

Treasury Board and Finance— Results Analysis Reporting

SUMMARY

What results analysis means

Results analysis is a technical term. It is a process that managers use to check how well a program is working and to improve it. Managers examine program results and costs, and ask:

- What is working and what is not?
- Do actual results match the planned ones?
- Does the program achieve these results at the expected price?

If not, they adjust their efforts (what they do, how they do it, how much they spend) to improve results.

What we examined

Our audit objective was to assess the quality of the results analysis information publicly reported to Albertans through ministry annual reports. Results analysis requires public sector managers to integrate their financial and non-financial performance information into a clear and concise explanation of performance in relation to business plans. In identifying significant results (good, as well as any that are unsatisfactory) and through the analysis, there will be learnings for the next planning cycle.

What we found

The Alberta government has a well-established public performance reporting regime. Business plans and annual reports are prepared by each ministry. Standards exist for reporting both financial and non-financial performance information in ministry annual reports.

Through our audit, we found that:

- significant ministry matters (including priority initiative results) were not sufficiently identified or analyzed in ministry annual reports
- little guidance or training was provided to assist ministry management in their results analysis and annual report preparation activities
- results analysis reporting compliance against the annual report standards was not monitored

Much of the results analysis in each annual report's commentary described a broad range of the ministry's programs and activities. Given this, it was difficult to determine which aspect of operations senior management considered most important. Among the multitude of program descriptions, it was also difficult to identify insight from management that would explain the completion of priority initiatives and progress towards goals, which are essentially statements of desired results.

Financial information was generally not incorporated into the commentary. Financial information would help in assessing ministry results against plans and success in achieving results at a reasonable cost.

What needs to be done

Ministries need to focus on the identification and analysis of results to improve their reporting. Ministries need to clearly present an analysis of results for significant matters, including business plan priority

initiatives. Ministries also need to shift the balance in their annual reports – increase the reported analysis of results and decrease the number of programs and activities described without analysis.

Standardized guidance and training should be developed to direct and support improving results analysis reporting by the ministries. In addition, results analysis reporting compliance with the annual report standards should be monitored within each ministry and across government.

Why this is important to Albertans

Albertans, members of the legislative assembly and the government need sufficient and appropriate results analysis information that will allow them to assess if ministry programs are contributing towards meeting goals and achieving desired results.

Without such information from management, ministry performance and progress in achieving success with priority initiatives cannot be evaluated. The ability to identify lessons for operations and future planning may be compromised. Without public reporting that identifies and explains results each year, the government's accountability for results to Albertans is incomplete. Albertans need to be told of opportunities to improve performance.

A significant amount of staff resources go into the planning, preparation, review and approval of each ministry annual report, and the business plans that precede the report. Better value for this investment would be achieved by improving the analysis of results to help Albertans understand the performance of their government.

AUDIT OBJECTIVES AND SCOPE

Our audit objective was to assess the quality of the results analysis information publicly reported to Albertans through ministry annual reports. This systems audit focused on processes for reporting results analysis in ministry annual reports. As part of our audit, we reviewed the primary outputs of these processes – the results analysis content in annual reports. We used the published content, in part, as a measure of the effectiveness of the results analysis reporting processes.

We examined results analysis processes and a sample of five ministry annual reports for the years ended March 31, 2012 and 2013. We also looked at the three-year business plans associated with these annual reports (2011–2014 and 2012–2015). Our sample of ministries reflects the breadth of activities and performance reporting processes within the government. The ministries were:

- Advanced Education and Technology
- Agriculture and Rural Development
- Municipal Affairs
- Seniors
- Transportation

We conducted our field work from December 20, 2012 to May 2, 2014. We substantially completed our audit on May 9, 2014. Our audit was conducted in accordance with the *Auditor General Act* and the standards for assurance engagements set by the Chartered Professional Accountants of Canada.

This systems audit follows our 2012 audit of the reporting of performance measures variance analysis, a subset of results analysis. The 2012 variance analysis systems audit involved five different ministries (Culture and Community Services, Energy, Finance and Enterprise, Justice and Attorney General, Sustainable Resource Development). We gained insights into results analysis development processes

from the 2012 audit. Between the two audits, we examined aspects of public performance reporting in 10 ministries.

The ministry annual report standards indicate that there should be one comprehensive report for the ministry. Because of this, we did not examine the annual reports of any entities accountable to a ministry (e.g., universities and post-secondary institutions, various agencies) in our systems audit.

Within this report, we refer to our 2014 audit sample group of ministries as simply “the ministries.” Our recommendation applies to all ministries.

BACKGROUND

Report users

Under most public sector governance models, the primary purpose of business plans and annual reports is accountability for results to an electorate or constituents—in our case, Albertans.

Business plans and annual reports are key documents of record under most public sector legislation. In Alberta, these two documents are tabled with the Legislative Assembly.

Ministry responsibilities

The ministry business plans and annual reports are the joint responsibility of the minister and deputy minister. These ministry documents are to provide a coordinated level of detail and analysis that complements the more broadly based government performance reporting. To this end, the Department of Treasury Board and Finance manages a set of business plan and annual report standards for the government and ministries.

