

# Improving Accountability and Transparency

In recent years we have noticed that all three political parties represented in the Ontario legislature have been vocal in their support for increased accountability and transparency with respect to the operations of government. This has been encouraging to see because it has historically been a key issue for our office and, as has been our practice for a number of years now, this chapter of our report deals with matters relating to this subject.

From our perspective, there have been several significant initiatives involving our office in recent years that we believe have been beneficial in enhancing the accountability and transparency of government to Ontarians. These include:

- Expansion of our audit mandate through amendments to the former *Audit Act* to provide us with the authority to conduct value-for-money audits in organizations in the broader public sector that receive government grants, such as school boards, hospitals, and colleges and universities, as well as Crown corporations such as Hydro One and Ontario Power Generation.
- Introduction of the *Government Advertising Act*, which prohibits government advertising that is partisan in nature and requires that the Auditor General pre-approve proposed government advertising to provide an appropriate oversight mechanism.

- Introduction of the *Fiscal Transparency and Accountability Act*, which, amongst other things, requires the government of the day to publicly release a pre-election report before a provincial election outlining the government's projected fiscal situation over the next few years. The Act requires that the Auditor General review the published report and provide a statement on whether the projected fiscal forecasts are reasonable.

The above three areas are discussed in more detail in this chapter. I also address several other areas that impact government accountability and transparency, such as the implementation of recommendations made by our office in previous years, public reporting of results achieved by the government, accountability for grants given to external organizations, and the governance of Crown agencies.

## The Auditor General's Expanded Audit Mandate

The Auditor General's audit mandate was recently expanded through the passage of Bill 18, the *Audit Statute Law Amendment Act, 2004*, which amended the *Audit Act* (now the *Auditor General Act*). The most significant amendment in Bill 18

was the expansion of the Auditor General's value-for-money audit mandate to include the thousands of organizations in the broader public sector that receive government grants, and Crown-controlled corporations, such as Ontario Power Generation and Hydro One. The expanded mandate does not apply to grants to municipalities, but it does allow the Auditor General to examine a municipality's accounting records to determine whether it spent a grant for the purposes intended. The effective date of the expanded mandate with respect to value-for-money audits in the broader public sector was April 1, 2005.

We reported on the results of our first seven audits under this new mandate last year in our *2006 Annual Report*. By and large, the audited organizations and the government accepted the vast majority of our recommendations for improvement.

The Standing Committee on Public Accounts showed great interest in the results of these first broader-public-sector audits by holding public hearings on four of them: management and use of medical diagnostic-imaging equipment in hospitals; the acquisition of goods and services by community colleges; the acquisition of goods and services by school boards; and our audit of certain aspects of Hydro One's operations.

Last year we also audited four Children's Aid Societies (CASs), as well as the Ministry of Children and Youth Services' administration of its Child Welfare Program. Owing to the seriousness of some of the issues raised by those audits, the Minister of Children and Youth Services asked our Office shortly after the report was released to advance our normal two-year follow-up and conduct our follow-up audits of the four CASs and the Ministry's Child Welfare Program a year earlier than is our normal practice. We expect to provide the Minister with a report on our follow-up work in late 2007.

In the past year, the second under this new mandate, we conducted for the first time audits of several other significant broader-public-sector

activities, including facilities management at selected universities, management of surgical facilities at selected hospitals, medication management in long-term-care homes, and the rail operations and governance structures of GO Transit.

## Improving Transparency through the Pre-election Report

The *Fiscal Transparency and Accountability Act, 2004 (Act)* established a number of new legislative requirements for both Ontario's fiscal policies and its fiscal plan. One of the most significant ones was the requirement that the Ministry of Finance (Ministry) release a report on Ontario's finances prior to a general election and that the Auditor General review this report for reasonableness. The Act requires that the report include the following:

- macroeconomic forecasts and assumptions used to prepare the fiscal plan and a description of any significant differences from those forecasts and assumptions;
- estimates of Ontario's revenues and expenses, including estimates of the major components of the revenues and expenses set out in the plan;
- details about the reserve required to provide for unexpected adverse changes in revenues and expenses; and
- information about the ratio of the province's debt to its gross domestic product.

The purpose of the pre-election report is to inform voters, Ontarians, and political parties of the province's fiscal plan prior to an upcoming provincial election. The Ministry released its *2007 Pre-Election Report on Ontario's Finances*, in accordance with Ontario Regulation 82/07, on April 23, 2007, which was almost six months before the October 10, 2007, election.

