
AUDIT
OF
THE ENVIRONMENTAL SERVICES DIVISION (AES)
AND THE SUSTAINABLE DEVELOPMENT
PORTFOLIO IT MANAGES

May 2000

Audit Division (SIV)

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1.0 EXECUTIVE SUMMARY

1.1 The objective of the audit was to provide assurances that DFAIT is meeting its Sustainable Development Strategy (SDS) commitments as outlined in the Agenda 2000 document. The primary emphasis of the audit was to focus on the degree to which actions are clearly stated, implemented and reported on, in order to help senior management ensure that DFAIT's major environmental risks, liabilities and opportunities are properly identified and managed.

1.2 Initially senior management commitment and leadership was high. As a result, a sound and adequate document, Agenda 2000, the SDS for DFAIT was prepared. It set policy goals and responsibilities, and an action plan that further elaborated the steps required to integrate Sustainable Development (SD) considerations into all business decisions, ensure compliance with legislative, regulatory and non-statutory requirements and greening operations. The Department worked to develop capabilities to implement its Agenda 2000 action plan. Resources were assigned to it, an Environmental Management System (EMS) committee chaired by an ADM was established, awareness and motivational programs were provided to employees and a communication and reporting system was established that reported results on a semi-annual basis.

1.3 The implementation of the SDS within DFAIT can be divided into three phases. The Environmental Services Division (AES) has successfully directed the Department through phase one--raising the awareness of SDS--and through phase two--development and implementation of policies, circular documents, guidelines and a systematic planning and reporting process. In particular, AES has issued four circular documents (Agenda 2000: SDS for DFAIT; Greening Conferences; Environmental Assessment (EAs) of Projects Outside Canada; and, Environmental Management of Physical Operations), Guidelines for Incorporating Environmental Considerations into Memoranda to Cabinet, a draft methodology for assessing environmental implications of DFAIT's Grants and Contributions, as well as three semi-annual progress reports for Agenda 2000 actions. AES is currently addressing phase three--the integration of SDS into the Department's ongoing programs and operations. Much progress has been made, but to fully attain its objectives SDS is in urgent need of strong and ongoing leadership and commitment from senior management. As a result, weaknesses exist in the clarity of the plans, integration of and compliance with DFAIT's SD policies and practices, and reporting on progress and results.

1.4 In conclusion, senior management cannot be assured that the Department's environmental risks, liabilities and opportunities are properly identified and managed. In particular the Audit Team observed that:

- not all EA's are registered in the Federal Environmental Assessment Index;

- there has been a lack of progress to conduct a baseline study for Grants and Contributions (as required by government directive and a DFAIT commitment in Agenda 2000);
- there is no assurance that the Department's commitment to green all conferences, summits and major events is being met;
- the Mission EMS database is not useful for planning and reporting on environmental performance because of an extremely low completion rate - the audit sample of 53 (out of 157) missions found that only 5 missions (9%) provided complete information; and,
- there are duplicate planning and reporting processes for Agenda 2000 that are cumbersome, resulting in inefficient use of resources and inaccurate SD reporting.

1.5 The recommendations contained in the report are provided to help the Department implement its commitment to integrate SDS into its policies, programs and operations. The team believes that senior management should:

- re-affirm its commitment to SDS;
- clarify the mandate of AES; and
- integrate the Agenda 2000 Planning and Progress Reports into the Department's formal Planning and Reporting Process.

Management commitment is critical to ensure SD integration and policy compliance. The present EMS Committee only deals with environmental issues (greening operations). A higher level committee with representation from both operations and policy groups is required to deal with SD policy integration into all DFAIT Programs. This committee should initially clarify and assign responsibilities followed by a detailed work plan identifying major activities that are to be completed to address the above concerns. Consideration should be given to appointing an SD Champion who, with advice from an SD Committee, would guide the management of the SD portfolio, with periodic oversight by the Executive Committee.

2.0 AUDIT OBJECTIVE AND SCOPE

OBJECTIVE

2.1 SIV performed an audit of environmental responsibilities within HQ Bureaux and Missions. The overall objective was to provide assurances that DFAIT is meeting its environmental and sustainable development management responsibilities. The primary emphasis of this audit was to focus on the degree to which DFAIT's SDS is appropriately designed, implemented and provides information on progress to date, in order to help senior management ensure that DFAIT's major SD risks, liabilities and opportunities are properly identified, and managed.

SCOPE

- 2.2 The scope of the review included the following elements of the SDS.
- 1) Its framework design with respect to the delegation of environmental and sustainable development responsibilities to the various groups (e.g., AES, SBA, SRD, SIX, Bureaux, Missions, Environmental Management Committee).
 - 2) Progress to date in the implementation of the SDS framework design and its integration into departmental planning and reporting instruments (e.g., Report on Plans and Priorities, Bureaux Business Plans, Mission Plans, Departmental Performance Report).
 - 3) Agenda 2000 Progress Reporting for all four DFAIT objectives: employment and prosperity, peace and security, Canadian culture and values, and greening operations.

3.0 AUDIT METHODOLOGY

3.1 The audit used the ISO 14001 standard as the basis for the audit work and examined the following elements: Commitment and Leadership; Planning; Implementation; Measurement and Evaluation; Review and Improvement.

3.2 An assessment was carried out by interviewing key staff, and analysing background information. Appropriate interview and audit guides were developed for this purpose. Interviews were held with one ADM, seventeen DGs in both functional and geographic bureaux, and personnel in SMD, SRD, AED (AES, AER, and AEC), DCL, and the Hemisphere Summit Office.

4.0 DETAILED OBSERVATIONS AND RECOMMENDATIONS

4.1 COMMITMENT AND LEADERSHIP

Senior Management Commitment

4.1.1 In recent years, the federal government has introduced a series of initiatives designed to strengthen its commitment to SD. In particular, it pledged to lead by example and integrate sustainable development into all its decisions and activities. Federal departments became responsible for developing sustainable development strategies to indicate how they would meet the commitment to SD.

