Provide updated training in the following areas to all laboratory managers and employees who require it by the end of March 2002:

Workplace Hazardous Materials Information System, transportation of dangerous goods, and handling of toxic substances.

4.58 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.

4.59 Recommendation. Internal audit should identify and assess the risks associated with the sustainable development management systems of departments. These risks should be considered by internal audit in conjunction with other areas of risk when establishing audit coverage.

4.60 External audit. Four of the departments and agencies included in this audit had previously undergone our audit of sustainable development management systems, reported in Chapter 1 of the Commissioner's 1999 and 2000 reports. These organizations had considered the findings from our audits and had taken some action to improve their management systems. However, progress has been slow in the case of ACOA. The Agency included a target in its 1997 sustainable development strategy to develop an environmental management system (EMS) that meets recognized standards. After that, it commissioned the preparation of an EMS framework that was compliant with ISO 14001. This was completed in April 2000. According to its new strategy, ACOA intends to implement the EMS by early 2001, although no specific target has been set.

4.61 In our opinion, it is important for departments to continue to use and take full advantage of internal audits, self-assessments, and external audits to identify gaps in good management practice and opportunities for improvement.

Assessing changing circumstances is critical to continual improvement

4.62 We expected departments to take into account the impact of changing circumstances when assessing their first strategies. This would include circumstances related to policy direction, legislation, activities, science and technology, and stakeholder interests.

4.63 Natural Resources Canada assembled a multistakeholder Advisory Panel that focussed on assessing changing circumstances and developing an approach for the Department's second sustainable development strategy. The Advisory Panel identified specific areas where the Department's leadership is important. These included the following:

- developing integrated strategies;
- developing transparent accountability mechanisms;
- developing and promoting collaboration and consistency among governments;
- innovating;
- learning from the new economy;

- responding to climate change; and
- establishing and refining clear objectives, measurable targets, and meaningful performance indicators.

4.64 The Advisory Panel also discussed a number of domestic and international changes that Natural Resources Canada should consider; these included economic shifts on a global level, new relationships and commitments, the impact of technology, and the varying awareness and influence of the public.

4.65 Approaches for the new strategy were also addressed. The Advisory Panel members encouraged the Department to do the following:

- develop a vision of a sustainable future;
- make a measurable difference;
- determine what is sustainable and what is not, within its portfolio;
- acknowledge the need to make a transition to the “new economy”;
- demonstrate increased evidence of integrated decision making;
- promote innovation;
- encourage the transition to a more sustainable way of living; and
- demonstrate how Natural Resources Canada’s strategy fits with the efforts of other federal departments and other levels of government.

Themes to address in the second sustainable development strategy as well as desired outcomes for 2003 were also presented.

4.66 We noted that the Department developed a vision of a sustainable future and presented it in its new strategy (see Exhibit 4.8).

Participants in consultations need opportunity to address important questions

4.67 We expected departments to assess their first strategies early enough to use the results as input in their consultations. This would allow departments to consider what they had achieved with their first strategy, what had changed, and what needed to be done differently. And it would give participants in the consultations the opportunity to address these questions. Five of the six departments and agencies used the information gained in their assessment in the consultations for their second strategies.

4.68 Natural Resources Canada began its assessment process immediately after its first strategy was tabled. It was able to bring the results of a thorough assessment of the first strategy to the consultations for the second strategy. This assessment included the results of an ongoing process of citizen engagement, the revisiting of performance indicators, an assessment of progress toward the 125 targets the Department developed in the spring of 1999, and the results of the Advisory Panel.

Exhibit 4.8 Natural Resources Canada's vision of a sustainable future

This vision represents Natural Resources Canada's scenario for a future based on sustainable development—a vision that cannot possibly be achieved by a single department, or by governments alone. It requires ideas, determination, and action on the part of all Canadians, across all sectors of society.

Canada in the 21st century is a society that successfully integrates economic, environmental, and social considerations into all resource-related decision making. Canadians make sound decisions about resource development and use—decisions that consider ecological limits, factor in social dynamics that reflect local and global priorities, and capitalize on innovations and technological solutions that overcome environmental challenges to keep Canada competitive in the international marketplace. People of all ages, all regions, and all sectors work co-operatively and strategically to minimize the risk and maximize the rewards of responsible natural resources development.

