

2008



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

**MARCH**

**Management Tools  
and Government Commitments**

**Chapter 9**  
Strategic Environmental Assessment



Office of the Auditor General of Canada

*The March 2008 Status Report of the Commissioner of the Environment and Sustainable Development comprises The Commissioner's Perspective—2008, Main Points—Chapters 1 to 14, Appendices, and 14 chapters. The main table of contents for the Report is found at the end of this publication.*

The Report is available on our website at [www.oag-bvg.gc.ca](http://www.oag-bvg.gc.ca).

For copies of the Report or other Office of the Auditor General publications, contact

Office of the Auditor General of Canada  
240 Sparks Street, Stop 10-1  
Ottawa, Ontario  
K1A 0G6

Telephone: 613-952-0213, ext. 5000, or 1-888-761-5953  
Fax: 613-943-5485  
Hearing impaired only TTY: 613-954-8042  
Email: [distribution@oag-bvg.gc.ca](mailto:distribution@oag-bvg.gc.ca)

*Ce document est également publié en français.*

© Minister of Public Works and Government Services Canada 2008  
Cat. No. FA1-4/2008-9E  
ISBN 978-0-662-47853-9



Chapter

# 9

Strategic Environmental Assessment

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

# Table of Contents

<b>Main Points</b>	<b>1</b>
<b>Introduction</b>	<b>3</b>
What we found in 1998, 2000, and 2004	5
Events since 2004	5
Focus of the audit	6
<b>Observations</b>	<b>7</b>
<b>Strategic environmental assessment process</b>	<b>7</b>
Two organizations that did not have management systems in place in 2004 have made satisfactory progress	7
The Cabinet directive is still unevenly applied	10
<b>Transparency of the strategic environmental assessment process</b>	<b>12</b>
Most organizations we examined do not comply with the directive's public reporting requirement	12
<b>Central monitoring, leadership, and support</b>	<b>15</b>
Accountability is weak	16
The Canadian Environmental Assessment Agency continues to fulfill its role	17
Training has increased	18
<b>Conclusion</b>	<b>19</b>
<b>About the Audit</b>	<b>21</b>





# Management Tools and Government Commitments Strategic Environmental Assessment

---

## Main Points

### What we examined

Strategic environmental assessment (SEA) has been required of federal departments and agencies for the past 17 years. It is the federal government's main tool for considering the impact that proposed policies, plans, and programs could have on the environment. A Cabinet directive in 1990 made SEA a requirement for proposals submitted to a minister or to Cabinet for approval when important environmental effects are likely. In 2004, Cabinet made public reporting mandatory whenever a detailed environmental assessment is completed.

Three times previously since 1998, we examined how departments and agencies comply with the Cabinet directive and we have reported weaknesses. This time we examined progress made by selected departments and agencies in implementing strategic environmental assessment since 2004, when we reported that most organizations we examined had not made serious efforts to apply the directive. We said that this was due in large part to insufficient senior management commitment to the directive, lack of central ownership, and no assignment of responsibility and authority to ensure the quality and consistency of the assessment process.

Our audit work for this status report focused on 15 departments and agencies covered in our 2004 audit. We looked at whether selected federal organizations have improved their management and application of SEA and whether they are reporting publicly on their detailed strategic environmental assessments, as required. We also examined whether there has been progress in ensuring accountability for compliance with the Cabinet directive. We looked at whether the Canadian Environmental Assessment Agency provides adequate guidance and support to departments and agencies. We also looked at selected courses offered by the Canada School of Public Service to determine whether they now cover strategic environmental assessment.

### Why it's important

Identifying the potential environmental impacts of government policies, plans, or programs before they are implemented allows decision makers to anticipate, prevent, or mitigate potential negative environmental consequences and to enhance any environmental benefits. Our past

reports have highlighted problems such as the high cleanup costs and environmental damage at abandoned mines in the North and the decline of the Atlantic fisheries, which illustrate possible consequences of inadequate environmental foresight.

### What we found

- Progress in addressing our 2004 audit observations and recommendations has been unsatisfactory. Despite improvements evident in some areas, we found weaknesses in accountability and transparency—areas fundamental to good management. We could not find evidence that a mechanism exists to hold departments and agencies to account when they do not appropriately apply the directive. Nor did we find evidence that the Privy Council Office challenged departments and agencies on their application of the directive when they have submitted proposals to Cabinet.
- Most of the departments we examined are not preparing public statements of their detailed environmental assessments, as required by the Cabinet directive. When public statements are released, they are generally difficult to locate and often do not contain sufficient information to assure stakeholders and the public that environmental factors have been integrated into the decision-making process—the stated objective of the requirement.
- Of the departments we re-examined that had rated poorly in our last audit, the Canadian International Development Agency and Fisheries and Oceans Canada have made satisfactory progress in developing and implementing SEA management systems. Health Canada's progress has been unsatisfactory.
- We observed deficiencies in completing and tracking strategic environmental assessments in many of the 12 departments whose management systems we examined in 2004. We found that many of these organizations do not consistently apply even the necessary first step of the SEA process. We also found proposals that did not have a detailed SEA, despite the potential for important environmental effects. Furthermore, only 3 of the 12 organizations are complying fully with the public reporting requirement of the directive.
- Training and guidance on SEA has increased and is accessible in courses delivered by the Canada School of Public Service and the Canadian Environmental Assessment Agency. In addition, the three organizations we examined in detail, the Canadian International Development Agency, Fisheries and Oceans Canada, and Health Canada, also provide their employees with training and guidance.

