

Report to the Legislative Assembly

Effectiveness of Ministry Annual Reporting

Auditor General OF ALBERTA

November 2026

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OF ALBERTA

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Brandon Lunty, MLA
Chair, Standing Committee on Legislative Offices
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Dear Chair:

It is an honour, on behalf of my office, to submit my report, *Effectiveness of Ministry Annual Reporting Performance Audit*, to the Members of the Legislative Assembly of Alberta, in accordance with the *Auditor General Act*.

Respectfully,



Phillip D. Peters FCPA, FCA, KC
Auditor General of Alberta

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Related Reports

- An Analysis of Annual Performance Reporting by School Authorities (November 2024)
- Reporting Performance Results to Albertans Assessment of Implementation (November 2024)
- Fiscal 2021 Annual Reporting of COVID-19 Initiatives (June 2022)
- Reporting Performance Results to Albertans Followup (August 2019)
- Results Analysis Reporting (July 2014)
- Analyzing Performance (July 2012)

Appointed under Alberta's *Auditor General Act*, the Auditor General is the legislated auditor of the Consolidated Financial Statements of the Province of Alberta and most provincial agencies, boards, commissions, and regulated funds. The audits conducted by the Office of the Auditor General report on how government is managing its responsibilities and the province's resources. Through our audit reports, we provide independent assurance to the 87 Members of the Legislative Assembly of Alberta, and the people of Alberta, that public money is properly accounted for and provides value.

Report Highlights

Why We Did This Audit

Ministry annual reports play a key role in public accountability. Public trust in the administration of government programs and services is informed, in part, by effective public performance reporting.

Over the past 30 years, our audits of individual government programs have regularly identified the need for departments to improve results reporting in their ministry annual reports.

The Public Accounts Committee, a committee of the Legislative Assembly, relies on ministry annual reports to understand how ministries use taxpayer dollars in the delivery of programs and services for Albertans. It examines ministry performance against approved budgets and business plans. To fulfill this role, departments must consistently provide ministry annual reports with clear, meaningful information about results achieved.

In our November 2024 report, *Reporting Performance Results to Albertans Assessment of Implementation*, we reported that the Department of Treasury Board and Finance would not implement our recommended compliance monitoring process on ministry annual reports. At that time, we reported that "Given the importance of performance reporting and accountability, we will add a compliance component to our performance audit work and report publicly on compliance with government performance reporting standards and best practices."

All Alberta government departments must follow the *Ministry Annual Report Standards*, developed by the Treasury Board Secretariat division of the Department of Treasury Board and Finance, when preparing a ministry annual report.

What We Looked At

We examined whether the 2024-25 ministry annual reports reflect the characteristics of effective public performance reporting.

We assessed a diverse selection of ministry annual reports against the *Ministry Annual Report Standards*. The ministry annual reports are:

- Advanced Education
- Arts, Culture and Status of Women
- Environment and Protected Areas
- Forestry and Parks
- Jobs, Economy, Trade and Immigration
- Municipal Affairs
- Transportation and Economic Corridors
- Treasury Board and Finance

Basis of Disclaimer of Conclusion

We cannot assess whether the departments complied with the reporting standards.

The Department of Treasury Board and Finance developed the reporting standards from certain external public- and private-sector performance reporting guidance. The purpose of the reporting standards was to ensure departments provided a consistent level of performance reporting annually to Albertans. We found that Treasury Board and Finance did not prepare a formal benchmark for how all Alberta government departments should consistently interpret and apply the reporting standards. Instead, each department independently determined its own interpretation of the reporting standards.

Our audit to examine compliance cannot be completed without Treasury Board and Finance developing a central benchmark to assess if departments consistently interpret and apply the reporting standards.

Disclaimer of Conclusion

Because of the importance of the matter described in the Basis of Disclaimer of Conclusion section of our report, we have not been able to obtain sufficient and appropriate evidence to form a conclusion on whether the departments have complied with the reporting standards. Accordingly, we do not express a conclusion on such compliance.

