



## Chapter 4: Toward Better Accountability—Quality of Annual Reporting

### 2017 Value-for-Money Audit

#### Why We Did This Audit

- To ensure that provincial entities publicly report the extent to which they achieved their intended goals and objectives and at what cost.
- Thorough, clear and accurate disclosure of operational and financial information is essential to the accountability of provincial entities and is a mandated requirement for provincial and many broader-public-sector (BPS) entities.

#### Why It Matters

- Reporting through an annual report is one of the key methods that provincial and many broader-public-sector entities discharge accountability to the Legislature and the public.

#### What We Found

- Of the 30 provincial entities sampled, 28 had annual reports with 19 clearly identifying performance measures in their report in accordance with the Public Sector Accounting Board's (PSAB) Statement of Recommended Practice (SORP). Only 15 (54%) of the 28 annual reports disclosed performance targets, and 12 (80%) of these 15 included a discussion of their reported results or outcomes in relation to their previously set performance targets. We also noted that the Province of Ontario's 2015/16 annual report lacked performance measures and targets.
- We noted that there is a need for more outcome-based reporting in annual reports. Outcomes are the consequences of the outputs; in other words, they report on the consequences of actions taken, such as the benefits of a service or program.
- An analysis of financial performance was not contained in 13 (46%) of the 28 provincial entities' annual reports we reviewed.
- Only five (18%) of the 28 provincial entities' annual reports we reviewed linked financial and non-financial information. These five entities are Agrincorp, Algonquin Forestry Authority, Ontario Energy Board, Toronto Central Local Health Integration Network, and Ontario Power Generation.
- Twenty-one (75%) of the 28 provincial entities' annual reports we reviewed were missing a discussion of or were limited in their discussion of risks.
- Of the 30 provincial entities sampled, 29 are required to follow either the Management Board of Cabinet's Agencies and Accountability Directive (for provincial agencies) or the Broader Public Sector Business Documents Directive (for broader-public-sector organizations). We noted that some public-sector entities, like Ontario Power Generation, fall outside the scope of both of these Directives and therefore lack authoritative direction regarding information to be included in their annual report.
- With respect to compliance with the above noted Directives, 16 (55%) of the 29 provincial entities' annual reporting met all the selected Directive criteria.

#### Conclusions

- Overall, the entities' annual reports we reviewed were understandable and written in plain language.
- Annual reporting by provincial entities lacked outcome-based performance measures and targets; identification of significant risks that impacted performance and results, and the plans to mitigate the risks; and reporting on the costs of results achieved.
- As well, for BPS organizations specifically, their annual reporting did not have an analysis of financial reporting, including discussion of variances between actual financial results against estimates. In addition, the reader had to look in multiple reports in order to locate applicable performance information rather than having this information available in one report or one webpage.