Audit and Evaluation Plan
2007-08 to 2009-10

April 18, 2007

Audit and Evaluation Branch

Environment Environnement
Canada Canada

Canada

Acronyms used in the report

AAFC	Agriculture and Agri-Food Canada
AEB	Audit and Evaluation Branch
ALERT	Audit and Evaluation Recommendations Tracking System
CASS	Corporate Administrative Shared System
CEAA	Canadian Environmental Assessment Agency
CEPA	Canadian Environmental Protection Act
CESD	Commissioner of the Environment and Sustainable Development
CFIA	Canadian Food Inspection Agency
CWS	Canadian Wildlife Service
DAEC	Departmental Audit and Evaluation Committee
DFO	Department of Fisheries and Oceans
EAAC	External Advisory Audit Committee
EC	Environment Canada
EMAN	Ecological Monitoring and Assessment Network
HMARF	Horizontal Management, Accountability and Reporting Framework
IIA	Institute of Internal Auditors
IM/IT	Information Management/Information Technology
MAF	Management Accountability Framework
MSC	Meteorological Service of Canada
NAESI	National Agri-environmental Standards Initiative
OAG	Office of the Auditor General
OAP	Oceans Action Plan
OCG	Office of the Comptroller General
PM	Person Months
PSC	Public Service Commission
QMS	Quality Management System
SEA	Strategic Environmental Assessment
TBS	Treasury Board Secretariat

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1.0   INTRODUCTION

The departmental Audit and Evaluation Plan identifies the audit engagements and evaluation projects that are planned for fiscal years 2007-08 to 2009-10. The engagements and projects were selected based upon a risk and opportunities assessment and a consultation and analysis process as described below. They were approved by the Departmental Audit and Evaluation Committee (DAEC) on April 18, 2007.

2.0   PLANNING CONTEXT

The Audit and Evaluation Plan was developed taking into account the broader government context within which Environment Canada is functioning and some important factors that are impacting on the work of the Audit and Evaluation Branch (AEB).

2.1   Environmental Scan

Government Priorities

The government's *Federal Accountability Act* and Action Plan released in April 2006, entrenches the internal audit and the evaluation functions and requires the department to: evaluate grants and contributions programs over five years; ensure an appropriate internal audit capacity; establish a departmental audit committee; and support the Deputy Minister in his role as Accounting Officer.

Canada's Clean Air Act introduced in Parliament on October 19, 2006, proposes a comprehensive and integrated approach to tackling air pollution and greenhouse gases by regulating and enforcing emissions targets.

In November, 2006, the Government released *Advantage Canada: Building a Strong Economy for Canadians,* an economic plan designed to make Canada a true world economic leader. The plan introduces a new expenditure management system to ensure existing spending is effective, efficient, focused on areas of federal responsibility and provides value for money. It also calls for enhanced program evaluation.

On December 8, 2006 the Prime Minister along with the Minister of Environment and the Minister of Health, unveiled Canada's new *Chemicals Management Plan* that provides realistic and enforceable measures that will improve our environment and protect the health and safety of Canadians.

Budget 2007 confirms the direction set by the Government for the environment through the identification of four environmental priorities under the general theme of "A Better Canada: Ensuring a Cleaner, Healthier Environment:"

1. Cleaner Energy and Better Energy Efficiency
2. Promoting Cleaner Transportation
3. Protecting Canada's Natural Heritage
4. Canada's National Water Strategy

Central Agency Priorities

The Treasury Board Secretariat (TBS) *Internal Audit Policy* which came into force on April 1, 2006, requires departments to: establish and support an External Advisory Audit Committee (EAAC) with expanded responsibilities; provide a holistic opinion to the Deputy Minister on departmental controls, governance and risk management; adhere to the International Standards for the Professional Practice of Internal Audit (The Institute of Internal Auditors Standards); and support the Comptroller General in the conduct of horizontal audits.

Work underway to develop the new TBS *Evaluation Policy* (expected to come into force in fall, 2007), could impact the Branch activities over the next fiscal year. The policy will require departments to: establish and support the internal Evaluation Committee; expand evaluation to cover 100% of all program expenditures on a five-year cycle; use evaluation findings to inform policy and expenditure decision-making and program improvement; and have an enhanced role in performance measurement.

On February 14, 2007, TBS announced a series of immediate actions to improve the management of grants and contributions in response to the report *"From Red Tape to Clear Results"* of the independent blue ribbon panel on grants and contributions. These actions will strengthen accountability for the management and the results of grants and contributions programs.

Departmental Priorities

Last year, Environment Canada (EC) reorganized its activities and resources into an updated Program Activity Architecture (PAA) that enables the department to better manage how its activities interact with, and contribute to its overarching strategic objectives.

Environment Canada key priority areas for action for 2007-08 are:
o   Reducing Air Pollutants and Greenhouse Gas Emissions - delivering on commitments of the Government's proposed Canada's Clean Air Act.
o   Protecting Canadians from Toxic Substances – delivering on the Government's new Chemicals Management Plan.
o   Ensuring Water Quality and Quantity
o   Supporting Clean Land and Biodiversity

2.2   *Risks and Opportunities Assessment[1]*

As part of the annual audit and evaluation planning process, the Audit and Evaluation Branch conducted a risks and opportunities analysis. The analysis is based on the findings of last year's analysis, an environmental scan, an Information Management/Information Technology (IM/IT) risk analysis, and the review of different sources of information such as EC's Report on Plans and Priorities for 2006-07 and TBS Assessment of EC's performance against the Management Accountability Framework (MAF) for 2005.