4.1.2 Recognizing the importance of these initiatives, DFAIT's Executive Committee established a Sustainable Development Task Force chaired by the ADM, Corporate Services, to guide the development of the department's SDS. Representatives from each of the business lines and from each of the key functional and geographic bureaux were appointed to the Task Force. The sole mandate of the Task Force was to make decisions in regards to the preparation of an SDS to be tabled in Parliament on December 1997. After this was accomplished the SD Task Force was disbanded.

4.1.3 A new committee, the Environmental Management System (EMS) Committee, also chaired by the ADM for Corporate Services was established. It is responsible for providing advice on environmental management issues and the EMS committee suggested the establishment of a committee to deal with SD policy integration. However, the second committee was never established.

4.1.4 The Audit Team compared the efforts of DFAIT with those of three other government departments - Treasury Board, Environment Canada, and Natural Resources Canada (NRCan). The Audit Team interviewed senior managers in each department who were responsible for its SDS implementation. Discussions centred on their respective SDS, progress reporting and organizational structures. Understandably each department had a somewhat different approach to the implementation of its SDS.

In contrast, it is the opinion of the Audit Team, that if AES were to be taken off the SDS file, the file would likely collapse.

4.1.6 The Office of the Commissioner of the Environment and Sustainable Development has audited some aspect of DFAIT's SDS three times in the last three years. The Commissioner's mandate is to monitor and report annually to Parliament on the extent to which departments have implemented their action plans for sustainable development and achieved the objectives set out in their strategies. His audit methodology follows the five ISO 14001 general guidelines: management commitment and leadership, planning, implementation, measurement and evaluation, and review and improvement. Unless the department has firm senior management commitment, the last four guidelines will never be completed to the satisfaction of the Commissioner, resulting in continuing negative reporting to Parliament with respect to DFAIT's SDS performance.

4.1.7 The success of the SDS depends on commitment at all levels, from senior management down the chain of command. In the absence of commitment, senior management cannot be assured that the Department's environmental and sustainable development risks, liabilities and opportunities are properly identified and managed.

Recommendation for MPH

4.1.8 Executive Committee should re-affirm its commitment to SDS with the active involvement and direction of MPH. There is a need for a Task Force, chaired by MPH, of Directors General and /or Directors from both policy and operation bureaux which would develop a plan of action which would be communicated to all employees within a fixed timeframe.

MPH Response

4.1.8 Executive Committee discussed the development of the next sustainable development strategy at a meeting on October 29. Committee agreed that an advisory team should be formed and appointed the Director General of the International Environmental Affairs Bureau (AED), as the team leader. It requested that periodic reports be submitted to Executive Committee.

4.2 PLANNING

Integrating SD Consideration into all Business Decisions

4.2.1 The Audit Team examined the Report on Plans and Priorities (RPP), Business Plans (BP), and the Agenda 2000 document to assess if their SD component was aligned and integrated with the existing management planning system. Our test results for 36 Bureaux indicated inconsistent information between the 3 reporting processes. For instance:

- 1) Of the 36 bureaux reviewed, 20 indicated a responsibility for an Agenda 2000 action, while 16 indicated no responsibility.
 - Of the 20 indicating a responsibility, 18 noted the responsibility in their bureaux business plan, while 2 made no mention of it.
 - Of the 16 bureaux indicating no responsibility for an Agenda 2000 action, 8 indicated a responsibility in their business plan, while 8 made no mention of it.

A similar pattern exists when comparing responsibility for an SD action in Agenda 2000 at the level of the Functional and Geographic Bureaux business plans.

- 2) Of the 25 functional bureaux business plans reviewed, 17 indicated a responsibility for an Agenda 2000 action, while 8 indicate no responsibility.
 - Of the 8 indicating no responsibility, 3 had indicated a responsibility the previous year, while 5 had not.
- 3) Of the 8 Geographic business plans reviewed, 1 indicated responsibility for an Agenda 2000 action, while 7 indicated no responsibility.

Generally, the 55 actions highlighted in the Agenda 2000 document could not be aligned to the SDS activities included in the RPP or the bureaux business plans. Bureaux were either not aware, or had not reviewed the Agenda 2000 actions when drafting their business plans. Further information on the test results can be found in Table 1, Appendix 1.

4.2.2 Overall the Audit Team found that the RPP, BP and Agenda 2000 articulated a mixed range of planned SD activities. The RPP is the clearer and more concise of the three documents. It highlights the department's key activities and expected results under its business lines. The Bureau Business Plans provide further detail with the inclusion of a separate section (VI) for sustainable development under which the bureaux provide detailed descriptions of the activities they are planning. Agenda 2000 complies with legislated requirement, has a very public audience and is the more wordy of the three documents. It describes the department's SD commitment under four objectives being economic growth and prosperity, building peace and security, Canadian values and culture, and greening the Department's operations, while the RPP and Bureau Business Plans are organized according to business lines. The Agenda 2000 has 55 sustainable development actions with 55 milestone indicators while the department's RPP has 8 business lines with a total of only 25 expected results, including sustainable development actions.

4.2.3 In summary, the Agenda 2000 actions are a mixed range of activities that reflect the department's commitment to sustainable development, however, as noted

above many actions are not carried forward into the department's planning process. The department has only partially integrated the SD commitments, as highlighted in Agenda 2000, into its RPP and bureaux business plans.

4.2.4 AES reviewed the sustainable development sections of the Bureaux business plans for the three previous years. Generally, AES was given limited time for their review and, for the last planning cycle, the plans had already been approved before AES was asked to provide comments. We were advised by AES that the division requested to be involved sooner in the planning process, and in the drafter's training session. Unfortunately, AES did not participate in the training session because SMD felt their agenda was already too tight.

4.2.5 Because there is a legislative requirement to submit a revised version of the Agenda 2000 in December 2000 this is an opportune time for the department to further integrate SDS into the RPP and Bureaux Business Planning documents and making these the primary documents to highlight its sustainable development strategies. It may not be possible to fully integrate this year because the planning cycle is already underway, but processes should be started now to integrate this into the next planning cycle. Currently, the department documents its SDS plans and expected results in both the Departmental Planning and Reporting Process (i.e., RPP and DPR) and the SDS process. Each is currently treated as a separate process with its own set of criteria, and reporting timetables. Each process has its own distinct demands from the bureaux yet the desired reporting results are the same - objectives, activities, expected results, and measurement indicators.