As required by subsection 10(3) of the Act, we promptly performed a review of the pre-election report to determine its reasonableness with respect to the public disclosure of the province's future financial outlook. Our report outlining the results of our review was transmitted to the Legislative Assembly on June 18, 2007. The full report, entitled *The Auditor General's Review of the 2007 Pre-Election Report on Ontario's Finances*, is available from our website at [www.auditor.on.ca](http://www.auditor.on.ca) and also from the Ministry of Finance's website, together with the Ministry's pre-election report, at [www.fin.gov.on.ca](http://www.fin.gov.on.ca).

As further discussed in Chapter 5, we concluded that the government's estimated fiscal results for the next three fiscal years, including the underlying assumptions, were reasonable. Our formal statement pertaining to our review reads as follows:

*The Auditor General's Statement on the 2007 Pre-Election Report on Ontario's Finances*

To the Legislative Assembly of the Province of Ontario:

I am required by subsection 10(3) of the *Fiscal Transparency and Accountability Act, 2004* (Act) to review and report on the reasonableness of the government's pre-election report on the province's finances. Accordingly, I am reporting on the consolidated statement of estimated revenues, expenses, and reserve prepared by the Ministry of Finance—for the three fiscal years ending March 31, 2008, March 31, 2009, and March 31, 2010, on the basis of the best information available as at March 16, 2007—contained in the *2007 Pre-Election Report on Ontario's Finances* tabled in the Legislative Assembly of Ontario on April 23, 2007.

I have examined the support provided by the government for its estimates

of revenues and expenses and for the assumptions it made in preparing and presenting the estimates. My examination was made in accordance with the standards established for assurance engagements established by the Canadian Institute of Chartered Accountants. I have no responsibility to update this report for events and circumstances occurring after the date of my report.

In my opinion:

The *2007 Pre-Election Report on Ontario's Finances* complies with the presentation and disclosure standards established by the Canadian Institute of Chartered Accountants for future-oriented financial information and with the requirements of the Act.

As of the date of this report, the assumptions developed by the Ministry of Finance are consistent with the plans of the government of Ontario, and the estimated revenues and expenses for the three fiscal years reflect the use of such assumptions.

The assumptions relating to the fiscal years ending March 31, 2008, March 31, 2009, and March 31, 2010, respectively, are suitably supported and provide a reasonable basis for estimating revenues and expenses, keeping in mind that the degree of uncertainty with respect to assumptions increases the further in the future the estimates relate to. Accordingly, assurance with respect to the supportability of the assumptions and their reasonableness in providing a basis for estimating revenues and expenses for the fiscal years ending March 31, 2009, and March 31, 2010, is less certain.

Since the revenue and expense estimates are based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material. Accordingly, I express no opinion as to whether these estimates will be achieved.

[signed]

Toronto, Ontario  
June 8, 2007

Jim McCarter, CA  
Auditor General

## PRUDENT NATURE OF THE PRE-ELECTION REPORT

We noted that there are a number of elements of the pre-election fiscal plan that reflect a conservative approach to planning. In the report's wording, it is desirable for a fiscal plan to be "constructed prudently—that is, with a margin for caution..." The report also points out that basing Ontario's fiscal policy on cautious assumptions is required by the Act.

Conservative fiscal planning, in addition to being required by the Act, has been driven in part by recommendations made by the Ontario Financial Review Commission (Commission). Specifically, the Commission's report to the Minister of Finance tabled in the Legislature in November 1995 recommended the use of prudence as a key element in Ontario's fiscal-planning framework. Conservative fiscal planning has been the norm over the last decade—in nine of the last 10 years, the government exceeded its original fiscal targets and therefore had more funds available at year-end than had been estimated in the budget for the year.

The principal methods used by the government to ensure that the fiscal plan is conservative and prudent, and to provide a cushion against unexpected and adverse changes in the provincial outlook, are as follows:

- Revenues are estimated on the basis of assumed growth rates for Ontario's real gross

domestic product that are set lower than the average of private-sector forecasts.

- The interest expense on the government's debt is estimated using conservative assumptions about the province's borrowing costs.
- An allowance for contingencies to cover unexpected increases in expenses is included.
- Separately from the contingency allowance, a reserve for each year of the plan is also included.