## Introduction

**9.1** A strategic environmental assessment (SEA) is used to examine policies, plans, or programs to ensure that, before they are approved, their potential effects on the environment are considered carefully. The Government of Canada uses SEA as its main tool to integrate environmental considerations into new policies, plans, and programs.

**9.2** *The Cabinet Directive on the Environmental Assessment of Policy, Plan and Program Proposals* (issued in 1990 and revised in 1999 and 2004), made it mandatory for all departments and agencies to assess the environmental impact of proposals. The directive states that

. . . ministers expect a strategic environmental assessment to be conducted when . . . the proposal is submitted to an individual minister or Cabinet for approval, and implementation of the proposal may result in important environmental effects, either positive or negative.

**9.3** SEA is an important tool that allows decision makers to systematically assess the positive and negative environmental impact of a proposed policy, plan, or program. A commitment to sustainable development requires that environmental issues be considered along with social and economic ones. SEA is an important part of this integrated decision making because it generates information about environmental effects that can be used when policies, plans, and programs are developed.

**9.4** For example, if the federal government develops a policy on offshore oil and gas exploration and development, it must consider the economic and social objectives (such as increasing the gross domestic product and/or employment opportunities) and the factors that would affect the policy's success (such as compatibility with other economic activities and impact on local communities). SEA would identify the positive and negative environmental implications of the policy (such as disturbance of marine life by seismic surveys and damage to marine habitat from oil spills and drilling waste). It would also identify mitigation options, after which mitigation measures could be incorporated into all project environmental assessments and put into practice when a project is implemented.

**9.5** Decision makers must consider social, economic, and environmental information along with government priorities. By rigorously applying this tool, they increase their chances of anticipating, preventing, or mitigating negative environmental

consequences and enhancing any positive impact. In our past reports, we have noted serious environmental problems—including the high cleanup costs and environmental damage at abandoned mines in the North and the decline of the Atlantic fisheries—which illustrate the potential consequences of inadequate environmental foresight.

**9.6** When the Cabinet directive was first issued in 1990, it covered the environmental assessment of policy and program proposals. In 1999, the scope of the directive was amended to include the environmental assessment of plans. It was amended again in 2004 to include a requirement that, after a detailed SEA is done, a public statement be made. Strategic environmental assessment should not be confused with the environmental assessment of physical projects, commonly referred to as environmental impact assessment, which is a separate process governed by the *Canadian Environmental Assessment Act* (Exhibit 9.1).

**9.7** Since 1999, the importance of the Directive has been emphasized by the Clerk of the Privy Council and by the House of Commons Standing Committee on the Environment and Sustainable Development. The Committee’s 2003 report, *Sustainable Development and Environmental Assessment—Beyond Bill C-9*, affirmed the importance of strategic environmental assessment but noted various problems with its implementation and recommended that SEA be legislated.

**Exhibit 9.1 Differences between strategic environmental assessment and environmental impact assessment**

Strategic environmental assessment	Environmental impact assessment
The focus is on the environmental impact of policies, plans, and programs. Strategic environmental assessment is mandated by the <i>Cabinet Directive on the Environmental Assessment of Policy, Plan and Program Proposals</i> .	The focus is on the environmental impact of physical projects. Environmental impact assessment is mandated by the <i>Canadian Environmental Assessment Act</i> and associated regulations (for example, comprehensive study list regulations, exclusion list regulations, inclusion list regulations, and law list regulations).
Examples of when strategic environmental assessment is applied	Examples of when environmental impact assessment is applied
A transport or infrastructure policy or program	Building a highway
An aquaculture policy or plan	Establishing an aquaculture operation
An energy policy or program	Constructing an oil sands facility
A tax policy for non-renewable and renewable energy	Developing a wind farm

**9.8** Given the expressed importance of this issue, we decided to once again examine the federal implementation of SEA to determine whether the government has made progress in addressing key observations and recommendations from our 2004 audit.

#### **What we found in 1998, 2000, and 2004**

**9.9** In 1998, 2000, and 2004, we audited how departments and agencies comply with the Cabinet directive, and we reported ongoing weaknesses. In Chapter 6 of the 1998 Report of the Commissioner of the Environment and Sustainable Development, we recommended that the Canadian Environmental Assessment Agency work with federal entities to improve compliance. In 2000, we reported that there had been no visible improvements.

**9.10** In 2004, we reported a low level of commitment toward SEA, (2004 Report of the Commissioner of the Environment and Sustainable Development, Chapter 4). In our opinion, this was due in large part to

- insufficient commitment by senior management,
- lack of central ownership, and
- no assignment of responsibility and authority to ensure the quality and consistency of the assessment process.

**9.11** We made several recommendations for improvements in departmental management, central monitoring and quality control, transparency, and training. We also reported examples of good practices in several departments and agencies.

#### **Events since 2004**

**9.12** Two upcoming government initiatives could be crucial in determining the future course of the SEA process within the federal government.

**9.13** In our 2004 report, we recommended that the Cabinet directive be evaluated, and we outlined what we expected the evaluation to address—namely, the issues raised in our report and the status of implementation by all departments and agencies. In response, the Privy Council Office, with federal departments and agencies, made a commitment to ensuring that an evaluation of the directive would be completed by December 2008.

