



OFFICE OF THE  
**Auditor General**  
of British Columbia

**Building Better Reports:  
Our Review of the 2002/03  
Annual Service Plan Reports  
of Government**

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The Honourable Claude Richmond  
Speaker of the Legislative Assembly  
Province of British Columbia  
Parliament Buildings  
Victoria, British Columbia  
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Dear Sir:

I have the honour to transmit herewith to the Legislative Assembly of British Columbia my 2003/2004 Report 7: Building Better Reports: Our Review of the 2002/03 Annual Service Plan Reports of Government.

*Wayne Streliaff*

Wayne Streliaff, FCA  
Auditor General

Victoria, British Columbia  
March 2004

copy: Mr. E. George MacMinn, Q.C.  
Clerk of the Legislative Assembly

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# Auditor General's Comments



Wayne Strelieff, FCA  
Auditor General

Open, transparent and credible reporting over the long-term will require significant resolve from both legislators and government organizations who prepare public plans and reports. The benefit of doing so lies in the confidence such planning and reporting will engender in the public who are interested in the choices government makes, the reasons for these choices and what they cost. I believe my Office can play a significant role in influencing the quality of reporting of government organizations. That's why, each year I assess the quality of the annual reports to ensure that legislators and the public are getting the information they need to hold government to account.

Government has said it is committed to holding itself accountable for measuring the success of its programs and in reporting on its performance. But performance reporting is much more than accountability. I consider good performance reporting to be a reflection of a well-managed organization. Such reports can show how effectively management has performed, the fundamental choices an organization has faced, and the decisions it has made with respect to these choices. This information is critical to both government and the Legislative Assembly—to government in its management of public resources, and to the Assembly in assessing how well those resources were managed.

This past year has brought British Columbia closer to realizing the principles of quality performance reporting in the annual service plan reports of government. In October 2003, government, legislators and I endorsed the "BC Reporting Principles," which set out the elements that a complete and credible report on performance should contain.<sup>1</sup> These principles, rooted in emerging national performance reporting principles, formed the basis of my review of the quality of the 2002/03 annual service plan reports of government. The principles are highly consistent with those I used last year in my review of the 2001/02 annual reports.

I am generally satisfied with the overall trend of improvement government has made to date in incorporating the principles of good performance reporting in its annual reports. Although none of the reports contain enough appropriate information to give the reader a full understanding of government's performance, most do show some improvement over last year.

<sup>1</sup>See Performance Reporting Principles for the British Columbia Public Sector, principles endorsed by Government, the Select Standing Committee on Public Accounts and the Office of the Auditor General of British Columbia (November 2003).

## Auditor General's Comments

The assessment of my Office's own annual report<sup>2</sup> reminds me of the challenge that ministries, Crown corporations and government as a whole face—the challenge of providing complete and credible information while focusing only on the few, critical aspects of performance. I know from experience that good performance reporting takes time and effort. That's why I want to be as encouraging as I can while pushing for steady improvement.

I believe everyone benefits from open, transparent and credible performance reporting. Stronger reporting leads to better performance and better performance to strengthened public confidence in the decisions that government makes. I remain committed to helping improve the quality of that reporting, both by providing such reviews as I do here and by leading the effort to give legislators assurance about the reliability of the information they receive.

*Wayne Strelhoff*

*Wayne K. Strelhoff, FCA  
Auditor General*

*Victoria, British Columbia  
March 2004*



<sup>2</sup>2002/2003 Annual Report of the Auditor General of British Columbia: Serving the Legislative Assembly and People of British Columbia (June 2003).

## Introduction

The Auditor General of British Columbia is committed to helping ensure that legislators and the public receive the best information possible for assessing the performance of government. Our yearly review of the quality of the annual service plan reports of government is one way we contribute to this goal.

As a result of our review of the 2000/01<sup>3</sup> annual reports, the Legislative Assembly's Select Standing Committee on Public Accounts (PAC) made several recommendations aimed at improving public performance reporting. Among those recommendations was that government should work with the Auditor General to:

- seek consensus on the public performance reporting principles and criteria that should be used by the public sector in British Columbia; and
- develop and implement a program over time to ensure there is independent assurance about the reliability of the information that ministries, government organizations and government as a whole provide in their annual service plan reports.

This latter recommendation is also consistent, we believe, with the government's commitment to provide "measurable performance standards and targets for all programs that are annually audited and published, for all taxpayers to see."<sup>4</sup>

Both of the PAC's recommendations have been acted on. Government, the Auditor General and the Public Accounts Committee of the Legislative Assembly have reached agreement on reporting principles for the British Columbia public sector.

Agreement on reporting principles is no small matter. Having such agreement provides a solid basis for moving towards improved performance reporting and sets the framework by which reports can be built. These principles provided the basis on which we assessed the quality of the 2002/03 annual service plan reports.

<sup>3</sup>See *Building Better Reports: Public Performance Reporting Practices in British Columbia*, Office of the Auditor General of British Columbia, 2001/2002, Report 3.

<sup>4</sup>Reported in the *New Era Review June 2001 to November 2003*.



## Overview

Formalizing agreement around the principles is a significant building block to good performance reporting and, along with the Budget Transparency and Accountability Act, puts British Columbia at the forefront of public sector reporting practices across the country.

## Objective and Scope

Our objective in reviewing the annual service plan reports of the ministries, the major Crown corporations and the government as a whole is to assess the extent to which the reporting content reflects the principles of good performance reporting, and to determine whether the quality of the reporting is improving over time.

This year we assessed the 2002/03 annual service plan reports of 20 ministries, 14 of the Crown corporations, and the government as a whole. (The list of the annual service plan reports we reviewed is provided in Appendix A.)

In carrying out our assessment, we focused on the annual service plan report. We did not audit the information, so we did not carry out any interviews, system reviews or other document reviews. Consequently, we are not providing any assurance as to whether the information is reliable—that is to say, whether it fairly represents the underlying performance.

To determine the reliability of the information reported—in essence, to have verified the accuracy of the data—would have required us to commit significantly more resources. And, given that government organizations are continuing to refine their performance measures, we did not feel the potential benefits were significant enough as yet to warrant an audit of the information. For these reasons, we excluded from our assessment the extent to which annual service plan reports meet the principle of *Present credible information, fairly interpreted*.

### Approach

#### The BC Reporting Principles

We used the BC Reporting Principles to assess annual service plan reports because they reflect broad agreement in government about the basis on which public sector organizations should tell their performance story. (See also the topic box “*What Are the BC Reporting Principles?*” for more information.) As described above, we excluded one principle (*Present credible information, fairly interpreted*) from the scope of our review.

The principles—and hence our assessment methodology—differ only slightly from the approach we used to review the 2001/02 annual reports of government. The primary difference in our current review was the addition of the principle *Explain the public purpose served*—a concept that had been addressed under a broader principle in our assessment of the 2001/02 annual reports.

#### What Are the BC Reporting Principles?

##### BC’s Reporting Principles

- 1 Explain the public purpose served
- 2 Link goals and results
- 3 Focus on the few, critical aspects of performance
- 4 Relate results to risk and capacity
- 5 Link resources, strategies and results
- 6 Provide comparative information
- 7 Present credible information, fairly interpreted
- 8 Disclose the basis for key reporting judgements

The BC Reporting Principles reflect broad agreement, across government and with legislators and the Auditor General, about the basis on which government should tell its performance story. In terms of public reporting, the essence of these principles is to encourage a healthy debate of plans and actual performance.

The principles also provide guidance both to those within government who must prepare public reports and to those who use the reports. As well, the Auditor General uses the BC Reporting Principles to review and report on the quality of government’s annual service plan reports. This helps ensure there is common understanding about the quality and completeness of government’s performance reporting.

The principles, though, are more than a reporting device. They can help support government in using planning and reporting as a tool for managing, integrated with its ongoing management practices. To report on the results achieved, organizations need to manage their plans—their goals, objectives and strategies—and to ensure they have the information they need to know whether they are achieving their intended results.

In October 2003, the PAC endorsed the BC Reporting Principles as guidance for the preparation and assessment of service plans and annual service plan reports, and encouraged Ministries and Crown agencies to work towards the goal of also incorporating the principles into contracts with non-ministerial service delivery agencies.

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For more information see Performance Reporting Principles for the British Columbia Public Sector, Report of the Province of British Columbia and the Auditor General of British Columbia, November 2003.

### A Learning Model Approach

As with last year's review, we used a learning model approach to assess annual service plan reports in terms of four stages of development in incorporating the reporting principles. The four stages are: Start-up, In Process, Fundamentals in Place and Fully Incorporated. Our assessment methodology, including the learning model approach we followed, is included at Appendix B.

### Raising the Profile

One of our key aims in carrying out this annual review is to encourage public sector organizations to constantly improve the quality of their performance reporting. In support of this, we adjust our reporting strategy each year. In our first report in the Building Better Reports<sup>5</sup> series, for example, we generalized on the weaknesses we found in government's reporting while highlighting the positive aspects. We used the same approach in our second report<sup>6</sup> and included an overall assessment of the quality of the reporting provided by government and its organizations. We also highlighted how well the leaders (those responsible for setting direction or giving guidance on report preparation) had done because, ideally, they should serve as the example for others to follow.

In this year's review, we provide overall assessments of the quality of the reporting by ministries and by Crown corporations. We also bring greater focus to government's reporting by making public our assessment of each of the annual service plan reports we assessed.<sup>7</sup> Because of this public profile, we met with key individuals within each government organization to discuss in detail our assessment of their organization's annual service plan report. We acknowledge the interest and commitment of the people who met with us to discuss our findings. In all cases, they were keen to improve the quality of their organization's performance reporting.

<sup>5</sup>See *Building Better Reports: Public Performance Reporting Practices in British Columbia*, Office of the Auditor General of British Columbia, 2001/2002, Report 3.

<sup>6</sup>See *Building Better Reports: Our Review of the 2001/02 Reports of Government*, Office of the Auditor General of British Columbia, 2002/2003, Report 7.

<sup>7</sup>The individual assessments can be accessed electronically from Appendix A or from our website at [www.bcauditor.com](http://www.bcauditor.com). Alternatively, the assessments can be made available by contacting the Office directly. Contact information is provided on the inside cover to this report.

## Overview

### Establishing a Baseline for Comparison

Making public our individual assessments of the annual service plan reports will enable us to show how well organizations progress in incorporating the BC Reporting Principles in the coming years. This year's assessments will therefore become a baseline against which we can show the trend in performance reporting over time—that is, whether reports are improving, declining or remaining static in their quality.

While our assessment methodology makes no judgement about the pace of improvement, we believe the trend information will lead to good discussion and debate among government and legislators about what they think the pace of reporting improvement should be.

### Quality Assurance

As we did last year, we carried out a general examination (rather than an audit) that was supported by a comprehensive assessment program. This program was designed to help the reviewers evaluate each report's stage of development in incorporating the reporting principles, and to document their evaluation. Because professional judgement is necessary, we also took other steps to ensure fairness and consistency in our evaluations. Each report was assessed independently by at least three reviewers and agreement on the evaluation was reached at two intermediate stages. The coordinator for the project assessed all 34 reports (as well as the government's annual strategic plan report) to ensure consistency in the evaluations across the Office.

## A Summary of Our Assessment

### The Annual Service Plan Reports Overall

On average, the annual service plan reports of government are at an In Process stage of development for four of the seven reporting principles, and are at the Start-up stage of development for three of the seven principles (Exhibit 1). We therefore concluded that the 2002/03 annual service plan reports do not yet fully inform readers about government's performance.

# Overview

## Exhibit 1

### Overall assessment of the stage of development of the annual service plan reports of government<sup>a</sup>

Stage of Development	BC Reporting Principles													
	Public Purpose Served		Link Goals and Results		Few, Critical Aspects		Risk and Capacity		Link Resources, Strategies and Results		Comparative Information		Disclose Key Reporting Judgements	
	2001/02	2002/03	2001/02	2002/03	2001/02	2002/03	2001/02	2002/03	2001/02	2002/03	2001/02	2002/03	2001/02	2002/03
Fully Incorporated	Not Assessed													
Fundamentals in Place			2	3	2	3	1	1			7	4		1
In Process		26	16	31	13	20	12	7	9	9	10	17	8	15
Start-up		8	16		19	11	21	26	25	25	17	13	26	18

<sup>a</sup>Excludes our assessment of the government annual strategic plan report. See Appendix A for a complete list of the ministry and Crown corporation reports we assessed.