4.2.6 The Audit Team believes that the Agenda 2000 requirement should be fully integrated into the departmental planning and reporting process. This process results in the tabling of the RPP in Parliament in February of each year, the setting of bureaux budgets for the upcoming year in March, the submission of the department's business plan to Treasury Board in June and the tabling of the Departmental Performance Report in Parliament in October next year. The bureaux business plans are a management tool for Directors General to set objectives, allocate resources, plan the activities, and measure the performance of their Bureaux. This integration process has already started for some bureaux and should be broadened to include all others where there are appropriate SD considerations in their programs and operations. In addition, the Department should ensure its Sustainable Development objectives for its next strategy, that is to be tabled in Parliament on or before December 15, 2000 are firm enough to be used in the 2001/2002 BBP process that begins October 2000. Maintaining two separate planning processes is counter productive, an ineffective use of resources and increases the risk that SD integration will not be realized.

Recommendation for AED (information SMD)

4.2.7 AED should, in cooperation with SMD, ensure that SDS is better integrated into the RPP and DPR documents making these the

primary documents to articulate the Department's sustainable development goals on an annual basis. AED should align the SDS process to coincide with RPP and DPR process so that these documents can form the basis of subsequent SDS.

AED Response

4.2.7 AED will work with SMD to align the process for preparing and reporting on the sustainable development strategy with the RPP and DPR process.

4.3 IMPLEMENTATION

The Mandate, Roles and Responsibilities of AES

4.3.1 The Audit Team reviewed various DFAIT documents to ascertain the roles and responsibilities assigned to AES. These included the four circular documents #9/97, 3/98, 2/98, and 7/97; Agenda 2000 that articulated the Department's SDS and Action Plan; AED Business Plans; the Sustainable Development Website; the Environmental Management Plan; and job descriptions.

4.3.2 The Audit Team found no clear statement of AES's mandate, roles, responsibilities or accountabilities.

4.3.3 There are, however, multiple documents that describe AES's mandate, which has evolved since its inception in 1992. The policy document, circular #9/97 "Agenda 2000 Strategy" simply states that success in implementing fundamental concepts of sustainable development is the responsibility of all employees and that AES is to provide advice and assistance to any employee or unit in respect of the application of the policy to their work. DFAIT's initial Environmental Management Plan(1995) assigned AES responsibility for coordinating the plan and for setting environmental management objectives. Subsequent circular documents reinforce this role assigning functional responsibility to AES mainly in the form of advice and assistance.

4.3.4 The evolving mandate is also evidenced by the recent (fall 1998) organizational move of the Environmental Services Division from the Legal Branch (as JEN) to the Global Security and Policy Branch (as AES). The Division's earliest mandate was centred around legal issues related to sustainable development. Its scope has since expanded along with evolving government and departmental sustainable development policies.

4.3.5 As well as providing advice and assistance, the following operational responsibilities are being carried out by AES:

- creating and maintaining of the Mission environmental database;
- arranging for the provision of recycling containers;
- suggesting that SxD format printers for double sided printing;
- suggesting that SBA purchase recycled paper;
- reviewing and commenting on environmental assessments;
- registering completed screening documents in the Federal Environmental Assessment Index public database;
- participating in reviewing environmental considerations as part of the process of developing the Canadian negotiation strategy for the WTO and preparing progress reports;
- participating in the OAS meetings on public participation in decision making;
- maintaining the SDS website;
- preparing environment week events;
- organising other awareness activities such as a Federal House Order;
- helping Missions plan and implement environmental management plans;
- inter-departmental work (FCEMS, INSD, PMSGO, EATNG, WCFF, etc.); and
- participating in developing training modules.

4.3.6 The AED Bureau Business Plan for 1999-2000 implies a stronger role for AES than advising and assisting. The plan indicates that AES's role is to ensure compliance in the following areas:

- Bureau priority #3 - ensure compliance with CEEA; and
- Bureau priority #4 - ensure compliance with the Cabinet Directive for environmental review of policies and programs.

The Bureau work plan also lists activities with operational implications such as the delivery of a comprehensive SD training module and preparing a baseline study of all grants and contributions to eliminate disincentives to sound environmental practices.

4.3.7 In the Agenda 2000 Action plan, AES is listed as the responsible organization for 14 items. Most of these items are related to responsibilities identified in the circular documents and the business plan, however, there are new responsibilities such as:

- promoting SD practices internationally;
- developing expertise on global issues; and
- assisting the Commissioner of the Environment in obtaining reports on the implementation of international SD agreements.

4.3.8 The major issue confronting AES in terms of its role is the separation of functional and operational responsibilities. In providing guidance and leadership AES has assumed operational responsibilities, taking on a stronger role than the traditional

functional tasks of policy development, awareness, promotion and the provision of advice and assistance. This however contradicts the fundamental concept, articulated in the department's environmental policies, that SD is the responsibility of all employees and that managers are responsible for initiation and delivery. Operational control would be the point where decisions are translated into action.

4.3.9 The lack of a clear mandate and the overlapping of functional and operational responsibilities has resulted in the following ineffective and inefficient operations due to duplication, lack of authority and insufficient resources:

- Missions generally do not enter information into the environmental management database;
- lack of use of the database by Missions and Headquarters to report performance on achieving environmental objectives due to a lack of authority by AES;
- lack of authority and sufficient resources to develop and implement tools for environmental assessments of projects overseas, cabinet memoranda and greening of conferences;
- duplicate planning and reporting streams for Agenda 2000; and
- difficulty in obtaining timely and accurate information for Agenda 2000 progress reporting purposes.

4.3.10 The definition of AES's mandate is further complicated because there is no formal work plan for the Division. Such a plan would normally describe expectations in terms of the resources deployed, activities undertaken and outputs or results expected. The role of the organization would inherently be reflected in such a plan. A work plan would also serve as the primary accountability instrument between the Director and the Director General. Detailed work plans for AES staff, that would normally flow from a Division work plan, have not been developed. This would allow for direction, monitoring and assessment of assigned responsibilities to individuals and/or of identified projects. Without such plans in place it is difficult for an organization to ensure that resources are focussed on relevant and high priority activities and to demonstrate the degree to which expected results have been achieved.