**9.14** We also stated that, based on the evaluation, the Privy Council Office should examine the design of the Cabinet directive and decide

The **Regulatory Advisory Committee** advises the Minister of the Environment on regulations and guidelines that fall under the *Canadian Environmental Assessment Act* and on environmental assessment policy in Canada. It also takes part in periodic reviews of the Act and its regulations.

whether legislation is warranted. The government's response noted that the evaluation "will inform decisions about the form and structure of the Cabinet Directive."

**9.15** The Minister of the Environment has asked the **Regulatory Advisory Committee** (RAC) to recommend ways to improve the SEA process. A RAC subcommittee was established for this purpose and is expected to report to the Minister in 2008—before the *Canadian Environmental Assessment Act* is due to be reviewed by 2010.

### **Focus of the audit**

**9.16** This follow-up audit examined the actions that 15 departments and agencies have taken to address recommendations and key observations from our 2004 audit.

**9.17** We followed up on the issues addressed by four of the five recommendations from our 2004 report. The four recommendations focused on

- improving how departments and agencies manage and apply SEAs,
- increasing transparency,
- improving accountability by establishing central monitoring of SEA compliance and quality, and
- increasing training.

**9.18** It was too early to follow up on our fifth recommendation, which called for an evaluation of the Cabinet directive. The government made a commitment to complete the evaluation by December 2008.

**9.19** We also looked for improvements in general weaknesses we observed in 2004 related to issues such as central leadership, guidance, and accountability.

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

## Observations

### Strategic environmental assessment process

**9.21** The *Cabinet Directive on the Environmental Assessment of Policy, Plan and Program Proposals* requires all departments and agencies to assess the environmental impact of policy, plan, or program proposals. Strategic environmental assessment is a self-assessment process, meaning that the federal department or agency that is developing a proposal is responsible for determining whether a detailed SEA is needed. According to guidelines that were jointly published by the Privy Council Office and the Canadian Environmental Assessment Agency, the SEA process has three key components:

- preliminary scan—necessary to screen all policy, plan, or program proposals to determine whether there is the potential for important environmental effects that requires a detailed SEA;
- detailed assessment—required if the preliminary scan identifies important environmental effects; and
- public statement—required once the detailed assessment has been completed.

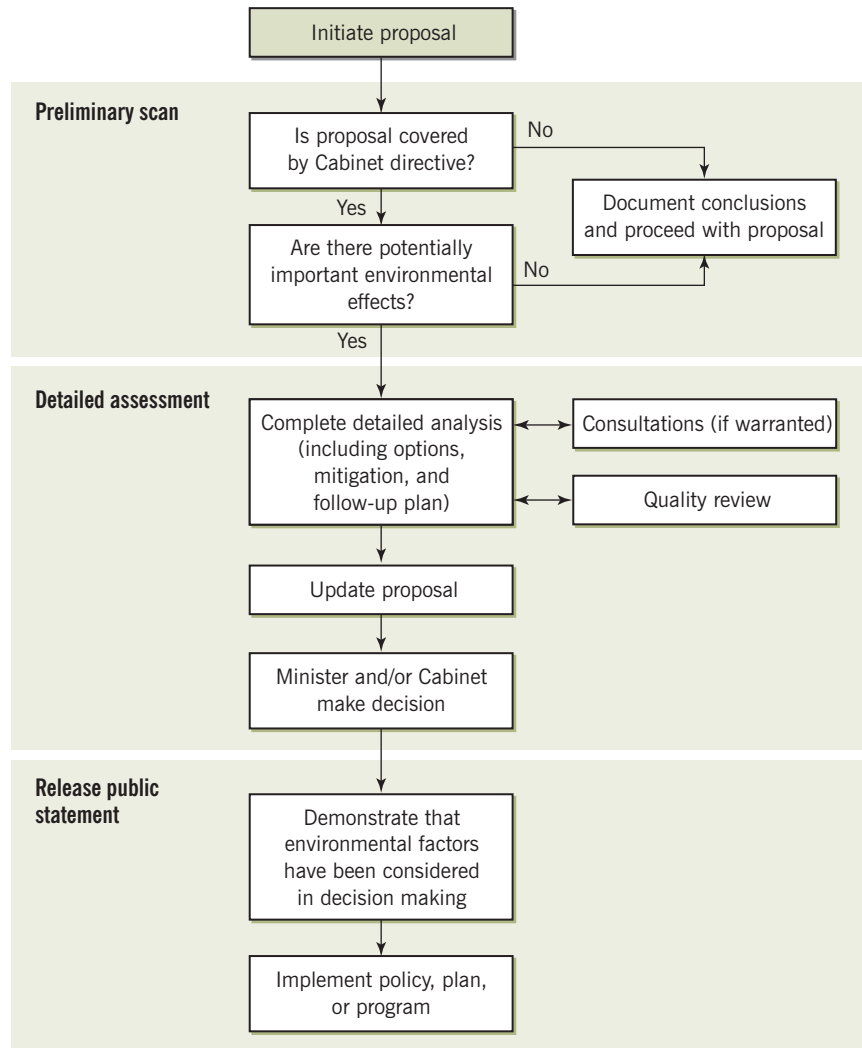
**9.22** Deputy heads of federal departments and agencies are responsible for putting an effective system in place to ensure compliance with the Cabinet directive. Exhibit 9.2 outlines generic steps in the SEA process. Department management systems are key to ensuring that tasks are completed and the directive is applied throughout the process to ensure due diligence. Our 2004 report defined the following key elements of SEA management systems:

- clear accountability structures;
- systems to track proposals and associated SEAs;
- training and guidance for staff; and
- mechanisms for quality control, communication, and evaluation.