Canada is a nation that takes full advantage of scientific knowledge and new technologies to harvest and extract resources in ways that maintain the integrity of natural ecosystems and that protect the nation's landmass, water, air, and wildlife. Human impacts on biodiversity have been dramatically reduced and mitigated. Canadians have access to an abundance of water of superior quality. Forests are utilized and respected for multiple uses, including recreation and resource extraction as well as the pursuit of Aboriginal people's traditional lifestyle. Healthy communities make optimal use of resources such as water and energy, and manage end-of-life issues in ecologically benign ways. A generation accustomed to recycling and reusing—mining aboveground resources through resource recovery—fails to understand society's previous reliance on landfill sites. Energy efficiency and renewable and alternative fuels are part of the mainstream.

Communities thrive as a result of technological innovation, economic diversification, and increased local decision making. Up-to-date, leading-edge information is broadly available and utilized, creating equitable opportunities for education and alleviation of poverty through a technologically skilled work force capable of capitalizing on job creation.

The private sector assumes greater responsibility for, and realizes the benefits of, the development of products with a longer life that reduce and manage wastes and free up landfill space for other uses. Canadian firms market their knowledge

and expertise to the world, satisfying global demand for ecologically responsible products and services. These innovations enable companies to realize productivity gains, contributing to Canada's competitiveness and ongoing economic growth and ensuring that Canada maintains its reputation as a global leader in sustainable development.

Beyond the natural resources sector, the focus has shifted to community needs and shared values. Communities are virtually connected, enabling environmentally friendly patterns of urban and rural land use and activity. Commonplace practices, including telework and telehealth, mean a reduced reliance on the automobile.

Canadians who continue to commute rely more on car pooling, cycling, or walking, as a result of changes in behaviour and outlook.

Natural Resources Canada demonstrates leadership by carrying out the necessary scientific research and making its knowledge widely available to translate sustainable development ideals into common practice. Government sets for itself—and meets—the highest standards that individuals, corporations, and communities can be confident are achievable and that they are motivated to emulate.

Future generations will look back on the turn of the century as a watershed in our nation's history—a time when there was a strong cohesion of views among governments, industry, communities, and a well-informed public that led to a joint commitment to action.

To make this vision a reality, Natural Resources Canada has established a set of goals, each of which have multiple objectives and actions that will enable the Department to advance sustainable development through its programs, policies, science and technology, legislation and regulations, and operations.

The actions of this sustainable development strategy are framed within the context of the anticipated outcome that will support this vision of a sustainable future. Progress toward this vision is measured against the Department's objectives, which support Natural Resources Canada's sustainable development goals, both now and for the future. Further, Canada's progress toward this vision will be measured through national indicators of sustainable development.

Source: Adapted from Natural Resources Canada, *Sustainable Development Strategy—Now and for the Future*

Assessment process and its outcome described in second strategy

4.69 It is important for organizations to clarify in their second strategies what they have achieved with their first strategies and what lessons they have learned that can be applied in the future. The six departments and agencies described the assessment process and its outcome in their second strategies.

4.70 For example, Canada Economic Development for Quebec Regions presented the objectives and accomplishments of its first strategy by two types of clientele—external and internal (see Exhibit 4.9 for objectives and accomplishments by internal clientele).

4.71 As another example, Industry Canada's second strategy captures the lessons learned from the first strategy. It stated that the Department should do the following:

- increase commitment and buy-in from senior management;

Exhibit 4.9 Canada Economic Development for Quebec Regions—Objectives and accomplishments of its first strategy (internal clientele)

Objective: Adjust the organizational culture to the new challenge of sustainable development and promote a comprehensive vision of economic, social, and environmental aspects

- A sustainable development committee was established.
- Management mechanisms were established to make sustainable development part of everyday operations: a heading on environmental assessment was added to the quality system acknowledgement of receipt form letter; the Agency's information system was improved to identify projects related to the environmental industry; and regional offices must include the sustainable development strategy in their business plans. In addition, the Agency recently signed a memorandum of understanding with the Canadian Environmental Assessment Agency on the environmental assessment of Aboriginal lands.
- The cultural adjustment process was simplified through the use of the Agency's ISO 9002 QUALITY SYSTEM to make operational changes, as well as the use of existing mechanisms and procedures, including semi-annual audits of quality system integrity.
- An awareness session on development opportunities related to sustainable development and the threats related to non-tariff barriers was provided for advisors. The Canadian Environmental Assessment Agency also gave three daylong training sessions.
- Information capsules on successful greening stories were published regularly in the Agency's in-house newsletter. A reminder about sustainable development was included in documentation distributed to new employees.
- In 1998 and 1999, an external assessment of the sustainable development strategy was carried out. The reports on performance and plans and priorities include an update on deployment of the strategy.
- The Agency serves on a variety of tables and committees related to the environment and sustainable development. These include the Interdepartmental Committee on Sustainable Development, sectoral and consultation tables on the greening of offices, sustainable development, climate change, development of the environmental industry, and environmental assessment.

