



Office of the Auditor General

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Winnipeg, Manitoba R3C 0C4

December 2002

The Honourable George Hickes

Speaker of the House
Room 244, Legislative Building
Winnipeg, Manitoba
R3C 0V8

Dear Sir:

I have the honour to transmit herewith my December 2002 report on *Performance Reporting in Annual Reports: Current Practices Among Crown Entities* to be laid before Members of the Legislative Assembly in accordance with the provisions of Section 28 of The Auditor General Act.

Respectfully submitted,

Jon W. Singleton, CA•CISA
Auditor General

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During our review, we heard much support and endorsement for the value of performance measurement from the chairpersons of Manitoba crown entities. When asked what they perceived to be the strengths of their performance measurement system/approach, we heard responses such as the following:

- *"We believe we are getting a bigger bang for our buck by measuring performance than by not measuring it."*
- *"The indicators we have selected allow us to do forecasting and planning for the future."*
- *"The strength of performance measurement lies in its potential as a management tool."*
- *"Performance measurement gives us a snap shot of where we are going and how well we are doing."*
- *"If you don't have performance measures you are steering a ship without a map".*
- *"When you decide to measure something, it sends a signal to staff that this is a priority."*

Comments such as these speak to the mounting understanding and appreciation of the important contribution that performance measurement can make to an organization. This is a positive sign for it shows that Manitoba's crown entities are open to learning, growing and evolving their management approaches to respond to current best practices. However, it is apparent that public reporting on performance by Manitoba's crown entities is not yet at an acceptable level.

Performance planning and measurement needs to be coupled with public performance reporting. Legislators and the electorate should have easy access to information on the performance of their crown entities. One of the easiest ways to make performance information readily available is to incorporate it into annual reports. In this way, all those who want performance information receive the same information. Our review presents the type of performance information that should be publicly reported and examines the state of performance reporting among a sample of Manitoba crown entities.

I believe that the governance and management practices at most crown entities are sufficiently robust that public performance reporting could be significantly enhanced with relatively little effort. Board commitment to this would be a useful first step. Likewise, I believe that a commitment from Government to improve transparency and accountability is a prerequisite for improved performance reporting. Equally important are clearly articulated Government goals and priorities for crown entities. Without this framework, performance reporting by crown entities will lack the crucial link to public policy which is the cornerstone of effective performance reporting.

The report is intended to encourage communication of more performance information of a sort that enables Manitobans to readily determine the contribution and value-added that their crown entities make through their operations. Through enhanced sharing of performance information, accountability is enhanced.



Jon W. Singleton, CA•CISA



Report Overview

INTRODUCTION

Annual reports have evolved over time to become informative documents whose purpose is to communicate much more than financial data about an organization. Increasingly, annual reports are becoming an important vehicle for communicating to legislators and citizens alike about the performance of an organization.

Moreover, the art of telling a “performance story” so to speak is in the process of evolving. It is moving from a description of an organization’s inputs, activities and services to a description of the organization’s outputs and outcomes. Increasingly, organizations who have taken up the challenge of telling their performance story are attempting to do so by focussing on their goals, expressed as measurable targets and reporting achievements against those goals.

Within the context of the shifting trend in the focus of annual reporting, we wanted to determine the state of reporting performance information by Manitoba crown entities in their annual reports.¹ To this end, we undertook a review of 26 (40%) annual reports prepared by Manitoba crown entities for fiscal year 2000/01. Building on earlier reports of the Office of the Auditor General of Manitoba dealing with performance measurement and reporting within government (available on our website – www.oag.mb.ca), this report goes beyond simply determining the state of performance reporting. It is designed to promote best practices in the presentation of performance information in annual reports.

Currently, there are 64 crown entities in Manitoba of which 7 (**Figure 3**) are under the purview of Crown Corporations Council (CCC). Council was established in 1989 primarily to “depoliticize” crown corporations, strengthen their accountability and ensure consistency in respect of matters of crown policy and administration.² The majority of crown entities under CCC are self-financing. Crown entities under the purview of CCC have certain legislative obligations placed on them including requirements pertaining to performance measurement and reporting.

The majority of crown entities (i.e., 57 of the 64) do not fall under the purview of CCC. The statutes that establish each of these 57 crowns do not have provisions that are comparable to the requirements imposed on the 7 crowns currently under the authority of CCC. Each of these 57 crown entities is accountable to the minister charged with responsibility for administration of a particular crown. There is no central oversight body that monitors or provides direction and assistance on performance reporting to these 57 crowns.