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[1] A departmental corporate risk profile was unavailable at the time the plan was being prepared.

The following five criteria, used for last year's analysis, were also utilized for this year's exercise:

❑ **Threats to deliver on results** – e.g., having the capacity and being assured that we can deliver on our intermediate and long-term results
❑ **Impacts of not delivering results** – e.g., understanding the effect of not delivering results on people's health and on the environment
❑ **Profile/visibility/reputational** – e.g., maintaining or losing credibility, the confidence of Canadians
❑ **Complexity** – e.g., the effect/challenges of horizontality, shared attribution, multiple partners
❑ **Materiality** – e.g., size of expenditures

Annex A provides a more detailed description of these criteria.

A number of key areas of risks emerged from the analysis. More particularly:

❑ **Statutory Obligations and Policy** - Obligations to deliver on legislation, agreements, international commitments and negotiations.
❑ **Governance -** Effective decision-making and accountability structure and processes.
❑ **Financial Control** - Sound departmental stewardship through effective financial controls.
❑ **Human Resources –** Capacity to deliver on government and departmental priorities.
❑ **Performance Measurement –** Measuring performance and reporting on results.
❑ **Information Management -** Effective management and use of information and knowledge.

The results of the analysis supported a strategic discussion at the DAEC meeting in December, 2006.   Annex B provides more detailed information on these key areas of risk.

2.3 Identification and Prioritization of Projects

The list of potential audit engagements and evaluation projects for the next three years was developed by:

❑ conducting an Environmental Scan by looking at government priorities, central agency priorities, external priorities, and EC's priorities;

❑ using the results from the risks and opportunities analysis to inform decision on priority audit engagements and evaluation projects;

❑ using the results from the IM/IT risk analysis to inform audit engagements priorities;

❑ reviewing last year's A&E plan to identify both audit engagements and evaluation projects originally scheduled for 2006-07 that would be carried forward into the new plan as well as those already identified for future years;

❑ identifying audits or evaluations being carried out by other departments in which A&E is involved;

❑ identifying external audits and studies planned by other entities such as the office of the Auditor General, the Commissioner of the Environment and Sustainable Development, the Public Service Commission, the Access to Information Commissioner, and the Commissioner of Official Languages;

❑ considering the work already underway to meet new requirements under the Internal Audit Policy;

❑ preparing to meet new requirements under the *Federal Accountability Act*; and

❑ preparing to meet upcoming requirements under the new Evaluation Policy to become effective in the fall of 2007.

Consultations were conducted with departmental Boards and the Chief Financial Officer to discuss the potential list of audit engagements and evaluation projects and to obtain advice on the priority areas, potential scope and timing.

3.0   AUDIT AND EVALUATION BRANCH ACTIVITIES

3.1   *Audit and Evaluation Priorities for 2007-08*

The Audit and Evaluation Branch operating environment has changed significantly over the past year. Existing and new legislative obligations and policy requirements are increasing the demands placed on the audit and evaluation functions. Therefore, we must position the department to respond to those obligations and requirements.

The 2007-08 fiscal-year will be a transition year for the Audit and Evaluation Branch where we will focus our resources and efforts on:

❑ implementing the department's Internal Audit Policy Implementation Action Plan, more particularly, establishing the new External Advisory Audit Committee (EAAC) and preparing for a first holistic opinion to the deputy minister on departmental controls, governance and risk management;

❑ developing a strategy to implement the new TBS Evaluation Policy, more particularly, developing a five year evaluation plan of all programs including grants and contributions;

❑ delivering on commitments identified in the Audit and Evaluation Plan for 2007-08;

❑ building capacity and strategies to address the need for a stronger secretariat function and greater coordination of AEB work with an expanding range of external auditors including the Office of the Comptroller General, Public Service Commission, the Procurement Ombudsman, and others; and

❑ implementing the Branch HR Plan strategies.

3.2   Audit and Evaluation Activities for 2007-08 to 2009-10

Evaluation Projects

Table 1 describes the recommended evaluation projects for 2007-08 to 2009-10 including interdepartmental evaluations being carried out by other departments in which Environment Canada evaluation will be involved. The table also identifies evaluations related to programs having a grant or a contribution agreement (e.g., Toronto Waterfront Revitalization Initiative Contribution Agreement). Resource requirements in person months (PM) and dollars for 2007-08 are also included.

The key changes from last year's plan are as follows:
- The interdepartmental evaluation of the National Agri-environmental Standards Initiative (NAESI) and Ocean Action Plan originally planned for 2006-07 were carried over into 2007-08.
- The Public SCRIBE evaluation originally planned for 2006-07 was removed as a stand-alone project and has been incorporated into the Meteorological Service of Canada (MSC) Transition evaluation scheduled for 2007-08.
- The departmental Climate Change - Science and National Inventory evaluations originally planned for 2007-08 were postponed to 2008-09 given the current policy context.
- The evaluation of international activities originally planned for 2007-08 was renamed to International Strategy and was postponed to 2008-09 allowing sufficient time to implement the strategy.
- The Sector Sustainability Tables evaluation originally planned for 2007-08 was postponed into 2008-09 to allow further implementation.
- The Weather Predictions evaluation originally planned for 2007-08 was postponed into 2008-09. The AEB will develop a plan in 2007-08 in support of the evaluation.
- The Ice Program evaluation originally planned for 2007-08 was postponed into 2008-09 to take into consideration the findings of the MSC Transition evaluation scheduled for 2007-08.
- The evaluation of the National Environmental Protection Intelligence planned for 2007-08 was integrated into the broader evaluation of the Enforcement Program scheduled for 2008-09.
- A number of evaluations originally planned for 2006-07 and 2007-08 were postponed indefinitely for various reasons:
    - Canadian Biodiversity Strategy – progress on the implementation of the Commissioner of the Environment and Sustainable Development (CESD) recommendations will be monitored though the audit and evaluation recommendations tracking system (AERTS).
    - Canadian Cooperative Wildlife Health Centre – a recipient audit was carried out in 2006-07.
    - Outreach – the governance issue will be addressed by management.
    - Species at Risk Act – an evaluation of the Federal Species at Risk Programs was completed in July 2006 and the Office of the Auditor General is conducting audits in areas related to species at risks.