### **Two organizations that did not have management systems in place in 2004 have made satisfactory progress**

**9.23** In 2004, we audited selected departments and agencies on their ability to apply the directive in their organizations, through the design and implementation of SEA management systems. We reported that many organizations had made progress in developing and implementing their management systems.

**Exhibit 9.2** Generic steps in the strategic environmental assessment process



Sources: 2004 Report of the Commissioner of the Environment and Sustainable Development, Chapter 4, Exhibit 4.4, and *Guidelines for Implementing the Cabinet Directive*, published by the Privy Council Office and the Canadian Environmental Assessment Agency (2004)

**9.24** However, we also reported that three organizations—the Canadian International Development Agency, Fisheries and Oceans Canada, and Health Canada—lacked even the basic management system needed to apply the directive. We recommended that all departments and agencies ensure that their organization has a management system in place for the proper application of the directive. The government responded that departments and agencies would ensure that appropriate management systems would be in place by December 2005.

**9.25** For this follow-up audit, we expected the three organizations to have made satisfactory progress in addressing our 2004 recommendation. We assessed the design and implementation of their management systems—using the same method we used in our 2004 audit.

**9.26 Canadian International Development Agency (CIDA).**

We found that CIDA has made satisfactory progress in developing and implementing its SEA management system, which included all of the key elements that are described in Exhibit 9.2. The CIDA President played an essential leadership role in bringing about this change. The President's 2004 Implementation Directive clearly sets out expectations for the SEA process at CIDA. In addition, all policy, plan, and program proposals must be reviewed for compliance with the Cabinet directive and then signed off by the President's office. Proposals have been returned unsigned, when documents were not completed in accordance with the directive. We found that, since 2004, CIDA has completed 89 detailed SEAs—far more than any other department or agency we audited.

**9.27 Fisheries and Oceans Canada.** We found that Fisheries and Oceans Canada has made satisfactory progress in developing and implementing its SEA management system. In 2005, the Department approved a management system with defined roles and responsibilities, and it now offers training to its employees. Senior management receives updates on the performance of the Department's SEA system. While all key management system components are in place, we observed some deficiencies in the way SEAs are tracked.

**9.28 Health Canada.** We found that Health Canada has made unsatisfactory progress in developing its SEA management system (Exhibit 9.3). Since 2004, the Department has approved a guidance document and developed a training program, but the following important weaknesses remain:

- roles and responsibilities for quality review have not been clearly defined,
- it is unclear who is responsible for tracking proposals, and
- there is no effective central filing of SEA documents.

**9.29** There is limited evidence that the Department applies the directive; it has only completed one detailed SEA in the 17 years since the directive has been in place. Department documents indicate that of the 143 proposals undertaken since 2004, only 11 have been subject to a preliminary scan (the first step in the SEA process described in Exhibit 9.2).

**Exhibit 9.3 Progress made by two out of three organizations in addressing our recommendation on implementing SEA management systems is satisfactory**

Recommendation	
<p>Deputy heads should ensure that their organization has a management system in place for the proper application of the directive. This system should include the following steps:</p> <ul style="list-style-type: none"> <li>• Identify and describe proposals that require approval by the departments' or agencies' minister or the Cabinet.</li> <li>• Establish an organizational accountability structure.</li> <li>• Develop and implement tracking systems to track all proposals subject to the directive, preliminary scans, and detailed assessments that are conducted.</li> <li>• Provide internal guidance and training to managers and staff who are involved in the preparation of policy, program, and plan proposals.</li> <li>• Establish quality control, consultation, communication, follow-up, and evaluation procedures.</li> </ul> <p>(2004 Report of the Commissioner of the Environment and Sustainable Development, Chapter 4, see paragraph 4.47)</p>	
Department/agency	Progress
Canadian International Development Agency	Satisfactory
Fisheries and Oceans Canada	Satisfactory
Health Canada	Unsatisfactory

**Satisfactory**—Progress is satisfactory, given the significance and complexity of the issue, and the time that has elapsed since the recommendation was made.

**Unsatisfactory**—Progress is unsatisfactory, given the significance and complexity of the issue, and the time that has elapsed since the recommendation was made.

**The Cabinet directive is still unevenly applied**

**9.30** In 2004, we reported that none of the departments and agencies we examined could demonstrate that they had conducted a preliminary scan of all the proposals they presented to their minister or to Cabinet. We also noted that, in some cases, the departments were not preparing SEAs for proposals that could have important environmental effects.

**9.31** During this follow-up audit, we looked at information produced by the SEA management systems of the departments we examined in 2004 (see **About the Audit** at the end of this chapter for a list of these departments and agencies). We expected these systems to adequately identify policies, plans, and programs that require a detailed SEA.

**9.32** However, we again found examples of proposals that did not have a detailed assessment, despite the potential for important environmental effects. Among those examples were a proposal related to the export and import of hazardous waste and proposals for changes to emissions regulations.

**9.33** According to *Smart Regulation: A Regulatory Strategy for Canada* (2004), a report by the **External Advisory Committee on Smart Regulation**, not completing SEAs can lead to some of the problems that may occur during the environmental impact assessment of individual projects.