Each ministry prepares, approves and publicly releases its own annual report. The Department of Treasury Board and Finance also accumulates financial and non-financial information from the ministries for overall government planning, budgeting and reporting. Accordingly, consistent business planning and annual reporting by the ministries (and separate organizations that are part of the ministries) is important to maintain efficient, quality planning and reporting for the government as a whole.

Accountability processes may benefit from transparency, acting in an open manner and sharing information. However, transparency alone does not create or achieve accountability for results.

To be credible, public performance reporting on results must be complete, fair and balanced. This means reporting on results that are good, as well as those less good or unsatisfactory. Reporting in this manner recognizes the responsibilities of governing, as well as a willingness to learn and improve. As part of acknowledging poor results, decision makers need to tolerate failure and recognize the effect of uncontrollable factors.

Cornerstones of accountability for results—business plans and annual reports

It is important that Albertans be clearly and consistently updated on the results achieved by government in relation to its planned and actual spending. The combination of legislatively required business plans and annual reports establish accountability for results cornerstones and communications tools to provide this information to Albertans.

Accountability for results

Albertans, their elected representatives and ministries need to know if government programs are achieving desired results. Is value being delivered for money spent? To answer this question, ministry annual reports need to describe and analyze results. The government must demonstrate whether the costs to achieve results and progress towards goals are reasonable.

The performance reporting by ministry management should indicate whether priority initiatives were completed and consider the impacts the initiatives and activities had on desired results. Management's analysis should also include whether changes should be made to improve plans and future results.

Financial statements and individual performance measures information in annual reports provide ministry annual report readers with the ability to compare some measurable actual results to planned results and recent prior year results. Results analysis reporting provides a sense of what led to the results, what did and did not work well, and what the cost was to produce the identified results.

We consider the role of financial information in the analysis to be important since achieving good results at any cost for all areas is not possible. Any assessment of results must be considered in relation to the budget allocated to the initiative and reasonable results expectations.

Integrating financial and non-financial performance information is central to meaningful reporting.¹ Results need to be analyzed in annual reports to determine whether value was received for money spent. This analysis should be considered in developing future plans.

For the public sector, there is no one bottom line measure to focus on in identifying and analyzing results. This differs from the situation for the private sector. For the government and ministries, many of the results analysis challenges arise from the broad range of mandates and service goals under the various reporting organizations. For the public sector, unlike the private sector, there are limited net income, earnings per share and market value metrics to fall back on. Performance in the public sector is far more concerned about delivering expected services than maximizing shareholder wealth, which can be assessed effectively using financial metrics.

When management can draw on sound and reliable information and performance measures that link to plans, budget and strategies, management has a powerful tool to motivate staff and communicate progress. It enables them to monitor progress continually and take corrective action as required. Our reference guide (see appendix) includes a results management framework designed to produce results in this manner.

A government that responsibly reports its own performance to its citizens has far more control over the manner in which information is disclosed and greater opportunity to describe its progress against plans directly with its stakeholders.

The complexities of public sector results analysis must be recognized and accepted, along with the responsibilities throughout the public sector for accountability for results. From there, it is important that quality results analysis occur throughout government and its related entities. In support of improving the quality of results analysis reporting, we prepared the reference guide which identifies a fairly standard,

¹ Canadian Comprehensive Auditing Foundation, Public performance reporting principles—Taking public performance reporting to a new level, page 36, 2002.

common set of key attributes for the management commentary portion of public sector annual reports. The guide was developed from our research in advance of this audit to identify standards and practices followed by other organizations for results analysis reporting.

Senior management leadership plays an important role in effective results analysis reporting. This quote describes the importance of senior management leadership in effective reporting:

“You face a critical choice. You can treat [legislated requirements to report performance] as just another bureaucratic requirement to delegate to a subordinate, with at best perfunctory attention from you. If you do that, however, you will squander what is probably the most powerful tool available to you as a government executive.”²

FINDINGS AND RECOMMENDATION

RECOMMENDATION 1: GUIDANCE, TRAINING AND MONITORING NEEDED

We recommend that the Department of Treasury Board and Finance, working with the Deputy Ministers' Council, improve:

- the guidance and training for ministry management to identify, analyze and report on results in ministry annual reports
- processes to monitor ministry compliance with results analysis reporting standards

Criteria: the standards for our audit

Ministries should have systems in place to meet standards for results oriented, public performance reporting in annual reports. Processes should be in place to:

- update and clearly communicate the standards for results analysis reporting
- monitor compliance with the standards for results analysis reporting
- identify significant matters, goals, priority initiatives and commitments warranting results analysis reporting
- assign and track costs to programs and activities aligned with goals, priority initiatives and commitments for use in results analysis reporting
- prepare integrated analysis and evaluative public performance reports in accordance with the standards
- approve and retain reliable and verifiable file documentation in support of the results analysis reported
- periodically assess results analysis reporting processes

In part, we used the government's results analysis content standards to guide our examination of management's commentary in the results analysis sections of the annual reports.