- Ecological Monitoring and Assessment Network (EMAN) – considered to be low materiality and low risk.
- Protected Areas (National Wildlife Areas, Migratory Bird Sanctuary) – pending further implementation of substantive changes made by the program.

In addition, the following four new evaluation projects will be carried out during 2007-08:
- Clean Air Agenda – Horizontal Management, Accountability and Reporting Framework (HMARF) Evaluation Plan (interdepartmental evaluation led by EC).
- Chemicals Management Plan – Evaluation Plan (interdepartmental evaluation with Health Canada).
- Toronto Waterfront Revitalization Initiative (TWRI) Contribution Agreement.
- Strategic Environmental Assessment (SEA) (interdepartmental evaluation).

Internal Audit Engagements

Table 2 describes the recommended internal audit engagements for the next three years. The table also shows resource requirements in person months (PM) and dollars for 2007-08.

The key changes from last year's plan are:
- The Continual Audit of revenues originally planned for 2006-07 was integrated into the Financial Audit Plan.
- The Financial Audit Plan, the Decision Support Systems audit, the Canadian Wildlife Service (CWS) Control Self-Assessment, the Delegation of Financial Authority Audit originally planned for 2006-07 were carried-over into 2007-08.
- The following audit engagements originally planned for 2007-08 were postponed into 2008-09 for a variety of reasons:
  - Occupational Health and Safety – to allow further progress on the certification initiative.
  - Specified Purpose Accounts and Vote Netted Revenue – to await results of the Financial Audit Plan scheduled for 2007-08.
  - Financial Statements – to await results of the Financial Audit Plan and completion of the department's readiness assessment.
  - Hydrometric Monitoring Stations - Federal Provincial Agreements, Employment Equity Audit, Classification, and Staffing – considered to be lower risk areas.
- The Continual Audit of Acquisitions Cards, the Continual Audit of Compensation, audit of the Motor Vehicle Policy, and audit of Corporate Administrative Shared System (CASS) originally scheduled for 2007-08 were postponed into 2009-10.
- A number of audit engagements originally planned for 2006-07 and 2007-08 were postponed indefinitely for various reasons:
  - EC Transformation Agenda Assessment Plan – at the request of DAEC in March 2007.
  - Audit of Management Controls - Maintenance of monitoring stations – considered to be a low risk.

The following key new audit engagements will be carried out during 2007-08:
- Data Gathering on Fundamental Controls – to support the risk assessment of fundamental controls.
- Technology Infrastructure Directorate – as identified in the IM/IT risk analysis.

Office of the Comptroller General Internal Audit

The Office of the Comptroller General may require the department to conduct sectoral and horizontal audits. This annual plan only reflects one person month for any such audits.

External Audits and Studies

Table 3 contains the list of external audits and studies already underway or to be carried-out by the Office of the Auditor General (OAG), the Commissioner of the Environment and Sustainable Development (CESD) and other entities such as: the Public Service Commission (PSC); the Access to Information Commissioner; and the Commissioner of Official Languages over the period covered by this plan.

3.3   Resource Requirements

For 2007-08, the professional resource requirements are 168 person months and $915,000. For this same period, there are 170 person months available. A break down of the person month allocation and professional services by function is shown below in Figure 1. The person month resource requirements are determined by deducting the various leave entitlements of audit and evaluation staff and represent an approximation of project time available during 2007-08. This figure does not include resources dedicated to management activities.

FIGURE 1: PERSON MONTH (PM) ALLOCATION AND PROFESSIONAL SERVICES

Function	Person Month (PM)	Professional Services $K
Evaluation Projects	60	585[2]
Internal Audit Engagements	70	170
Strategic Planning and Coordination	29	160[3]
Special Investigations/Consulting and Advice	9	
TOTAL	**168**	**915**
AVAILABLE STAFF RESOURCES	**170**	

Category description:
- Evaluation projects: Includes all resources dedicated to evaluation projects and resources involved for projects led by other departments and agencies.
- Internal Audit Engagements: Includes all resources dedicated to internal audit engagements.
- Strategic Planning and Coordination: Includes all resources dedicated to the coordination of audits being carried-out by the OAG, the CESD and other organizations. It also includes resources dedicated to environmental petitions, risk-based planning and reporting,