In combination, these four measures, in particular, tend to make the fiscal plan conservative in nature. That is, in our opinion, in any given year, while actual results will undoubtedly vary from the estimates, we believe the government is more likely to exceed its fiscal targets as set out in the fiscal plan than to fall short of those targets.

For example, the pre-election report estimated a deficit of \$400 million and surpluses of \$300 million and \$400 million for the 2007/08, 2008/09, and 2009/10 fiscal years respectively. However, because of the prudent approach utilized, and taking into account the contingency allowance and reserve, we noted that it is quite possible that the estimated deficit of \$400 million for the 2007/08 fiscal year could turn out to be a surplus and the estimated surpluses of \$300 million and \$400 million could even approach \$1 billion in each year.

We found the Ministry of Finance's *Pre-Election Report on Ontario's Finances* to be an informative financial document that provided extensive information about Ontario's expected future fiscal situation in a reasonably understandable manner. The report included details of Ontario's results-based planning process, the processes used to arrive at the province's fiscal plan, how this plan is approved by the Legislature, and the methods by which prudence and flexibility are built into the plan to guard against unexpected downturns in the economy or other negative events. The report also provided details of the government's estimated future revenues and expenses by major category, and the assumptions about Ontario's economy that

drive these estimates. We believe that, by providing this information, the accountability and transparency of the government's fiscal-planning process is enhanced.

## Improved Implementation of Our Recommendations

Our Office has the following primary objective: to provide legislators with the information they need to hold the government, its administrators, and grant recipients accountable for achieving value for money and a high level of service to the public. We obtain this information primarily through our value-for-money audits, which, over time, cover all major programs of government ministries and, more recently, certain activities in the broader public sector and at Crown corporations.

In conducting these audits, the Office believes that it is not enough just to point out problems or concerns. We also provide what we feel are practical and constructive recommendations to address issues in a cost-effective manner. Four years ago, when I tabled my first Annual Report, I expressed some frustration with the lack of implementation of the Office's prior years' recommendations. In my opening remarks to the media regarding my *2003 Annual Report*, I said:

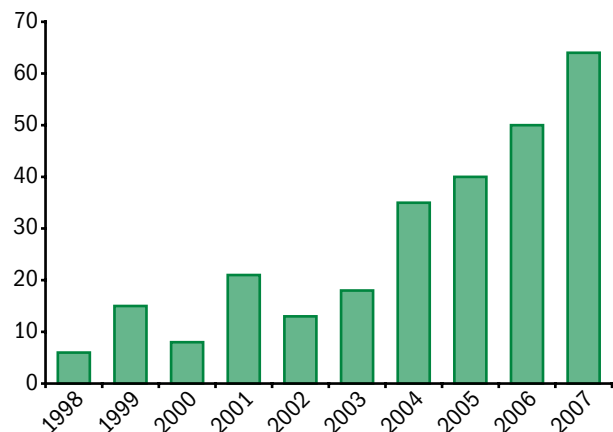
It was apparent to us this year that there were far too many areas where prior-year concerns—often going back four, five, six, or even 10 years—had not been satisfactorily addressed. We acknowledge that many of our recommendations deal with very substantive and complex issues that cannot be addressed overnight and substantial progress in addressing them may well take a year or two. However, there is no excuse for a lack of effective action after so many years have passed.

I am pleased to report that this is one area where I have seen steady progress over the past four years. It is evident from Chapter 4 in this year's report, where we present our follow-up on the status of recommendations we made in the value-for-money audits reported in our *2005 Annual Report*, that action has been taken and progress made in addressing most of the recommendations we made two years ago.

We have made over 200 recommendations in each of the years from 2002 to 2005 and, judging by our follow-up work two years after the original audit, the proportion of these that have been substantially implemented after two years has been approaching 50%. Of the 273 individual recommendations made in our *2005 Annual Report*, we found that 44% had been either substantially or fully implemented. In total, progress is being made on over 80% of the recommendations we made in 2005. Given that many of our recommendations deal with complex operational areas, sometimes involving non-governmental stakeholders, I am satisfied with the progress being made in most areas we have examined in recent years. Figure 1 shows the trend over the last 10 years in the proportion of audits on which, on the basis of our follow-up work, we believe that significant progress in implementing our recommendations has been made.