² Kennedy School of Government—Harvard University, Get Results Through Performance Management: Executive Session on Public Sector Performance Management, 2001.

Our audit findings

KEY FINDINGS

- The results analysis sections in the five sample ministry annual reports described activities and programs, but there was limited information:
 - stating progress towards goals (desired results) and results achieved
 - analyzing and evaluating progress and achievements against business plan goals, commitments, mandates or priority initiatives
 - relating progress and results achieved to dollars spent
- Although the government has developed standards for results analysis and reporting, there was limited guidance and training to assist management in developing their commentary for the annual reports.
- Compliance with the results analysis standards for ministry annual reports was not consistently monitored by each ministry in our audit sample or externally monitored by the Department of Treasury Board and Finance.

Significant matters not sufficiently identified or analyzed

Background

In accordance with the Alberta government's standards, readers of ministry annual reports should be provided with analysis and insights from senior ministry management on significant events, key initiatives, strategies and critical issues.

The results analysis reporting is to be presented with reference to business plan activities for the reporting year in a manner that allows readers to evaluate the ministry's performance. The standards indicate that ministries are to present a balanced discussion of the ministry's overall results, including financial and non-financial performance. Significant variances for financial and non-financial results (between actual and budget or target amounts) are to be analyzed and explained.

Findings

In comparing the ministries' results analysis section content to the reporting standards, we concluded that ministry annual reporting is not sufficiently:

- focused on significant issues, including reporting on the results of priority business plan initiatives
- providing analysis and commentary that presents management's insights and permits readers to evaluate performance
- integrating non-financial and key related financial information

Ministry business plans generally specified three to six goals. Under each goal, three to five priority initiatives were usually listed. Some priority initiatives continue for several years, some will be changed or adjusted, and some will be added or deleted each year.

It was rare for management commentary to clearly refer to a priority initiative (or goal) and identify results, progress or achievements. This differed from what we anticipated—that progress or results achieved for priority initiatives (or at least a majority of the stated initiatives) would be clearly identified in annual reports. We also anticipated that the results identified would be accompanied by analysis and explanations of matters such as achievements, contributions towards meeting goals, actual costs in relation to those planned, and learnings that arose for future operational planning and strategy consideration.

The example below is intended to be illustrative and not to single out a particular ministry's reporting. Instances like the one below were the norm, rather than the exception.

The Ministry of Advanced Education and Technology identified a priority initiative to “Collaborate with the Alberta Innovates system, industry and other government organizations to identify new economic opportunities and to commercialize innovative technologies” in its 2011–2014 business plan.

As the stated initiative was to identify new economic opportunities and commercialize innovative technologies, we anticipated that there would be some indication of progress made in this regard. For example, there could be some discussion of the number of economic opportunities identified and the number of innovative technologies reaching or progressing to commercial status. Analysis of costs for the program or for particular projects, combined with estimates of the anticipated and actual economic benefits accruing to Albertans also seemed reasonable possibilities to expect for the reporting.

We did not find any commentary in the 2012 and 2013 annual reports that we could reasonably relate to this priority initiative or its results. We did find some general references to collaborative activities involving the ministry and technology development, though these sections did not identify results and were not accompanied by any analysis, explanations or evaluation involving financial or non-financial information. Ministry management indicated that some reporting for this initiative is in public reports prepared by several of the entities under it. This systems audit did not examine such entity reporting against ministry priority initiatives.

In the 2012–2015 business plans, each ministry had two or three of its priority initiatives check marked and identified as “mandate items.” We anticipated this placed a higher priority level on these particular initiatives and would warrant more detailed results analysis. We found no difference in the level of results identification or explanations regarding results, progress or achievements for the mandate initiatives compared to non-mandate initiatives.

The reporting standards state that a ministry “should discuss the dynamics of ministry business and candidly analyze its performance with sufficient insight to allow readers to evaluate the ministry's performance.” Within the multitude of activities and programs described in the annual reports, and the general lack of results analysis reporting, it was difficult to identify insights from management—a key component of the results analysis discussion requirements in the standards.

Among all the program and activities descriptions, we found that it was difficult to determine which aspects of a ministry's operations management considered most important and thus warrant more thorough analysis, explanation and evaluation. The ministries provided commentary on an average of 60 topics. At the extreme, one ministry's annual report had distinct commentary on over 100 programs, activities, events and other topics. It was difficult to discern if management considered each of these items significant. We anticipated that a few of the more significant ones would have been analyzed at a reasonable level of depth using financial and non-financial information, accompanied by some insightful explanations and commentary. Where there was analysis, it was often limited or stated in fairly general terms.

In the area of financial analysis, we did not identify many instances where financial statement expenses, significant event costs, or priority initiative and program costs were analyzed and discussed in relation to business plans, significant programs or key initiatives.