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[2] Includes 100K from TB submission for evaluation planning related to Chemicals Management Plan; 100K from TB submission for evaluation planning for the Clean Air HMARF; and 150K from the Toronto Waterfront Revitalization Initiative (TWRI) for the evaluation of this contribution agreement.
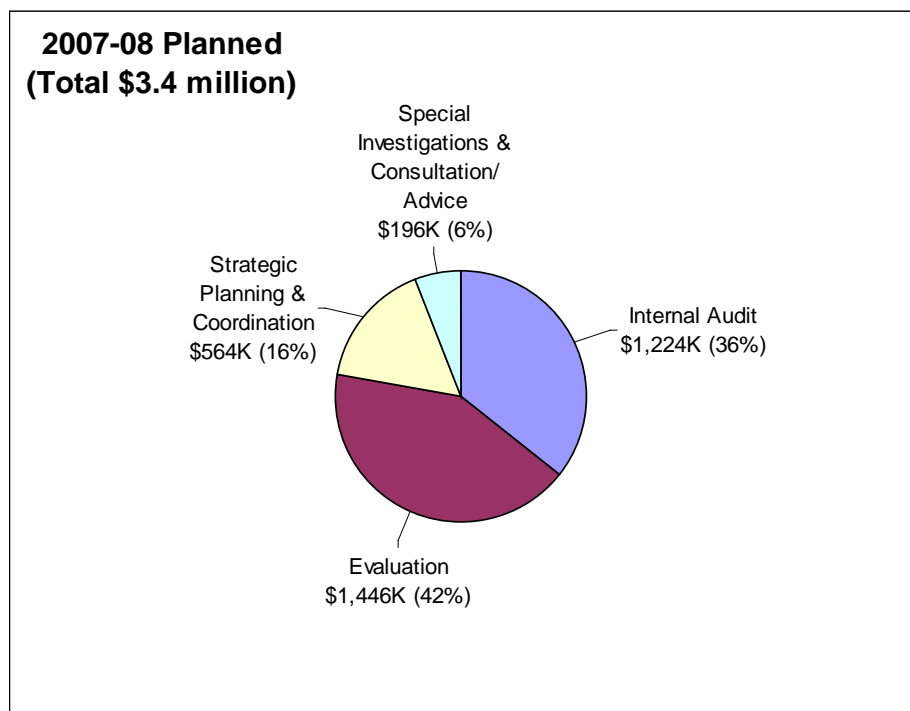
[3] Includes 135K from TB funding for the External Advisory Audit Committee.

recommendations follow-up, support to DAEC and the External Advisory Committee, and quality assurance.
▪ Special Investigations/Consulting and Advice: Includes resources for conducting special investigations, and to the provision of advice and guidance to programs regarding evaluation planning and requirements.

Figure 2 provides a break down of A&E activities and resources by function for 2007-08. These figures represent all of AEB activities and resources including management activities.

FIGURE 2: DISTRIBUTION OF RESOURCES BY FUNCTION[4]

2007-08 Planned
(Total $3.4 million)

Special Investigations & Consultation/ Advice $196K (6%)

Strategic Planning & Coordination $564K (16%)

Internal Audit $1,224K (36%)

Evaluation $1,446K (42%)

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[4] Includes 377.4K from TB funding for implementation of Internal Audit Policy; 100K from TB submission for the evaluation planning related to Chemicals Management Plan; 100K from TB submission for evaluation planning for the Clean Air HMARF; and 150K from Toronto Waterfront Revitalization Initiative (TWRI) for the evaluation of this contribution agreement.

Table 1: Evaluation Projects

Line #	Project Name	Board	Project Description / Background	Resources 2007-2008		Year			Rationale/Comments
				PM	$K	2007-2008	2008-2009	2009-2010	
1	Commission for Environmental Cooperation (CEC)	SI	Examination of Canada's participation in the CEC as well as operational aspects.	.5		X			Significant expenditure (largest EC contribution to an international agency), has never been evaluated. Completed and approved by DAEC in April 2007.
2	Canadian Regulatory System for Biotechnology (Interdepartmental with HC)	ES	To participate in an evaluation led by the Canadian Food Inspection Agency and Health Canada.	.25		X			TB requirement for 2005-06. Led by HC. Expected to be presented to DAEC for approval in July 2007.
3	Ecosystem Initiatives – Georgia Basin Action Plan	ES	To evaluate the effectiveness of ecosystem initiatives, including alignment to departmental results.	3		X			Evaluation in 2006-07 with Georgia Basin Action Plan as pilot of generic evaluation framework. Expected to be completed and approved by DAEC in July 2007.
4	Environmental Emergencies Program (including PSAT)	EP	To evaluate the program in light of national program results as well as relevance and delivery. Also an initiative under the Public Security and Anti-Terrorism (PSAT) Funds.	7		X			Highly partnered; health and safety issues; linked with TB requirement on Anti-terrorism; similar project approved in previous year's plan. Plan completed in 2005-06. Expected to be completed and approved by DAEC mid 2007-08.
5	Smog-Causing Emission Regulations in the Transportation Sector	EP	To conduct an evaluation focused on lessons learned in the area of transportation-related regulations.	8	25	X			Regulatory tools have not been evaluated. In planning phase. Will start the evaluation in September, 2007.
6	Canadian Shellfish Sanitation Program (Interdepartmental with CFIA and DFO)	ES	To evaluate the effectiveness of EC activities in support of water quality protection for shellfish harvesting areas.	1.5	25.4	X			Led by the Canadian Food Inspection Agency (CFIA). Capacity to deliver unknown; health and safety issues; not previously evaluated; similar project approved on previous plan. Being conducted.
7	Oceans Action Plan (OAP) (Interdepartmental with DFO)	ES	To measure and report on progress during Phase I (2005-2007) to ensure that established objectives are being achieved. 2-year horizontal initiative involving 7 departments, DFO lead.	1.5		X			TB requirement to evaluate Phase I. Will inform development of Phase II of the OAP. DFO to lead process of development of common approach to evaluation. Carry over from 2006-07 into 2007-08. Required to obtain Phase II funding. Will build on performance report.