Annual Report Findings

In the absence of a central formal benchmark required to audit department compliance, we compared ministry annual reports to established public sector performance reporting best practices under the *Chartered Professional Accountants Statement of Recommended Practices 2—Public Performance Reporting*.

We did this work under the authority of the *Auditor General Act*. Our mandate is to identify where government organizations can make improvements and, in this case, to enhance transparency and accountability in reporting to Albertans.

We found that public sector performance reporting best practices were not always applied in the ministry annual reports. Incomplete performance analysis reduces the accountability and transparency of ministry performance results.

Three major themes emerged. The ministry annual reports:

- are unclear on what objectives and activities are most critical to achieving each ministry outcome
- provide information on what ministries did, not what they achieved
- do not clearly report the cost of resources used to deliver results

We Recommend

We recommend that the Department of Treasury Board and Finance establish a central formal benchmark for how to interpret and consistently apply the *Ministry Annual Report Standards*.

We recommend that the selected departments improve performance reporting in their ministry annual reports.

Why our Findings Matter to Albertans

A significant amount of time goes into planning, preparing, reviewing, and approving a ministry annual report and the business plan that guides it. Improving the clarity, transparency, and accountability of ministry performance reporting would provide better value for this investment and give Albertans a clearer understanding of what the ministry is achieving. This will increase public trust in the administration of programs and services.

Background

Annual reports matter because they give Albertans clear information about what Government of Alberta ministries planned to do, what they achieved, and how they used public resources. Ministry annual reports are the final step in a year-long cycle of planning, budgeting, delivering programs and services, and reporting results. Through annual reports, ministries demonstrate accountability for their performance and identify areas for improvement over time.

In Alberta's accountability framework, the Public Accounts Committee (PAC) plays a central role in reviewing this information. PAC examines ministry contributions to provincial results and uses annual reports to assess ministry performance against approved budgets and business plans. The quality and clarity of information in ministry annual reports directly affect PAC's ability to carry out this oversight on behalf of Albertans.

Each Alberta government department is responsible for preparing the annual report for its respective ministry. A ministry is the consolidated operations of the department and its controlled agencies, boards, commissions, and regulated funds.

To make annual reports meaningful, departments are required to follow six general disclosure principles in the *Ministry Annual Report Standards* (reporting standards):[1]

- Strategic perspective
- Integrated financial and non-financial information
- Completeness and materiality
- Through the eyes of management
- Usefulness
- Forward-looking

The underlying concepts of these principles align with best practice characteristics of effective public performance reporting in Canada and internationally. They work together like pieces of a puzzle—each piece must fit to give Albertans a complete picture of ministry performance.

The reporting standards as well as related training to department staff are managed by the Treasury Board Secretariat, a division within the Department of Treasury Board and Finance (TBF).

Departments assess their own compliance with the reporting standards as poor, fair, adequate, or exceptional when finalizing their ministry annual reports for external users. Each department rated itself as either adequate or exceptional for its 2024-25 annual report.

Continuous Management Cycle



The Government of Alberta manages results by first setting direction through a strategic plan that identifies key priorities.

The department then develops a ministry annual business plan aligned with this strategy. These plans outline outcomes, key activities, and performance measures. Annual reports summarize results achieved against these plans.

Analysis of the results and the lessons learned help inform the department where changes to future ministry annual plans are required. The collective analysis from all departments may also identify changes required in the government's overall strategic plan.

[1] Treasury Board and Finance developed the reporting standards based on Chartered Professional Accountants Canada's *Management's Discussion and Analysis—Guidance on preparation and disclosure*, the Canadian Audit and Accountability Foundation's *Public Performance Reporting—Reporting Principles: Taking Public Performance Reporting to a New Level*, and the Auditor General of Alberta's *Results Analysis Reporting* guidance.