4.3.11 Another complicating factor has been the lack of organizational stability. AES recently moved from JUS to AED, but is still located in a different building wing, separated from the rest of AED Bureau. Further, there is no continuity in the division - there have been three directors over the past three years. The present director is in an acting position, as is the deputy director, and the two remaining officers are on term assignment, one in the position for only six months.

4.3.12 In summary, AES's mandate needs to be clarified and unencumbered of conflicting responsibilities so that the division can provide effective guidance in implementing the evolving nature of DFAIT's sustainable development portfolio. As the mandate is defined, AES's reporting relationship within AED may need to be reviewed

to ensure that AES's mandate is aligned and integrated with the appropriate Bureau. This, in conjunction with improved accountability mechanisms (e.g., work plans), would reduce the present strain on AES resources and would allow for a more focussed and therefore effective approach to supporting the implementation of SDS.

Recommendations for AED

- 4.3.13 The mandate of AES should be clarified (defining services it should provide and more importantly what it should not provide) and effectively communicated through development of formal work plans and through updating of applicable departmental policies and directives.**
- 4.3.14 The resources allocated to AES should be adjusted and stabilized in accordance with its mandate.**
- 4.3.15 An AES staffing strategy should be developed and implemented.**

AED Responses

- 4.3.13 We will review the mandate of AES to clarify which services it should maintain responsibility for and will attempt to re-delegate some to other sections of the Department where appropriate.**

We will review the status of departmental policies and directives for which AES has responsibility and update or reissue those that are still relevant.

The annual appraisal and budget processes allow for the discussion and agreement of work plans between the Director of AES and the Director General of AED.
- 4.3.14 The annual budget allocation exercise allows for the adjustment of resources to match ongoing and incremental requirements in keeping with the section's mandate.**
- 4.3.15 An appropriate staffing strategy will be developed but due to the numerous acting assignments in the section, it will take time to complete all of the required staffing actions.**

Environment Assessments (EA) Projects Overseas

- 4.3.16 The Audit Team found that the guidelines for assessing environmental implications of new construction, renovation, disposal projects and leases overseas**

(circular document #2/1998) are clear and comprehensive in meeting requirements, and clearly assigns accountability for conducting the EA's for planning and undertaking construction projects at missions abroad. The Canadian Environmental Assessment Act (CEAA) and its regulations prescribe a self-assessment process for conducting EA's. Consequently, this is an appropriate assignment of accountability.

4.3.17 The team examined a sample of five EA's prepared by SRD project managers. We found that the guidelines were used satisfactorily in assessing environmental implications of new construction, renovation, disposal projects and leases overseas. The environmental screening forms appear to have been completed with due diligence. They were reviewed by the project manager's superior and properly approved by the DG. We did not audit the substantive merit of the statements.

4.3.18 The Audit Team concludes that DFAIT is complying with statutory requirements to undertake environment assessments of all public projects outside of Canada.

4.3.19 The Audit Team examined departmental compliance with section 55(1) of CEAA - the threefold requirements of the public registry system, consisting of: a) the on-line Federal Environmental Assessment Index (FEAI) public database, b) a list of relevant departmental documents, and c) the actual project assessments and supporting evidence.

4.3.20 The Audit Team found that the division of responsibility for meeting CEAA requirements within DFAIT exposes the department to some risk. In addition to SRD, several other Bureaux have responsibilities to conduct EA's, such as the Trade, Functional and Geographic Bureaux - when they use their own budgets for promotional activities, construction and/ or capital projects, and certain leases. In order to mitigate this risk, SRD prepared during the audit a list of all of its projects for which EA's were required and completed and registered. SRD advised the Audit Team that this list will become an internalized procedure.

4.3.21 The Audit Team found that AES has the responsibility for entering the required assessment information into the FEAI database and SRD has responsibility for maintaining the project and EA files. Each SRD project manager is responsible to prepare the EA's for construction projects outside Canada, and maintain the actual project and environmental assessment files. In addition, each project manager monitors the implementation of mitigation measures - a requirement of the CEAA regulations - for those projects where this is a condition of approval. The files provide adequate evidence, which we corroborated during interviews with each project manager. In general terms, the roles and responsibilities for each of the three-fold information requirements of the public registry have been assigned.

4.3.22 The Audit Team sought to determine the actual number of projects for which EA's were required. In early August, the Audit Team received a list from AES

“DFAIT Property Environmental Assessment Screenings”. We examined and compared the 43 records in the AES list to 38 DFAIT records in the Federal Environmental Assessment Index database, as well as to a list of capital projects undertaken by the department and contained in the Main Estimates 1998-99, Report on Plans and Priorities (RPP).

4.3.23 Based on our analyses the Audit Team determined that not all EA’s completed were registered on the FEAI. The Audit Team attributes this to an administrative breakdown between SRD and AES. Both groups need to review their administrative procedures to ensure all EA’s are registered on the FEAI. In particular, SRD needs to ensure all completed screening forms are forwarded to AES for registration. SRD has advised the Audit Team that AES will be placed on the distribution list of the minutes for both the long term accommodation and capital planning, and the bureau program committees which deal with the approval of all projects. This will strengthen communication between the two groups.

Recommendations for AED (information SRD)

4.3.24 AED should re-affirm to all Bureaux that they are to forward all EA’s to AES for registration. AES should ensure sound administrative procedures are in place that facilitate the flow of EA information between them and the Bureaux. This could be done through a combination of written instructions followed by verbal briefings .

AED Response

4.3.24 AED will issue a memorandum to all bureaux reminding them of their requirements.

Mission Environmental Management Database

4.3.25 The Audit Team found that the design of the database, generally, meets the requirements of the DFAIT Guidelines for Environmental Management of Physical Operations (Circular Document 7/97) and provides adequate guidelines for integrating environmental considerations into physical operations at Missions. The framework for environmental management consists of three templates which are to be completed electronically by the Missions.

4.3.26 The Audit Team found that the information contained in the Mission template was, generally, entered and completed by the consultant hired by AES, or by AES staff, and not by the mission as required by the Circular Document.