LINE #	PROJECT NAME	BOARD	PROJECT DESCRIPTION / BACKGROUND	RESOURCES 2007-2008		YEAR			RATIONALE/COMMENTS
				PM	$K	2007-2008	2008-2009	2009-2010	
8	National Agri-environmental Standards Initiative (NAESI) (Interdepartmental with AAFC)	ES	To evaluate results and effectiveness of standards, specifically their application and alignment with Agriculture Canada Policy Framework (APF) environment chapter programs.	2.5	35	X			To be led by AAFC. 5 year initiative ending in 2007-2008. TB requirement. Not previously evaluated. Will align with/contribute to AAFC evaluation of its own APF programs planned for 2007-08.
9	Federal Contaminated Sites Action Plan (Interdepartmental – led by EC)	EP	To conduct a formative evaluation.	5	75	X			Interdepartmental evaluation plan will determine the scope and direction of the evaluation.
10	Transboundary Movement Program (under PSAT)	EP	To conduct a formative evaluation of the tracking of cross-border movement of hazardous wastes and hazardous recyclable materials - an initiative under the Public Security and Anti-Terrorism (PSAT) Funds.	6	25	X			Evaluation of the transboundary movement program will also cover TB PSAT requirement.
11	Clean Air Agenda – Horizontal Evaluation Plan (Interdepartmental – led by EC)	EP	To develop a horizontal evaluation plan for the Clean Air Agenda.	5	100[5]	X			TBS requirement as per the Horizontal Management, Accountability and Reporting Framework (HMARF).
12	Chemicals Management Plan – Evaluation Plan (Interdepartmental with HC)	EP	To develop an evaluation plan for the Chemicals Management Plan.	3	100[5]	X			TBS requirement
13	MSC Transition	WES	To evaluate how successful the MSC is in its modernization efforts.	10	50	X			TBS requirement. Look at the performance measurement system; evaluation framework approved at DAEC on April 22, 2005. Project to also look at Public SCRIBE.
14	Weather Predictions Plan	WES	To develop a plan in support of the evaluation on the use of science/research in weather predictions.	1.5		X			Not previously evaluated; contribution to protecting economy, environment and health. Evaluation postponed from 2007-08 into 2008-09.
15	Toronto Waterfront Revitalization Initiative (TWRI)	ES	To evaluate the Toronto Waterfront Revitalization Initiative Contribution Agreement.	2.5	150[6]	X			TB requirement. This is a contribution program.

[5] Resources from TB submission
[6] Resources from TWRI

LINE #	PROJECT NAME	BOARD	PROJECT DESCRIPTION / BACKGROUND	RESOURCES 2007-2008		YEAR			RATIONALE/COMMENTS
				PM	$K	2007-2008	2008-2009	2009-2010	
16	Strategic Environmental Assessment (SEA) (Interdepartmental)	EP	To evaluate the effectiveness of the SEA process and procedures.	3.0		X			Planned government-wide evaluation (horizontal) of Strategic Environmental Assessment (including the cabinet directive of 2004) required to be completed by the end of 2008. Commitment made in 2004 pursuant to recommendation by the CESD. Currently the initiative is led by the Canadian Environmental Assessment Agency (CEAA).
17	International Strategy	SI	To evaluate the implementation of the departmental International Strategy.				X		Need to have an international strategy in place in time to allow an evaluation in 2008-09.
18	National Aboriginal Strategy	SI	To evaluate the effectiveness of the implementation of the Aboriginal Strategy.				X		
19	Sector Sustainability Tables (SSTs)	SI	To evaluate the effectiveness of the Sector Sustainability Tables.				X		
20	Ecosystem Initiatives	ES	To continue evaluating the effectiveness of ecosystem initiatives.				X		No new evaluation for 2007-08. Evaluation will support the renewal of the EI envelope drawing from the results of the GBAP evaluation and ensuring evaluation strategies are in place.
21	Water	ES	To evaluate the implementation of the Water Strategy.				X		Water policy and programming identified as a high risk area. Raised by senior management as a high priority area. New Water Strategy is under development. Key element of the environmental agenda.
22	Departmental Climate Change - Science	EP	To evaluate two specific climate change programs: 1. Science To evaluate the accuracy, capacity and usefulness of science programs.				X		CESD looked at climate change in 2006-07 including Science. Originally planned for 2007-08 but postponed into 2008-09 in the context of the current policy environment.
23	Departmental Climate Change – National Inventory	EP	2. National Inventory				X		CESD looked at climate change in 2006-07. Originally planned for 2007-08 but postponed into 2008-09 in the context of the current policy environment.
24	Enforcement Program	EP	To evaluate the effectiveness of the enforcement program.				X		Will include Environmental Protection Intelligence Program.
25	Risk Assessment and Risk Management processes under CEPA	EP	To evaluate the internal management and decision making processes under CEPA.				X		Follow up to implementation of Quality Management System (QMS).

LINE #	PROJECT NAME	BOARD	PROJECT DESCRIPTION / BACKGROUND	RESOURCES 2007-2008		YEAR			RATIONALE/COMMENTS
				PM	$K	2007-2008	2008-2009	2009-2010	
26	Strategic Environmental Assessment (SEA)	EP	To evaluate the effectiveness of the SEA internal process and procedures.				X		Management request to look at how effective the SEA process has been implemented. Will need to reconsider in light of interdepartmental evaluation in 2007-08.
27	Ice Program	WES	To evaluate if the recent application of changes in technology and program delivery are successful in safeguarding public safety.				X		Not previously evaluated; EC puts approx. $3 million into this and DFO spends approx. $8-9 million; similar project approved in previous year's plan.
28	Weather Predictions	WES	To evaluate the use of science/research in weather predictions.				X		Not previously evaluated; contribution to protecting economy, environment and health. Evaluation plan to be developed for Weather predictions in 2007-08.