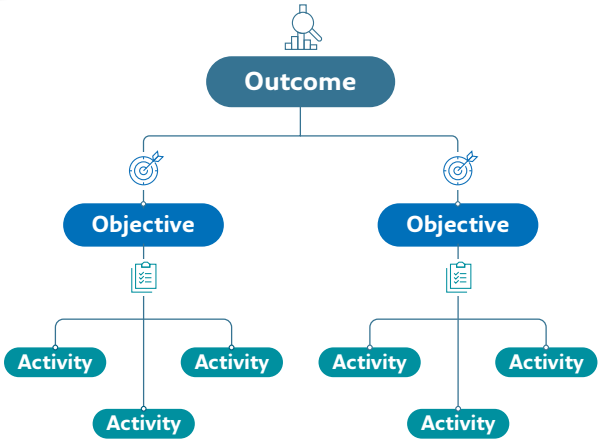
The departments' ministry annual report structure organizes results analysis by presenting performance information at three levels:

Outcomes—Results desired by the ministry within three years that align with provincial goals. Outcomes should be measurable[2] and include performance targets.

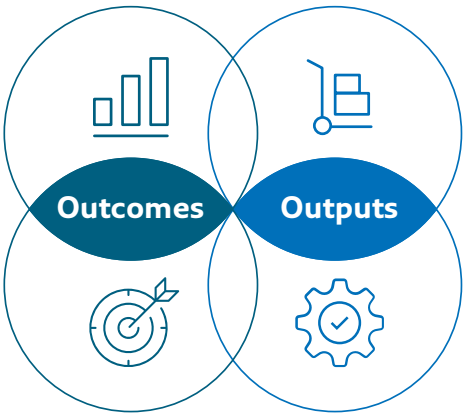
Objectives—Results to achieve within three years to meet the desired outcome. Key objectives are those that most directly impact significant opportunities and overcome challenges in achieving the ministry's desired outcome.

Activities—Programs and initiatives that contribute to achieving an objective. Each program's performance should include measurable outputs and planned expectations for what needs to be achieved to support objectives and the ministry's overall outcome.

Departments' Ministry Annual Report Structure



Outcomes vs. Outputs



Outcomes
are the results an organization tries to achieve based on its goals

Outputs
are the goods and services an organization actually delivers to achieve outcomes and show "how much" or "how many"

[2] **Performance measures** are quantifiable and demonstrate progress toward achieving desired outcomes closely tied to the work of the organization, so performance targets should be set. A performance measure and its target provide a concrete statement of what is intended to be accomplished over a specific period.
Performance indicators provide information about environmental, social, and economic state or condition and assess progress toward achieving ultimate outcomes. They are highly influenced by numerous external factors beyond government organizations and are therefore contextual. Because of these influences, no targets are required.

Previous recommendations for performance reporting improvement

Our previous audit work on performance reporting by ministries recommended improvements to TBF.

Audits in 2012[3] and 2014[4] found that Alberta government departments were inconsistently conducting performance measure variance analysis and were not identifying or analyzing significant matters. They also received little guidance or training from TBF to prepare annual reports, and TBF was not monitoring compliance with reporting standards.

We assessed that TBF implemented improved processes in 2019[5] and 2024,[6] except for a process to monitor compliance with reporting standards. TBF determined it would not implement a compliance process because there is no current government directive or authority for that department to monitor whether other Alberta government departments comply with the reporting standards.

Over the past 30 years, we have completed performance audits of various Alberta government department programs, including recent audits of COVID-19 response programs. These audits often assessed the quality of performance reporting in the related ministry annual reports. We consistently found that program results were incomplete or missing. We did not issue recommendations in every audit because we had already recommended that TBF establish compliance monitoring processes to help correct this recurring reporting deficiency.

We have observed that PAC meetings often include requests to departments for additional information to clarify ministry performance results. PAC members frequently seek clearer connections between the resources ministries spend and the results they achieve. Without defined performance metrics, departments cannot demonstrate whether public funds are producing intended outcomes. This gap reinforces the need for consistent compliance with performance reporting requirements.