**Figure 1: Percentage of Audit Follow-ups Noting Significant Progress in Addressing Our Recommendations of Two Years Earlier**

Prepared by the Office of the Auditor General of Ontario



So who should take the credit for this improvement over the last few years? First of all, senior management in the ministries and central agencies that we audit certainly must be recognized for their increased commitment to implementing our recommendations. However, another not-so-obvious contributor is the Legislature's Standing Committee on Public Accounts (Committee).

As further discussed in Chapter 8, The Standing Committee on Public Accounts, our Annual Report is automatically referred to this Committee upon tabling in the Legislature. The Committee selects a number of sections from our report—including both current-year audits and sections from our follow-up work on recommendations made two years ago—on which to hold formal hearings. At these hearings, the Deputy Minister or agency head and, since last year, the heads of organizations in the broader public sector, along with their senior officials, have the opportunity to outline what action they have taken on issues identified by that particular audit. Members from all three parties may then question the officials attending the hearing. Awareness by senior officials that they could be called to appear before the Committee acts as an additional motivator for management to take action on our recommendations, as does the Committee's support and actions during hearings.

Two examples are indicative of the potential impact that the Committee's support for our recommendations has had.

The first example relates to the December 2006 hearing on the management and use of diagnostic imaging equipment at Ontario hospitals. One of our recommendations dealt with ensuring that standardized patient CT-radiation-exposure protocols were being utilized by all hospitals so that a patient's radiation exposure would be as low as reasonably achievable. During the Committee hearings, there was considerable discussion about the need, in particular, to ensure that established

pediatric protocols are used when CT scans are being done on children.

The Committee wrote to the Ontario Hospital Association (OHA) requesting that it confirm that such protocols had been disseminated to all Ontario hospitals. The Deputy Minister of Health and Long-Term Care subsequently wrote to the Committee to advise that the OHA had distributed the pediatric protocol to all Ontario hospitals and had encouraged all hospitals to ensure that they adopted these protocols in their organizations.

The second example relates to the April 2007 hearing by the Committee to discuss the acquisition of goods and services by school boards. As with hospitals, this was our first audit of the sector under our expanded mandate. Senior representatives of the Ministry of Education and of the four boards we audited attended the hearing and indicated their support for our recommendations. They also explained the actions they were taking to address them. Recognizing that there was a risk that our recommendations would have an impact only on the four boards we examined, the Ministry wrote to all 72 school boards in the province shortly after our report was tabled to provide them with guidance on better purchasing policies that address four expenditure areas in our recommendations. It asked the boards to review their policies to assess whether they, too, could make improvements to their purchasing policies and procedures. Boards were also asked to publish their updated policies and procedures on their websites by March 31 so that community stakeholders could know what to expect when doing business with the board. The Committee went a step further and wrote to the Ministry requesting that it report back to the Committee by July on the number of boards that had not yet published their updated purchasing policies, which the Ministry did.

This is not to say that, in the absence of the influence of the Committee, senior management of ministries, organizations in the broader public

sector, and Crown agencies would not be taking our recommendations seriously. In fact, deputy ministers have indicated that they continue to appreciate the opportunity to respond formally in writing to our recommendations with respect to their proposed action plans.

The bottom line is that improved and timelier implementation of our recommendations will result in better, more cost-effective services being delivered to Ontarians.

## Improving Public Performance Reporting

In our *2006 Annual Report*, we discussed recent developments related to public performance reporting in Ontario as well as developments in some other Canadian jurisdictions. One aspect of that discussion was recognition of the ever-increasing interest in citizen-focused forms of public reporting. These are characterized by the provision of detailed web-based information useful to citizens in making decisions on services that matter to them. These reporting mechanisms provide for more transparency and accountability for the services being delivered.

With advances in information technology and the increasing availability of the Internet in our society, making performance-reporting information accessible through web-based technology is fast becoming a standard method for organizations to reach out to their various stakeholders and be accountable to them.

One high-profile example of this web-based, citizen-focused approach to public performance reporting is the Ontario government website dedicated to tracking wait times for certain diagnostic tests and surgical procedures. This helps patients, health-care providers, and funders monitor trends and opportunities for improvement.