¹ In this report “crown entities” consist of the crown organizations and crown enterprises listed in Schedule 8 of the Summary Financial Statements in *The Province of Manitoba Annual Report for the Year Ended March 31, 2001* with the exception of special operating agencies. We excluded special operating agencies from this review because they are part of a departmental structure and do not operate under an appointed board of directors.

² Speech given by former Minister of Finance, Clayton Manness at the introduction of Second Reading of Bill 37 - *The Crown Corporations Public Review and Accountability and Consequential Amendments Act*. Hansard November 4, 1988.

DEFINITIONS OF FREQUENTLY USED TERMS IN THIS REPORT

Crown Entity

Any agency, board, commission or other body:

- That is established by government but is not part of a government department;
- That is owned and/or controlled by government;
- Established by a statute and given delegated authority and responsibility;
- That may or may not be financially self-sufficient; and
- That may or may not derive its revenues from customers or client groups.

Performance

How well an organization, policy, program or initiative is achieving its planned, intended results measured against targets, standards or criteria.

DEFINITIONS OF FREQUENTLY USED TERMS IN THIS REPORT

Activities

Operation or work processes internal to an organization that lead to certain outputs and ultimately, outcomes. Examples of activities are: reviewing applications, conducting enforcement work, negotiating agreements, drafting legislation, developing policies/programs, conducting training programs.

Results

The consequences attributed to the activities of an organization, policy, program or initiative. Results can include both outputs produced and outcomes achieved.

Output

Products or services resulting from the activities of an organization, policy program or initiative. Examples of outputs are: advice given, reports produced, grants given, lane kilometers or repaired roads, number of people who received training.

What Is Performance Information?

Ultimately, performance information should enable readers to determine the value that an organization adds through the results it achieves. Performance information should communicate public benefits. To enable a reader to understand and form opinions about the results achieved by an organization, the content and quality of performance information must demonstrate certain characteristics. These characteristics are captured in **Figure B** and are dealt with in more detail in **Part Two** of the report.

REASON FOR THE REVIEW

Given the substantial revenues which crown entities derive from public sources, they have a special duty of care to provide appropriate reporting of their performance to the Legislative Assembly of Manitoba and ultimately, to Manitoba citizens. Collectively, the 64 crown entities in Manitoba received approximately \$3.0 billion or 44.3% of their revenue from provincial sources during fiscal year 2000/01. Another \$3.0 billion in revenues is estimated to have been raised in 2000/01 by crown entities through Manitoba-based user fees, charges or levies.

PURPOSE, SCOPE AND APPROACH

PURPOSE

The objectives of this review are:

- to determine whether Manitoba's crown entities are providing appropriate performance information in their annual reports to the Legislative Assembly; and
- to identify continuous improvement opportunities that crown entities can pursue in reporting performance information in annual reports.

SCOPE

There are a variety of ways in which performance reporting can take place: through a public meeting; by providing performance information on a website; in a promotional pamphlet, and so forth. Our review examined the performance information that may be contained in annual reports that are tabled in the Legislative Assembly. We assessed a sample of 26 annual reports prepared by crown entities for fiscal year 2000/01. This is a sample size of 40% of the total number of crown entities. The 26 crown entity annual reports that were selected represent a cross-section by: sector, size of budget, and functional responsibility (regulatory body, advisory body, enterprise or operational service).

It should be noted at the outset that our aim is not to evaluate the quality of the actual results achieved by a crown entity. Rather, our intent is to ascertain how well the annual reports of crown entities inform the Legislature, and ultimately the public about the results they produce.

APPROACH

We began by reviewing any applicable legislation and government policies/guidelines on the content of annual reports specifically as they relate to performance information. Additionally, we reviewed other Canadian jurisdictions with respect to the legislation and policies pertaining to performance reporting by crown entities in annual reports. Our purpose was to identify best practices opportunities that Manitoba crown entities can draw upon.

We reviewed the literature on best practices in reporting performance information (**Appendix 1**). As well, we interviewed eleven board chairpersons from our sample of 26 crown entities. This gave us an opportunity to find out the perspective of board chairs on reporting of performance information.

The research, analysis and interviews related to this review were conducted between February and June 2002.