Objective: Encourage and increase greening activities

- Paper recycling programs were established in every office. Systematic use of electronic mail and the Intranet and double-sided printing and photocopying were aimed at reducing paper consumption.
- A multi-product recycling program was started in three offices, including Head Office, where the Agency hopes to create a motivational effect on other tenants.
- The Agency's procurement process was revised to include concerns related to sustainable development.
- A new equipment maintenance program was implemented to prolong useful life.
- The Agency has begun to equip new vehicles (2/18) with hybrid engines.

Source: Adapted from Canada Economic Development for Quebec Regions, *Sustainable Development Strategy, Action Plan, 2000–2003*

- focus on key strategic areas;
- increase the private sector focus of the strategy;
- capitalize on partnership opportunities;
- promote better awareness of sustainable development within the Department; and
- review sustainable development initiatives to determine their relevance in advancing the Department's sustainable development agenda.

Conclusion

4.72 In our previous reports, we have said that the federal government needs to pay more attention to the management side of sustainable development. Our audit approach has been to reinforce good management practices, which we believe will contribute to achieving expected results over the long term. In *Moving Up the Learning Curve*, we asked departments to assess their first strategies to enable them to improve implementation and prepare for the second strategies. At the same time, this gave them the opportunity to strengthen two components of their management system—checking and corrective action and management review, which we have historically found to be the weakest components of sustainable development management systems.

4.73 The six departments and agencies we audited prepared an assessment of their first strategies, although they varied widely in quality. Five used the information gained in that assessment in the consultations for their second sustainable development strategies. All six departments and agencies described the assessment process and its outcome in their second strategies. Throughout this chapter we identified some examples of good management practices, and we expect departments to expand their use of these practices.

4.74 Natural Resources Canada was the closest to having the strong management review and checking and corrective action components required in a sustainable development management system. It carried out the most extensive assessment, started the assessment process early, and used a systematic process. Senior management was clearly involved and committed and lent its support to the process.

4.75 As we concluded in Chapter 2 of this Report, the planning component of sustainable development management systems is generally done well, but the number and seriousness of deficiencies increase as we look at implementation, through to checking and corrective action, and then to management review. We expect to see strong checking and corrective action and management review in departments and agencies in the future. We also expect to see assessments of each strategy built into the management system. It is important that these efforts include the support, commitment, and involvement of senior management; improved tracking of progress; improved performance measurement; and assessment by internal audit.

About the Audit

Objectives

This audit provides a bridge between our audits and studies of the first round of sustainable development strategies and those that will be done on the second round of strategies. We did this audit to help parliamentarians understand what departments had done to assess their first strategies in order to prepare their second strategies.

The objectives of the audit were to assess whether the departments and agencies we audited had done the following:

- conducted an assessment of their first sustainable development strategies;
- used the information gained in that assessment in the consultations for their second sustainable development strategies; and
- described the assessment process and its outcome in their second strategies.

A broader objective of this audit was to identify good management practices.

Scope and approach

We audited departments' and agencies' assessments of their first sustainable development strategies. We did not audit the second round of strategies, with the exception of the description of the assessment process and its outcome that appears in the second strategies. We also selected some examples of good practices from the second strategies.

We audited six organizations. These included three departments—Health Canada, Natural Resources Canada, and Industry Canada—and three agencies included in the Industry portfolio—Atlantic Canada Opportunities Agency, Canada Economic Development for Quebec Regions, and Western Economic Diversification Canada. These organizations were chosen for two reasons. First, they represent a cross-section of policy and program mandates. And second, they provide a sample of departments and agencies that are important to the success of the sustainable development effort government-wide. The three agencies were chosen because they complete the group of organizations in the Industry portfolio that were required to prepare a sustainable development strategy. As well, they provide an audit sample of small organizations.

We met with staff involved in the assessment process and reviewed the documentation they provided. As part of this audit, we interviewed 24 senior managers from the departments and agencies to discuss their involvement in assessment of the first strategies. In addition, we discussed more broadly what sustainable development means to their organizations. We also discussed what they have done and what they have to do differently in the future to make sustainable development part of their operations.

Criteria

The criteria we used to audit the departments' and agencies' efforts to assess their first sustainable development strategies were whether they had assessed the following:

- the goals, objectives, and targets set in the first strategies, and performance against them;
- findings from our audits and departmental internal audits or self-assessments of sustainable development management processes;
- the impact of changing circumstances, including policy direction, legislation, activities, advances in science and technology, and stakeholder interests; and
- the suitability of the current strategies and any need for changes.

We also expected senior management in the departments and agencies to be involved in assessing the first strategies as a basis for improvement.

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