**START-UP**  
Most elements have not yet been addressed.

**IN PROCESS**  
Many elements have not been addressed, but progress is being made.

**FUNDAMENTALS IN PLACE**  
Most significant elements have been addressed but further improvements are possible.

**FULLY INCORPORATED**  
All elements have been substantially addressed.

Nonetheless, the quality of the reporting has shown modest improvement over last year—that is, the extent to which the reporting content reflects the principles of good performance reporting has increased. For example, for the principle *Link goals and results*, all annual service plan reports are beyond the Start-up stage of development compared with just over half last year. As well, for the principle *Focus on the few, critical aspects of performance*, there are almost twice as many ministry reports at the In Process stage compared to the previous year.

While the BC Reporting Principles are not new concepts, the depth of these concepts has not traditionally been expected in annual reports, even though organizations may have been managing in a way that is consistent with the principles. The performance reporting principles are changing a culture of reporting that, in the past, has centred primarily on the tasks and activities an organization has carried out over the course of the year. Now, under these principles, organizations are being asked to provide more information about the results of their activities, and to focus their reporting on “the few critical things that matter.”

## Overview

Changing the focus of reporting will take time, but we know that good performance reporting is attainable. The annual report of the British Columbia Hydro and Power Authority, for instance, reached the Fundamentals in Place stage for four of the principles while the annual report of the British Columbia Buildings Corporation reached the same stage for three of the principles.

### Ministry Annual Service Plan Reports

The most significant improvement in terms of incorporating the principles of good performance reporting this year came from the ministry reports. Ministries improved their average rating overall and are much closer to an In Process rating than they were last year (Exhibit 2).

### Exhibit 2

#### Overall assessment of ministry annual service plan reports

Stage of Development	Reporting Principles													
	Public Purpose Served		Link Goals and Results		Few, Critical Aspects		Risk and Capacity		Link Resources, Strategies and Results		Comparative Information		Disclose Key Reporting Judgements	
	2001/02	2002/03	2001/02	2002/03	2001/02	2002/03	2001/02	2002/03	2001/02	2002/03	2001/02	2002/03	2001/02	2002/03
Fully Incorporated	Not Assessed													
Fundamentals in Place			1	1		1					1			
In Process		12	6	19	7	13	4	2	2		5	11	5	10
Start-up		8	13		13	6	16	18	18	20	14	9	15	10

- Advanced Education
- Agriculture
- Attorney General
- Children & Family
- Community Aboriginal & Women's Services
- Competition, Science, Enterprise
- Education
- Energy Mines
- Finance
- Forests
- Health Planning
- Health Services
- Human Resources
- Management Services
- Public Safety and Solicitor General
- Revenue
- Skills Development & Labour
- Sustainable Resource Management
- Transportation
- Water, Land & Air Protection

## Overview

The two most challenging reporting principles for the ministries were *Relate results to risk and capacity* and *Link resources, strategies and results*.

### Crown Corporation Annual Service Plan Reports

While the Crown corporations did not show the same degree of improvement as the ministries did, they were already reporting at a more advanced stage of development than were the ministries. Overall, Crown corporation annual service plan reports improved for four principles and declined for two (Exhibit 3).

The two most challenging principles for the Crown corporations—the ones for which they averaged at the Start-up stage of development—were *Relate results to risk and capacity* and *Disclose the basis for key reporting judgements*.

### Exhibit 3

#### Overall assessment of Crown corporation annual service plan reports

Stage of Development	Reporting Principles													
	Public Purpose Served		Link Goals and Results		Few, Critical Aspects		Risk and Capacity		Link Resources, Strategies and Results		Comparative Information		Disclose Key Reporting Judgements	
	2001/02	2002/03	2001/02	2002/03	2001/02	2002/03	2001/02	2002/03	2001/02	2002/03	2001/02	2002/03	2001/02	2002/03
Fully Incorporated	Not Assessed													
Fundamentals in Place			1	2	2	2	1	1			6	4		1
In Process		14	10	12	6	7	8	5	7	9	5	6	3	5
Start-up			3		6	5	5	8	7	5	3	4	11	8

- BC Assessment
- BC Buildings Corporation
- BC Housing
- BC Hydro
- BC Lottery Corporation
- BC Securities Commission
- BC Transit
- Columbia Basin Trust
- Insurance Corporation of BC
- Land & Water BC
- Legal Services Society
- Liquor Distribution Branch
- Oil & Gas
- Tourism British Columbia

## Overview

### Our Assessment of the Government-Wide Annual Report

Our assessment of the 2002/03 annual strategic plan report of government placed it at the In Process stage of development overall. The report attained the Fundamentals in Place stage for one of the reporting principles, *Linking goals and results*. This is a significant improvement over last year's overall assessment of Start-up.

More detailed information about our assessments of the annual service plan reports of the ministries, Crown corporations and government as a whole is available in the section of this report entitled "Our Assessment of the Annual Service Plan Reports by Principle."

### Putting the Assessment Results in Context

In presenting our overall assessment of their reporting, we were asked by the organizations whose reports we reviewed to explain clearly the context in which the annual service plan reports were prepared and assessed. We agreed that our assessment should be understood within this context. The issues that organizations felt strongly about are summarized here, along with the reasons we took the approach we did.

### Relating results to risk and capacity

A challenging reporting principle for most ministries, Crown corporations and government as a whole was *Relate results to risk and capacity*. Ministry staff in particular pointed out to us that reporting publicly about areas where an organization's capacity may be limited or restrained was not likely to occur because of the negative publicity such reporting might bring.

We recognize that it can be difficult to report on capacity in an open and unbiased way—that is, critical judgements will inevitably be made as to whether an organization has too few or too many resources. But we believe this is the point of reporting on capacity: to ensure either that an organization is sufficiently supported to achieve its intended results or that its intended results are reasonable given the organization's capacity.



### The annual report as a stand alone document

As we met with report preparers, we found differing opinions as to the extent to which the annual reports should reflect information previously provided in the three-year service plan. Some Crown corporation staff particularly felt that information such as budget and forecast information need not be duplicated in the annual report and that this approach was consistent with their reporting guidelines. They felt that the annual service plan report and the corresponding plan were “companion” documents that should not be assessed in isolation.

We took the position that the general reader, seeking to understand how an organization performed, would be unlikely to refer back to the supporting plan, published about 16 months earlier. We believe that both the plan and the related report should contain enough information to be meaningful on their own. We therefore expected to find sufficient information in the annual report to enable a reader to put the results in context. Although we did refer to both the past (2002/03 to 2004/05) and the current (2003/04 to 2005/06) three-year plans for our assessment, we did so only to determine if the organization was complete and consistent in reporting on what had been planned.

### Keeping the annual report current

Some organizations felt the quality of their reporting had been constrained by the form and content of the corresponding three-year plan—in other words, that the annual service plan report could only be as good as the plan it was based on. We found, for example, that some organizations reported on the performance measures contained in their 2002/03—2004/05 service plans even though they knew, at the time they were preparing the annual report, that some measures had been replaced with new or better ones. The annual reports of some organizations did not reflect these known changes.

Over the course of a year, organizations will experience changes in the environment, shifts in direction or advances in their performance measures that would not have been foreseen at the time the plan was prepared. While we recognize the need to report actual performance in the context of planned performance,

## Overview

we believe that the annual report should also be meaningful and current—that is, it should provide useful information that may not have been foreseen at the time the service plan was prepared. Annual service plan reports should not be constrained by limitations in the related plan; however, in keeping with the principle *Disclose the basis for key reporting judgements*, explanations should also be provided in instances where an annual report strays from the related plan.

### Assessing the report against the principles and not the guidelines

Ministries and Crown corporations are required to publish service plans and annual service plan reports using the structure contained in guidelines issued by the Treasury Board Staff (for ministries) and the Crown Agencies Secretariat (for Crown corporations). The purpose of the guidelines is to provide consistency in format and content of the reports, and to help organizations achieve the comparability requirement set out in the Budget Transparency and Accountability Act.

Although the ministry guidelines for preparing the 2002/03 service plan reports referred to the BC Reporting Principles, the 2002/03 Crown corporation reporting guidelines did not (pending formal approval from the PAC). Staff from the Crown corporations whose reports we reviewed were concerned that we were assessing their organization's reporting against standards that were not part of the annual service plan report guidelines. Hence, some staff suggested that we should have assessed the reports against the guidelines, not against the reporting principles.

We assessed the annual reports against the BC Reporting Principles because at the time government (and later legislators) endorsed the principles as the basis for meaningful performance reporting. The BC Reporting Principles are highly consistent with the national reporting principles recommended by the CCAF, they are similar to the reporting principles and practices of other jurisdictions, and they are consistent with general thinking in British Columbia over the last few years.

This issue—whether the annual reports should be assessed against the BC Reporting Principles or against the ministry and Crown corporation report guidelines—should not be a problem

## Overview

in the future. We understand the guidelines for preparing the 2003/04 annual service plan reports of ministries will continue to reference the principles; similarly, the guidelines for the 2003/04 annual service plan reports of Crown corporations will be updated to reflect the BC Reporting Principles.

## Next Steps

Our analysis of the annual service plan reports, summarized by principle in the next section of this report, provides guidance to help organizations advance the quality of their reporting. We know that ministries and Crown corporations are also working toward this objective. At the conclusion of our review, for example, we met with individuals from each organization whose report we reviewed to discuss in detail our assessments and to offer suggestions for improvement.

As government, through its central agencies, updates its plan and report preparation guidelines to reflect the BC Reporting Principles, we believe the principles will be more thoroughly reflected in future annual service plan reports.

We also think that awareness of the BC Reporting Principles should be promoted across the province's public sector in other ways. As a start, we have made two key documents available on our website: the progress report to the PAC, *Reporting Principles and An Assurance Program for BC* (March 2003); and *Performance Reporting Principles for the British Columbia Public Sector* (November 2003), reflecting the PAC's support for the principles. We are also preparing a "quick reference" guide for legislators, describing the reporting principles and how they should be used.

## Looking Forward

*The Building Better Reports series*—presenting our yearly review of the annual service plan reports of government—is one way we are working to ensure that legislators and the public receive the best information possible for assessing the performance of government. In the short term, we will continue with these assessments.

## Overview

There is one limitation in this approach. Our assessments focus on the kind of information that should be reported; they provide no assurance as to whether the information is reliable—that is to say, whether the annual reports fairly represent the underlying performance.

Consequently, over the long term, we intend to shift our attention away from a general review of performance reporting to an audit of the reliability of the information—in other words, to focus on the principle, currently excluded from our review, *Present credible information, fairly interpreted*.

We believe that giving readers assurance about the reliability of performance information will strengthen its credibility; this, in turn, will enhance the quality—and, ultimately, the usefulness—of the annual service plan reports. The PAC has endorsed the principle that independent assurance should be provided on the reliability of the information that ministries, government organizations and government as a whole present in their annual service plan reports—and that that assurance be included in the annual reports.

In keeping with the PAC's direction, we are working with government to explore ways to provide assurance on performance information over the short- and long-term. We, along with government, will provide a report to the PAC later this year on the progress that we've made.

Meanwhile, we have other work on assurance underway. For example, the Workers' Compensation Board has taken the lead by asking us to examine the quality of the performance information contained in its annual report to the Legislative Assembly and the public. Also, as required by legislation, the Auditor General has issued assurance reports with respect to the 2001/02 and 2002/03 performance reports of the Public Guardian and Trustee of British Columbia.

In addition to these efforts, we are participating in the development of national standards for performance reporting. The Public Sector Accounting Board of the Canadian Institute of Chartered Accountants—the standard-setter for government reporting—will be developing a “statement of recommended practice” and will use, as a starting point, the CCAF's recommended

## Overview

national reporting principles (from which the BC Reporting Principles are derived). While less authoritative than an accounting standard, this statement will encourage best practices in performance reporting. The project, considered significant enough for “fast-tracking,” is expected to be completed within the next 18–24 months.

We are pleased that, through such efforts as these, British Columbia will continue to influence the evolution of performance reporting in Canada.



# Detailed Report



# Our Assessment of Annual Service Plan Reports by Principle

This section of the report presents our findings with respect to our assessment of the annual service plan reports of the ministries and Crown corporations. A description of each reporting principle and its importance is presented, followed by our assessment. We also provide in this section a detailed assessment of the 2002/03 Government Annual Strategic Plan Report.