Within the program and activities descriptions, management's commentary generally did not relate results to dollars spent. To do so requires that the analysis and reporting integrate financial and non-financial information—something that we did not often observe. Dollar amounts were sometimes included. However, they were essentially presented as standalone facts. For example, grant and funding amounts were sometimes listed, though without any commentary regarding results achieved for the expenditure.

As part of the results analysis, we examined variance analysis reporting. We were looking for explanations where the current year amount differed significantly from the budget or target for the current year, the prior year result or the recent trend (the average of results for the four prior years).

Although performance measures variance analysis was improved in 2013 compared to 2012, it was still limited. For the 37 measures listed in our audit sample for 2012-2013, we identified 22 significant variances and found explanations for 13 (60 per cent) of the variances. This showed improvement over 2011-2012 where we identified 25 significant performance measure variances and found explanations for seven (28 per cent) of those variances.

Limited results analysis guidance for management

Background

The Department of Treasury Board and Finance manages the annual review and update of the ministry annual report standards. All ministries must follow these reporting standards. Instructions to ministries on results analysis discussion content and management perspective are described in a concise one-page standards document.

Findings

There is an opportunity for the Department of Treasury Board and Finance to improve guidance to ministries on the analysis of results included in ministry annual reports. While standards exist, there is limited guidance to assist with the preparation of management commentary. The primary form of guidance is through the standards themselves, which are articulated in general terms. For example, one of the standards is that “ministries should present a balanced discussion of the ministry’s overall results and performance (financial and non-financial).”

Ministries hold their own planning meetings to start their annual reporting process. From that point forward, the ministry processes to draft and develop their results analysis and annual reports vary. The documentation prepared and retained to support the results analysis also varies between the ministries.

The Department of Treasury Board and Finance has established a working group where ministries can jointly discuss the annual report standards. We were advised that through this working group, the department has hosted some workshops over the years for ministry staff involved in the preparation of business plans and annual reports. Articles and other publications on various aspects of public performance reporting are periodically distributed to these staff groups.

Results analysis reporting compliance not monitored

Background

The Department of Treasury Board and Finance has a well-established role involving the consolidation of the financial statements of the ministries and other government entities. The department works to ensure that the entity statements are prepared on a consistent basis to permit the annual release of the government’s consolidated financial statements.

The department has a similar centralized and coordinating role for ministry business plans and compiling information for the government's budget and business plan. The department has a process to review each business plan, providing timely comments directed at ensuring the information is reported in accordance with the government's standards for annual business plans.

Findings

Monitoring for compliance with standards can be improved. This finding applies to the Department of Treasury Board and Finance and the ministries themselves.

The Department of Treasury Board and Finance does not have well-established processes directed at reviewing ministry results analysis commentary for compliance with reporting standards. This is different from its processes relating to ministry financial statements and business plans.

We found that ministry processes do not plan and check for compliance against the results analysis content requirements for annual reports. More specifically, the finalization and approval processes for the results analysis section material in ministry annual reports were not designed to check that the results analysis reporting objectives or content requirements were met. In our July 2012 systems audit report, *Analyzing Performance*, we had a similar finding for a sample of five different ministries. For that audit we reported "senior management approval of the annual report was for the document as a whole, without any detailed staff declaration or sign off that all specifics that should be in the annual report had been appropriately included."

Implications and risks if recommendation not implemented

Meaningful results analysis reporting is critical to the government's demonstrating its stewardship of Alberta's resources. In the absence of quality results analysis reporting, Albertans will not receive sufficient information to assess whether ministry programs are achieving desired results. Further, there will be insufficient information reported to evaluate whether the costs to achieve the results are reasonable.

RESULTS MANAGEMENT AND ANALYSIS—REFERENCE GUIDE

Overview

This reference guide presents the following:

- a results management framework directed at continuous improvement and achieving cost-effective results
- an outline of key attributes of meaningful results analysis prepared by management for inclusion in public performance reports

Results analysis is a technical term referring to a process to check how well a program is working and to improve it. Management examines program results and costs, assessing what is working and what is not. Actual results are reviewed against the planned ones with reference to the actual and expected price. This may lead to future plans, efforts and spending being adjusted to improve results.

The results analysis terminology used in Government of Alberta annual reporting refers to the narrative, non-financial statements portion of ministry annual reports.³ Results analysis reporting is challenging to prepare because the public sector does not have the metric of profit and loss. Common, essentially equivalent terms used in other sectors and jurisdictions for this narrative component include management commentary, management discussion and analysis (MD & A) for public companies and performance report. The narrative portion of the annual report may include summary tables, statistics and other forms of accompanying information.

Purpose

In 2014 our office completed a systems audit to assess the quality of the results analysis information publicly reported to Albertans through ministry annual reports. As part of the audit, we researched standards and practices for preparing management commentary in the annual reports of other organizations. This research provided background information in advance of commencing our audit and was useful in assessing our audit findings.

This reference guide provides some insight on a set of key results analysis attributes we identified for quality, meaningful performance reporting.

- The attributes are presented as a potential framework of public reporting principles.
- The information presented may be useful to preparers and readers of performance reports.
- It may also be useful in reviewing and updating the results analysis content component of the ministry annual report standards, and developing supplementary guidance to assist preparers.