**9.34** For example, the report noted that public consultations for many environmental impact assessments are slowed down because they focus on policy (for example, whether to drill for oil and gas off Canada's Atlantic coast), rather than on the environmental viability of a specific project (for example, studying the impact of a specific drill site).

**9.35** According to their report, these broader public policy debates not only divert attention from a specific project, they also add to the time delays inherent in many environmental impact assessments for those projects. In the Committee's view, completing a strategic environmental assessment first could allow the department or agency to proceed with an environmental impact assessment without revisiting public policy decisions.

**9.36** When we examined the lists provided by the 12 organizations, we found several other examples of deficiencies in their management and tracking systems:

- The organizations have collectively developed over 1,600 policy, plan, and program proposals since 2004. However, preliminary scans—the first step in the SEA process (see Exhibit 9.2)—were not completed for almost half of these.
- Several departments completed preliminary scans for less than one third of their proposals.
- In some cases where departments had jointly produced a proposal, the information on whether a strategic environmental assessment was completed was contradictory. For example, while one

The **External Advisory Committee on Smart Regulation** was established in 2003 to provide an external perspective and expert advice to the Government of Canada on the best way to improve the Government's regulatory system and better meet the needs of Canadians and Canada in the 21st century.

department's list showed that their partner had completed a detailed SEA, the partner department's list did not include it.

**9.37** Given the deficiencies we continue to observe, it is our opinion that many of the current SEA management systems are not adequately supporting the proper application of the Cabinet directive.

### Transparency of the strategic environmental assessment process

**9.38** In 2004, we reported that the directive was not being applied in a transparent manner. We stated that greater transparency could help to improve the quality of assessments, inform public debate, and enhance accountability. The House of Commons Standing Committee on Environment and Sustainable Development came to similar conclusions in its 2003 report, *Sustainable Development and Environmental Assessment—Beyond Bill C-9*. In this report, the Committee noted that it had “difficulty assessing the current level of compliance with the revised 1999 Cabinet directive given that virtually no information about strategic environmental assessments is publicly available.”

#### **Most organizations we examined do not comply with the directive's public reporting requirement**

**9.39** The Cabinet directive was modified in January 2004 to require that, after they conduct a detailed SEA, departments and agencies release a public statement of environmental effects. The directive does not prescribe the contents of these statements. It simply states that releasing a public statement “will assure stakeholders and the public that environmental factors have been appropriately considered when decisions are made.”

**9.40** The Canadian Environmental Assessment Agency and the Privy Council Office published guidelines for carrying out the directive that do not specify a preferred approach to public reporting. These guidelines state that departments will determine the content and extent of the public statement, according to the circumstances of each case, and that such statements should be integrated into existing reporting mechanisms. The Agency has since developed further guidance on public statements, suggesting that the statement summarize the SEA results, including

- whether environmental effects are positive or negative;
- what enhancement, mitigation, or follow-up measures need to be taken; and
- what the results of any consultations are.

**9.41** In this follow-up audit, we determined whether the departments and agencies whose management systems we audited in 2004 were making public statements. (For the names of these departments and agencies, see **About the Audit** at the end of this chapter.) We expected to find that, as required by the directive, departments and agencies publicly report the results of all their detailed SEAs. We also expected to find that these statements are sufficient to assure stakeholders and the public that environmental factors have been appropriately considered when decisions are made.

**9.42** We found that most of the departments and agencies we examined are not preparing public statements for all of the detailed strategic environmental assessments they have completed:

- Collectively, the organizations we audited indicated to us that they had completed over 150 detailed strategic environmental assessments since 2004. However, we were only able to confirm 124.
- Only three of the twelve organizations (Agriculture and Agri-Food Canada, Foreign Affairs and International Trade Canada, and Transport Canada) could demonstrate that they had released public statements for all detailed assessments that they had completed (six in total).
- Four of the twelve organizations had reported publicly on only some of their detailed SEAs. For example, the Canadian International Development Agency had published the results of 20 of its 89 detailed strategic environmental assessments.
- Five of the organizations had not made public statements about any of the detailed SEAs they had completed.

**9.43** Departments and agencies must consider whether their SEAs contain Cabinet confidences, which would require secure treatment of that information. If this is the case, they should obtain legal advice to determine what information may be released. In some instances, this has delayed public reporting.

**9.44 Incomplete public statements.** When public statements are released, they often lack sufficient information to show how environmental factors have been taken into account during the decision-making process. Many statements do not indicate whether an SEA was undertaken, nor do they identify the potential for important positive or negative environmental effects. They also may not indicate

how these effects were factored into decisions related to the proposal. Some public statements refer broadly to potential “environmental benefits” without elaborating.

**9.45** The present approach to public reporting does not adequately respond to our 2004 recommendation that was aimed at promoting transparency. Neither does this approach respond to the express intent of the directive itself—to assure stakeholders and the public that environmental factors have been appropriately considered when decisions are made.

**9.46 Lack of central, easy access to public statements.** In 2004, we recommended that the Canadian Environmental Assessment Agency create an easily accessible public registry of public statements on strategic environmental assessments, and we outlined what it should contain. The government responded that

federal departments and agencies, under the leadership of the Canadian Environmental Assessment Agency, will work over the coming year to ensure that public statements of environmental effects are easily and centrally accessible.