4.3.27 The Audit Team tested the completeness of information in the environmental management database, for fiscal years 1996-97, 1997-98 and 1999-

2000 on a sample of 53 large medium and small missions. We found very limited information for 1996-97, incomplete information for 1997-98 and no information for 1998-99, and later years. In general, the completion rate is extremely low. The results of this test are shown in the table below.

4.3.28 Only five mission (about 9% of our sample) provided complete information on the Baseline and Environmental Risks template. We found incomplete information for a further 19 missions (about 35%), and no information for 29 missions (55%). The information related to buildings, vehicles and Mission energy costs, etc. - was copied from the PRIME database maintained by SRD. Other information related to Mission sustainable development awareness programs was programmed to automatically default to "yes". If Missions did not have a program then this data element would be incorrect.

**Information contained in the Mission Environmental Management Database
Audit sample of 53 of the 157 Missions
Fiscal Year 1996-97**

Mission Template	No Information	Incomplete Information	Complete Information
Baseline & Inventory of Environmental Risks	29 (55%)	19 (35%)	5 (9%)
Environmental Management Plan	48 (90%)	2 (4%)	3 (6%)
Annual Mission Environmental Statement	53 (100%)	0	0

4.3.29 The team examined the Environmental Management Planning template. This is, essentially, a roll-up of the information in the baseline template, augmented with the federal government's priority targets for the "greening of operations" - green procurement, waste reduction, energy and water conservation and vehicle fleet management - copied from a "best practices" guide. These targets were to be used by the Missions as initial reference levels to facilitate developing environmental plans for materiel and property management. The targets - generally expressed as a percentage - had not been modified to make them Mission specific.

4.3.30 The team determined that in a sample of 53 Missions only 3 Missions (6%) have a current environmental plan. DFAIT policy requires an annual report on environmental performance from each Mission, in December. We noted that there were no instructions in the Circular Document for Missions on how to complete an annual environmental statement; and found that there are no environmental statements in the database. Consequently, DFAIT has no formal mechanism in place to measure progress in achieving environmental targets at Missions.

4.3.31 Nevertheless, during interviews with managers in SRD we were advised that missions have contributed to departmental environmental objectives and targets to reduce consumption, and reduce usage of products that pose risks to human health and safety, and to protect the environment, as part of cost cutting efforts and Program Reviews I and II. Unfortunately, these initiatives were not reported in the database and the department cannot aggregate this information for reporting purposes.

4.3.32 Currently, AES and SRD are discussing the feasibility of integrating the environmental management database (AES) with the PRIME database (SRD). SRD has up-to-date data for most Missions, including data similar to those in the environmental management database. The goals are to improve the overall relevance for DFAIT environmental management and reporting purposes, and to improve the completeness, timeliness and reliability of the data in the environmental management database. Unfortunately, success depends on the willingness and ability of the Missions to comply with the policy. Historically, this has not been the case.

4.3.33 In July 1999, AES identified four departmental priority areas for the environmental management of physical operations and presented them to the EMS Committee for review and approval. The four priority areas include: contaminated sites (storage tanks), ozone depleting substances, health and safety issues (hazardous material) and energy use management. The objective was to minimize the reporting requirements on the part of missions and to concentrate efforts in areas where compliance and risk assessment are of greatest concern. The priority areas were identified as mandatory in the database and other environmental aspect areas such as green procurement were identified as being optional. The Land Management Working Group was to develop a strategy for implementation, including the selection of appropriate performance indicators and the identification of roles and responsibilities. The Audit Team urges caution regarding major expenditures on the revisions to the database in view of the audit findings on extremely low participation rates by Missions, whose input is critical to the success of the exercise.

4.3.34 In conclusion, some Missions entered information into the environmental management database and thereby complied with some of the DFAIT policy requirements. None of the Missions complied with all of the policy requirements.

4.3.35 Neither Headquarters nor Missions use the database for planning and reporting on environmental performance, because the data are incomplete, out of date, and of unknown reliability.

4.3.36 The team believes that the findings of this audit test require discussion and decisions at the departmental level. Monitoring environmental performance is a mandatory requirement of the Commissioner of the Environment and Sustainable Development. DFAIT has contributed to achieving the government's environmental objectives and priority targets, but does not have the mechanisms to adequately monitor and report on this contribution. As this audit report demonstrates, renewed senior management commitment and leadership are vital to develop this capacity successfully. Consequently, we address the recommendations to the SD Task Force which we suggested should be established; see section entitled "Commitment and Leadership".

Recommendation for MPH/AED

4.3.37 Follow through with the plan to establish a SD Task Force. The Task Force should determine:

a) what constitutes a minimum level of realistic and meaningful environmental data and performance indicators which still meet the policy requirements;

b) whether or not the environmental management database is the best mechanism for monitoring and reporting by DFAIT on meeting the government's environmental requirements; and

c) in consultation with AES, SRD, and other relevant divisions, the advantages, and disadvantages, of integrating the environmental database into SRD's PRIME database, or other existing databases (e.g., IMS), to meet the environmental policy requirements.

MPH/AED Response

4.3.37 A sustainable development task force has been established. However, in view of the issues covered in this recommendation, we think that another committee, the Environment Management System (EMS) Committee would be more appropriate.

The EMS Committee is chaired by SRD on behalf of MKM. AES provides the secretariat support. This recommendation will be forwarded to the EMS Committee for consideration, but we understand that the Chairperson has already agreed that these issues should be addressed.

Environmental Assessments of Grants and Contributions

4.3.38 The Audit Team examined the progress of DFAIT's commitment (Agenda 2000, December 1997), to conduct a baseline study of all grants and contributions to identify and eliminate barriers or disincentives to sound environmental practices and to support and contribute to the achievement of sustainable development objectives. This commitment is based on a recommendation contained in the Report of the House of Commons Standing Committee on Environment and Sustainable Development, and a subsequent government directive.

4.3.39 AES engaged a consultant who prepared the terms of reference for a baseline study, in March 1998. The document defined the objectives, scope, approach and specific methodology for a two-phased analytical approach, as well as a work plan, schedules and cost estimates. A preliminary pilot test of the methodology was also included. Phase one proposed an initial review of all grants and contributions, and preparing summary descriptions of each program in order to reduce the overall number and identify those specific grants and contributions that would be the subject of more detailed assessment in phase two.

