

**Quality of annual reports of
ministries and Treasury Board
agencies**

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The quality of annual reports of ministries and Treasury Board agencies

This Part provides an update on the overall quality of the content of the annual reports of 10 ministries and 6 Treasury Board agencies (see Exhibit 1). To provide the update, we compared the results of our assessments of the content of these agencies' most recent annual reports to our previous assessments of their annual reports.

Exhibit 1—Listing of selected agencies and year-end of annual report assessed

Ministries – March 31, 2011	Treasury Board agencies
Advanced Education, Employment, and Immigration	<u>March 31, 2011</u> Saskatchewan Crop Insurance Corporation
Agriculture	Saskatchewan Liquor and Gaming Authority
Education	Regina Qu'Appelle Regional Health Authority
Energy and Resources	Saskatoon Regional Health Authority
Finance	
Government Services	
Health	
Highways and Infrastructure	<u>June 30, 2011</u> Saskatchewan Institute of Applied Science and Technology
Public Service Commission	
Social Services	<u>December 31, 2010</u> Workers' Compensation Board

We assessed whether their most recent annual reports contained information as set out in the Statement of Recommended Practice (SORP-2) Public Performance Reporting as published by the Canadian Public Sector Accounting Board (PSAB).¹ See Exhibit 2. Statements of Recommended Practices such as SORP-2 are not mandatory or prescriptive; rather PSAB encourages public sector agencies to voluntarily apply them. The Ministry of Finance refers to SORP-2 in its Annual Report Content Guidelines as a source of information to improve performance reporting.²

¹ The *Public performance reporting – Guide to preparing public performance reports* is a companion document to SORP-2. The guide is available at <http://www.psab-ccsp.ca/other-non-authoritative-guidance/item14604.pdf> (October 20, 2011).

² Annual Report content guidelines are available at <http://www.finance.gov.sk.ca/PlanningAndReporting/AnnualReportGuidelines201011.pdf> (October 20, 2011).

We limited our assessment to examining the content of annual reports and did not verify whether the information in the reports was relevant and reliable. For example, we did not assess the accuracy, completeness, or validity of underlying information systems or data used to prepare the performance information.

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Key findings—Reports improved but more work remains

Guidelines support quality reporting

The Ministry of Finance (Finance) leads the Government's accountability system for ministries and Treasury Board agencies (agencies). This includes helping agencies improve the quality of information contained in their annual reports. "Finance ensures ministries meet government's expectations for thorough and accurate reporting on stated commitments, increasing transparency and accountability across government."³

Since 2003, Finance has established Annual Report Content Guidelines (guidelines) applicable to ministries and agencies within the scope of the Government's Accountability Framework.⁴ It encourages other agencies to use them. Finance updates these guidelines each year based on its research of best practices. It provides advice and assistance to agencies to help them improve their annual reports.

The 2010-11 guidelines provided agencies with sound guidance. They explained the importance of quality annual reports and set minimum standards for information to include in the annual reports for the stated fiscal year. The guidelines required agencies to report on the progress made toward the strategies, planned actions, and performance measures outlined in the agencies' related public performance plans. The guidelines also required agencies to report on all Government commitments, such

³ <http://www.finance.gov.sk.ca/PlanningAndReporting> (October 20, 2011).

⁴ The Government's Accountability Framework guiding document is available at <http://www.finance.gov.sk.ca/PlanningAndReporting/AccountabilityFrameworkDiagram.pdf> (October 20, 2011).

as those stated in the annual throne speeches, and the Ministers' mandate letters. The guidelines encouraged agencies, wherever possible, to provide trends on the results of their performance measures. Also, the guidelines set out best practices.

Overall, the 2010-11 guidelines were generally consistent with best practices other than they did not expect agencies to include performance targets for their selected performance measures.

While trend information on measurement results can be used to imply an intended result, disclosing performance targets more clearly communicates what the agency planned to achieve.

- 1. We recommend that the Ministry of Finance encourage ministries and Treasury Board agencies to disclose performance targets for their performance measures in their annual reports.**

Assessment of annual reports of Ministries and Treasury Board agencies

Overall, the quality of the annual reports of both ministries and Treasury Board agencies improved from our last assessment done in 2006.⁵

The annual reports of all ministries' and most of Treasury Board agencies' were accessible on the Government's website. Annual reports of ministries were similarly located on the ministry web pages with weblinks to their related planning documents and the Government's overarching direction document. Also new in 2011, the ministries and some of the Treasury Board agencies published an "annual report highlights" document that provided a concise executive summary of the annual report. The Government's intent of the "highlights" was to increase interest in the ministries' and agencies' activities over the previous year.

The content of the annual reports reflected, in many areas, the attributes as outlined in Exhibit 2. For example, most of the reports that we examined:

⁵ 2006 Report – Volume 3 (Chapter 14 – Public plans and annual report assessments).

- ◆ communicated information that was credible and embodied the characteristics of fairness, comparability, consistency, and understandability
- ◆ focused on the critical aspects of performance
- ◆ clearly described the agency's strategic direction including alignment of the agency's strategies to the Government's overall vision and goals
- ◆ clearly reported on public Government commitments (e.g., commitments from the throne speech and ministry mandate letters)
- ◆ provided good linkage of strategies and activities to planned actions and performance measures as set out in their public performance plans
- ◆ set out, by strategy, activities undertaken in the reporting period
- ◆ clearly disclosed the results of their selected performance measures
- ◆ showed trends of results for many of the performance measures with at least some analysis of these trends
- ◆ included statements acknowledging responsibility for the information provided and described the reporting entity covered by the report

However, most reports did not disclose the agency's performance targets. Management noted that the guidelines did not expect them to include targets. As noted above, disclosure of performance targets provides important context to understand actual results and the extent of progress towards achieving goals.