**9.47** The government made a commitment to review options and implement the selected option by September 2005. We expected federal departments and agencies, under the leadership of the Canadian Environmental Assessment Agency, to have met the commitment to making public statements of detailed SEAs easily and centrally accessible. We found that progress in meeting this commitment was unsatisfactory (Exhibit 9.4). The government decided to make public statements centrally accessible through the Agency’s website, an option it implemented in February 2007. At the end of our audit, only five departments were using the Agency’s central website to link to public statements in the SEA sections on their own websites. Only 26 public statements—less than a quarter of the detailed SEAs the departments and agencies had completed since 2004—were centrally and easily accessible.

**9.48** Using basic search methods— the only ones that would be available to the general public—we were unable to find most of the other public statements that departments and agencies said they had completed.

**Exhibit 9.4 Progress in addressing our recommendation to increase transparency is unsatisfactory**

Recommendation	Progress
<p>The Canadian Environmental Assessment Agency should develop and implement an easily accessible public registry of public statements on strategic environmental assessments. Departments and agencies would retain responsibility for the quality, timeliness, and accuracy of posted information. This registry should provide the following information:</p> <ul style="list-style-type: none"> <li>• A list of major approved government policies, programs, and plans where preliminary assessments determined that no strategic environmental assessment was required, along with the rationale for why no assessment was conducted.</li> <li>• Key information on strategic environmental assessments for which consultations on an initiative are ongoing or which have been approved by ministers or the Cabinet. This information would include key environmental impacts identified, a summary of the results of analyses undertaken, the results of any consultations, and whether any follow-up is required—elements which are identified in the directive’s guidelines. In addition, the registry should include all strategic environmental assessments that are publicly released.</li> </ul> <p>(2004 Report of the Commissioner of the Environment and Sustainable Development, Chapter 4, paragraph 4.72)</p>	<p>Unsatisfactory</p>

**Satisfactory**—Progress is satisfactory, given the significance and complexity of the issue, and the time that has elapsed since the recommendation was made.

**Unsatisfactory**—Progress is unsatisfactory, given the significance and complexity of the issue, and the time that has elapsed since the recommendation was made.

**Central monitoring, leadership, and support**

**9.49** In its 2003 report, *Sustainable Development and Environmental Assessment—Beyond Bill C-9*, the House of Commons Standing Committee on Environment and Sustainable Development noted that the

Privy Council Office has declined responsibility for implementing the 1990 and 1999 Cabinet directives, relying on the Canadian Environmental Assessment Agency, which has virtually no authority to ensure that federal departments (let alone ministers) comply.

**9.50** The Committee also noted that the Privy Council Office, “which serves as the prime minister’s department as well as the secretariat for Cabinet, must take a leadership role if strategic environmental assessments are to be effective.”

**9.51** In 2004, we reported that central agencies demonstrated a lack of leadership and support, which contributed to the low level of commitment in departments and agencies to carrying out the Cabinet

directive. We also noted that the directive and its guidelines do not assign overall responsibilities for monitoring compliance with the directive. To improve accountability, we recommended in 2004 that the Privy Council Office ensure that responsibilities and authorities have been assigned for central monitoring of compliance, quality control, and continual improvement of the assessment process.

**9.52** The Privy Council Office did not accept our recommendation; it responded that

Consistent with the federal government's commitment to self-assessment . . . departments and agencies will continue to be accountable for the quality of their analysis and will establish appropriate management systems to ensure accountability and quality control. When proposals are submitted to Cabinet for decision, central agencies have an important challenge function to play.

#### **Accountability is weak**

**9.53** For this follow-up audit, we expected to see evidence that the existing accountability framework, as described by the Privy Council Office, was working. We looked for evidence that departments and agencies are held accountable when they fail to appropriately apply the directive. An acceptable accountability framework includes

- clear roles and responsibilities,
- clear performance expectations,
- credible reporting, and
- reasonable adjustment and review.

**9.54** We also expected the Privy Council Office to perform its challenge function when policy, plan, or program proposals are submitted to Cabinet.

**9.55** During this audit, the Privy Council Office informed us that, according to the existing accountability framework, departments and agencies are responsible for complying with Cabinet decisions and are accountable to Parliament.

**9.56** To assess the 12 departments' and agencies' accountability to Parliament, we examined documents that they recently tabled in Parliament to see whether they report on compliance with the Cabinet directive. For each organization, we looked at the

- March 2006 Departmental Performance Report (DPR),

- 2007–08 Report on Plans and Priorities (RPP), and
- two most recent sustainable development strategies (2004 to 2006 and 2007 to 2009).

**9.57** We noted that the Treasury Board of Canada Secretariat’s reporting guidelines for the DPR and RPP do not indicate whether to report on or how to report on strategic environmental assessments. The Secretariat encourages departments and agencies through its RPP and DPR guidelines to focus on the critical aspects of planning and performance, which each organization must determine for itself. However, the 2004 *Guidelines for Implementing the Cabinet Directive*, which were jointly published by the Privy Council Office and the Canadian Environmental Assessment Agency, state

When reporting on sustainable development goals in Sustainable Development Strategies, Reports on Plans and Priorities, or Departmental Performance Reports, departments and agencies should report on the extent and results of their environmental assessment practices.

**9.58** We found that many of the organizations we examined did not provide information on their compliance with the Cabinet directive in the documents that they tabled in Parliament. For those that provided some information on their SEA activities, most of the information was insufficient to demonstrate compliance with the Cabinet directive.