As pointed out in our *2006 Annual Report*, the reliability and usefulness of citizen-focused information improves as the necessary information systems and data-collection practices mature. Obviously, most new initiatives will experience growing pains, and they require continuous improvement. Such was the case with the reporting of wait times for key health services. In our 2006 audit of the management and use of diagnostic imaging equipment in hospitals, we raised a number of concerns with respect to how Ontario was measuring and publicly reporting its wait times information for certain diagnostic imaging tests on [www.ontariowaittimes.com](http://www.ontariowaittimes.com).

As a result of our *2006 Annual Report* comments and concerns regarding the reporting of wait times, the Minister of Health and Long-term Care appointed Senator Michael Kirby to examine the issues surrounding the reporting of wait times and to recommend ways to enhance public confidence in the accuracy and usability of information on the website. The Kirby Report recommended ways to improve how information is presented by using simpler language to explain wait times to the public—using, for example, “9 out of 10 people” rather than “the 90th percentile.” The Kirby Report also made recommendations on collecting additional data, governing and funding the system, and supporting new models of care.

In response to the Kirby Report, the Ministry has, among other things, changed the website to make it more user-friendly for both patients and health-care providers.

In our 2007 audit of hospitals’ management and use of surgical facilities, we re-visited the reporting of wait times, with a focus on wait times for other priority surgical services (discussed in Section 3.09 of this report). In March 2006, the Ministry introduced a new Wait Time Information System (System), and all hospitals participating in the Wait Time Strategy had implemented this System by June 2007. The new System tracks additional items,

such as patient wait times, based on their urgency or priority level, and compares these to their respective benchmark times. According to the Ministry, it plans to report wait times publicly by priority level by the spring of 2008, thereby making the information more useful to patients and physicians.

The Office of the Auditor General is very supportive of public performance reporting using web-based technology. As well, discussions at the Standing Committee on Public Accounts have indicated the Committee's support for improved public-sector accountability through the public disclosure of performance-based information on the websites of public-sector organizations.

My Office is committed to offering constructive recommendations on ways to improve the quality of performance information on the services and programs we examine each year as part of our goal to strengthen accountability and encourage value for money in the delivery of government services. These recommendations appear in a number of the sections in Chapter 3.

## Transfer Payment Accountability

Transfer payment grants to organizations constitute the largest category of the province's budgetary expenditure. In the 2007 fiscal year, they amounted to about \$47 billion, or over one-half of total provincial expenditures of about \$88 billion. The major recipients of transfer payments to organizations include school boards, universities, community colleges, and hospitals, collectively known as the SUCH sector. These SUCH organizations account for about \$28 billion of operating transfer payments, or about 60% of total transfer payments to organizations.

Over the past two fiscal years, we have taken advantage of our expanded value-for-money audit

mandate by performing audits of a number of organizations within the SUCH sector. Our objective in these audits has been to assess whether the funded organizations had adequate policies and procedures in place to ensure that the selected activities were being administered with due regard to economy, efficiency, and effectiveness. As well, when conducting audits of transfer-payment organizations, we can also examine the accountability process in place at the funding ministry, such as in our audit of the Ministry of Children and Youth Services' administration of the Child Welfare Services Program, which was reported in our *2006 Annual Report*.

Over the years, we have expressed numerous concerns about the need for improved accountability and ministry oversight of organizations receiving significant transfer payments. While such observations normally arise during our ongoing value-for-money audits, they also recently arose with respect to a special review that we were asked to carry out for the Premier on year-end grants made by the Ministry of Citizenship and Immigration. Our *Special Review of Year-end Grants Provided by the Ministry of Citizenship and Immigration*, which was submitted to the Premier on July 26, 2007, concluded that the decision-making process followed by the Ministry for its most significant year-end grants in the 2005/06 and 2006/07 fiscal years was not open, transparent, or accountable. The full report on this special review is available on our website at [www.auditor.on.ca](http://www.auditor.on.ca).

Given the significance of the transfer-payment sector in delivering efficient and effective services to Ontarians, it is critical that appropriate accountability measures are in place for transfer payments in order to ensure that value for money is being received. The government acknowledges this and outlines its accountability expectations in the province's Transfer Payment Accountability Directive (Directive), which:



- establishes the principles and requirements for implementing good governance and controllership practices to achieve accountability for transfer payments; and
- supports the efficient and effective delivery of services provided through transfer-payment programs.