Summaries of our individual assessments of the ministry and Crown corporation annual reports are on our website, linked (for online users) in Appendix A. Printed copies are available by contacting the Office directly. (Contact information is provided on the inside cover to this report.)

The four stages of development used in our assessment for each of the BC Reporting Principles are:

**Start-up:** Most elements have not yet been addressed.

**In Process:** Many elements have not been addressed, but progress is being made.

**Fundamentals in Place:** Most significant elements have been addressed but further improvements are possible.

**Fully Incorporated:** All elements have been substantially addressed.

Reaching the Fundamentals In Place stage is a significant achievement for an organization in its performance reporting. It is at this stage that a report will have incorporated the most important elements of the principles. Consequently, where we found examples at the Fundamentals in Place stage of reporting that depict an element of the principle well, we included the example in this report as an aid to improving good reporting practice. In some cases, we have cited examples from the 2002/03 annual report of the Public Guardian and Trustee, identified as a result of other work we carried out.



## Our Assessment of the Annual Service Plan Reports by Principle

Reports are making good progress in demonstrating the public purpose served

Results at a glance:	Demonstrating the public purpose served		<p><i>The value to the public</i> . . . in having this principle incorporated in annual service plan reports is that it will know that government is clearly operating with its interests in mind. Given that the power, authority and resources of the state come from the people, the public will want to know that government organizations clearly understand whose interests are being served, how those interests are being met and by what standard. Greater stakeholder support can result when the public better appreciates the importance of the organization, understands how it conducts its work, identifies with the values that underpin its relationships and sees the extent to which the direction of the organization is in accord with that of the government's.</p>
	Ministries	Crown corporations	
Fully Incorporated			
Fundamentals in Place			
In Process	12	14	
Start-up	8		

This reporting principle—to demonstrate an organization's *raison d'être*—calls on government organizations to be clear about the public purpose they fulfil and how the work they undertake is to be conducted.

To apply this principle successfully, the reporting organization should be aware of the intended audience so that issues of greatest concern to that audience are addressed. And to demonstrate how it fulfils its responsibilities, the report should outline how the organization's programs or services are being delivered—for example, through core business areas and, where applicable, external partners.

Part of demonstrating the public purpose served is making clear the accountability relationships of the organization. For ministries, this means explaining to whom they are accountable and for what, as well as how they hold others accountable. For Crown corporations, it means setting out their governance structures and explaining how their governance principles are followed.

## Our Assessment of the Annual Service Plan Reports by Principle

Public sector organizations are expected to meet a high standard in the way they conduct their work, reflecting the values of the public. In carrying out public business, how programs, products and services are delivered matters. Consequently, the values and principles by which an organization operates should be clearly articulated in its annual report; readers should understand how the organization ensures its values are consistent with those of the greater public sector and how they are used to guide day-to-day operations.

In their 2002/03 annual service plan reports most ministries were at the In Process stage of development in demonstrating the public purpose they serve. Each ministry explained its vision, mission and values, and described (to varying degrees) the core activities undertaken during the year. Generally, the ministries that remained at the Start-up phase for this reporting principle did not provide sufficient explanation about how their services were delivered or how their stated values were used to guide their decisions. We also found that ministries seldom explained their accountability relationships or how they ensured key partners delivered what they were supposed to deliver.

All of the Crown corporations' annual reports were at the In Process stage for this principle. There were two main reasons for this. First, Crown corporations were able to describe clearly their core business areas and the services delivered; and, second, they commonly highlighted their governance structure. A few Crown corporations also began to describe how their values guided operations, but most did not. While some Crown corporations referred to governance principles in their report, none described the governance principles they used or how they were applied.

We encourage both ministries and Crown corporations to ensure that the way in which they deliver their programs, products or services (whether provided directly or by an external partner) be clearly articulated in their annual reports. Reporting results—not only on the work of the organization but on the system as a whole—helps the reader determine how the organization fits into the larger picture and the effect it has on influencing ultimate outcomes.

### Governance Principles

The Governance Framework for Crown Corporations, prepared by the Crown Agencies Secretariat, sets out six areas that “underlie good corporate governance and form the foundation for the development of a sound governance structure.” The guiding principles for the framework are grouped in the following six areas:

- Stewardship, leadership and effective functioning of the Board
- Clarity of roles and responsibilities
- Openness, trust and transparency
- Service and corporate citizenship
- Accountability and performance
- Value, innovation and continuous improvement

## Our Assessment of the Annual Service Plan Reports by Principle

### Reports are making good progress in linking goals with results

Results at a glance:	Linking goals and results	
	Ministries	Crown corporations
Fully Incorporated		
Fundamentals in Place	1	2
In Process	19	12
Start-up		

*The value to the public* . . . in having this principle incorporated in annual service plan reports is that it will enable the public to make reasonable judgements about the performance of the organization. Readers will know whether the organization accomplished what it set out to accomplish, whether it is managing its results throughout the year and whether it is still on track for the future.

Linking the annual report to its related service plan is an important part of accountability reporting. Ideally, the results presented in the annual service plan report should relate back to the organization's planned performance so that the reader can see what was achieved compared to what was planned. However, the report also needs to reflect the current thinking and strategic direction of the organization. Where the plans and direction of the organization were altered during the year, the annual service plan report should explain the changes and why. As well, it should outline the effect the changes had on current-year results and project ahead to changes that may take place.

We found that the majority of the ministry annual service plan reports were at the In Process stage of development for this principle. This notable improvement over last year occurred primarily because ministries made direct linkages between their annual reports and the related plans. Explaining the relationship between a ministry's results and its related strategies, objectives and goals has also generally improved, although more work is needed in many cases to make the linkages clearer. In a few cases, we found that some of the 2003/04 service plans—issued about four months before the 2002/03 annual service plan reports were

## Our Assessment of the Annual Service Plan Reports by Principle

published—contained new goals or objectives. Often little or no mention was made of these changes in the annual service plan report, even though they would clearly have been known. We believe that significant changes in organizational structure, goals, objectives or measures should be highlighted in the report, particularly when they affect the results achieved.

In meeting this reporting principle, Crown corporations performed marginally better than ministries in nearing the Fundamentals in Place stage of development. The main reason was that Crown corporations had higher quality performance measures in general—that is, they used a greater depth of measures to depict performance. However, the corporations' annual service plan reports did not usually explain, in a clear fashion, how their mission or mandate, goals, objectives, strategies and performance measures were linked to one another, nor did they make reference to plans for the future.

For the most part, neither ministry nor Crown corporation annual service plan reports were clear about whether the results reported were being monitored throughout the year in order to meet targets or whether any corrective action was taken when targets fell short of expectations. This could lead readers to believe that results were collected at the end of the year rather than progress being monitored throughout the year and business strategies being managed to achieve the targets set. An example of an organization making good progress in reporting in this area is the Public Guardian and Trustee (Exhibit 4).

Comprehensive explanations of the variance between intended and actual results were not provided in either the ministry or Crown corporation annual service plan reports. We were pleased to see that explanations were often given when an organization fell short of its targets; however, explanations were rarely provided when results met or exceeded expectations. Providing more complete information about the results achieved would leave the reader better informed about the ability of the organization to maintain its results into the future.

# Our Assessment of the Annual Service Plan Reports by Principle

## Exhibit 4

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### Public Guardian and Trustee 2002/03 annual report demonstrated how strategies were modified to achieve targeted results

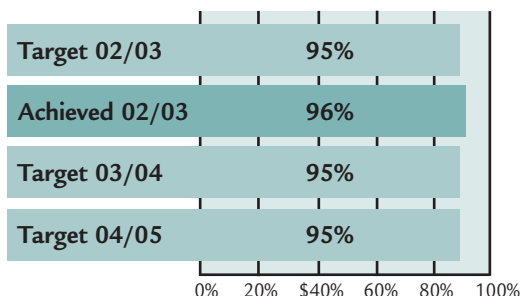
In its 2002/03 annual report, the Public Guardian and Trustee (PGT) includes a concise description of the results the organization achieved. In cases where targets were not likely to be met without intervention, the PGT report discloses that resources were reallocated to meet the target. An example of this is highlighted by the following excerpt:

#### Organization-Wide Services

##### Objective

- (i) Client's investments will be managed prudently

- (i) Personalized investment plans developed and implemented for 95% of clients with financial assets over \$50,000.



The PGT is responsible for acting in the best interest of clients so that their property and financial interests will be protected. The development and implementation of personalized investment plans enables investment decisions to be tailored to the particular circumstances of individual clients. In 2001/02, the PGT gave priority to the developing investment plans for clients with financial assets over \$10,000. In 2002/03, this was extended to clients with \$50,000 whose files were opened by October 1, 2002. Out of 1,224 such clients, 1,175 or 96% had personalized investment plans developed and implemented by March 31, 2003. **Internal savings elsewhere in the organization were reallocated to fund the extra staff resources required in order to meet this target.**

## Our Assessment of the Annual Service Plan Reports by Principle

Many reports are beginning to focus on the few critical aspects of performance

Results at a glance:	Focus on the few critical aspects of performance	
	Ministries	Crown corporations
Fully Incorporated		
Fundamentals in Place	1	2
In Process	13	7
Start-up	6	5

*The value to the public* . . . in having this principle incorporated in annual service plan reports is that it will enable the public to understand, in a clear and concise way, the key issues that matter to the organization's performance. Reporting on the few, critical aspects of performance will better enable the reader to understand where the organization is placing its emphasis and how it is measuring its success.

Reporting on the few critical aspects of performance is about making choices on what to report and explaining why those choices were made. This means the organization must focus on the few highly important aspects of its performance. "Few" means that the number of goals, objectives and, in particular, performance measures should be limited in number in the annual service plan report. "Critical" means that the aspects of performance are selected based on their significance, relevance and results. Reporting under this principle requires an organization to focus on the issues that it and its stakeholders believe to be most important in the achievement of the organization's mandate, goals and objectives. The organization's core business areas should also be adequately described and a range of key performance measures (those that aren't likely to change over time) should be included.

The majority of the ministry annual service plan reports are at the In Process stage of development. In our review, we often found good descriptions about the core business activities undertaken over the course of the year. Many ministries also linked their performance to government-wide direction.

## Our Assessment of the Annual Service Plan Reports by Principle

The primary improvement ministries made in their reports was in moving from measuring milestones or simple outputs to measuring efficiency, or from measuring short-term outcomes to measuring longer-term outcomes. We are pleased to see the gradual shift to more informative performance measures as ministries strive to demonstrate the results they are seeking and achieving.

In our review of Crown corporation annual service plan reports, we found that two-thirds were at the In Process and Fundamentals in Place stage for this principle—nearly the same as last year. Their mix of performance measures was, on average, generally better than for the ministries. However, the Crown corporation reports lacked explanation about why the goals, objectives and measures selected were the ones critical to stakeholders and to the attainment of the purpose of the corporation. Furthermore, the Crown corporation reports generally did not demonstrate a link to the government’s overall priorities. (Such a link was not called for in the corporations’ reporting guidelines, but was required in their service plan guidelines.)

It will take time for both ministries and Crown corporations to improve the quality of their performance measures as the organizations determine the few, critical aspects of performance. Nonetheless, we encourage the move to provide readers with a stronger mix of measures that includes an emphasis on outcomes.

### Reports are generally weak in providing meaningful discussion about organizations’ risk and capacity

Results at a glance:	Presenting results in the context of risk and capacity	
	Ministries	Crown corporations
Fully Incorporated		
Fundamentals in Place		1
In Process	2	5
Start-up	18	8

*The value to the public* . . . in having this principle incorporated in annual service plan reports is that it enables the public to understand the challenges and opportunities facing the organization and to better appreciate the trade-offs that a well-managed organization must make. This way the public can derive increased comfort about the ability of the organization to manage its risks and achieve its objectives in the future.

## Our Assessment of the Annual Service Plan Reports by Principle

This reporting principle directs organizations to outline the factors that impaired or enhanced its efforts and abilities toward achieving their expected results.

To be successful in meeting its objectives, a government organization needs to continually identify and monitor the external and internal risks and opportunities it faces. At the same time, it needs to develop strategies to ensure that its capacity to manage those risks—and capitalize on the opportunities—is not eroded.

Monitoring these issues throughout the year helps the organization manage for results, and explaining the risks in its report helps the organization show readers the extent to which those risks negatively or positively influenced the results. Ideally, the annual service plan report should explain what strategies were used and how effective those strategies were in managing key risks.