**9.59** In our view, the existing accountability framework is producing unsatisfactory results (Exhibit 9.5). We could not find evidence that a mechanism exists to hold departments and agencies to account when they do not appropriately apply the directive. Nor did we find evidence that the Privy Council Office challenged departments and agencies on their application of the directive when they submitted proposals to Cabinet.

### **The Canadian Environmental Assessment Agency continues to fulfill its role**

**9.60** According to the 2004 *Guidelines for Implementing the Cabinet Directive*, the Canadian Environmental Assessment Agency’s role is

- to support the Minister of the Environment in promoting the use of SEAs; and
- with other departments and agencies, to provide guidance and training to improve the process.

**Exhibit 9.5 Progress on ensuring accountability for implementing the Cabinet directive is unsatisfactory**

Finding	Progress
The Cabinet directive and its guidelines do not assign overall responsibilities for monitoring compliance with the directive to ensure that deputy heads are held accountable. (2004 Report of the Commissioner of the Environment and Sustainable Development, Chapter 4, see paragraph 4.49)	Unsatisfactory

**Satisfactory**—Progress is satisfactory, given the significance and complexity of the issue, and the time that has elapsed since the finding was made.

**Unsatisfactory**—Progress is unsatisfactory, given the significance and complexity of the issue, and the time that has elapsed since the finding was made.

**9.61** In 2004, we reported that the Agency was fulfilling its assigned role, and given the significance of this role, we expected it to continue to do so. In this follow-up audit, we found that the Agency is continuing to fulfill its role.

**9.62** Since 2004, in collaboration with departments and agencies, the Agency has

- organized a major workshop,
- held several training sessions, and
- developed guidance documents.

**9.63** The Agency also monitors memoranda to Cabinet to promote the application of the Cabinet directive. Where necessary, the Agency suggests changes. However, it has no authority to require changes.

**Training has increased**

**9.64** In 2004, we reported that more training was needed to support SEA efforts and recommended that the Canada School of Public Service assess how the Cabinet directive could be referenced in its courses. We expected it to have added information about SEA to selected courses.

**9.65** We found that the Canada School of Public Service has integrated SEA information in several courses it offers to federal managers and policy makers (Exhibit 9.6). We also found that the Canadian Environmental Assessment Agency and the three departments and agencies we examined in detail—the Canadian International Development Agency, Fisheries and Oceans Canada, and Health Canada—offer training and guidance on the SEA process.

**Exhibit 9.6 Progress in addressing our recommendation on improving training on SEAs at the Canada School of Public Service is satisfactory**

Recommendation	Progress
<p><b>4.85</b> The Canada School of Public Service should assess how the Cabinet Directive on the Environmental Assessment of Policy, Plan and Program Proposals could be referenced in the courses it offers to senior managers in the federal public service. At the very least, all policy courses should refer to the directive. (2004 Report of the Commissioner of the Environment and Sustainable Development, Chapter 4, paragraph 4.85)</p>	Satisfactory

**Satisfactory**—Progress is satisfactory, given the significance and complexity of the issue, and the time that has elapsed since the recommendation was made.

**Unsatisfactory**—Progress is unsatisfactory, given the significance and complexity of the issue, and the time that has elapsed since the recommendation was made.

## Conclusion

**9.66** Except for some improvements in management systems and training, progress in addressing key observations and recommendations from our 2004 audit is unsatisfactory. Accountability and transparency—areas fundamental to the proper functioning of any initiative—remain weak. Given that the Cabinet directive has been in place for 17 years, and our first audit was almost 10 years ago, the government has had ample time to address the issues we noted previously.

**9.67** The departments we examined all have some form of internal management system for undertaking strategic environmental assessments, but we still observed weaknesses in many of these systems, which undermine their effectiveness in adequately supporting the application of the directive.

**9.68** Transparency is limited. Most of the departments we examined are not preparing public statements of their detailed environmental assessments, as required by the Cabinet directive. When public statements are released, they are generally difficult to locate and often do not contain sufficient information to assure stakeholders and the public that environmental factors have been integrated into the decision-making process—the stated objective of the requirement.

**9.69** The present approach to public reporting does not address the recommendations made in our 2004 report, nor does it address the intent of the directive itself. As we said in 2004, greater transparency of the SEA process could help to increase the quality of assessments,

inform public debate, and enhance accountability. Given the important role that transparency plays in assuring accountability and the relative ease of implementing this requirement, we are not satisfied with the progress made to date.

**9.70** Management systems themselves are not enough to guarantee that departments comply with the directive. The current accountability structure is weak. We could not find evidence that a mechanism exists to hold departments and agencies to account when they do not appropriately apply the directive. Nor did we find evidence that the Privy Council Office challenged departments and agencies on their application of the directive when they submitted proposals to Cabinet. In light of the ongoing weaknesses we observed in the application of strategic environmental assessments and compliance with the Cabinet directive, the evaluation we recommended in our 2004 report should be all the more important in guiding the future course of SEA within the federal government.

## About the Audit

### Objective

The objective of the audit was to determine whether selected departments and agencies have made satisfactory progress in addressing selected recommendations, observations, and commitments made to implement the *Cabinet Directive on the Environmental Assessment of Policy, Plan and Program Proposals*.