Some information on more general, non-results analysis sections that may be useful to include in an annual report is also included at the end of this reference guide.

³ Each Government of Alberta ministry annual report includes standardized accountability and management's responsibility for reporting statements (signed by the minister and deputy minister respectively), a brief message from the minister, the results analysis section and financial statements. The latter two items make up the majority of the annual report material.

Research documents

In our research, we reviewed information from a variety of sources (Canadian, American and other international), including:

- professional and regulatory standards and pronouncements
- reporting principles and guidance documents for preparers
- academic writings and other published articles
- annual reports of organizations outside of the government of Alberta
- internal performance reporting work plans and practice policies
- annual report awards programs

These sources were directed at reporting entities from the following sectors:

- provincial governments and selected ministries outside of Alberta
- federal governments (Canada and other international) and selected departments
- not-for-profit organizations
- public companies

Results management framework

Below is our view on the three key building blocks to an effective results management framework.

Governance—A process and structure that brings together capable people and relevant information to achieve results (the cost-effective use of public resources).

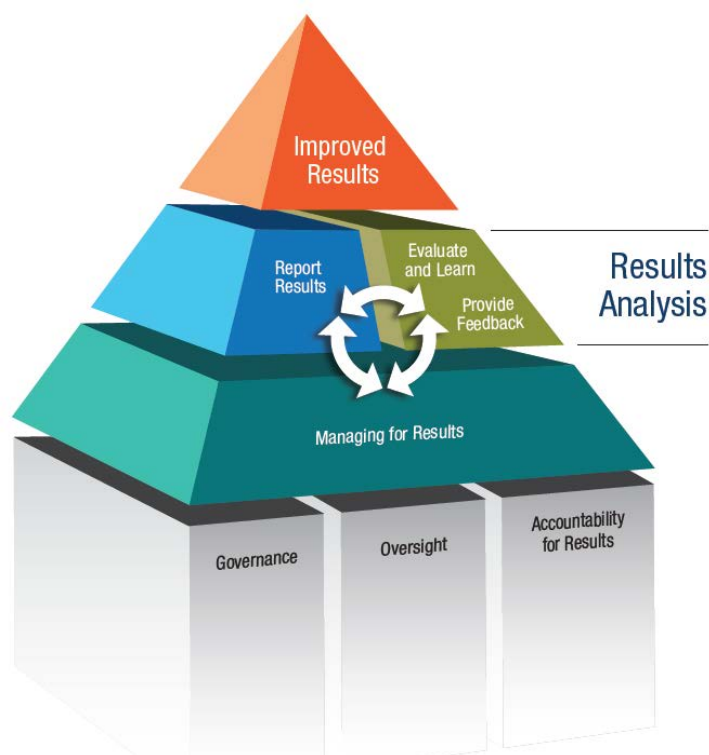
Oversight—The job of:

- being vigilant
 - checking that processes and systems, including the accountability for results system, are working well
 - signaling preferred behaviour
- all in the pursuit of desired results.

Accountability for results—The obligation to show continually improving results in the context of fair and agreed on expectations. For Albertans to receive value for money, all those who use public resources must:

- set measurable results and responsibilities
- plan what needs to be done to achieve results
- do the work and monitor progress
- report on results
- evaluate results and provide feedback (results analysis)

Results management framework



Governance, oversight and accountability processes directed at results are the foundation of a sound managing for results process. All three parts work together to produce results.

Information from each step in the cycle should be communicated between levels and departments with a results oriented focus. Evaluative feedback should be provided throughout the organization. Results should be monitored, plans adjusted and expectations periodically re-set as part of an ongoing continuous improvement approach to managing for results.

The whole purpose of the framework is for management to learn from what they have done so that they can do better in the future.

A framework of results analysis reporting principles—key attributes

In carrying out our results analysis research, we looked for common themes, trends and options in current performance reporting requirements and practices.

We grouped our summary of key results analysis attributes under the following categories—objectives, focus, integration and credible information. There is also a set of other attributes that are communicative and administrative in nature. This format presents the attributes as a potential framework of public reporting principles. Each of these five categories identifies an overriding aspect of results analysis development that should be covered off as part of meeting the individual attribute requirements.

The attributes are inter-related and have features reflecting what should be reported and how to report.

Objectives

The objective of the performance reporting development and approval process is management's commentary in the entity's annual report. Performance reporting objectives are generally framed from the perspective of what the primary reader needs.

Present senior management's perspectives

Regardless of the source of information or target sector, the narrative commentary in the annual report must be a review of significant activities, results and outcomes. This should be accompanied by an evaluation of the impact on future plans. Both of these aspects of the commentary are to be presented "through the eyes of management," or more specifically "through the eyes of senior management."

Senior management's involvement is particularly important at the planning stage. Significant matters warranting explanation in the report (plus messages and themes to be emphasized) should be established early with reference to business plans, commitments and key activities underway. Projected and forecast year-end financial information can be used in preliminary analysis supporting early drafts.