4.3.40 Phase two proposed to analyse potential barriers and disincentives on the basis of a series of questions which would guide a detailed analytical assessment.

4.3.41 A progress report on this commitment for the Agenda 2000 strategy was prepared by AES on July 5, 1999. It states that a plan for the baseline study was prepared and approved by the close of 1998, but that the identification of the methodology to assess subsidies and grants would not be made prior to December 1999. During interviews with AES managers we were advised that the reason for the slow progress on this important study was the unavailability of staff resources due to other priorities.

4.3.42 The Audit Team believes that the terms of reference prepared by the consultant represent a reasonable approach to the baseline study. AES could readily use the terms of reference as the basis of a Request for Proposals, a competitive solicitation for professional services, to undertake such a study. In our opinion, there is no need for AES to spend another 4 months deciding what methodology should be used.

4.3.43 In summary, there has been a lack of progress by AES to conduct the baseline study. Therefore, senior management cannot be provided with reasonable assurance that environmental risks posed by the barriers and disincentives are identified, minimized and managed, and that DFAIT is meeting its Sustainable Development Strategy commitments.

Recommendations for AES

4.3.44 AES should use the existing terms of reference to complete the DFAIT baseline study of all grants and contributions. If staff resources are unavailable AES should consider soliciting competitive proposals from consultants to undertake this study.

4.3.45 Upon completion of the DFAIT baseline study, AES should prepare a circular document to provide advice and guidance regarding the legislative and policy requirements, and incorporate clear and user friendly guidelines to all managers of grant and contribution programs.

AES Responses

4.3.44 AES agrees that work should proceed on this issue. It will develop a plan and ensure that the study is completed by June 2000.

4.3.45 AES agrees and will ensure that a circular document is issued by June 2000.

Strategic Environmental Assessments in Trade Agreements and Negotiations

4.3.46 The government of Canada requires that all departments and agencies consider environmental concerns at the strategic level of policy, program and plan development. The 1990 Cabinet Directive, updated in 1999, links environmental assessments to the implementation of sustainable development strategies.

4.3.47 The Audit Team examined the guidelines for implementing the Cabinet Directive prepared by the Canadian Environmental Assessment Agency (CEAA), as well as the document, Memoranda to Cabinet: Environmental Considerations and the AES draft guidelines for strategic environmental assessments (SEA). The guidelines for conducting SEA have not yet been approved by the Deputy Minister as a Circular Document. However, AES provides advice and assistance, when requested by the program managers.

4.3.48 The team found that the CEAA guidelines are advisory and not prescriptive. They provide seven “guiding principles” rather than detailed instructions for the self-assessment process by program managers.

A considerable amount of work has been done in the OECD and by the WTO. However, there is no commonly accepted method for conducting such a review; nor is there a single best methodology.

4.3.50 The team examined the DFAIT internet web-site - Trade Negotiations and Agreements, Social Dimensions of Trade, Environment; three trade agreements (NAFTA, Canada-Chile, Canada-Israel) and one trade negotiation strategy (WTO) for compliance with the Cabinet Directive to consider environmental implications, and the degree to which sustainable development was integrated into the process of policy development, trade negotiations, and in the preparation of the final trade agreement. All five areas that were reviewed included strategic assessments with due regard for environmental and sustainable development implications. DFAIT, consequently, is in compliance with the Cabinet Directive of 1999.

Recommendation for AES

4.3.51 AES should finalize the draft SEA guidelines, prepare a Circular Document, seek DM approval and issue the document.

AES Response

4.3.51 AES will complete the draft SEA guidelines and prepare a circular document for DM approval by June 2000.

Environmental Considerations in Memoranda to Cabinet (MC's)

4.3.52 The Audit Team reviewed and assessed the document Memoranda to Cabinet: Environmental Considerations, DFAIT guidelines for incorporating environmental, and other considerations into MC's and found them to be clear and comprehensive in meeting requirements. The guidelines also assign responsibility for incorporating environmental, and other, considerations to the program manager who initiates an MC. The role of AES is to provide advice and assistance on environmental considerations, when requested. It is the responsibility of the Cabinet and Parliamentary Affairs division (DCL) to assist drafting divisions by establishing the process, the routing, review, scheduling and delivery of DFAIT cabinet submissions.

4.3.53 The team examined a sample of six MC's and interviewed two managers of drafting divisions. Because the guidelines became effective in February 1999, we selected our sample from MC's prepared after this date.

4.3.54 The team found that, generally, the guidelines were used and environmental considerations were incorporated into MC's, when appropriate. However, a checklist demonstrating that the mandatory consultations with AES, in addition to 11 other divisions - such as finance, policy, justice, federal and provincial, and communication concerns, etc. - were actually carried out is kept only by the drafting divisions, which prepared the MC. DCL does not verify that all 12 divisions have been consulted for input.

4.3.55 In a self-assessment process this, likely, would be inappropriate. However, the absence of a record of these consultations and other key decision documents on each MC exposes DFAIT to the risks inherent in not being able to demonstrate due diligence in assessing potential environmental considerations. This could result in serious consequences and liabilities; for example, if the drafting division failed to consult AES and, subsequent to the approval of the MC, major environmental or human health or safety concerns become apparent.

4.3.56 Currently, senior management cannot be provided with reasonable assurance that all MC's are actually reviewed for possible environmental considerations and risks are identified, minimized and adequately managed.

4.3.57 In September 1999, during interviews with DCL managers, we were advised that DCL is currently planning to implement on-line management controls. This

amounts to keeping an electronic record of the checklist of the mandatory consultations, completed by each drafting division, as evidence for each MC.

Recommendation for DCL

4.3.58 To demonstrate due diligence that potential environmental effects are considered in the preparation of all program or policy proposals, DCL should receive from the drafting divisions a completed copy of the checklist showing that all mandatory consultations have been carried out. This document and other key decision documents, deemed necessary by DCL, should be kept as evidence and filed in a systematic manner for each MC.

DCL Response

4.3.58 DCL has implemented this recommendation and is maintaining a completed copy of the checklist showing that all mandatory consultations for DFAIT originated MCs, including those related to environmental assessment, have been carried out.