Many reports contained limited discussion of key factors (e.g., key risks, capacity considerations) that had a significant impact on performance measure results in the current year or were expected to impact future results. Many provided little to no information about benchmarks or comparative information from other similar entities. This type of information helps explain the results achieved.

In many reports, the linkage between financial and non-financial performance information was not sufficiently documented. Explaining the relationship between financial and non-financial performance information helps show what results were achieved with resources used during the reporting period.

Exhibit 2—Sound public performance reporting attributes and related content

Attributes	Related content or features
<p>1 – CHARACTERISTICS OF PERFORMANCE INFORMATION</p>	<p>A public performance report should communicate information that is credible and embodies the characteristics of fairness, comparability and consistency, and understandability. The characteristics of performance information are interrelated. If any of these characteristics is missing, the credibility of the report is compromised. When considering the characteristics of performance information, having a good understanding of the perspectives of the users of performance reports will contribute to the usefulness of these reports. (SORP-2, paragraphs 22 and 23)</p>
<p>2 – REPORT FOCUSES ON CRITICAL ASPECTS OF PERFORMANCE</p>	<p>Focusing on the few critical aspects of performance means that only the key strategies, goals and objectives are described in the public performance report. The entity's measurement strategy would provide sufficient information to assess and report performance relating to a goal or the organization as a whole. Reporting extensive detailed information is not useful. The intent is not to overwhelm the users with excessive information but to provide sufficient information regarding critical aspects of performance for users to better understand what has been achieved during the period. Focusing on the few critical aspects of performance in a public performance report enhances the usefulness of the report by providing a concise picture of performance. (SORP-2, paragraph 35)</p>
<p>3 – DESCRIBES THE ENTITY'S STRATEGIC DIRECTION</p>	<p>In order to put a public performance report in context, the strategic direction of the public sector entity would be described. The strategic direction reflects an entity's high-level priorities and long term goals as stated in public policy announcements (for example, legislative mandate, speech from the throne, major public commitments, budgets, strategic plans). A government organization would explain the public purpose served, including its connection to overall government objectives and priorities. (SORP-2, paragraph 41)</p>
<p>4 – EXPLAIN ACTUAL RESULTS FOR THE REPORTING PERIOD AND COMPARE THEM WITH PLANNED RESULTS, EXPLAINING SIGNIFICANT VARIANCES</p>	<p>In order to report progress toward achieving goals, planned results would be identified in a public performance report. Planned results would be stated in terms of outputs and outcomes. Reporting planned results and identifying the source of the commitments (for example, its high level priorities and long-term goals) provides a frame of reference against which to assess actual results. The comparison of actual results to planned results, and the related explanations, are key components of a fairly presented public performance report. Once planned results have been established with respect to goals and objectives, they would be compared with actual results. The public performance report would present the actual results compared to the planned results and explain significant variances between the two. (SORP-2, paragraphs 43 and 45)</p>

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Attributes	Related content or features
<p>5 – REPORT PROVIDES COMPARATIVE INFORMATION ABOUT TRENDS, BENCHMARKS, BASELINE DATA OR THE PERFORMANCE OF OTHER SIMILAR ORGANIZATIONS</p>	<p>Comparative information can include a trend analysis where the actual results for the current period are compared against the actual results for prior periods. Including trend information allows users to assess plans, relate current achievements to long-term goals, and assess progress over time. When providing a trend analysis, it is necessary to provide the data for more than two years, as this enhances a user's ability to assess the trend, assuming the information is available and can be presented in a consistent manner. (SORP-2, paragraph 51)</p>
<p>6 – DESCRIBES LESSONS LEARNED AND KEY FACTORS INFLUENCING PERFORMANCE AND RESULTS</p>	<p>As part of the explanation of significant variances, the public performance report would include a discussion of the potential future implications. This would include an indication of how the lessons learned will be applied and identification of areas that may require further study or evaluation before any final decisions regarding changes to strategies or refining the performance measures can be made. In these situations, users are interested in knowing that the issue is being addressed. To assess performance, users need to have an understanding of the key factors that influence performance and results. Issues of risk and capacity are particularly important in this regard. Other factors may also be important depending on the circumstances. This information helps users interpret the meaning and significance of the performance data reported and provides the context to understand how earlier decisions made or strategies adopted in relation to these factors influenced the performance and results being reported. (SORP-2, paragraphs 54 and 57)</p>
<p>7 – LINKS ITS FINANCIAL AND NON-FINANCIAL PERFORMANCE INFORMATION</p>	<p>It is important to link financial and non-financial performance information to demonstrate to users how entrusted resources were applied during the period and what was achieved as a result. Since inputs are used directly or indirectly to produce outputs (and contribute to the achievement of intended outcomes), this information will assist users in assessing the fiscal stewardship of public resources. When financial and non-financial performance information is linked, results and resources are aligned, and the relationship between them described and demonstrated. (SORP-2, paragraph 69)</p>

Attributes	Related content or features
8 – DISCLOSES THE BASIS FOR REPORTING	<p>The public performance report should disclose the basis on which it has been prepared. In particular, the public performance report should disclose:</p> <ul style="list-style-type: none">(a) a statement acknowledging the entity's responsibility for its preparation;(b) the basis on which those responsible for the preparation of the report have confidence in the reliability of the information in the report;(c) a description of the reporting entity;(d) the rationale for selecting the few critical aspects of performance on which to focus; and(e) any changes made to performance measures during the period, with restatement of prior period measures when appropriate. <p>(SORP-2, paragraph 74)</p>

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