Table 2: Internal Audit Engagements

Line #	Project Name	Board	Project Description / Background	Resources 2007-2008		Year			Rationale/Comments
				PM	$K	2007-2008	2008-2009	2009-2010	
1	Contingency Plan for MSC Weather Prediction Program	WES	To audit the readiness of weather prediction in case of extreme/unusual events.	1		X			Major operational changes; mission critical, importance of maintaining service/transmitting data if a centre goes down; information is needed in this area prior to the MSC Transition evaluation. To be completed and approved by DAEC early in 2007-08.
2	Audit of mandatory disclosures	DMS	To conduct an audit of compliance to the disclosure requirements for contracts over $10K, for reclassification of positions.	4		X			Reputational and materiality risks. Disclosure on travel and Hospitality expenses are integrated into respective audits. To be approved by DAEC early in 2007-08.
3	Travel	DMS	To audit the processes of: approval; travel requests; payment of travel claims. The audit includes an audit of the Travel Expert System (TES). (All travel including international travel)	1		X			High reputational risk. Approved by DAEC in April 2007.
4	Financial Audit Plan	DMS	To develop a multi-year audit plan in support of audited financial statements.	8		X			Project approved by DAEC in March 2006 as part of the A&E Renewal Strategy. Will include looking at revenues. Audited financial statement will be required in 2009. Carry over from 2006-07 into 2007-08.
5	Hospitality	DMS	To audit the compliance of hospitality transactions to legal and policy requirements and to the disclosure initiative.	7		X			Audit plan completed in 2005-06. Audit to be completed and approved by DAEC in early 2007-08.
6	CWS Control Self-Assessment	ES	To support the program with conducting a Control Self-Assessment.	3	40	X			Governance identified as the key weakness in findings of the Evaluation of the Federal Species at Risk Programs. Other analysis identified the need for an assessment of management controls. Carry over from 2006-07 into 2007-08.
7	Decision Support Systems	DMS	To conduct an audit of the system under development of decision support systems (e.g. FIT, RMT, Merlin, SMS, HRMIS, etc.)	10		X			System used for decision by senior management. Integrity and usefulness of information is crucial. Carry over from 2006-07 into 2007-08.

LINE #	PROJECT NAME	BOARD	PROJECT DESCRIPTION / BACKGROUND	RESOURCES 2007-2008		YEAR			RATIONALE/COMMENTS
				PM	$K	2007-2008	2008-2009	2009-2010	
8	Delegation of Financial Authority	DMS	To audit compliance with the new financial delegation authority. This includes process mapping and assessing the management framework, as well as testing of transactions.	10		X			Materiality; appropriate level of signing authority. Carry over from 2006-07 into 2007-08.
9	Information Technology Security	DMS	To audit compliance with Treasury Board policies, standards, and reporting requirements.	6	80	X			Auditor General identified overall weakness in government; government mission critical facilities. Postponed to end of 2006-07 to allow the program to comply with TBS standards.
10	Technology Infrastructure Directorate	DMS	To audit the compliance with Treasury Board and departmental policies of the function/organization.	1	50	X	X		Ranked high risk in the IM/IT Audit Plan.
11	Data Gathering on Fundamental Controls	DMS	To gather data for the risk assessment of fundamental controls.	10		X			Ranked high risk in the IM/IT Audit Plan. Needed for the holistic opinion.
12	Horizontal Audit(s)	DMS	Under the Internal Audit Policy, the Comptroller General can direct departments to conduct sectorial and horizontal audits.	1		X			Specific audits if any, to be determined.
13	Employment Equity	DMS	A) Employment Equity Developmental Audit: • To support the program with a developmental audit (system under development audit) to be ready to sustain the Human Right Commission compliance audit planned for 2007-08. B) Employment Equity Value for Money Audit: • To assess the effectiveness of the program through a value for money audit.	8		X			Human Rights Commission will be auditing in 2007-08.
14	Chief Information Officer Branch	DMS	To audit the compliance with Treasury Board and departmental policies of the function/ organization.				X		High risk. Based upon the significance of the organizational changes, critical nature of the function.
15	Unified Radar Processing Application	DMS	To audit the effectiveness and efficiency of the program application as well as the legislative compliance.				X		Ranked high risk from the IM/IT Audit Plan.
16	Information Management Directorate	DMS	To audit the compliance with Treasury Board and departmental policies of the function/organization.				X		Ranked high risk from the IM/IT Audit Plan.
17	Occupational Health and Safety	DMS	To audit the occupational health and safety program to ensure an appropriate framework is in place and implemented.				X		Concerns expressed by senior management. High risk area. Recommend to wait to see the progress on the