Capacity refers to the ability of an organization to achieve its intended results into the future. It is the sum of what the organization is able to achieve or produce, and includes the organization's people, funding, authority and assets such as existing systems or processes. By reporting on capacity, the organization enables the reader to determine what can be accomplished in the future, given the organization's existing capacity and the risks it faces.

Almost all ministries were at the Start-up stage on this principle. All ministries included a section in their annual service plan report on their operating environment, identifying (to varying degrees) internal and external factors that could affect their ability to meet expectations. However, very few ministries explained whether any of the anticipated (or previously unanticipated) risks affected their results and, if so, to what extent. Neither was there any discussion about the steps the ministries might have taken to manage their risks throughout the year. This left the reader uninformed about whether the ministry had considered issues of risk and to what extent the organization had been able to reduce its exposure through effective risk management.



## Our Assessment of the Annual Service Plan Reports by Principle

Just over half the Crown corporation annual reports were assessed at the Start-up stage with one (the BC Hydro and Power Authority) at the Fundamentals in Place stage on this principle. Overall, we found that Crown corporations provided a more thorough discussion about their risks. Included in each annual service plan report, for example, was a management discussion and analysis section describing the significant factors—primarily in the area of financial performance—that affected the organization’s business during the year.

As we found last year, both ministries and Crown corporations discussed risk mainly in their service plan. We agree this is appropriate to do, but also believe that an organization should explain in its annual report how risks actually affected results and, ideally, what the organization did to manage its key risks as they arose. An example of good risk management disclosure can be found in the annual service plan report of the Public Guardian and Trustee (Exhibit 5).

In general, we also found that neither ministries nor Crown corporations addressed issues of capacity in a significant way. We understand that reporting openly on the capacity of an organization to meet its intended results in the future may be difficult to do in a political environment. Nonetheless, it is this information that can help fuel constructive debate about an organization’s future performance and whether capacity or intended results should be modified. Exhibit 6 provides an example of reporting on capacity.

# Our Assessment of the Annual Service Plan Reports by Principle

## Exhibit 5

### Public Guardian and Trustee 2002/03 annual report demonstrated risk management disclosure

In its 2002/03 annual report, the Public Guardian and Trustee (PGT) includes a section discussing the risks likely to affect the organization's results and the steps taken to manage those risks. In cases where targets were not likely to be met without intervention, the PGT discloses that resources were reallocated to meet the target. An example of this is highlighted by the following excerpt:

#### 6. Risk Management

During 2002/03, the PGT managed a number of both general and specific risks related to the achievement of the goals, objectives, performance targets and other measures set out in the Service Delivery Plan. The following table summarizes the PGT's risk management activities.

Situation	Potential Risk	Risk Management
<ul style="list-style-type: none"> <li>Limited resources are available to meet the demand for PGT services</li> </ul>	<ul style="list-style-type: none"> <li>Current service standards will be sacrificed</li> <li>Backlog reduction efforts will fail</li> </ul>	<ul style="list-style-type: none"> <li>Establishment of reasonable and sustainable performance standards seek to balance current demands with elimination of historical backlog reduction</li> <li>Available in-year funds are applied in small focused efforts to advance backlog reduction</li> </ul>
<ul style="list-style-type: none"> <li>Legislation requires the PGT to consult to the extent possible with the adult prior to making a substitute health care decision</li> </ul>	<ul style="list-style-type: none"> <li>PGT will fail to identify all the factors relevant to making a substitute health decision on behalf of an incapable adult</li> </ul>	<ul style="list-style-type: none"> <li>Timeliness standards for carrying out the role of Temporary Substitute Decision-Maker balance the risk of delay in treatment for the adult with time needed to properly gather information</li> <li>Policies have been created to guide staff on when face-to-face consultation is needed</li> </ul>
<ul style="list-style-type: none"> <li>The PGT is legally liable in the exercise of its statutory and fiduciary responsibilities</li> </ul>	<ul style="list-style-type: none"> <li>PGT will fail to identify and protect the financial or legal interests of a client in a timely manner</li> <li>PGT will mishandle client trust funds</li> </ul>	<ul style="list-style-type: none"> <li>Timeliness standards for securing property and reviewing legal and financial claims reduce the risk of loss related to negligent performance of duties, missed deadlines, or limitation periods</li> <li>Appropriate accounting and trust management controls are developed to protect client funds against loss from mismanagement or negligence</li> </ul>

# Our Assessment of the Annual Service Plan Reports by Principle

## Exhibit 6

### Public Guardian and Trustee 2002/03 annual report outlines the organization’s capacity and the effect of its capacity limitations

The following is an extract from the 2002/03 annual report of the PGT. It reads:

The PGT’s organizational capacity to manage the on-going risks to its service delivery goals and objectives improved during 2002/03. In particular, the PGT’s success at reducing caseload in two significant areas of historic backlog—in Estate Liaison and Estate Administration—without sacrificing service standards in other areas, has yielded gains in organizational capacity. In addition, over the past number of years, increasing use of newly created and revised operational policies by staff throughout the organization and the focus on the early development of case plans has resulted in better use of management time in providing overall direction and control as opposed to addressing specific client issues on an individual basis.

Nevertheless, further gains are needed in order to improve overall service standards. While the PGT was able to meet its current performance standards in almost every area of activity while at the same time reducing backlogs, there are service areas where a higher standard of performance would better achieve the organization’s goals and objectives. An example is in the frequency of visits made to adults for whom the PGT is Committee of Person. While the PGT is currently aiming to visit almost all of these individuals once per year, a more frequent rate of visitation would provide a higher level of service for this group of clients.

The PGT’s ability to make the gains in capacity achieved during 2002/03 permanent are largely dependent on maintaining current staffing levels. Implementation of planned information technology improvements over the next three years will also be critical in making further major advances in organizational capacity.

### Reports of many Crown corporations but few ministries are demonstrating linkages between resources, strategies and results

Results at a glance:	Linking resources, strategies and results	
	Ministries	Crown corporations
Fully Incorporated		
Fundamentals in Place		
In Process		9
Start-up	20	5

*The value to the public* . . . in having this principle incorporated in annual service plan reports is that it will enable the public to better understand the costs associated with the results, and better appreciate the trade-offs that governments must make in their policy options. Moreover, the reader can assess the relative costs to the organization of attaining its goals and objectives, and can have informed discussions about whether the benefits achieved outweigh the costs.

## Our Assessment of the Annual Service Plan Reports by Principle

This principle calls upon organizations to show how they used their funding and other resources to deliver on their annual service plans.

Earlier in this report, we discussed the importance to an organization in focusing on the few critical aspects of its performance and in being clear about the choices it has made. Once those critical aspects of performance have been identified, the effort expended to achieve the organization's goals or objectives—including how the resources were used for that purpose—should be demonstrated. The aim is to give readers some understanding of what the intended results cost, whether by goal, objective, core business area or program. Such information, if well thought out and clearly presented, can help keep an organization from committing to deliver results it cannot meet with existing resources or help it identify excess resources that can be reapplied elsewhere.

Each ministry annual service plan report included a “Report on Resources” section where ministries listed expenditures (and often FTEs, revenues and capital expenditures as well) by core business area. While the inclusion of this information is an improvement over last year, we found no information to link this financial data with performance. Also generally lacking was an adequate discussion of variances to the expected or budgeted performance of each ministry. For both of these reasons, we concluded that ministries were still in the Start-up stage of development for this principle.

By comparison, we found that about two thirds of the Crown corporations were at the In Process stage of development for this principle. Crown corporations did moderately better in this reporting principle as a result of their enhanced discussion of variances from planned performance. They also included financial statements with two-year comparisons, adding another level of detail over ministry annual service plan reports. However, similar to the ministry reports, Crown corporation reports lacked information linking their financial data with performance.

The CCAF acknowledges that this principle will be the most challenging to put fully into practice. Our findings confirm this. All of the ministries and one-third of the Crown corporations remain at the Start-up stage of development for this reporting principle. While it may be difficult to link resources, strategies

## Our Assessment of the Annual Service Plan Reports by Principle

and results, doing so is nonetheless an important aspect of performance reporting. Hence, we encourage efforts for continued improvement in this area.

### Reports are beginning to provide good comparative information

Results at a glance:	Providing comparative information		
	Ministries	Crown corporations	
Fully Incorporated			<p><i>The value to the public</i> . . . in having this principle incorporated in annual service plan reports is that it will add credibility to the results that are reported. Credibility is gained when performance is presented fairly and with sufficient supporting information. Trend information on key performance measures, with comparisons to benchmarks, allows the reader to determine whether an organization’s performance is improving, deteriorating or remaining unchanged.</p>
Fundamentals in Place		4	
In Process	11	6	
Start-up	9	4	

Comparative information in an annual service plan report puts the results achieved into perspective. It shows how the results fit with the general trend and with both current and future expectations. It also helps a reader determine whether the results are consistent with those of other jurisdictions measuring similar aspects of performance. Adequate contextual information (including trend data, explanations for changes in performance over time, benchmarks, and future targets) adds to the credibility of an organization’s account of its performance. And, ultimately, comparative information helps stakeholders better understand current-year results as well as what might still be accomplished in the future.

We found pockets of useful comparative information in various annual service plan reports of government, but no one report provided such information consistently across all aspects of performance.

In the ministry annual service plan reports, for example, we noted that the format followed allowed for only limited financial comparative information to be used. In the “Report on Resources”

## Our Assessment of the Annual Service Plan Reports by Principle

section, each ministry presented its actual spending result for the year versus its budget allocation, but did not provide prior year financial information for comparison. Many ministries provided multi-year comparisons of their performance measures, but few had benchmarked their results to those of other organizations using similar measures. Consequently, we found that just over half the ministries were at the In Process stage of development for this principle.

The Crown corporations' annual service plan reports were moderately better than those of the ministries with respect to this principle. Almost half the reports we reviewed were at the In Process stage of development on this principle and four were at the Fundamentals in Place stage.

Because Crown corporations issue financial statements, their annual service plan reports included comparative financial information for at least one year; some included such information for 10 or more years. We also found that Crown corporations tended to include more historical information on the performance measures than did the ministries. The annual report of BC Transit, for instance, provided such comparative information (Exhibit 7). A number of Crown corporations also provided benchmark information, another factor in improving their assessment under this reporting principle.

### Many reports remain weak in disclosing key reporting judgements

Results at a glance:	Disclosing key reporting judgements		<p><i>The value to the public</i> . . . in having this principle incorporated in annual service plan reports is the added credibility the public can derive from the information reported. By disclosing the basis on which information has been prepared and the limitations that should apply to its use, the public can better understand how the information should be used. Disclosing key reporting judgements can also be a first step in giving the public assurance about the reported information. If the organization is confident that the information it reports is relevant and reliable—and it explains why it believes this to be the case—so, too, will the public have greater confidence in the information it receives.</p>
	Ministries	Crown corporations	
Fully Incorporated			
Fundamentals in Place		1	
In Process	2	5	
Start-up	18	8	

# Our Assessment of the Annual Service Plan Reports by Principle

## Exhibit 7

### British Columbia Transit 2002/03 annual report provided comparative information

In its 2002/03 annual report, BC Transit includes two year comparative data on key aspects of its business.

The results presented include the history of its results, the planned for the year, revisions to its plan during the year, and its forecasts.