Senior management should stay involved in reviewing the results analysis commentary as it evolves, checking that the drafts remain true to planning decisions, as well as the annual reporting objectives and standards. Final sign-off by senior management should be documented through a checklist specifying that each requirement in legislation and the standards has been met.

Permit performance assessment

The commentary and associated information should be sufficient to permit readers to assess performance for the reporting period, generally the preceding fiscal year. To a certain degree, this requires that management evaluate and report on its own performance in key areas of previously published business plans, presenting related information on which their assessments are based.

As part of assessing the usefulness of the information to be reported, management should have a clear understanding of the primary party to whom the annual report is directed. For a public sector entity such as the government of Alberta, the primary reader is usually specified in legislation or regulation. Usually, this is an elected or appointed body responsible for the organization. For publicly traded companies, the direct reporting is by management to its board of directors.

For both sectors, the primary reader can be considered an informed user, which dictates that the analysis and commentary can be presented at a reasonable level of sophistication, without being overly technical or using jargon. It is through the use of clearly presented analysis and plain language (an "other" attribute – see separate section below) that the commentary is also useful to secondary user groups (e.g., the public, ministry staff) and other stakeholders (e.g., media, researchers) for their own assessments of performance.

Focus and approach

The focus and subject matter of each year's performance report should be well planned. For each issue, event or aspect of the business to be reported on, there is a general framework of steps that should guide the report's content.

Report on significant issues

Each ministry, and certainly the government as a whole, is involved in a broad range of ongoing and project oriented activities. When planning the annual report, certain activities should be identified as significant or material for results analysis reporting purposes.

Some activities will likely have already been identified in a business plan as key to progressing towards the achievement of a stated goal (e.g., through select priority initiative activities, commitments, mandated change or other initiatives). Heading into the annual report planning process, these business plan items can be considered the starting list of potential results analysis areas for the report.

Decisions involving what is a significant issue involve judgement and discussion within the senior management group. Input from other staff in advance of final decisions can be valuable to the process. A decision that a particular activity or an issue is not significant for results analysis reporting does not mean it is unimportant to the organization's operations.

Present in-depth analysis of significant issues

For each significant issue identified for results analysis, there should be a reasonable depth of analysis that includes discussion on plans, goals, objectives, resources and outcomes. If there are more significant issues for a particular year that warrant results analysis, the level of rigour and reporting for each should not be compromised for reasons of space or economy.

The reporting of results and outcomes needs to be centred on core objectives, goals, strategies and commitments. The public business plan should have laid the groundwork details and a framework for the reporting to follow. Reporting on progress and achievements against particular plans may extend over several annual reports.

Identify significant achievements, results and outcomes

Management's analysis and evaluation of the organization's performance, expressed both qualitatively and quantitatively, should be at the heart of the results analysis package. This mindset should be at the forefront of many of the processes and systems used by senior management. From there, the information should be incorporated into the results analysis planning, development and approval processes.

Evaluate results and outcomes

Management must evaluate its performance, results and outcomes achieved so that others may evaluate management's performance. Within an accountability model, this step is perhaps the most difficult to complete and report publicly.

Setting challenging goals and targets carries the risk, even with the best effort, that some goals and targets will not be met. With an increased focus on results and outcomes, it is critical the evaluation be balanced. As part of the follow-up to the evaluation, the identification of the learning that arose and identifying plans to implement the learning, decision makers need to tolerate failure and recognize the effect of uncontrollable factors.

Link management's commentary to business plans, strategies and commitments

The results analysis reporting should be clearly linked to the business plan, as well as any significant commitments that may have been subsequently presented for the year. A reader should be able to readily refer back to the associated business plan as part of following up on particular section of results analysis reporting. If starting from the business plan and a particular priority initiative or plan item, a reader should be able to readily locate the annual report sections where progress and achievements are analyzed and reported. Tables of concordance showing plan items and the page location for the reporting can be a useful tool for annual report preparers and readers (assuming the table is included in the report).

Disclose management’s key focused reporting decisions

The basis for significant judgements and assumptions should be disclosed, including those involving the selection of the critical areas on which the results analysis is focused.

Significant changes from plans (e.g., changes to or the dropping of a business goal or plan priority initiative) should be explained to get public reporting closure. In these cases, timing of the decisions may be such that it is appropriate to outline the shift of resources to a new area. While some of these changes may be explained more fully in a business plan, it is good to outline the significant shifts in the report. The inclusion of summarized business plan information will help ensure the results analysis can “stand alone” as a document and will assist readers of the annual report.

Integrated analysis and evaluation

For significant issues, management’s results analysis and evaluations should incorporate an in-depth mix of different types of information.

Depending on the significant issue being analyzed and evaluated, certain attributes may be more or less relevant to the particular section of integrated management commentary. Similarly, the depth of discussion associated with a particular attribute is likely to vary from one significant issue to the next.