### Scope and approach

This follow-up audit focused on selected recommendations and significant observations from the 2004 Report of the Commissioner of the Environment and Sustainable Development, Chapter 4, Assessing the Environmental Impact of Policies, Plans, and Programs.

Our audit work focused on 15 of the 16 departments and agencies we covered in our 2004 audit. In this follow-up audit, we did not look at the Treasury Board of Canada Secretariat, as our 2004 report did not include significant observations or any recommendations for the Secretariat.

We followed up on the issues addressed by four of the five recommendations from our 2004 report. We did not follow up on our recommendation calling for an evaluation of the Cabinet directive, because the government had made a commitment to complete an evaluation by December 2008 (see paragraph 9.13).

The four recommendations we followed up on focused on

- improving how departments and agencies manage and apply SEAs,
- increasing transparency,
- improving accountability by establishing central monitoring of SEA compliance and quality, and
- increasing training.

For each recommendation, we examined selected departments and agencies and focused on the following:

- We examined Fisheries and Oceans Canada, the Canadian International Development Agency, and Health Canada to determine whether they have made progress in developing and implementing management systems. We selected these departments and this agency because our 2004 audit reported that they had made unsatisfactory progress; each lacked even a basic management system (Recommendation 4.47).
- We determined whether the Canadian Environmental Assessment Agency, with the support of federal departments and agencies, is working to ensure that public statements of environmental effects are easily accessible through a public registry or by other means (Recommendation 4.72).
- We assessed progress made in ensuring accountability for compliance with the Cabinet directive (based on Recommendation 4.55).
- We examined selected courses offered by the Canada School of Public Service to determine whether they cover strategic environmental assessment (Recommendation 4.85).

Our follow-up of those recommendations also included looking at significant observations from our 2004 report. We examined the following 12 departments and agencies, whose management systems we assessed in 2004, to assess their compliance with the public reporting requirement of the Cabinet directive. We also looked at whether they are adequately identifying the policies, plans, and programs that require detailed SEAs and whether they were informing Parliament of their SEA activities.

- Agriculture and Agri-Food Canada,
- Canadian International Development Agency,
- Citizenship and Immigration Canada,
- Environment Canada,
- Finance Canada,
- Fisheries and Oceans Canada,
- Foreign Affairs and International Trade Canada,
- Health Canada,
- Industry Canada,
- Natural Resources Canada,
- Public Works and Government Services Canada, and
- Transport Canada.

We also determined whether the Canadian Environmental Assessment Agency provides adequate guidance and support to departments and agencies according to its assigned role.

Our approach included reviewing documents, reviewing information from departmental management systems, and interviewing departmental officials.

### **Criteria**

The following criteria for the audit were derived from observations, recommendations, and criteria from the 2004 Report of the Commissioner of the Environment and Sustainable Development, Chapter 4; from the 2004 *Cabinet Directive on the Environmental Assessment of Policy, Plan and Program Proposals*; and from the 2002 Report of the Auditor General of Canada, Chapter 9, Modernizing Accountability in the Public Sector.

We expected to find the following:

- Fisheries and Oceans Canada, the Canadian International Development Agency, and Health Canada have made satisfactory progress in developing and implementing SEA management systems.
- Management systems adequately identify the policies, plans, and programs that require a detailed SEA.

- Selected departments and agencies have complied with the amendment to the Cabinet directive that requires a “public statement of environmental effects when a detailed assessment of environmental effects has been conducted.”
- The Canadian Environmental Assessment Agency is working to ensure that public statements of environmental effects are easily and centrally accessible through a public registry or by other means.
- The allocation of responsibilities and authorities, as described by the Privy Council Office, are functioning appropriately to ensure that departments and agencies are complying with the directive.
- The Canadian Environmental Assessment Agency is providing adequate and timely direction, guidance, and support to departments and agencies.
- The Canada School of Public Service has integrated the directive in selected courses it offers to managers and policy makers in the federal public service.

**Audit work completed**

Audit work for this chapter was substantially completed on 31 May 2007.

**Audit team**

Principals: Neil Maxwell, Paul Morse

Director: David Willey

Gayle Chong

Pierre Fréchette

Mark Lawrence

Mary Anne Strong

For information, please contact Communications at 613-995-3708 or 1-888-761-5953 (toll-free).



# Status Report of the Commissioner of the Environment and Sustainable Development to the House of Commons—March 2008

## Main Table of Contents

### The Commissioner's Perspective—2008 Main Points—Chapters 1 to 14 Appendices

#### Chemicals Management

- Chapter 1** Substances Assessed Under the *Canadian Environmental Protection Act, 1999*
- Chapter 2** Pesticide Safety and Accessibility
- Chapter 3** Federal Contaminated Sites

#### Ecosystems

- Chapter 4** Federal Protected Areas for Wildlife
- Chapter 5** Protection of Species at Risk
- Chapter 6** Control of Aquatic Invasive Species
- Chapter 7** Areas of Concern in the Great Lakes Basin

#### Management Tools and Government Commitments

- Chapter 8** International Environmental Agreements
- Chapter 9** Strategic Environmental Assessment
- Chapter 10** Greening of Government Operations

#### Previous Audits of Responses to Environmental Petitions

- Chapter 11** Insurance for Nuclear Operators
- Chapter 12** Listing of Species at Risk
- Chapter 13** Military Dumpsites
- Chapter 14** Genetically Engineered Fish