PERFORMANCE & FINANCIAL SUMMARY VICTORIA REGIONAL TRANSIT SYSTEM (Figures in thousands, except performance section)								
	Actuals			Initial Budget 2003	2003/04-2005/06 Service Plan			
	2001	2002	2003		Revised Budget 2003	Budget 2004	Budget 2005	Budget 2006
<b>VICTORIA—CONVENTIONAL</b>								
Financial								
	*14 day strike							
Passenger Revenue	20,179	20,615	21,279	23,081	21,317	21,530	21,746	21,963
Advertising Revenue	835	888	880	1,034	-	1,023	1,085	1,000
<b>Total Revenue</b>	<b>21,014</b>	<b>21,503</b>	<b>22,159</b>	<b>24,115</b>	<b>22,282</b>	<b>22,553</b>	<b>22,831</b>	<b>22,953</b>
Operating Costs	43,415	43,387	43,720	44,124	43,492	44,861	44,352	44,054
Debt Servicing	4,558	5,616	6,376	6,888	6,378	7,480	7,947	8,095
<b>Total Expenditures</b>	<b>47,973</b>	<b>49,005</b>	<b>50,096</b>	<b>50,992</b>	<b>49,870</b>	<b>52,341</b>	<b>52,299</b>	<b>52,149</b>
Performance								
Service Hours	603	568	570	580	573	570	564	557
Revenue Passengers	18,738	17,937	19,197	18,850	19,455	19,650	19,646	20,045
Revenue Passengers per Service Hour	31.1	31.6	33.7	32.5	34.0	34.5	35.2	38.0
Cost Recovery (Total)	43.8%	43.9%	44.2%	47.3%	44.7%	43.1%	43.7%	44.0%
Operating Cost per Service Hour	\$72.00	\$76.39	\$76.70	\$76.08	\$75.90	\$78.70	\$78.64	\$79.09
Operating Cost per Revenue Passenger	\$2.32	\$2.42	\$2.28	\$2.34	\$2.24	\$2.28	\$2.23	\$2.20
<b>VICTORIA—CONVENTIONAL</b>								
Financial								
Passenger Revenue	391	350	326	427	375	382	384	392
Advertising Revenue	-	-	-	-	-	-	-	-
<b>Total Revenue</b>	<b>391</b>	<b>350</b>	<b>326</b>	<b>427</b>	<b>375</b>	<b>382</b>	<b>384</b>	<b>392</b>
Operating Costs	4,147	4,478	4,629	4,943	4,745	4,848	5,018	5,194
Debt Servicing	148	206	225	286	247	332	306	288
<b>Total Expenditures</b>	<b>4,295</b>	<b>4,684</b>	<b>4,854</b>	<b>5,229</b>	<b>4,992</b>	<b>5,180</b>	<b>5,324</b>	<b>5,482</b>
Performance								
Service Hours	94	100	98	101	101	102	103	104
Revenue Passengers	295	331	337	386	341	365	370	386
Revenue Passengers per Service Hour	3.1	3.3	3.5	3.8	3.4	3.6	3.6	3.7
Cost Recovery (Total)	9.1%	7.5%	6.7%	8.2%	7.5%	7.4%	7.2%	7.2%
Operating Cost per Service Hour	\$44.12	\$44.78	\$47.48	\$48.94	\$46.98	\$47.53	\$48.72	\$49.94
Operating Cost per Revenue Passenger	\$14.06	\$13.53	\$13.74	\$12.81	\$13.91	\$13.28	\$13.56	\$13.46

## Our Assessment of the Annual Service Plan Reports by Principle

This principle calls for an organization to disclose the key judgements that shaped its annual service plan report, such as its basis for selecting the few, critical aspects of performance, the rationale for choosing its performance measures, and the means by which it ensures the veracity and completeness of the information. Increased disclosure in this regard helps the reader understand the key choices the organization made as well as the quality and reliability of the information that is reported.

If information being reported has changed from what was planned—for example, because of an alteration in the performance measures used—these changes and the reasons for them should be clearly explained. The credibility of the information is increased when the source and date of the information, as well as management’s assessment of its reliability, are disclosed. The annual report of the British Columbia Buildings Corporation shows how this element of the principle can be incorporated (Exhibit 8).

In our review of ministry annual service plan reports, we noted a moderate improvement over last year. This year, for example, half of the ministry annual reports are now at the In Process stage of development.

Each ministry report included the Minister’s “accountability statement,” declaring his or her responsibility for the results and the basis on which they have been reported, as required under the Budget Transparency and Accountability Act. As well, many ministries discussed how they measured performance, including why the measures they had chosen were important. However, only five of the 20 ministries disclosed the sources of their data and even fewer discussed the reliability of the reported information. Performance targets and how they were selected were seldom discussed in the reports.

Our findings for the Crown corporations’ annual service plan reports were similar to our findings for the ministries’ reports for this principle. Although an “accountability statement” is not required of Crown corporations, two corporations did publicly affirm responsibility for the contents of their annual reports.

In general, ministries and Crown corporations neither completely nor consistently explained why they chose to report performance the way did (their key reporting judgements) nor clearly interpreted the results for the reader, including how performance targets were selected. Putting greater effort in these areas would enhance the performance story for the reader.



# Our Assessment of the Annual Service Plan Reports by Principle

## Exhibit 8

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### British Columbia Buildings Corporation 2002/03 annual report disclosed key reporting judgements

In its 2002/03 annual report, the BC Buildings Corporation includes a description of the methodology it used to design its performance measures, the rationale for the targets it set, the benchmarks it used, its data sources and the reporting frequency. Rather than include this information in the body of the report, BCBC provided a hyperlink in their report that took us to this other report. An example of this reporting is highlighted by the following excerpt:

#### ***Operations and maintenance costs per square metre for owned office buildings***

##### **Description:**

This measure includes all costs associated with operating and maintaining a building, excluding structural maintenance and taxes. It is presented in terms of costs per square metre for the office building component of the Corporation's portfolio to allow benchmark comparisons to be made.

##### **Methodology:**

The baseline number calculation is based upon 2001/02 data with adjustments prepared in May 2001, as part of the 2002/03 budget preparations. For owned office buildings (commercial office space, excluding courthouses), annual O&M costs are divided by the year-end building area. O&M costs include all costs of operating and maintaining owned buildings, excluding minor client requests, trade equipment, structural landlord maintenance, taxes and insurance.

##### **Baseline and Targets:**

Baseline - 01/02	Target - 02/03	Target - 03/04	Target - 04/05
\$53.96	2% < benchmark	3% < benchmark	5% < benchmark

##### **Target Rationale:**

O&M costs of 5% less than market by 2004/05 indicates that the Corporation is efficiently operating and maintaining buildings (assuming comparable service levels). The target will be based on the most recent BOMA National Private Sector benchmark (see below).

##### **Benchmark:**

The 2002 Building Owners & Managers Assoc. (BOMA) National Private Sector market figure (\$58.99/m<sup>2</sup>) will be used as the benchmark in the first year—this benchmark is considered the best available comparison. In subsequent years, a benchmarking study that provides a more direct comparison will be considered. (Alternatively, the most recent BOMA benchmark will continue to be utilized.) The BOMA benchmark will be supplemented by the results of an annual facility benchmark study to provide a more direct comparison on a more limited sample of office buildings.

##### **Data Source:**

O&M costs are generated by the financial system, and the building area component from the inventory system maintained by Portfolio & Inventory Management.

##### **Reporting Frequency:**

Annually.

##### **Responsibilities:**

Employee names provided.

## Our Assessment of the Annual Service Plan Reports by Principle

### Our Assessment of the 2002/03 Government Annual Strategic Plan Report

Each year, in keeping with the requirements of the Budget Transparency and Accountability Act, the government issues an annual report against its strategic plan. The strategic plan, which outlines the government's three-year priorities, also describes the broad framework against which government should report on its results. As an accountability tool, the government annual strategic plan report is a key vehicle for reporting to the public on the performance of the government.

We assessed the annual strategic plan report because it is a critical element in the government's accountability to the public. But we also assessed the report because we thought that in its performance reporting the government would want to lead by example.

Overall, we found significant improvement in the quality of the reporting in the 2002/03 annual report relative to the 2001/02 report. The 2002/03 annual report reached the In Process stage on two principles, for example, and moved from Start-up to the Fundamentals in Place stage for another principle. We summarize the highlights of our findings for each principle below.

Stage of Development	Performance Reporting Principles						
	Public Purpose Served	Linking Goals and Results	Few Critical Aspects	Risk and Capacity	Linking Resources, Strategies and Results	Comparative Information	Disclose Key Reporting Judgements
Fully Incorporated							
Fundamentals in Place		◆					
In Process			◆	■			◆
Start-up	◆	■	■	◆	◆ ■	◆ ■	■

◆ 2002/03 annual report

■ 2001/02 annual report

**Public Purpose Served**—The report incorporated some of the basic elements of this principle, including a statement of vision and values. Because the results presented related primarily to ministries and excluded the Crown corporation sector, the report was unclear about the accountability relationship between government and the Crown corporations. Also, the governance structure between government and ministries and government and the Crown corporations was not clear.

*To improve in this area, the report needs to... clarify the accountability relationship it has with the Crown corporations, and explain the governance structure that exists between it and both the ministries and the Crown corporations.*

... continued

## Our Assessment of the Annual Service Plan Reports by Principle

continued . . .

**Linking Goals and Results**—The report fully reported the government’s performance in relation to its plan (including the more immediate outcomes), providing explanations of how its actions led to the short-term results. As well, the performance measures appeared to focus on the full range of issues the government had identified in its stated vision and goals. However, the inclusion of strategies in the report added a level of confusion because it was not clear how they corresponded to the goals, objectives and measures.

*To improve in this area, the report needs to...* expand on its discussion of linking what government wants to achieve with how it is measuring performance and indicate the extent to which performance information is used to assess the viability of its programs.

**Few, Critical Aspects of Performance**—The report clearly set out the government's direction and provided some focus on the goals and objectives that are critical to the accomplishment of the government's vision. However, because this was the first time measures were reported (and we noted a high turnover in measures between 2002/03 and what is planned for next year), it appears the government is still refining the way it measures its performance.

*To improve in this area, the report needs to...* establish measures critical to the government’s success and clearly explain how these measures demonstrate progress toward the achievement of the government’s vision.

**Risk and Capacity**—The report included a general discussion, following each objective, about how the performance measures might be affected by factors outside the direct control of the government. This helped the reader begin to understand the degree of influence the government had in effecting its intended results, particularly over the short term. Beyond this, however, the government did not discuss issues of specific risk or its capacity to deliver its outcomes in the plan. As well, the report contained no assessment of the degree to which these issues affected the government’s results.

*To improve in this area, the report needs to...* expand its discussion of risk and capacity, being sure to explain what effect these issues had on results.

**Linking Resources, Strategies and Results**—This was a difficult reporting area for the government because its performance measures were primarily outcome-focussed. Excluding financial accountability information from its report meant the government was unable to connect financial data with other performance information, or explain how the resources it used were linked to its goals, objectives or strategies.

*To improve in this area, the report needs to...* begin to link its performance results with the costs associated with achieving those results.

**Comparative Information**—The report included, for the first time, performance measures and, in many cases, presented one to two years of comparative data for the measures.

*To improve in this area, the report needs to...* use benchmarks, as well as longer trend information (including some financial measures).

**Disclose Key Reporting Judgements**—The report discussed why the government selected the performance measures it did, interpreted the results it achieved and, in some cases, included the data sources of the reported information.

*To improve in this area, the report needs to...* discuss how targets are set, and explain its changes in reporting.



## Response from the Ministry of Finance

We appreciate the opportunity to review Building Better Reports: Our review of the 2002/03 Annual Service Plan Reports of government.

We were pleased to observe the progress government ministries and Crown corporations made during this past year. This reflects the significant effort now being put to service plans and reports throughout government. British Columbia is clearly becoming a leader in the provision of performance information.

In the broad and often complex field of performance measurement, we feel it important to seek a suitable balance between providing the public with timely, relevant and accurate performance information and on the other hand, technical precision. Continued progress and success will depend on striking the right balance.

In October, 2003, the Public Accounts accepted the British Columbia Reporting Principles which had been developed jointly by staff from government and the Office of the Auditor General. As a next step, ministries will need much more robust operational guidelines to help implement these principles in a consistent and efficient manner across government. We expect to see future progress result from development of these operational guidelines. It is further important to acknowledge the evolution of the principles and how they could be used. While the principles represent a good starting point, they will need to be continuously tested and updated against the needs of the legislature and practitioners. We do not want to suggest this is the end but rather the beginning.

We noted the concern of the Auditor General as to the significant resources potentially required to verify accuracy of the data. The cost of developing and verifying relevant but timely data is also a major concern to government. We are conducting further work with the Auditor General's staff on the issue of assurance, and believe a pragmatic and flexible approach in this area will be needed. We would also hope that the assessment criteria already embodied in the British Columbia Reporting Principles could be instrumental in supporting cost-effective and timely evaluation of the service plan reports.

## Response from the Ministry of Finance

A major challenge for the future will be determining when, where, how often and by whom assurance on performance information is done. It is our view that no one model or approach will work in all cases. Rather the type of assurance, etc., will depend on the needs of taxpayers and the legislature for such information tempered by the timeliness and cost of such information. As noted above, following the notion of performance auditing being the same as financial auditing e.g. formal opinions, yearly audit routines etc. will lead to an overly costly and ineffective system. As much as possible we want to create a framework of management responsibility for this information and incentives for best practices. We very much wish to explore this issue further with the Office of the Auditor General and the Public Accounts Committee. As noted in the last Public Accounts Committee the question of the scope, nature and extent of assurance needs to come back to the committee and be reviewed in light of people's needs and the alternatives available.