Financial and non-financial information

Financial and non-financial information should be used in an integrated manner in management’s commentary to explain the results achieved for the dollars spent. Financial information may be from the financial statements in the annual report or be more specific financial data that is part of a larger financial statements amount. Significant current year variances from business plan budgets/targets, and recent financial statement results (for performance measures, key performance indicators and financial operations) should also be explained in a similar manner.

A subset of management’s broad based commentary should be financial statements discussion and analysis. This commentary is generally aligned with significant financial statements line items. It is often presented as a separate section in the report. The discussion and analysis can also be integrated within the body of management’s commentary.

Financial statement amounts or notes should not be merely repeated in management’s commentary without adding explanation, insight, analysis or evaluation. To help avoid the simplistic repetition of facts from the statements or notes, include the use of key variables, statistics and performance measures to help explain operational results and outcomes. The use of easy to follow tables accompanied by concise performance and outcome explanations may be a useful format for some matters.

Key business drivers information

For any organization, there are key external and internal performance drivers that will impact the successful implementation of business plans and strategies to achieve goals. Risks and uncertainties may affect performance and outcomes. There may be key relationships to be established or maintained to make progress. Key performance indicators may be used by management as part of monitoring progress. Key driver considerations may vary between different departments in the business. These key business driver considerations should be insightfully communicated to results analysis readers “through the eyes of management.”

Comparative information

Comparative information can be used as part of commenting on performance trends and evaluating current results. Care should be taken to establish that the information (e.g., year to year data, externally

prepared material) has been calculated in a comparable manner. Some extra comment or disclosure may be required to explain the differences.

Forward looking implications

The issuance of a ministry or government annual report is part of a public performance reporting continuum. A significant portion of the results analysis will look back at the recent year's performance. This analysis should be connected to the near, medium or longer term future, particularly where current results and outcomes significantly affect previously communicated plans and strategies. Overall reporting is improved when such changes are identified on a timely basis in the annual report, rather than waiting for the next business plan. The next business plan may then refer to the earlier annual report or expand on the impact first identified in that annual report.

Disclosure supporting the integrated reporting

The integrated analysis and commentary should be meaningful and insightful. Background information should be concisely presented, providing sufficient context for the analysis and explanations. This is particularly important when incorporating the business drivers, as well as strategic and forward looking information.

The basis for significant judgements and assumptions should be disclosed, including those involving new or changed business relationships, strategies or directions, reorganizations, management evaluations and other critical areas on which the results analysis is focused. Key terms may require explanation or be defined. A glossary is often an efficient and clear way to present this information. External source references may require disclosure.

Credible information

Management has a responsibility to publicly report on its activities and performance to public sector constituents or taxpayers in a complete, fair and balanced manner. Management must present results analysis information that is credible in its own right, regardless of whether all or a portion of the underlying support has been audited. Management's commentary should be supported by documentation that permits independent verification (as part of good practices, plus in case independent examination is required in advance of or after release of the annual report).

The mere release of audited financial statements by a ministry is not adequate accountability for results. The statements should be accompanied by insightful and meaningful results analysis commentary and discussion from senior management.

Accountability processes may benefit from transparency, acting in an open manner and sharing information. However, transparency alone does not create or achieve accountability for results.

Balanced and complete

Balanced reporting, commenting on significant positive and negative aspects of performance, enhances the credibility of the information. Management should responsibly prepare and finalize a results analysis commentary package that is fair and balanced, and aligned with the performance reporting objectives for annual reports. This part of the report must be complete and in accordance with standards.

To ensure balanced evaluation, the reporting framework needs to allow for the public reporting of failure to achieve planned results. Management should report candidly and explain the effect of uncontrollable factors. Reporting in this manner recognizes the responsibilities of governing, as well as a willingness to learn and improve. Lessons learned should be described as part of the results analysis.

Senior management's ownership of a fair and complete results analysis package within the annual report should be reflected in an accountability statement. In addition to the fair and complete assertions, the statement should also specify the primary party to whom management is reporting (e.g., elected officials, board of directors, shareholders). The combination of these points should help reinforce senior management's primary accountability relationship and improve due diligence throughout their results analysis preparation processes. Incorporating these steps into current processes may help improve compliance with the reporting standards.

Verifiable

The results analysis commentary must be accurate. The underlying information supporting the commentary should be the product of good management systems and processes. The analysis should be documented and retained for reference, as well as for general archived recordkeeping purposes. Decisions involving reporting selections and judgements included under the basis of reporting disclosures should be clearly documented, usually with more detail than in the annual report.

Any accountability or management responsibility statements in the annual report should be supported by senior management signing off on a fairly detailed, specific requirements checklist, as well as the final results analysis text.

The nature of the documentation and related processes should recognize the possibility that the results analysis, in whole or in part, could be audited. The potential for public access to this information should be clearly understood by each ministry.

Other attributes

There is a set of general communications and business considerations that should be applied to all aspects of public organization reporting, including results analysis in annual reports.

Clear communication

The results analysis information should be concise and understandable. As noted earlier, the interpretation of quantitative information (e.g., statistics, tables, charts) is enhanced by narrative explanations.