Given the importance of performance reporting and accountability—and the absence of a formal process to monitor compliance with reporting requirements—we added a compliance component to our performance audit work in 2024.

[3] *Treasury Board and Finance—Analyzing Performance*, Report of the Auditor General—July 2012.

[4] *Treasury Board and Finance—Results Analysis Reporting*, Report of the Auditor General—July 2014.

[5] *Reporting Performance Results to Albertans Followup*, Report of the Auditor General—August 2019.

[6] *Reporting Performance Results to Albertans Assessment of Implementation*, Report of the Auditor General, November 2024.

Detailed Findings and Recommendations

Formal Reporting Benchmark

Context

In our November 2024 *Reporting Performance Results to Albertans Assessment of Implementation*, we reported that TBF would not implement our recommended ministry annual report compliance monitoring process. At that time, we reported that "Given the importance of performance reporting and accountability, we will add a compliance component to our performance audit work and report publicly on compliance with government performance reporting standards and best practices."

Criteria

The departments' ministry annual reports should reflect the characteristics of effective public performance reporting through compliance with the reporting standard's six general disclosure principles.

Our findings

Key findings

The Department of Treasury Board and Finance does not have a central formal reporting benchmark.

No formal reporting benchmark

Although TBF developed the reporting standards based on best practices, it did not establish a central formal benchmark for how all Alberta government departments are expected to interpret and apply the reporting standards consistently.

The reporting standards provide only general guidance. Each department interprets how to apply the reporting standards when preparing its ministry annual report. While we found similarities between how each department interpreted and applied the reporting standards, any consistency in presenting performance results was informal and undocumented. As a result, departments self-assess their compliance with the reporting standards based on their own interpretation of the guidelines.

NEW Recommendation:
Establish a formal application benchmark

We recommend that the Department of Treasury Board and Finance establish a central formal benchmark for how to interpret and consistently apply the *Ministry Annual Report Standards*.

CONSEQUENCES OF NOT TAKING ACTION

Without a formal benchmark, ministry annual reports will continue to present performance results inconsistently, limit meaningful assessment of compliance with reporting standards, and reduce their effectiveness as an accountability mechanism. This limits transparency for the Members of the Legislative Assembly and Albertans and increases the risk that performance information is incomplete, selectively presented, or not comparable across ministries.

Incomplete Performance Reporting

In the absence of a central formal benchmark needed to assess compliance, we compared the ministry annual reports to externally established public sector performance reporting best practices.[7] TBF consulted these same practices when developing the reporting standards.

We found that public sector performance reporting best practices were not always applied in the ministry annual reports (see appendix A). Incomplete performance analysis reduces the accountability and transparency of the ministries' performance results.

The following three major themes emerged that the departments should prioritize to improve future performance reporting.

[7] Public Sector *Statement of Recommended Practice (SORP) 2: Public Performance Reporting.*

Ministry annual reports are unclear on which objectives and activities are most critical to achieving each ministry outcome

While the ministries conduct a lot of important work for many interested parties, their annual reports should clearly identify the most critical areas of performance. The ministry annual reports currently include many key objectives and activities for each outcome with minimal or no explanation of why they are critical. This makes it unclear which ones contribute the most to achieving desired outcomes.

It's like managing an inbox where every message is marked "urgent." Without clear priorities, you end up responding without prioritizing what's truly important. When everything appears critical, nothing is.

The ministry annual reports should report on critical areas identified in the business plan. Current Alberta government business plan standards limit the ministries to three pages to outline their outcomes, key objectives, and performance measures regardless of size or complexity. This business plan restriction leads the departments to create broad key objectives to facilitate reporting more ministry activities in their annual reports.

Best practice is to use factors such as financial magnitude, initiatives/programs identified in mandate letters, and the priority areas of elected officials to identify what is most critical.