We were pleased to note a number of revisions to this Directive were recently made which address some of the recommendations outlined in our *2006 Annual Report*. For instance, the revised Directive places more emphasis on the use of a risk-management framework to enable ministries and classified agencies that provide transfer payments to better manage and oversee the broad range of transfer payment programs. Roles, responsibilities, accountabilities, and reporting requirements have also been updated to reflect principles of transparency and the importance of achieving value for money with the funds provided.

The revised Directive took effect August 31, 2007, for all new transfer-payment programs. All existing transfer-payment programs and funding agreements at August 31, 2007, are expected to comply with the new directive by April 1, 2008.

## Agency Governance and Accountability

Many important services are delivered by government agencies or corporations rather than ministries. In the 2006/07 fiscal year, for example, eight of the largest government business enterprises contributed about \$4.2 billion to the province's income and managed almost \$14 billion in net assets on behalf of Ontario's citizens. The financial results of another 27 agencies were also reported in Volume 2 of the Public Accounts of Ontario because of the significance of their revenues, expenditures, or assets under management. In all, there are more than 300 agencies, classified as in Figure 2, that provide various services.

Ensuring that Ontarians are well served by these agencies requires that they be governed effectively. Effective governance requires that appropriate mechanisms be established, usually by the boards of directors, to make effective decision-making possible, to clarify accountability for the achievement of objectives and the prudent management of public funds and assets, and to provide for regular

**Figure 2: Classification of Provincial Agencies, March 2007**

Source of data: Ministry of Government Services

Classification	Characteristics	# of Agencies
adjudicative	makes independent, quasi-judicial decisions, resolves disputes, and/or hears appeals against previous decisions	63
advisory	provides ongoing information/advice to assist in development of policy and/or in delivery of programs	112
Crown foundation	solicits, manages, and distributes donations to an organization in whose interests the foundation has been established	22
operational enterprise	sells goods or services to the public in a commercial manner (which may be in competition with the private sector)	36
operational service	delivers goods or services to the public—usually with no, or only minimal, fees	51
regulatory	makes independent decisions affecting the conduct, rights, and responsibilities of an individual, business, or corporate body	19
trust	administers funds and/or other assets for beneficiaries named under statute	6
<b>Total</b>		<b>309</b>

review, assessment, and reporting of the performance of management and operations.

Recognizing this, the Management Board of Cabinet approved the Agency Establishment and Accountability Directive (Directive) in 2000. The Directive aims to ensure that agencies established by the province are accountable to the government for using public resources efficiently and effectively in carrying out their mandates. The following are some of the key accountability requirements of the Directive:

- A current memorandum of understanding between the agency and the responsible minister should be in place to address the roles and responsibilities of the agency, staffing, administrative arrangements, and reporting and audit requirements.
- An annual business plan that covers at least three fiscal years should be prepared for approval by the minister. The business plan should include the agency's strategic directions, an overview of the agency's current and future programs and activities, the resources needed to meet its goals and objectives, an assessment of issues facing the agency, the performance measures and targets, a risk assessment, and strategies adopted by the agency to manage the identified risks, the proposed funding requirements, revenues, and the operating and capital expenditures of the agency.
- An annual report should be submitted by every agency to the responsible minister. Among other things, the annual report must contain a discussion of performance targets achieved and not achieved, and the actions to be taken by the agency if performance targets are not achieved, an analysis of the agency's operational and financial performance, and audited financial statements.

The Ministry of Government Services has also developed tools to help the boards of agencies practise good governance. These tools are available

on its Agency Network Solutions extranet site and include:

- best-practice guides for the preparation of annual business plans, memoranda of understanding, tabling an annual report, and remuneration of appointees;
- position descriptions identifying key duties and qualifications of the chair, vice-chair, and other members of the board. These can be used to inform new appointees to boards about their role and clarify expectations;
- core competencies describing the key skills, abilities, and behaviours desired for each of the above positions for effective performance;
- standards of ethical and professional conduct expected of all board appointees;
- a board questionnaire which facilitates discussion on how well the members function together as a group; and
- other tools that serve to collect information on an individual basis about board appointees for planning and discussion purposes.

In addition, Ministry of Government Services officials and agency co-ordinators at the various ministries meet regularly to discuss agencies' compliance with the Directive and to share best practices of individual agencies. We understand that a presentation entitled "Orientation Program for Operational Agency Appointees" has recently been developed and will be made available to ministries and agencies to help prepare new members of operational agency boards to assume their responsibilities.