Reasonable cost

With good information and planning, the supplementary costs to prepare the results analysis can be kept at a reasonable level.

The information used to prepare the results analysis should be a product of the processes used by management in running the business. Performance information should be monitored throughout the year. Planning for the year end results analysis should be a key by-product of the monitoring and other management control processes.

Using this information, the analysis and evaluation, plus development of the results analysis narrative, should be completed on a coordinated basis by individuals with the appropriate knowledge of the business, skills and perspectives.

Timeliness

Annual reports should be published on a timely basis each year to assist report users to make timely assessments and decisions. Releasing an annual report to the public within two to four months of the year end should be reasonable and workable for annual report preparers. Public companies generally release their annual report two to three months after year end.

As is the case with maintaining reasonable preparation costs, planning is key to timely reporting. Much of the planning, including outlining the framework for the report and the analysis requirements, can be completed in advance of the year end.

Planning, preliminary analysis and drafting of the report can proceed using forecast and projected financial information. Final figures can be updated towards the end of the process, recognizing that management's assessments and evaluations in their commentary are unlikely to be significantly affected by any late adjustments to finalize the financial statements.

Access

The primary party to whom management reports under a business accountability relationship (e.g., elected officials, board of directors, shareholders) will be delivered their copy of an annual report in a suitable format – either hard copy or electronically.

Most other stakeholders will have to search for the annual performance report or request it. In this age of electronic communications, an organization's home internet page is generally where the search begins. Accordingly, the organization's home page should be where an individual can fairly intuitively and quickly locate (or request) current and past annual performance reports for an organization (i.e., with a minimum of unsuccessful clicks).

Results analysis components—other

The results analysis should include some financial statements discussion and analysis (FSD & A) and lessons learned commentary.

The presentation of each in a separate section may be easier for readers to follow. Presenting FSD & A as a separate section within results analysis may be more workable for preparers since different skills, perspectives and access to information for the analysis are likely. The lessons learned may be at the end of the results analysis commentary for each significant issue discussed or in a separate, summary section. Performance measures and indicators information and analysis may also be presented through some combination of the analysis of significant issues and a separate section in the results analysis.

Financial statements discussion and analysis

Financial statements discussion and analysis is a subset of management discussion and analysis. This commentary is generally aligned with significant financial statements line items. It is often presented as an identifiable section in the annual report, rather than mixing these discussion items throughout the rest of management's commentary.

FSD & A expands on and explains information found in the financial statements and notes disclosures. This information should not be merely repeated.

Explanations for significant current year amount variances from budget, prior year or recent trends are a key component of FSD & A, providing background information that the statements do not provide. A variance may be wholly or partially related to issues or events identified for results analysis discussion. Cross referencing between the results analysis and FSD & A of the issue is preferred to duplicating the discussion. One section will likely have most of the analysis.

Some key management accounting metrics, ratios or schedules may be useful for the FSD & A. Detailed breakdowns of key financial figures (e.g., by programs, special initiatives or projects), with comparative information in a table, supplemented by some commentary may provide good insights into operating

results and performance. Comparisons with financial indicator or other external data may also be incorporated.

Lessons learned

Within most accountability and continuous improvement business models lies the concept of “lessons learned.” Lessons learned involve follow-up analysis and action from an initial lessons identified step. Without follow-up action, the same lessons may be identified every year.

The identification step will generally involve some reflection on or evaluation of performance. The learning points may be positive or negative. Specific recommendations for change, rather than just observations, should come from this analysis. The learning and the recommendations should be actionable and incorporated into future planning.

Performance measures and indicators

Public reporting information and results analysis should include the use of performance measures. Performance indicators may also be used within the results analysis report. Generally speaking, measures are for areas directly under the control of the organization. Indicators are for areas that can only be indirectly impacted or influenced by the organization.

For public performance reporting, measures directed at measurable outcomes or results should be used, although other types of measures may be used by management in supporting roles. Each measure should be aligned with determining progress towards or achieving goals.

Performance measures should be used as one of the tools for results analysis and evaluating performance. A key to being able to use a performance measure effectively lies in the rigour of the measures identification process followed by management and the relevance of the measure (or set of measures). Each measure should be accompanied by an annual target setting, measurement, analysis and evaluation process. Explanations for significant variances are generally required public performance reporting items.

Performance indicators are useful to track trends in the operating environment and identify future potential problem areas.

Other annual report sections

Management may choose to include some non-results analysis type information in the annual report. Updates on government activities and program descriptions may be presented in summaries (without analysis). Special events and initiatives occurring in the year, along with capital expenditure updates may also be outlined. Unique or special (but less significant) programs or activities may be profiled. Legislative changes and policy development could be outlined in year-in-review or year-at-a-glance summaries (perhaps with columns for a description, reason for the change or plan, and future impact).

Separate sections for these non-results analysis items could be specified in the annual report standards as required inclusions or available for discretionary use by a ministry. These updates could be provided in summary form, perhaps with a website reference or link to more comprehensive information outside the annual report. Other options may also be appropriate as part of the overall annual report package.