We look forward to continuing our joint work with the Auditor General on the continued development of the reporting principles, their application, and the concept of assurance.

Ministry of Finance

March 2004



# Response from the Crown Agencies Secretariat

Thank you for providing my office with the opportunity to contribute to “Building Better Reports: Our Review of the 2002/03 Annual Service Plan Reports of Government.”

Crown Agencies Secretariat supports incorporation of the BC Reporting Principles in service plans and annual reports. We believe that their use will improve management practices, and enhance transparency and accountability. We support the concept of full and open reporting and continuous improvement embodied in both the Reporting Principles and the reviews performed by the Office of the Auditor General. As you acknowledge in your report, so do Crown agencies. We also agree that expert thinking regarding performance reporting is evolving, and that the Reporting Principles may change over time.

The Crown Agencies Secretariat provides Crown agencies with updated service plan and annual report guidelines each year, provides educational opportunities for Crown agencies on various aspects of performance management and reporting, and generally promotes professional development and better understanding of good management practices and reporting. We commend the effort that Crown agencies have made to improve their performance planning and reporting. We were pleased to note your comment that overall improvement was noted in the Crown agency annual reports for four of the Reporting Principles.

We note that Principle 7 - Present Credible Information, Fairly Interpreted - was again omitted from your review. It is our view that this is an extremely important principle, and should both be incorporated by Crown agencies and ministries, and included in your office’s reviews. While third-party audits of some performance information can enhance readers’ confidence in the reliability of the information being presented, other forms of assurance, such as management’s description of their comparative information and the internal systems in place to collect, interpret, and report on performance, and the use of accountability statements, can increase confidence in both reliability and relevance. The Crown Agencies Secretariat does not agree, therefore, that an audit of the information presented is necessary or cost effective in many areas.

The Crown Agencies Secretariat is committed to continuing collaborative work with your office, the Ministry of Finance, and Crown agencies to assess the costs and benefits of varying levels of

## Response from the Crown Agencies Secretariat

assurance, and to bringing forward options for discussion at the Select Standing Committee on Public Accounts.

We agree with your comments in the Putting the Assessment Results in Context section on the need to relate results to risk and capacity, and agree that the annual report should contain sufficient information to be a stand-alone document. However, this should not require that all or the majority of the detailed information in the service plan be reproduced in the annual report. In particular, we believe that the service plan should focus on planning for the current and future years, while the annual report should focus predominantly on reporting what the organization's actual performance was as compared to what had been planned at the start of the year. That being said, we strongly agree that the annual report should be kept current; good reporting means that changes in performance measures or targets during the year should be reported and explained.

We have some concerns with your comments in the section on Assessing the Annual Reports against the Reporting Principles. Unlike ministries, Crown agencies had no formal exposure to the BC Reporting Principles in the preparation of their 2002/03 annual reports. The 2002/03 guidelines for annual reports prepared for Crown agencies issued by my office did not include information on the Reporting Principles because, at the time the guidelines were prepared, and indeed, at the time the 2002/03 annual reports were made public, the Reporting Principles had not yet been formally approved by the Public Accounts Committee. Comparing the progress of ministries against the principles to the progress of Crown agencies, who were not required to incorporate them, may lead readers to inappropriate conclusions. For the 2004/05 to 2006/07 Service Plans, and the 2003/04 and subsequent annual reports, the Reporting Principles are integrated into the guidelines, and we expect continuous improvement by Crown agencies in your future assessments.

While the Reporting Principles are modeled on current thinking and best practices, the information required to fully incorporate them is in some cases much more detailed than what has up until now been required in annual reports prepared by Crown agencies. Further, much of the information required to address the Reporting Principles is complex, and may not have been routinely or overtly tracked by organizations. There is a

## Response from the Crown Agencies Secretariat

learning curve involved in producing, tracking, and reporting on such information that will require time for many organizations to adapt. As well, the cost of developing systems to track additional information, and the cost in staff time to provide significantly more detailed information in annual reports, should not be underestimated. This can be a significant constraint, especially for the smaller Crown agencies. We expect the Office of the Auditor General in particular to be sensitive to the practical cost to benefit assessment required to prudently implement reporting systems.

The Reporting Principles represent an approach, rather than a prescriptive checklist. This version of Building Better Reports marks the first time that individual assessments of Ministry and Crown agency annual reports are being made available. As such, they will form a baseline against which progress can be tracked in future reports. Under your learning model approach, it would be useful in future reports to provide more specific guidance on where individual Crown agencies should focus their attention for improvement, as well as celebrating their progress as they move forward through the stages of developing their performance reporting.

Overall, we are pleased with the progress government and Crown agencies are making in providing British Columbians with information on their performance. The Crown Agencies Secretariat will continue to work with your office, government and Crown agencies to improve the quality of reports in the coming years.







# Appendices



# Appendix A: Organizations Whose Annual Service Plan Reports We Assessed

## Ministries

Advanced Education  
Agriculture, Food and Fisheries  
Attorney General and Minister Responsible for Treaty Negotiations  
Children and Family Development  
Community Aboriginal and Women's Services  
Competition, Science, Enterprise  
Education  
Energy and Mines  
Finance  
Forests  
Health Planning  
Health Services  
Human Resources  
Management Services  
Provincial Revenue  
Public Safety and Solicitor General  
Skills Development and Labour  
Sustainable Resource Management  
Transportation  
Water, Land and Air Protection

## Crown Corporations and Agencies

British Columbia Assessment Authority  
British Columbia Buildings Corporation  
British Columbia Housing Management Commission  
British Columbia Hydro and Power Authority  
British Columbia Liquor Distribution Branch  
British Columbia Lottery Corporation  
British Columbia Securities Commission  
British Columbia Transit

## Appendix A: Organizations Whose Annual Service Plan Reports We Assessed

Columbia Basin Trust

Insurance Corporation of British Columbia

Land and Water British Columbia Inc.

Legal Services Society

Oil and Gas Commission

Tourism British Columbia



# Appendix B: The OAG-BC Assessment Methodology

## Introduction

Our assessment of the 2002/03 annual service plan reports is based on a learning model approach. The assessment matrix has been refined from last year to reflect the consensus we reached with government on a set of reporting principles for the BC public sector. While tailored to fit the BC public sector environment, the BC reporting principles are highly consistent with the national principles used in our assessment last year.

In adjusting the assessment matrix, we consulted with government officials in Treasury Board Staff, the Crown Agencies Secretariat and the Office of the Comptroller General. We also received feedback from performance management and reporting practitioners in two ministries and Crown corporations.

### BC's Reporting Principles

- 1 Explain the public purpose served
- 2 Link goals and results
- 3 Focus on the few, critical aspects of performance
- 4 Relate results to risk and capacity
- 5 Link resources, strategies and results
- 6 Provide comparative information
- 7 Present credible information, fairly interpreted
- 8 Disclose the basis for key reporting judgements

**The Assessment Matrix.** The assessment matrix is designed to show the stage of development that government organizations have reached in reflecting the BC reporting principles. The four stages of development are: *Start-up, In Process, Fundamentals in Place and Fully Incorporated*.

The Assessment Matrix for Annual Service Plan Reports is reproduced in full in the following pages. The criteria described under each stage of development are meant to be cumulative. For each principle, we've included examples of reports that, to some extent, reflect the criteria. The Assessment Matrix makes no suppositions about the pace of progress—in other words, it does not specify the stage of development an organization should have reached by now or over time. However, it has been designed to show changes in the quality of reporting over time.

## Appendix B: The OAG-BC Assessment Methodology

### START-UP

Most elements have not yet been addressed.

### IN PROCESS

Many elements have not been addressed, but progress is being made.

### FUNDAMENTALS IN PLACE

Most significant elements have been addressed but further improvements are possible.

### FULLY INCORPORATED

All elements have been substantially addressed.

The model we use to assess the annual service plan reports of government recognizes that it will take some time and effort before organizations will have fully incorporated each of the reporting principles. We believe that, given the necessary effort and capacity, reporting organizations can, over time, fully incorporate these performance reporting principles. We also note, however, that just as the performance reporting principles will continue to evolve, so too will the Assessment Matrix. We want to ensure that the matrix reflects the most current thinking when it comes to public performance reporting principles, and that it builds on the experience gained by reporting organizations.

## Assessment Matrix for Annual Service Plan Reports

### Principle 1—Explain the public purpose served

Public performance reporting should explain why an organization exists and how it conducts its business. This is important to interpreting the meaning and significance of the performance information being reported.

It is not just the *raison d'être* of an organization that matters in understanding its performance. How an organization delivers its programs, products and services is also key. Several ministries, for example, rely on contractors, private/public partnerships, and transfer payment organizations (such as schools, universities, colleges and health authorities) to deliver government programs, products and services. In these cases, achieving the ministry's goals and objectives is a collective, rather than individual, responsibility.

The issue may be somewhat different for Crown corporations. Their governance structures and the roles and responsibilities of the various parties (board, government and the Legislative Assembly) are often complex. Moreover, Crown corporations must balance their public purpose with sometimes competing business interests.

Public sector organizations are expected to carry out their roles and responsibilities consistent with public sector values. In the conduct of public business, how you deliver your programs, products and services matters.

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## Appendix B: The OAG-BC Assessment Methodology

The matrix is based on the following assumptions about how an organization incorporating this principle will progress:

- from only briefly explaining its mandate, mission or purpose—to describing these in more detail and also describing its programs, services, markets (if relevant), core business areas and governance structures
- from focusing strictly on what the specific organization does—to including the relationship and accountability of key partners and subsidiaries
- from merely listing its values—to describing how its values guide its daily operations and flow down to partners and subsidiaries

<b>Principle 1— Explain the public purpose served</b>			
<b>Start-up</b>	<b>In Process</b>	<b>Fundamentals In Place</b>	<b>Fully Incorporated</b>
<p>An organization in start-up explains its purpose, mandate or mission. It explains why it exists and what public need it fulfills. This is often described under the headings of mandate, mission and vision or sometimes in an introduction section of the report.</p> <p>An organization just starting to reflect this principle may provide an overview of the programs and services it delivers but not explain how they are delivered or what delivery partners are involved.</p> <p>The organization may list the values that guide its operations but does not make it clear how these values influence decisions about program management or delivery.</p>	<p>In more advanced reporting, organizations also describe their core business areas and what programs, services or products are provided by these. They clearly identify their clients, key stakeholders and, when relevant, the markets they serve.</p> <p>The organization clearly explains the governance structure under which it operates—that is, its key reporting relationships, often those that are externally focused. (Crown corporations, for example, will refer to their boards and members and to their accountability to government.) Similarly, accountability relationships with key partners and subsidiaries are described.</p> <p>In terms of how the organization conducts its business, you can see that it has gone beyond merely listing words such as “trust” and “honesty.” The organization has begun to describe how public sector values guide its operations.</p>	<p>At this stage, an organization also explains how its programs, products and services are delivered and by whom, including those delivered directly and those delivered by external partners. However, it may not adequately explain how it knows that, regardless of the delivery mechanism, its programs, products or services are being delivered in a manner consistent with public sector values such as fairness and probity.</p> <p>The organization goes beyond merely identifying its governance structure to also describing the governance principles under which it operates and how well it is adhering to them.</p>	<p>An organization that has fully incorporated this principle explains that has conducted its business consistent with public sector values and it explains how it knows this.</p>



## Appendix B: The OAG-BC Assessment Methodology

### Principle 2—Linking goals and results

**Public performance reporting should identify and explain the organization’s goals, objectives and strategies and how the results relate to them.**

Planning and reporting should be part of an organization’s ongoing operations, systems and decision-making. This suggests there is a logical flow or an inter-related “chain of events” an organization follows, from its vision, mission and mandate, to its goals, objectives and strategies, through to its performance monitoring and measuring, to its public reporting.

By monitoring performance, organizations can learn from what has happened and make adjustments to their plan. These adjustments should be reflected in the annual report as an indication to readers that the organization is aware of its successes and is planning steps, where necessary, to address any shortcomings or changes in its environment. Planning and reporting are part of a continuous cycle: the monitoring and reporting of results helps inform future planning, while the planning process sets out the intended results and the strategies to achieve them. In essence, by linking the goals and results of an organization, it will be looking forward as well as back at its performance.