Environmental Considerations for Conferences, Large Meetings and Events

4.3.59 We examined the Environmental Policy and Guidelines for Conferences, Large Meetings and Events (circular document #7/97) which assign responsibility to AES for providing advice and assistance to managers in meeting the requirements of this policy and suggests that AES be contacted early in the planning process. It also requires that organizers complete and return a summary report to AES.

4.3.60 We examined AES's documentation on file regarding the planning for and reporting on conferences. For the three conferences for which AES had information - Halifax G-7 Summit, APEC, and the Francophone Summit - environmental impacts were considered in the planning and results of their success were reported. AES had no other reports. This suggests that not all conference organizers consulted with AES, or forwarded summary reports to them.

4.3.61 During interviews with managers in the Hemisphere Summit Office (LXD) we were advised that the recently created Summit Office is responsible for assisting the Department in planning and organizing any major conferences related to the upcoming Hemispheric conferences occurring between now and 2001 and for providing advice and assistance for smaller related events. We found that LXD has no procedures which define the requirements to be considered in organizing these conference, including environmental issues, nor are there guidelines for organizers. AES has provided guidance, written and verbal, to LXD but current management was not aware of the requirements set out in the circular document. LXD is in the process of

developing procedures for all aspects of conference planning, including environmental issues and hopes to have them in place by April, 2000.

4.3.62 In the absence of formal procedures to ensure compliance with the department's environmental policy, there is no assurance that the department's commitment to 'green' all conferences, summits and major events is being met.

Recommendation for AED

4.3.63 AED should ensure that LXD and Bureaux Heads incorporate procedures to ensure operational responsibility is assigned for greening conferences as outlined in the Environmental Policy and Guidelines for Conferences, Large Meetings and Events (Circular Document #7/97).

AED Response

4.3.63 AED will remind LXD and other bureaux of their responsibility to incorporate environmental considerations when organizing large meetings or conferences as outlined in the current circular document. However, we do not feel that we can or should perform an auditing function to ensure that they are complying.

Recommendation for LXD

4.3.64 LXD should, in consultation with AES, develop procedures and guidelines and follow-up reporting to ensure that DFAIT's environmental policy is followed for all major conferences, summits and events.

LXD Response

4.3.64 LXD will undertake the organization of the OAS General Assembly in 2000 and the Third Summit of the Americas in 2001 in a manner which meets or exceeds the requirements of the Government of Canada Code of Environmental Stewardship and enhances the programs and operations of both events.

4.4 MEASUREMENT AND EVALUATION

Agenda 2000 Progress Reporting

4.4.1 Every six months AES reports to DFAIT Ministers on the progress in implementing the 55 actions in the Agenda 2000. This is not a mandatory requirement

but was instituted to enhance departmental and Ministerial awareness of SD issues. Three progress reports have been prepared for the periods December 1998 to May 28, 1998, June 1998 to November 1998 and December 1998 to May 1999.

4.4.2 AES requests and consolidates progress data from the reporting bureaux. Each of the 55 actions has an assigned bureaux contact person who is responsible to provide the progress information for the semi-annual report. The Audit Team noted a number of problems with the present process.

- 1) Many of the actions do not have SMART¹ milestone indicators. This is a problem common to DFAIT and many other departments and one that has been reported by the Commissioner of the Environment and Sustainable Development and Consulting Audit Canada (CAC). Reporting by the bureaux is a difficult task without proper indicators and appropriate performance measurement. The Audit Team did not audit the information contained in the progress report in detail. Instead, the team reviewed the various reports by the Commissioner and the report by CAC. All reports conclude that DFAIT objectives are not clear, nor are they stated in measurable terms with specific targets. The Commissioner concludes that although DFAIT identified objectives and milestone indicators few are measurable in terms of results. They are generally steps in some - often complex - process, the expected results of which are not defined.
- 2) AES has attempted to correct this situation by offering to provide information on how to make reporting easier. Unfortunately only 5 of the 40 or so drafters responded, the rest were either no longer responsible for the file, had been posted abroad, or could not take the time to attend. In some cases the file had not been transferred to a replacement contact. As a result, the information session did not take place. AES devoted its time to establishing a new contact in various bureaux and worked directly with the individuals in the preparation of their progress reports.
- 3) All Directors General interviewed were aware of Agenda 2000, that it was tabled in Parliament on December 1997 and of the commitments that the department had made. In their minds, SDS was internalized within the department in both greening operations and policy and program matters. However, many of the Directors General (9 of 17) stated they were not aware of the internal requirement to prepare semi-annual reports on the progress of the actions documented in Agenda 2000. The team noted that none of the bureaux have a mechanism for review and approval by the DG of the Agenda 2000 progress report. Also, there is no process whereby the DG can ensure the continuity of bureau drafters. In the

¹SMART is the acronym for the following characteristics: simple, material, attainable, realistic and time sensitive.

absence of such mechanisms AES has assumed responsibility to contact the last known bureau drafters. If the contact left, and the file was not transferred, AES solicits the required progress information from bureau personnel. The problem with this process is there are no guarantees that the data are current, accurate and approved by the DG.

- 4) The Audit Team reviewed the three progress reports and concluded that, overall, they are difficult to read and understand. The reports are too long - progress on 55 actions. They are also too complex - milestones change over time, few milestones are measured in terms of results, actions are postponed and in some cases no progress is made. This leads to inconsistency because actions do not always relate to the SD and progress is not always linked to the 55 actions. Reports also lack clarity in format and substance since drafters change frequently because of staff rotations.
- 5) A review of progress reported for objective # 1 "Economic Growth & Prosperity" indicated acceptable progress on 10/20 actions (50%), slow progress on 1/20 issues (5%), and no progress on 9/20 issues (45%).
- 6) A review of progress reported for objective # 2 "Building Peace and Security" indicated acceptable progress on 5/7 actions (71%), and slow progress on 2/7 (29%).
- 7) A review of progress reported for objective # 3 "Projecting Canadian Values and Culture" indicated action completed on 2/12 actions (17%), acceptable progress on 4/12 actions (33%), and slow progress on 6/12 (50%).
- 8) A review of progress reported for objective #4 "Greening Operations" indicated acceptable progress on 6/16 actions (37%), slow progress on 4/16 (26%), and no progress on 6/16 (37%).
- 9) In the 6 months since the preparation of the June 1998 to November 1998 semi-annual report 18 actions had changed drafters. This represents a staff turn-over affecting 30% of all actions.
- 10) Similar actions can be found twice or more in the same document, within different SD objectives.
- 11) Much of the semi-annual progress report is a copy and paste from the previous report. For example, the second semi-annual report copied 35 of the 55 actions (64%) from the first report, while the third report copied 10 of 55 actions (20%) from the second report. The Audit Team notes that the undesirable high ratio of copy and paste was improved significantly for

the third report. This was because of the efforts of AES to retrieve information from the various bureaux drafters, and not due to increased commitment by senior managers.