LINE #	PROJECT NAME	BOARD	PROJECT DESCRIPTION / BACKGROUND	RESOURCES 2007-2008		YEAR			RATIONALE/COMMENTS
				PM	$K	2007-2008	2008-2009	2009-2010	
									certification initiative.
18	Hydrometric Monitoring Stations – Federal Provincial Agreements	WES	To audit the various arrangements for the operations and the maintenance of hydrometric monitoring stations, including the agreements with the various provinces.				X		Complex delivery arrangements.
19	Contracting Process Value for Money Audit	DMS	To conduct a value for money audit of the contracting process (Procurement Review Board).				X		
20	Follow-up to the Travel Audit	DMS	To follow-up on recommendations and the implementation of management actions from the 2007-08 Travel Audit.				X		Await results of the review currently underway.
21	Specified Purpose Accounts	DMS	To audit the utility, appropriateness, and compliance of Specified Purpose Accounts.				X		Not previously audited; quality of controls unknown; approximately $12 million was received in 2004-05. Await result of the Financial Audit Plan scheduled for 2007-08.
22	Vote Netted Revenue	DMS	To audit how Vote Netted Revenues are collected, managed, and used by programs as well as departmental compliance.				X		Not previously audited; quality of controls unknown. Await results of the Financial Audit Plan.
23	Financial Statements	DMS	To conduct audits of financial controls to ensure they support auditable financial statements. To be identified in the Financial Audit Plan.				X		Await results of the Financial Audit Plan.
24	Cash Advances	DMS	To audit compliance with departmental and Treasury Board Policies.				X		Not previously audited; major changes since AMEX credit card implementation; similar project approved in previous year's plan. Await result of the Financial Audit Plan scheduled for 2007-08.
25	Classification	DMS	To audit the classification process of positions, in particular its compliance to policies, as well as to evaluate consistency across the department.				X		Classification has not been audited recently.
26	Staffing	DMS	To audit the staffing process, mainly for term positions.				X		
27	Official Languages Policy	DMS	To audit compliance with Treasury Board policy on Official Languages.				X		High visibility; previous cases of non-compliance; there is awareness of what needs to be done; official

LINE #	PROJECT NAME	BOARD	PROJECT DESCRIPTION / BACKGROUND	RESOURCES 2007-2008		YEAR			RATIONALE/COMMENTS
				PM	$K	2007-2008	2008-2009	2009-2010	
									languages task force developed.
28	Applications Directorate	DMS	To audit the compliance with Treasury Board and departmental policies of the function/organization.					X	Ranked high risk from the IM/IT Audit Plan.
29	Departmental Wide Area Telecommunications	DMS	To audit the effectiveness and efficiency of the program infrastructure as well as the legislative compliance.					X	Ranked high risk from the IM/IT Audit Plan.
30	Merlin including all interfaces	DMS	To audit the effectiveness and efficiency of the program application as well as the legislative compliance.					X	Ranked high risk from the IM/IT Audit Plan.
31	Corporate Administrative Shared System (CASS)	DMS	To conduct a system under development audit of CASS.					X	
32	Continual Auditing: Acquisition Cards	DMS	To periodically audit financial and human resources databases for early detection of irregularities.					X	Low risk area.
33	Continual Auditing: Compensation	DMS	To periodically audit financial and human resources databases for early detection of irregularities.					X	Low risk area.
34	Motor Vehicle Policy	DMS	To audit the compliance with Treasury Board and departmental policies.					X	Not previously audited; quality of controls unknown; similar project approved in previous year's plan.

Table 3: External Audits and Studies

TITLE	STATUS
Office of the Auditor General (OAG)/Commissioner of the Environment and Sustainable Development (CESD)	
OAG/CESD Report – May 2007 o Managing the Delivery of Legal Services to Government – Justice Canada	o Environment Canada Legal Services was included in this audit, however, the department is not implicated in this or any other audits for the May 2006 report.
OAG/CESD Report – October 2007 o Audit of the Implementation of the Inuvialuit Final Agreement in the Western Arctic. o Audit of Sustainable Development Strategies. o Audit of follow up actions to commitments identified in a response to a petition on Guidelines for Listing Species at Risk. o Study/retrospective to describe the impact of petitions on the federal management of various environment and sustainable development issues in Canada.	o Environment Canada is included in these audits and these audits are underway.
OAG/CESD Report – February 2008 o Audits on: Managing Selected Toxic Substances Under CEPA; Federal Contaminated Sites; Federal Protected Areas; Species at Risk; Areas of Concern in the Great Lakes; International Environmental Agreements; Strategic Environmental Assessment; and Greening Government Operations.	o Environment Canada is included in these audits and the audits are underway. These are follow-up audits to work previously undertaken by the OAG.
OAG/CESD Report – May 2008 o National Environmental and Sustainable Development Indicators o An audit on commitments identified in a response to a petition on Sulphur in Fuels o Performance audit of professional and other services contracts	o Environment Canada is included in these audits and the audits are underway. o Environment Canada may be included in this audit.
OAG/CESD Report – Fall 2009 o The Auditor General will also be undertaking an audit of Human Resources related issues.	o The scope, timelines and tabling date have yet to be determined.
Public Service Commission (PSC)	
PSC Report – Fall 2007 (tentative) o EX Appointments o Audit of Student Hiring o Movement of Staff in and out of Minister's Offices	o Audit work is underway, tabling date to be determined. o Additional work required to complete this audit. o This government-wide audit not fully scoped yet but will likely include EC.
Access to Information Commissioner (ATI)	
	o No indication of studies/projects involving EC to take place in 2007/08.
Commissioner for Official Languages (COL)	
	o Potential audit(s) for 2007/08. Plan still in development and department will be informed one month before actual audit work begins.
Human Rights Commission (HRC)	
	o HRC will be auditing Employment Equity in 2007/08 but has not indicated the implications for the department of this audit work.