Ministry annual reports provide information on what ministries did, not what they achieved

The ministry annual reports focus on describing programs and activities rather than analyzing their performance. For each critical area of performance, departments need in-depth analysis of how each key objective activity contributed to the desired outcome. Performance information is provided for some, but not all, key objectives and related activities.

Without explaining how activities are measured and the gaps between actual and targeted results, it is difficult to understand what worked, what did not, and what may need to change. This is like trying to complete a puzzle with missing pieces. Incomplete performance reporting limits readers' ability to understand ministry progress and assess accountability.

Best practice is to clearly state each activity's target in the annual report and analyze the difference between actual and targeted results. This approach would show how results were achieved, explain why gaps occurred, and identify lessons learned to guide operational changes for next year. For long-term programs or initiatives, this includes reporting current-year interim performance results and expectations, and whether they are on track to meet ultimate end-of-program targets.

Ministry annual reports do not clearly report the cost of resources used to deliver results

Equally as important to reporting what results were achieved is reporting how much it cost to achieve those results. Activities must be examined in relation to their cost because achieving results at any cost does not demonstrate effective performance.

The ministry annual reports often included financial numbers like program grant funding provided. However, they rarely report the full cost of administering and monitoring these programs. The ministry annual reports usually do not connect program results to the cost of achieving them. As a result, readers cannot assess whether the results represent good value for money.

This would be like a restaurant menu without any prices. You could not decide what you could afford or what was good value.

By focusing on these three major themes, departments will significantly improve the application of all six of the reporting standards principles and the overall effectiveness of their annual performance reporting.

NEW Recommendation: Improve performance reporting

We recommend that the selected departments improve performance reporting in their ministry annual reports. The departments are:

- Advanced Education
- Arts, Culture and Status of Women
- Environment and Protected Areas
- Forestry and Parks
- Jobs, Economy, Trade and Immigration
- Municipal Affairs
- Transportation and Economic Corridors
- Treasury Board and Finance

CONSEQUENCES OF NOT TAKING ACTION

Without improved performance reporting, Albertans will lack a clear and accurate understanding of ministry results, priorities, and value for money. Annual reports will remain misaligned with strategic plans, omit key insights, and not fully support informed decision-making. These gaps can reduce transparency and accountability and may affect public confidence in government reporting.

About This Audit

Objective and Scope

The objective of our audit is to determine whether the ministries' annual reports reflect the characteristics of effective public performance reporting.

We examined the selected departments':

- 2024-25 ministry annual reports
- 2024-27 ministry business plans
- listings of department program expenditures

Our findings are from examining the 2024-2025 ministry annual reports issued by the selected departments. We did not audit the departments' processes for producing their ministry annual reports or assess the validity of their business plans.

Criteria

Our criteria to determine if the ministry annual reports reflect the characteristics of effective public performance reporting are the reporting standard's six general disclosure principles.

Management of selected departments acknowledged the suitability of the audit criteria on the following dates.

Advanced Education	October 22, 2025
Arts, Culture and Status of Women	October 14, 2025
Environment and Protected Areas	October 22, 2025
Forestry and Parks	October 22, 2025
Jobs, Economy, Trade and Immigration	October 30, 2025
Municipal Affairs	October 7, 2025
Transportation and Economic Corridors	October 31, 2025
Treasury Board and Finance	October 31, 2025

Audit Responsibilities and Quality Assurance Statement

Management of the selected departments are responsible for preparing and approving the ministry annual reports.

Our responsibility is to express an independent conclusion on whether the selected ministry annual reports reflect the characteristics of effective public performance reporting.

Work to plan an audit to a reasonable level of assurance and our disclaimer of conclusion were prepared in accordance with the Canadian Standard on Assurance Engagements (CSAE) 3001—Direct Engagements, set out in the CPA Canada Handbook—Assurance. Our ministry annual report findings on the application of *Statement of Recommended Practices 2—Public Performance Reporting*, was conducted under the authority of the *Auditor General Act*.