The Directive and these other initiatives have enhanced corporate governance within the province's Crown agencies since we last reported on this issue in our *1999 Annual Report*. For example, in our capacity as external auditor of a number of government agencies, we have generally observed an improvement in the practices of most audit committees in overseeing their areas of responsibilities. Examples include the following:

- the Ontario Financing Authority has on its board of directors members from the private sector familiar with complex financing arrangements and activities, a practice that assists the board in overseeing the Authority's financial risk management, control, and reporting activities;
- a number of the larger agencies, such as the Workplace Safety and Insurance Board and the Ontario Financing Authority, have used the services of their internal auditors to do formal risk assessments of their operations;
- the Liquor Control Board of Ontario has recently completed a number of governance-improvement initiatives, such as separating the roles of the Chair and the Chief Executive Officer, increasing the number of independent directors, separating governance-committee responsibilities from the audit committee, and providing financial literacy training to board members to enhance their effectiveness; and
- the Ontario Securities Commission and Ontario Energy Board have both made efforts to comply voluntarily with the spirit of private-sector requirements that chief executive officers and chief financial officers certify internal controls over financial reporting. These requirements currently apply only to publicly traded corporations.

As part of our value-for-money audit of the rail operations of GO Transit (see Section 3.07 in Chapter 3), and at the request of its Chair, we conducted a detailed review of the corporate-governance

practices of GO Transit's Board of Directors. We examined more than three years of board activity, and interviewed many current and former board members. From our review, we made a number of recommendations to strengthen GO Transit's corporate-governance practices and provide for more effective oversight of management and operations. These are summarized in Section 3.07, although more detailed recommendations were also provided to the Board for their consideration. Our discussions with the Chairman of the Board indicated that these recommendations were discussed in detail at a meeting of the Board.

Agency boards may be at various stages in adopting best practices for corporate governance. While some agencies may already have comprehensive practices in place, others may still be developing them or may have been affected by recent restructuring, as was the case with GO Transit. We encourage the boards of all agencies, if they have not already done so, to conduct a self-evaluation of their current governance practices to see if they, too, could strengthen their current practices. While there are numerous sources of guidance on effective governance practices, the following attributes of effective board governance (see Figure 3), developed by the Office of the Auditor General of Manitoba, were very helpful in our review of the governance practices of GO Transit. We believe these attributes of effective governance would serve as a useful benchmark for the boards of directors of other Crown agencies to consider.

### Figure 3: Attributes of Effective Governance

Source of data: Office of the Auditor General of Manitoba

Attribute	Expectation
Purpose and accountability	<ul style="list-style-type: none"> <li>Boards are responsible for setting the direction of their organization, which requires time and attention be paid to organizational vision, mission, goals, priorities, and risk management.</li> <li>Boards are accountable for what is accomplished by the organization and must ensure that all accountability obligations are discharged.</li> </ul>
Rationale and link to community	<ul style="list-style-type: none"> <li>Boards should be composed of individuals who have the appropriate mix of knowledge and skills, and who represent the needs, values, and perspectives of their stakeholders and community.</li> </ul>
Board roles, responsibilities, and functions	<ul style="list-style-type: none"> <li>Boards should be clear on their role and responsibilities, as well as ensure that corporate bylaws and policies are followed.</li> </ul>
Board member commitment	<ul style="list-style-type: none"> <li>Board members are committed and devote sufficient time and energy to their board duties.</li> </ul>
Board information for decision-making	<ul style="list-style-type: none"> <li>Boards should be provided with sufficient and appropriate information, on a timely basis, for decision-making. This includes having access to external sources of information, if/when required.</li> </ul>
Board organization	<ul style="list-style-type: none"> <li>Boards should be well-organized, with appropriate processes and structures in place to accomplish their responsibilities, and with all members contributing as a team.</li> </ul>
External board relationships	<ul style="list-style-type: none"> <li>Boards should ensure effective communication, consultation, and collaboration with all external stakeholders, including government (their primary stakeholder).</li> </ul>
Internal relationships	<ul style="list-style-type: none"> <li>Boards should develop a productive working relationship with senior management, where roles and authorities are clearly delineated, and performance is evaluated on a regular basis.</li> </ul>
Board effectiveness and impact	<ul style="list-style-type: none"> <li>Boards conduct periodic evaluations of their own performance and contribution to the effective governance of their organization.</li> </ul>