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Ideally results are reported in relation to the goals and objectives outlined in the plan. However, in some cases the organization’s strategic direction may change so dramatically between when the plan and report are issued, that reporting on all of the previous objectives may not make sense. Where this is the case, an explanation of changes in strategy or direction should be fully disclosed, as outlined in principle 8.

The matrix is based on the following assumptions about how organizations incorporating this principle will progress:

- from not clearly identifying and explaining the linkages between goals, objectives, strategies, performance measures and targets —to doing so
- from not reporting results in relation to planned performance —to doing so

## Appendix B: The OAG-BC Assessment Methodology

<b>Principle 2— Linking goals and results</b>			
<b>Start-up</b>	<b>In Process</b>	<b>Fundamentals In Place</b>	<b>Fully Incorporated</b>
<p>The BTAA requires all organizations to issue service plans. Organizations in the start-up phase may not report actual performance in relation to this plan or explain changes in strategic direction since their plan was produced.</p> <p>The organization may identify its goals and objectives, but its performance measures may seem ad hoc. The linkages between the measures and the goals and objectives may be unclear. Many performance measures and targets may be missing.</p>	<p>At this stage, an organization’s report makes clear linkages to its plan. There is sufficient consistency in the format and structure of the plan and report to allow readers to understand the connection between the two documents. Results are reported in relation to the goals, objectives and performance measures outlined in the plan. However, there may be few specific performance targets against which to report, making it difficult for the reader to understand whether the organization met expectations.</p> <p>There may be gaps between the plan and report where shortfalls may not be fully explained, or may not be reported at all.</p> <p>The integration between what the organization wants to achieve, what it does and how it measures its progress are still unclear. Linkages between the organization’s mission or mandate, goals, objectives, strategies and performance measures are still unclear.</p> <p>The organization has begun to select measures for each of its objectives, but they are largely focused on outputs.</p>	<p>At this stage, the organization fully reports its performance in relation to its plan, including specific performance targets, so that the reader can tell whether it met expectations.</p> <p>Fair and full explanations are provided where performance expectations are, or are not, met. The reader is able to understand the “chain of events” that link planned to actual performance.</p> <p>The organization fully explains how its mission or mandate, goals, objectives, strategies and performance measures are all linked to each other.</p> <p>It is clear that the organization is monitoring performance results throughout the year to determine if targets will be achieved, and taking corrective action where necessary.</p> <p>Reference may be made to plans for the future, but often this is simply a restatement of the service plan rather than an informed discussion of what adjustments the organization intends to make to reflect what it has learned from past performance.</p> <p>Performance measurement now focuses on the full range of issues that concern the public and legislators, including some short-term outcomes (the immediate impacts of its activities).</p>	<p>In addition to reporting as described in the Fundamentals in Place stage, the organization reports fully on its short-term outcomes. It provides plausible explanations of how its actions resulted in these short-term results and how these results contributed towards long-term outcomes. The contribution of other players and external factors is also disclosed.</p> <p>Where relevant, the organization describes the performance of the overall system, including how its contractors and partners performed in relation to the organization’s goals and objectives. It also explains how what it has achieved contributes to government-wide goals.</p> <p>In addition to monitoring performance data to ensure annual targets are met, it is evident the organization has used performance information to assess the ongoing viability of its strategies.</p>

## Appendix B: The OAG-BC Assessment Methodology

### Principle 3—Focus on the few, critical aspects of performance

#### **Public performance reporting should focus on the few, critical aspects of performance.**

This principle reflects the interest of the audience in the larger, overall picture. **Few** means that the number of goals, objectives and particularly performance measures described are limited in number in the published documents that are directed to legislators and the public. **Critical aspects of performance** address significance, relevance and the focus on results. What is critical is determined, in part, by:

- what is important to the intended users—hence, the focus of reporting should be driven by the likely use of the information as much as by government’s obligation to report;
- aspects of performance that the government judges as critical to the organization’s success; and
- what is vital to the organization as reflected in its goals, objectives and intended versus actual results.

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The matrix is based on the following assumptions about how organizations incorporating this principle will progress:

- from not explaining why the reader should believe that the organization is reporting on its critical aspects—to doing so (also see principle 8)
- from reporting too little—to too much—to just the right amount of performance information (Prescribing the exact number of measures to report would be misguided. However, many large and complex organizations have been able to distil the essential elements of their performance down to 20 to 25 measures)
- from trying to satisfy both internal and external stakeholders—to focusing reporting on the few critical aspects of performance that are of interest to external stakeholders
- from selecting performance measures because they are readily available (e.g., emphasis on inputs, outputs and milestones)—to reporting measures that reflect the organization’s few, critical areas of performance (e.g., emphasis on outcomes)
- from not reporting on all of the organization’s core business areas or business lines—to doing so

## Appendix B: The OAG-BC Assessment Methodology

<b>Principle 3— Focus on the few, critical aspects of performance</b>			
<b>Start-up</b>	<b>In Process</b>	<b>Fundamentals In Place</b>	<b>Fully Incorporated</b>
<p>It is not clear from the report that the organization selected the goals and objectives that are important to its stakeholders and to the achievement of its purpose or vision.</p> <p>It's not clear that the information being reported is relevant to an external audience.</p> <p>The organization may not report any performance measures or only those that are readily available such as inputs (e.g., dollars spent), simple outputs (e.g., number of courses provided) or the completion of specific activities (e.g., the installation of systems). These measures are inward-looking and are not likely to be among the “few, critical aspects of performance.”</p> <p>Information may not be available for all aspects of the business, so all areas may not be covered.</p>	<p>The organization has begun to focus on the goals and objectives that are critical to its stakeholders and to achieving its purpose or vision, but it continues to struggle to identify the performance measures that will best monitor its progress.</p> <p>Performance measures are starting to become more meaningful—going beyond just inputs and simple outputs towards including more informative outputs (such as cost, timeliness, quality) and possibly some short-term outcomes (the impacts of the organization’s activities).</p> <p>The performance of all core aspects of the business is included, but the extent of coverage may be uneven.</p> <p>The organization may have identified indicators it would like to measure, but it may not yet have begun to report.</p> <p>The organization explains how its performance is linked to government-wide direction.</p> <p>As organizations gain experience in reporting performance information, there may be high turnover in measures reported as organizations drop measures of low utility in favour of measures with greater meaning.</p>	<p>The organization reports on goals, objectives, outputs and short-term outcomes that are important to its stakeholders and to the achievement of its purpose or vision.</p> <p>All core business areas are covered. The organization provides convincing explanations of why the information it reports is important to users and how it is linked to government priorities.</p> <p>Reports at this stage are close to focusing on the “few critical aspects.” They may still contain a large assortment of measures, encompassing both outputs and outcomes, possibly presented in too much detail.</p> <p>As organizations learn how best to measure their performance, changes in performance measures tend to be driven more by shifts in the organization’s strategy.</p>	<p>It is clear from the context provided that all the performance information presented, including the performance measures, help tell a clear, concise and complete performance story. The organization has focused its reporting on the areas of importance to its stakeholders and to its purpose or vision.</p> <p>Performance measures are at a level that is meaningful to users—for example there is a reasonable number to enable the reader to understand the organization’s performance. The reader is informed that more detailed performance information is available.</p>

## Appendix B: The OAG-BC Assessment Methodology

### Principle 4—Presenting results in the context of risk and capacity

**Good performance reporting should report results in the context of an organization’s risks and its capacity to deliver on its programs, products and services.**

Risk is “the chance of something happening that will have an impact upon objectives. It is measured in terms of consequences and likelihood.”<sup>1</sup> Risk management is an integral facet of all business processes.

Capacity refers to the ability of an organization to achieve its intended results into the future. Put another way, “a capable organization is one that can continue to do what it does currently, and is flexible enough to do what is required in the future.”<sup>2</sup>

In practical terms, capacity is the appropriate combination of authority, funding, people, and infrastructure (including assets, systems and processes) that will allow an organization to achieve its intended results over the long term. This encompasses such matters as:

- Leadership and Direction
- People
- Tangible Assets
- Resources
- Reputation

Capacity building is typically the response to an organization’s risk assessment.

Reporting would:

- identify significant risks and their tolerability;
- identify specific dimensions of capacity involved—risk treatment and monitoring;
- explain their importance to the organization’s mission, goals or results; and

<sup>1</sup>Risk Management Standard AS/NZS 4360:1999

<sup>2</sup>Measuring Human Resource Capability, Occasional Paper #13, State Services Commission, Wellington, New Zealand, August 1999, p. 8.

## Appendix B: The OAG-BC Assessment Methodology

- describe the steps being taken to adjust capacity and/or expectations; or
- where capacity is not a consideration, provide a representation to that effect

What is appropriate will depend on the public purpose to be served by the organization and the resources available to it.

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Discussion about risks and capacity may be presented as a separate topic or integrated into the presentation of key aspects of performance. While the service plan provides a discussion of the risk and capacity issues that are key to the organization, the annual service plan report summarizes this information, but focuses primarily on what risk and capacity factors actually affected its performance.

The matrix is based on the following assumptions about how organizations incorporating this principle will progress:

- from reporting either no risks or only a few that are easily identifiable—to reporting all of the key risks related to achieving the organization's objectives and strategies, including the strategies employed to manage them
- from reacting to risks—to proactively identifying and managing them
- from not reporting on the impact of risks encountered—to doing so
- from reporting very little on capacity—to clearly explaining whether or not the organization had the capacity to meet its objectives and what changes it is planning to build capacity to meet future objectives

## Appendix B: The OAG-BC Assessment Methodology

<b>Principle 4 – Presenting results in the context of risk and capacity</b>			
<b>Start-up</b>	<b>In Process</b>	<b>Fundamentals In Place</b>	<b>Fully Incorporated</b>
<p>An organization just starting to report on risks may have identified some risks (both threats and opportunities) in its internal and external operating environments, but has not adequately described how these risks have impacted on the organization’s choice of strategies or its performance results.</p> <p>The organization does not, in any meaningful way, describe its current capacity nor how its capacity affected its results. It may describe existing resources (e.g., number of full time equivalents, funding available), but without any reference to whether these resources were sufficient to meet either past or future objectives.</p>	<p>The organization describes key risks in the internal and external operating environments (including its critical capacity issues) and their expected impact on the organization, but does not explain its level of tolerance or how they have influenced strategy or actual performance results.</p> <p>The organization describes the current status of its key areas of capacity, and may include performance information related to capacity (e.g., absenteeism rates and the completion of information systems), but without explanations as to the organization’s capacity to deliver on its goals and objectives.</p>	<p>At this stage, the organization has gone beyond merely describing risks and existing capacity and is now beginning to report on how these issues have influenced its results. Results are presented with reference to risks, opportunities or capacity constraints encountered and the impact they had on results. However, the organization may still not adequately describe its level of tolerance for each of its key risks.</p> <p>The organization explains whether its key areas of capacity are improving, deteriorating or remaining static. If related performance measures are provided, the organization explains the significance of these measures in terms of its capacity to meet its goals and objectives.</p>	<p>Fully developed organizations report on their efforts to proactively manage their risks and capacity constraints. They not only describe their key risks and their impacts but also their tolerability. They report on the results of their capacity building strategies and on their future plans to build capacity to manage risk, thereby ensuring they're able to meet their long-term goals.</p> <p>Where significant change has occurred that introduces new risks (e.g., new mandate or goals), the report outlines what the organization plans to do to manage this change.</p> <p>Where capacity is not a significant issue for the organization, it provides such a statement and explains why it believes this to be the case.</p>

## Appendix B: The OAG-BC Assessment Methodology

### Principle 5—Linking resources, strategies and results

**Public performance reporting should link financial and performance information to show how resources and strategies influence results. Related to this is how efficiently the organization achieves its results.**

This principle is directed at understanding the link between financial and human resources and the organization's performance. It views funding as a means to an end—more specifically, an organization's ability to deliver on its plan—but also recognizes funding as a critical element in an organization's ability to manage its risks and continue operations. Thus linking financial and operational goals, objectives and results is important to any public sector organization.

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The matrix is based on the following assumptions about how organizations incorporating this principle will progress:

- from reporting only financial information such as financial statements and budgets—to showing how resources are linked to strategic direction
- from not being able to show how efficiently the organization is able to deliver its program or services—to showing this (e.g., linking resources to outputs).