The Office of the Auditor General applies Canadian Standard on Quality Management 1, which requires the office to design, implement and operate a system of quality management, including policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. The office complies with the independence and other ethical requirements of the Chartered Professional Accountants of Alberta Rules of Professional Conduct, which are founded on fundamental principles of integrity and due care, objectivity, professional competence, confidentiality and professional behaviour.

Appendix A: Annual Report Differences from Best Practice

The following is our summary comparison of the selected ministry annual reports to public sector best practices under the *Chartered Professional Accountants Public Sector Statement of Recommended Practice 2, Public Performance Reporting*.

Ministry annual reports are unclear on which objectives and activities are most critical to achieving each ministry outcome

The ministry annual reports do not consistently provide full explanations of the importance of key objectives

The ministry annual reports do not always give enough information for readers to understand why key objectives and activities are considered critical to achieving ministry outcomes.

For example, Treasury Board and Finance's desired outcome of an efficient and effective Alberta Public Service (APS) is in part driven by key objective 3.2 "Engage, develop, and support employees and ensure a safe, diverse, inclusive and respectful work environment in the APS." The objective describes several activities including Occupational Health and Safety and a Duty to Accommodate. While these generally align with the objective, no explanation is provided for their specific importance, contribution to achieving the objective, or why they were selected. Readers are left to assume all activities contribute equally to the objective, which is unlikely. Readers also don't know why these activities are critical to public service efficiency and effectiveness.

Best practice is to disclose the rationale for selecting the critical aspects of performance to help readers understand why certain aspects of performance were included while others were not.

The ministry annual reports do not consistently focus on critical aspects of performance; rather, they report an exhaustive list of activities

The ministry annual reports have broad key objectives that allow numerous activities to align with each key objective's performance. Treasury Board and Finance reported the fewest with 27 activities, while Transportation and Economic Corridors reported the most with 79 activities. When so many activities are reported together, the focus is diluted, making it unclear which activities contribute most to achieving the desired outcomes.

For example, Arts, Culture and Status of Women's key objective 2.5 "Continue to support and engage with members of the 2SLGBTQQIA+ communities" is broad and lacks specificity. The objective does not define what is meant by "support" or "engage," nor does it identify the intended outcomes of these efforts. As a result, it is unclear how progress would be assessed or what success would look like. This broad and undefined wording allows for a wide range of activities to be claimed as contributing to the objective, making it difficult to establish priorities, assess effectiveness, or determine whether actions meaningfully improve the outcomes for the communities involved.

The ministry annual reports also do not clearly show the costs of agencies, operational divisions, or activities, or explain their significance to the ministry's overall performance. While spending is not always the deciding factor in determining importance, it often plays a key role.

For example, operational funding for Advanced Education's post-secondary institutions is rarely mentioned, despite its significance to the ministry. Under key objective 1.1, the investment management agreements, which stipulate the performance measures institutions must meet to obtain full department funding, do not clearly describe the connection to this funding or capture the full impact the agreements have on it. Post-secondary institution expenditures are 92 per cent of ministry expenditures in 2024–2025.

Ministry annual reports should also reflect the performance of all critical agencies, boards, commissions, and regulated funds even if those entities publish separate annual reports. For example, ATB Financial is mentioned only briefly in relation to a single acquisition, despite that organization's material role in achieving Treasury Board and Finance's outcomes. The purpose of the ministry annual reports are to report on the critical performance areas of any operation under ministry authority, not just department operations.

Best practice is for public performance reports to focus on the few critical aspects of performance—describing only the key strategies, goals, and objectives. It recommends using factors such as financial significance, activities identified in mandate letters, or priority areas of elected officials to determine what is most critical.

Ministry annual reports provide information on what ministries did, not what they achieved

The ministry annual reports rarely provide complete performance metrics to show progress on major activities

Most departments have a performance measure for each outcome, but many either align directly to an activity instead of an associated outcome, or do not capture the full breadth of the outcome. The ministry annual reports include limited expected results for the activities reported. As a result, readers do not have a complete picture of outcome performance.