Annex A – Risk Assessment Rating Scale

RISK CRITERIA	RISK RATING SCALE		
	High	**Medium**	**Low**
Materiality ▪ Financial resources ▪ Program expenditures	▪ The OPG ranking, defined by its respective resource allocation as a percentage of EC's total budget, falls within the upper quartile of the OPG data set.	▪ The OPG ranking, defined by its respective resource allocation as a percentage of EC's total budget, falls between the median and the third quartile, inclusive, of the OPG data set.	▪ The OPG ranking, defined by its respective resource allocation as a percentage of EC's total budget, is lower than the median of the OPG data set.
Profile/Visibility/Reputational ▪ Public/media interest or expectations ▪ Corporate reputation ▪ Domestic, international reputation ▪ Political factors	▪ Outside parties (news media, citizen groups, general public) have shown a major interest in the area ▪ Significant loss of client group trust ▪ Public or media outcry for removal of Minister and/or departmental official ▪ Criticism by agencies (e.g., OAG, CESD, TBS, etc.)	▪ Outside parties (news media, citizen groups, general public) have shown moderate interest in the area ▪ Some loss of client group trust ▪ Some unfavourable media attention ▪ Some unfavourable observation by agencies (e.g., OAG, CESD, TBS, etc.)	▪ Outside parties (news media, citizen groups, general public) have shown little interest in the area ▪ No apparent problems (little to no criticism by media, OAG, CESD, TBS, etc.)
Complexity ▪ Complexity of internal operations (e.g., interaction with other OPGs) ▪ Multiple partners involved – interaction ▪ Horizontal cooperation with OGDs or Agencies ▪ Horizontal cooperation with Provinces/Territories/NGOs ▪ Shared accountabilities ▪ Attribution ▪ Decentralization/Centralization (e.g., possibility of regional variation)	▪ Difficult and complex operations involving multiple internal and external partners, mostly external (OGDs, Agencies, NGOs, etc.) ▪ Operations mostly decentralized at more than 5 locations	▪ Slightly complex operations involving mostly internal (EC) partners and few external partners ▪ Operations decentralized at 2 to 5 locations	▪ Simple and straight forward operations involving very little partners ▪ Operations housed at 1 location
Threats to delivering on results ▪ Capacity to deliver OPG results (e.g., HR, Tools, Technology, Science, Systems, Processes, Information) ▪ Logical linkages between strategic outcomes, intermediate outcomes, near-term results (indicators), activities and deliverables (logic model)	▪ Low capacity for delivering OPG results ▪ Linkages/alignment are unclear	▪ Moderate capacity to deliver OPG results ▪ Linkages/alignment are somewhat clear – room for improvement	▪ Sufficient capacity to deliver OPG results ▪ Linkages/alignment are clear
Impacts of not delivering results ▪ Impacts on human health and safety ▪ Impacts on fauna, flora and ecosystems	▪ Potential significant impacts on Canadians' health and well-being (e.g., security, weather predictions, potable/drinking water, etc.) ▪ Potential significant impacts on fauna, flora and/or ecosystems	▪ Potential moderate impacts on Canadians' health and well-being (e.g., security, weather predictions, potable/drinking water, etc.) ▪ Potential moderate impacts on fauna, flora and/or ecosystems	▪ Potential little to no impacts on Canadians' health and well-being (e.g., security, weather predictions, potable/drinking water, etc.) ▪ Potential little to no impacts on fauna, flora and/or ecosystems

Annex B – Key Areas of Risks

The risk and opportunity analysis conducted by Audit and Evaluation revealed a number of key areas of risks. More particularly:

Statutory Obligations and Policy
EC has extensive statutory obligations (e.g., CEPA, SARA, environmental agreements at all levels) and in the current context, departmental obligations are increasing. The Government also announced a very ambitious regulatory agenda at a time when environment is high on the public agenda.
Risks: –   Risk of not meeting statutory obligations could result in a loss of credibility and potential litigation.   –   Risk of not meeting our national and international commitments could damage the department's reputation.   –   Complexity of partnership arrangements/ agreements, if not managed effectively, could result in fragmented efforts, decreased cooperation and consensus.
Governance
EC has done major restructuring over the last two years through the implementation of new results management and governance structures to better align accountability. The analysis revealed that since the new governance structure is in place, there remains concerns about clarity on roles and accountabilities between both structures (i.e., Boards, Outcome Project Grouping leads versus Assistant Deputy Ministers, program managers), resulting in organizational confusion. There is no systematic approach to risk management in the department.
Risks: –   Risk of unclear understanding of roles and responsibility under the new governance structure resulting in organizational confusion.   –   Absence of a systematic approach to risk management could result in a lack of focus and under funding more important priorities.
Financial Control
A greater importance is given to financial controls particularly with the Government's Accountability Agenda and the new Internal Audit Policy. Departmental financial information is fragmented and coming from different sources.
Risks: –   Risk in terms of not providing managers with quality and reliable information to make decisions.   –   Risks of not having auditable financial statements (by 2009) and not providing assurance on financial controls could result in an embarrassment for the Department for not meeting the Internal Audit Policy requirements.
Human Resources
The existing and the new regulatory agenda will demand a significant level of resources and capacity.
Risks: –   Risk of not having sufficient capacity to implement and enforce existing and proposed new regulations and standards will result in challenges to deliver.   –   Risk associated with not having departmental long-term human resources planning to address recruitment, retention, corporate knowledge, retirements, etc.
Performance measurement
Performance measurement has been a recurring area of major concern for a number of years across government.   While the department has implemented a systematic approach to performance measurement (with the OPGs and OPPs), concerns remain about its effective use for decision-making.
Risk: –   Risk of not effectively using performance information for decision-making.
Information Management
Information management has also been a recurring area of concern for the last several years and continues to require attention. There is no global approach to information and knowledge management in the department.
Risk: –   Risk that Information Management (IM) activities are not aligned to departmental priorities.