## Appendix B: The OAG-BC Assessment Methodology

<b>Principle 5— Linking resources, strategies and results</b>			
<b>Start-up</b>	<b>In Process</b>	<b>Fundamentals In Place</b>	<b>Fully Incorporated</b>
<p>Limited financial accountability information is provided (e.g., financial statements, budget to actual costs). Variances are identified but not adequately explained.</p> <p>There is no linkage between financial and other performance information.</p>	<p>Financial performance is described and compared to previous periods; revenue sources are adequately described; variances are identified and fully explained. Trend information about planned and actual expenditures is provided.</p> <p>The organization may begin to make linkages between financial and other performance information by reporting on some measures of output efficiency or linking resources to some programs, strategies, activities or business lines. However, the information may not be sufficiently explained so that readers can understand what it is supposed to be telling them.</p>	<p>At this stage, organizations explain how their resources are linked to their goals, objectives, strategies, program or business areas. They identify their few, critical measures of efficiency.</p> <p>Performance and financial information is reported in a way that the reader can easily understand the linkages.</p> <p>Any changes in funding that affected the achievement of planned performance targets are explained.</p>	<p>At the highest level of development, organizations link resources used to results achieved.</p> <p>The organization explains how its resources influenced its strategic direction. It describes any significant resource changes it expects and how it plans to respond.</p> <p>Resources (inputs such as dollars and FTEs) are linked to volume/units of service (outputs) in a way that helps the reader understand the efficiency and economy of the operations.</p>

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### Principle 6—Providing comparative information

**Public performance reporting should provide comparative information about past and expected future performance and about the performance of similar organizations when it would significantly enhance a reader’s ability to use the information being reported.**

Comparability refers to the ability to compare information about an organization’s performance with:

- relevant baseline information drawn from previous periods and/or
- internal/external benchmarks drawn from other organizations, statutory regulation and/or non-statutory norms

Comparative information puts the organization’s performance in context, allowing a reader to judge:

- whether an organization’s performance is improving, deteriorating or remaining unchanged; and
- whether targets are ambitious, mediocre or attainable.

To allow for comparisons, there must be consistency in the way information is measured and presented. This includes consistency in the organization’s form and content of reporting over time. It should also allow for comparisons with similar organizations. (covered in principle 3)

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The matrix is based on the following assumptions about how organizations incorporating this principle will progress:

- from reporting little historical information—to providing long-term trends for most of their performance information
- from reporting no comparisons to similar organizations or industry standards—to reporting as much of this as is possible and informative
- from not minimizing or explaining data inconsistencies—to doing so
- from not explaining what the reader should understand from the trends and benchmarks being presented—to explaining this
- from not using trend information to inform future performance expectations—to doing so

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<b>Principle 6—Providing comparative information</b>			
<b>Start-up</b>	<b>In Process</b>	<b>Fundamentals In Place</b>	<b>Fully Incorporated</b>
<p>Organizations in the Start-up phase usually have very limited historical results information against which to compare current performance. Their reporting will reflect this—either providing no historical information at all or for only a few measures where data is readily available.</p> <p>Current performance is not compared to benchmarks from similar organizations or industry standards.</p>	<p>Organizations at this stage have a baseline of information against which future results can be compared, and this is reported. However, there may be high turnover in reported measures as the organization goes through a process of learning which measures are most relevant. There is unlikely to be any historical information for new measures as they are introduced, or any mention of forecasted information.</p> <p>There may also be some year-over-year data inconsistencies (e.g., earlier data was collected using a different methodology), and this may not be explained.</p> <p>The organization may also begin comparing its performance against a few, easy to access benchmarks established by similar organizations or industry standards, but the usefulness of the benchmarks may be questionable.</p> <p>The report may lack explanations of what the reader is expected to learn from the trends and benchmarks being presented.</p>	<p>An organization that has fundamentals in place presents its performance story within a context that allows the reader to understand how well it is performing, including whether it is improving, deteriorating or remaining static.</p> <p>Reporting provides and explains trend information for most performance measures. New measures adopted to reflect a change in strategic direction may not be presented with longer trends.</p> <p>Where possible and advisable, the organization compares its results against benchmarks established by similar organizations or industry standards, but may state that it is continuing to work on identifying additional or better benchmarks. It clearly explains why it believes the benchmarks it has selected are useful and how they should be interpreted.</p> <p>Data inconsistencies are minimized and explained when unavoidable.</p> <p>Future performance targets may be presented as well but these may appear to be simply a restatement of the service plan performance targets rather than a reflection of what the organization has learned from examining its trends.</p>	<p>An organization that has fully incorporated this principle will demonstrate that it is making use of its comprehensive historical and benchmark data to inform future plans. Expectations for future performance are extrapolated from historical data, revealing relevant insights into future performance expectations.</p>

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### Principle 7—Present credible information, fairly interpreted

**Public performance reporting should be credible—that is, based on quantitative and qualitative information that is fairly interpreted and presented, based on the best judgement of those reporting.**

The information presented should strike a balance among the following attributes:

**Consistency** – means measuring and presenting information consistently from one period to the next, and clearly explaining any breaks in the consistency of reported information.

**Fairness** – means the information is honestly reported and is neutral or free from bias, with checks and balances against subjectivity.

**Relevance** – means that information relates to the organization’s objectives and the extent to which results are achieved. Results should deal with effectiveness, efficiency and costs.

**Reliable** – means the information is, in all significant respects, *complete* or free from significant omissions. Reliable also means the information is reasonably *accurate* or free from material error. “Reasonably accurate” refers to the cost-benefit of producing reliable information.

**Verifiable** – means the information can be reproduced or traced and independently verified.

**Understandable** – means the reporting avoids jargon and vagueness, and is succinct. The information is presented in a format and using language that helps the reader appreciate its significance.

**Timely** – means received in sufficient time to inform decision making. Timeliness for management means information is available for management decision making on a routine basis. Timeliness for legislators and the public means meeting legislated public reporting timeframe commitments that are designed to inform future policy decisions.

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This principle suggests that performance information should reflect a number of different attributes. The following attributes are covered elsewhere in the matrix:

- consistency—this attribute is mentioned in many principles but it's primarily covered under principle 3 (focusing on a few, critical aspects)
- fairness—this attribute is also mentioned in many principles is primarily covered in principle 8 (disclosing key reporting judgements)
- relevance—this attribute is covered primarily under principles 2 and 3.

The matrix is based on the following assumptions about how organizations incorporating this principle will progress:

- reliable and verifiable—from an absence of system controls and documentation supporting reported information—to well documented systems, sound controls and sufficient, appropriate supporting documentation
- understandable—from providing reports that are lacking information or difficult to read and full of jargon—to providing reports that tell a performance story that is easy to understand
- timely—This attribute is not assessed across the continuum—organizations either meet the statutory obligations prescribed by BTAA or not

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<b>Principle 7—Present credible information, fairly interpreted</b>			
<b>Start-up</b>	<b>In Process</b>	<b>Fundamentals In Place</b>	<b>Fully Incorporated</b>
<p><b>Reliable and verifiable</b>—Reported data is a by-product of other systems, prepared on one-off basis for external reporting. There may be minimal supporting documentation. The organization has not ascertained the reliability of data produced by third parties. There is either no reference to the source of information obtained from third parties, or the reliability of such third-party data has not been ascertained.</p> <p><b>Understandable</b>—There is an overall lack of meaningful information and a “bare bones” or confusing presentation (no graphs or other useful ways of presenting data).</p>	<p><b>Reliable and verifiable</b>—Data used in public reporting is prepared for periodic review by management. Systems for producing management information may not be well established and are not well documented. Some supporting documentation exists, but may not be complete. Information obtained from third parties is identified, but its quality may not have been assessed.</p> <p><b>Understandable</b>—Report is more user-friendly, beginning to employ graphs, charts and tables to illustrate information. Specialized terminology is explained (e.g., in a glossary). However, vague language may make it difficult to understand the performance story the organization is trying to tell.</p>	<p><b>Reliable and verifiable</b>—Systems for producing reported data have been established and documented, although controls may not be complete. There is sufficient and appropriate documentation supporting reported performance information. The quality of information obtained from third parties has been assessed and is appropriately disclosed.</p> <p><b>Understandable</b>—The report is easy to read, with information presented in graphs, charts and tables. Specialized terminology is avoided where possible but explained if necessary. The report might be too long—containing so much information that it is difficult for the reader to identify what aspects of performance are the most significant.</p> <p><b>Timely</b>—Report is produced according to the reporting and tabling deadlines prescribed in the BTAA.</p>	<p><b>Reliable and verifiable</b>—Internally generated data is produced by well documented systems, internal controls are in place and appear reasonable.</p> <p><b>Understandable</b>— Fully developed reports are useful to readers because they are concise yet packed full of meaningful information.</p>

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### Principle 8—Disclosing key reporting judgements

**Public performance reporting should disclose the basis on which information has been prepared and the limitations that should apply to its use.**

In particular, public performance reports should explain:

- the basis for selecting the few, critical aspects of performance on which to focus;
- changes in the way performance is measured or presented compared to previous year(s);
- the rationale for choosing the performance measures (recognizing, for example, that meaningful quantitative measures may not be easy to identify for some programs)
- the means of providing assurance on the veracity and completeness of information presented; this may mean external validation, such as through studies done on a national basis comparing provinces or through independent assurance, and
- the basis on which those responsible for the report hold confidence in the reliability of the information being reported.

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The matrix is based on the following assumptions about how organizations incorporating this principle will progress:

- from not explaining why the performance information being presented is important—to doing so
- from not explaining how performance information should be interpreted—to doing so and also explaining why the reader should have confidence in the interpretation
- from not adequately explaining changes in measuring or reporting—to doing so and also foreshadowing future changes
- from not providing sufficient information on data reliability and limitations—to doing so by including data sources, reporting date and discussions on the limitations of the data and what the organization plans to do about them
- from not affirming management’s responsibility for the information—to doing so

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<b>Principle 8 – Disclosing key reporting judgements</b>			
<b>Start-up</b>	<b>In Process</b>	<b>Fundamentals In Place</b>	<b>Fully Incorporated</b>
<p>The organization explains how it measures its performance, what it reports on and how the information is compiled. But it may not explain why it has chosen to focus on the aspects that it has (e.g., its goals and objectives), or why it has chosen the measures it has.</p> <p>It presents its results, but doesn't provide its interpretation of what it all means, leaving it up to the reader to infer.</p>	<p>Organizations in this stage interpret the information being presented. However, they may not adequately explain their confidence in the reliability of the information being reported.</p> <p>They explain why they have chosen to focus on the goals and objectives that they have and why they have chosen the performance measures that they have, but probably not how they've chosen their performance targets.</p> <p>Where information is incomplete (e.g., a performance measure has been identified but no result is reported), the organization has either provided a baseline or indicated when the information will be available.</p> <p>As organizations gain experience in measuring performance, and develop the capacity to do so in new ways, changes in the way performance is measured and reported are to be expected. Organizations in this stage do not adequately explain why these changes were made.</p> <p>The report may include data sources and reporting dates, but insufficient discussion on data reliability or limitations.</p> <p>Management publicly affirms its responsibility for the contents of the report.</p>	<p>In addition to explaining why it has reported its performance the way it has, organizations in this stage also explain how performance targets were selected and why the reader should have confidence in the reliability of the information.</p> <p>Any changes in reporting have more to do with changes in the organization's strategic direction than with learning how to best measure performance.</p> <p>In addition to publicly affirming its reporting responsibilities, management further discloses the sources and reporting date of the data as well as the steps taken to validate it and any limitations or uncertainties in the information presented.</p>	<p>Descriptions of planned changes in reporting in future years further enhance the credibility of the long-term performance story. Changes in reporting are explained fully, preferably having been foreshadowed in previous reports.</p> <p>Where appropriate, the organization outlines how it intends to remedy any limitations in the data being presented.</p>







## Appendix C: Office of the Auditor General: 2003/04 Reports Issued to Date

### Report 1

A Review of Performance Agreements Between  
the Ministry of Health Services and the Health Authorities

### Report 2

Follow-up of Performance Reports, August 2003

### Report 3

Adopting Best Practices in Government Financial Statements  
–2002/2003

### Report 4

Alternative Payments to Physicians:  
A Program in Need of Change

### Report 5

Monitoring the Government's Finances

### Report 6

Audit of the Government's Review  
of Eligibility for Disability Assistance

### Report 7

Building Better Reports: Our Review  
of the 2002/03 Annual Service Plan Reports of Government

This report and others are available on our website at  
<http://www.bcauditor.com>



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