For example, Forestry and Parks' outcome 2 performance measure captures only the timeliness of one administrative activity—improving service standards—and does not capture the broader intent of the outcome. Measuring application processing timeliness does not assess whether decisions are transparent, aligned with sustainable goals, supportive of economic opportunities, or consistent with government plans and policy. As a result, the performance measure reflects only a narrow aspect of the outcome and does not demonstrate overall performance in achieving it.

Best practice is for planned results to describe both outputs and outcomes. Outputs are the direct products and services produced by activities, while outcomes are the changes or impacts that can be plausibly attributed to those outputs.

The ministry annual reports rarely disclose significant differences between activities planned and actual results

The ministry annual reports disclose differences for performance measures but rarely for their activities, as the planned results are typically not disclosed. Three of the annual reports included no planned results, while the remaining five included planned results for less than 10 per cent of their reported activities.

Ministry annual reports should present planned versus actual results of activities so readers can determine whether performance met, exceeded, or fell short of expectations in contributing to the desired outcome.

Best practice is to compare the actual results to planned results for both activities and outcomes. Where meaningful, results should also be compared over time to show improvement or decline. Planned results may be based on past performance, targets, or comparisons with similar organizations to make performance information easier to understand.

The ministry annual reports rarely apply balanced analysis of successes and challenges

Most departments clearly describe either one or no challenges in their activities. Advanced Education and Jobs, Economy, Trade and Immigration describe the most challenges, with three identified within their activities.

Reporting only positive results limits transparency and prevents readers from gaining a complete picture of performance and where lessons learned will impact future business plans.

Best practice is to explain both positive and negative variances, as well as any major challenges identified for the activity, to provide a complete picture of performance.

The ministry annual reports rarely integrate qualitative and quantitative information

The ministry annual reports rarely compile all the information necessary for readers to understand and evaluate performance.

For example, Transportation and Economic Corridors' Yellowhead Trail activity under key objective 3.1, "Investigate and implement alternative funding opportunities supporting economic investment in the province and optimize the life-cycle cost of assets to support the long-term sustainability of transportation infrastructure," reports quantitative information, including total and annual funding amounts, project timelines, and details on completed, ongoing, and planned construction phases. It also includes some qualitative information by describing the purpose of the Yellowhead Trail conversion and the intended benefits for traffic flow and economic movement. However, it is missing key qualitative information, such as how the project aligns with the objective of pursuing alternative funding opportunities, how lifecycle cost optimization is being achieved, and what economic, operational, or community impacts the project is expected to deliver. It also lacks quantitative information, such as percentage complete or cost-to-date compared with budget, to demonstrate progress toward long-term infrastructure sustainability.

Best practice is to provide sufficient detail so that the analyses and explanations are meaningful.

The ministry annual reports do not show how lessons learned will guide changes within the organization to improve future performance

The ministry annual reports do not include lessons learned based on the analysis of activity results. Any lessons learned that are reported are based on anecdotal information.

Explaining how lessons learned guide changes to improve future performance shows that management has learned from meeting or not meeting expectations. It also demonstrates management's commitment to continuous improvement.

Best practice is to explain significant variances to identify lessons learned and any implications arising from them.

Ministry annual reports do not clearly report the cost of resources used to deliver results

The ministry annual reports rarely integrate financial information including all programs and costs related to significant priorities in the fiscal year

The ministry annual reports often include some financial information, such as actual grant funding, but rarely integrate the full activity cost of delivering programs or priorities. Full cost includes direct costs, such as actual grant funding, and indirect costs such as the departmental staffing costs required to administer and monitor grants.

Environment and Protected Areas' annual report includes the budget allocated to support initiative costs for eight of its 11 key objectives, but it does not report the actual costs against these budgets.