4.4.3 In summary, the current process reporting system under Agenda 2000 is cumbersome and misleading. Data reported was inconsistent because some actions were not related to an objective and the draft DPR for fiscal year 1998/99 reported results on actions that were not part of Agenda 2000. Our analysis indicated that many of the actions failed to report any progress. More importantly information being reported was not always subjected to management review. These findings are supported by our analysis reported in the Planning section, earlier in this report.

Recommendation for AES (information SMD)

4.4.4 **AES should , in conjunction with SMD, disband the present semi-annual reporting and integrate it with the yearly Departmental Performance Report (DPR).**

AES Response

4.4.4 **AES has disbanded the present semi-annual reports. However, in so doing, it reinforces the requirement to strengthen the SD reporting in the DPR. AES will work with SMD to try to ensure that this occurs.**

4.5 REVIEW AND IMPROVEMENT

4.5.1 The department has turned SD thinking into action. Agenda 2000 is the departments SDS and it addresses such issues as climate change, acid rain, management of forests and high-seas fisheries, poverty, gender equality, basic human needs, good governance, political stability and greening operations. Key to the bulk of its strategy are bilateral and multilateral negotiations and agreements on these issues and other related matters. As such, implementation of the department's strategy depends not only on the department's efforts, but also the efforts of others. Negotiations are processes and are not necessarily clear, with measurable results. For each protocol and treaty negotiated there are attribution problems, as the department is not solely responsible for the eventual outcome. The majority of the department's SD commitments are of this type. For greening operations (e.g., waste reduction), the department is more in control of reporting the outcome because there are clear and measurable results.

4.5.2 Agenda 2000 focussed the department on SD thinking and on integrating it into policies, programs and operations. Our review of the Agenda 2000 actions and progress indicates that SD issues are integrated in the policies, programs and operations of some Bureaux, and reflected in the department planning and reporting

process which are currently running parallel to each other. There is no longer a need for this and the two should be merged.

4.5.3 Because Government policy requires a revised DFAIT SDS to be tabled in Parliament in December 2000 this is an opportune time for the department to critically assess accountability, SDS objectives, action plans, actions, and milestones. This will clarify which business lines have the primary responsibility for integrating SDS into the department's policies, programs, and operations. This will also encourage those responsible to provide appropriate activities and expected results, all within the current planning and reporting framework.

4.5.4 The findings of the three audits of DFAIT's SDS by the Commissioner of the Environment and Sustainable Development provide valuable input to plan the revised strategy. This SIV audit report of AES and the sustainable development portfolio it manages, presents recommendations which seek to bring about improvements in implementing DFAIT's current SDS. The audit report also provides guidance for preparing a revised SDS by December 2000.

4.5.5 In conclusion, the Review and Improvement element of the ISO 14001 standard is being complied with by the department as evidenced by various audit reports prepared and subsequent follow up action undertaken.

Table 1

Comparison of SD actions reported in Agenda 2000 and the Report on Planning and Priorities and the Bureaux Business Plans

1. Of the 36 Bureaux Business Plans reviewed:
 - 20 indicate a responsibility for an Agenda 2000 action
 - 16 indicate no responsibility for an Agenda 2000 action
2. Of the 20 Bureaux indicating a responsibility for an Agenda 2000 action:
 - 18 note the responsibility in their Business Plan
 - 2 do not note the responsibility in their Business Plan
3. Of the 16 Bureaux that indicate no responsibility for an Agenda 2000 action:
 - 8 indicate a responsibility in their Business Plan
 - 8 do not indicate a responsibility in their Business Plan
4. Of the 18 Bureaux noting a responsibility for an Agenda 2000 action in their Business Plan:
 - 12 note the responsibility for all their Agenda 2000 actions
 - 6 do not note the responsibility for all their Agenda 2000 actions
5. Of the 25 Functional Bureaux Business Plans reviewed:
 - 17 indicate responsibility for an Agenda 2000 action
 - 8 indicate no responsibility for an Agenda 2000 action
6. Of the 8 Geographic Bureaux Business Plans reviewed:
 - 1 indicated responsibility for an Agenda 2000 action
 - 7 indicated no responsibility for an Agenda 2000 action
7. Of the 8 Functional Bureaux indicating no responsibility in their Business Plan:
 - 3 had indicated responsibility the year before
 - 5 had not indicated responsibility the year before

Table 2

Completeness of Information in the Mission Environmental Management Database
Based on a sample of 53 of the 157 Missions

	None	Incomplete Information	Complete Information
Category 1: 18/18 tested			
A. Baseline & Inventory of environmental risks	10	6	Beijing, Paris
B. Environmental Management Planning	17	0	Vienna
C. Annual Mission Environmental statement	18	0	0
Category 2: 20/91 tested			
A. Baseline & Inventory of environmental risks	6	11	Kiev, Canberra Port of Spain
B. Environmental Management Planning	17	1	Kiev, Canberra
C. Annual Mission Environmental statement	20	0	0
Category 3: 15/48 tested			
A. Baseline & Inventory of environmental risks	13	2	0
B. Environmental Management Planning	14	1	0
C. Annual Mission Environmental statement	15	0	0

Notes:

1. Audit sample contains 53 out of 157 missions selected from the 3 categories of missions as defined in the circular document #3/96.
2. Baseline information is for fiscal year 1996-1997; some data from 1997-1998; none for 1998-1999 or later.
3. AES maintains the data. The database design is being updated in 1999.