While half of the ministry annual reports include at least one activity with program costs, it is unclear whether this financial information represents the full cost. Without full cost information, departments risk pursuing results without considering the total cost of achieving them.

Best practice is to include both the direct and indirect costs of activities to help users understand the resources required to produce an activity's output.

The ministry annual reports rarely analyze the relationship between investments and the activities, results, and outcomes achieved

The ministry annual reports rarely analyze the cost-benefit relationship because they do not contain activity-level costs, do not link the spending to performance or benefits to Albertans in all cases, lack baselines and expectations, and provide no assessment of value for money. As a result, the annual reports cannot show how resources translate into results or whether the outcomes justify the costs.

For example, the Municipal Affairs' Municipal Internship Program activity under key objective 2.2 reports grants, counts of interns, and activities, but omits full costs, targets, performance results, benefits to Albertans, comparators, and any value for money analysis. This leaves readers unable to determine how spending led to outcomes or assess whether the costs are justified.

Best practice is to integrate resources and results in reporting so ministries can better explain how the resources used relate to the results achieved.

Appendix B: Reporting Standards—Treasury Board Secretariat Principles

Treasury Board and Finance developed the general disclosure principles in the *Ministry Annual Report Standards* based on guidance from Chartered Professional Accountants Canada's *Management's Discussion and Analysis—Guidance on preparation and disclosure*; the Canadian Audit and Accountability Foundation's *Public Performance Reporting—Reporting Principles: Taking Public Performance Reporting to a New Level*; and the Office of the Auditor General of Alberta's *Results Analysis Reporting* guidance.

Strategic Perspective

- Explain management's strategy for achieving short- and long-term objectives and actions.
- Discuss performance against milestones that show progress toward achieving longer-term outcomes.
- Provide a critical review of significant activities, results, and outcomes achieved in the fiscal year, and not an exhaustive analysis of performance.

Integrated Financial and Non-financial Information

- Explain the results achieved for the dollars spent by linking results analysis to the financial statements.
- Provide useful qualitative and quantitative information about the ministry and its performance that is not reported in the financial statements, but which is relevant to the evaluation of past results and future objectives focusing on impacts and outcomes.

Completeness and Materiality

- Results analysis reporting should be clearly linked to the ministry 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 to assess ministry performance during the fiscal year.
- Results analysis commentary should be accurate with supporting information available; and should disclose results deemed material, or where there is a significant difference between planned and actual results.
- Apply balanced reporting to ensure analysis is free from deliberate or systemic biases, including actions where the outcomes did not meet management's expectations, thereby enhancing the credibility of the information presented.
- Explain the effect of uncontrollable factors. Reporting in this manner recognizes the responsibilities of governing as well as a willingness to learn and improve.
- Management must identify, address and communicate the quantitative and qualitative information necessary for users to understand and evaluate the ministry's strategy, results, challenges, risks, and future objectives.

Through the Eyes of Management

- Senior management should remain involved in the development and ongoing review of the results analysis, checking that the drafts remain true to planning decisions, as well as the annual reporting objectives and standards.
- Significant matters warranting explanation in the annual report should be established early with reference to ministry business plans, commitments, and key activities underway.
- Results analysis reflects senior management involvement and judgment and demonstrates a sufficient and appropriate basis for management's interpretation of performance.

Usefulness

- Written in plain language without promotional language or exaggeration.
- Use graphics and tables with explanatory narratives (e.g., analysis of whether performance is stable, improving or deteriorating) where these would enhance understanding to compare results to past performance and outcomes.
- Information should be accurate with supporting information available; and should disclose information that is material to the decision-making needs of annual report readers.

Forward-looking

- Results analysis should explain past events, decisions, circumstances, and performance in the context of whether they are reasonably likely to be indicative of and have a material impact on future objectives. Ministries should also disclose where results achieved were not as intended and how the ministry intends to adjust delivery, policy, or performance to improve future results.
- 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 objectives.

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