FINDINGS

1. Reporting Framework

We examined the reporting framework with respect to performance information contained in annual reports prepared by crown entities in Manitoba, federally and in other provinces. The broad aspects of the reporting framework that we gathered information on are:

- *Legislation* – what type of legislation if any exists regarding the requirements for reporting performance information in annual reports prepared by crown entities?
- *Guidelines* – what type of government guidelines if any exist regarding the performance information that crown entities are expected to include in their annual reports? (Includes guidelines developed by agencies set-up by government to oversee crown entities.)
- *Review/Monitoring Function* – is there central review/monitoring of the performance information contained in annual reports prepared by crown entities?
- *Institutional Support/Capacity Building* – what type of assistance is provided to crown entities to help them generate effective performance information? Capacity building refers to activities aimed at helping crown entities improve their skills in generating effective performance information (e.g., developing performance expectations/goals, developing meaningful performance measures and targets).
- *Public Debate On Performance* – is a forum provided for legislators and citizens to ask questions of crown entities in relation to their reported performance in their annual reports?

DEFINITIONS OF FREQUENTLY USED TERMS IN THIS REPORT

Outcome

A significant consequence attributed to the outputs of an organization, policy, program or initiative. Outcomes may relate to a change in behaviour, skills, knowledge, attitudes, values, conditions, status or other attributes. Outcomes may be described as immediate, intermediate or long term, direct or indirect, intended or unintended. For example, a program to enforce discharge in waterways by businesses could have the following immediate, intermediate and long term outcomes:

Immediate Outcome:

- pollutant discharges are reduced;

Intermediate Outcome:

- reduced fish and human diseases;

Long Term Outcome:

- improved water quality.

The findings from a review of the reporting framework are summarized in **Figure A**. For details see **Part One** of the report.

FIGURE A

Highlights From Findings On The Reporting Framework		
Institutional Framework	In Manitoba	Federally/Other Provinces
Legislation On Performance Information	• No legislation that enunciates the type of performance information expected in annual reports prepared by crown entities. <i>Note:</i> The meaning of performance information is defined in Figure B.	• It is the exception rather than the rule to find in the legislation an articulation of the type of performance information to be included in annual reports.
Guidelines On Performance Reporting	• Manitoba's crown entities are not expected to adhere to a common set of guidelines in preparing their annual reports.	• The trend appears to be towards having guidelines on the content of annual reports of crown entities.
Review Of Performance Information	• Except for the 7 crown entities under the purview of Crown Corporations Council (CCC), there is no central review for the remaining 57 Manitoba crown entities.	• Some jurisdictions have a central review of annual reports and slightly more do not.
Institutional Support/Capacity Building In The Area Of Performance Measurement and Reporting	• The 7 Crown entities under the CCC receive some form of support/capacity building from CCC; there is no such assistance provided to the remaining 57 Manitoba crown entities.	• A few jurisdictions provide some form of support to crown entities in relation to performance measurement and reporting.
Public Debate On Performance	• Only the crown entities that are under the purview of CCC are required to appear before standing committees of the Legislature for discussion on their performance. • Three of the crown entities under CCC are required to hold three public meetings annually for the purpose of explaining the objectives of the crown entity.	• The trend appears to be towards holding standing committee meetings of Parliament/the Legislature to discuss performance information reported in annual reports prepared by crown entities.

2. The State Of Performance Reporting Among Manitoba's Crown Entities

The findings from the review of a sample of 26 crown entity annual reports are summarized in **Figure B**. For details see **Part Two** of the report.

FIGURE B

Performance Reporting in Crown Entity Annual Reports	
Attributes of Performance Information	Highlights from Findings in Relation to Each Attribute
EXPECTED RESULTS Performance Information should identify: • The results that an entity intends to achieve (its goals or outcomes). • How expected results relate to the vision, mission and mandate of the entity. • How expected results relate to government's goals and priorities.	• Only one-third of the 26 annual reports included expected results/goals. • 46% of annual reports did not contain either a vision, mission or mandate. • In virtually no cases did crown entity annual reports present government's goals and priorities as they relate to their sector. Likewise there was virtually no attempt to link a crown entity's expected results/goals to those of government.
CRITICAL SUCCESS FACTORS AND STRATEGIES Performance Information should identify: • Activities to achieve expected results. • A description of the operating environment. • Internal and external factors that could impact on the achievement of results. • Actions to mitigate any potential risks.	• 85% of annual reports did not include the following: - linkage between strategies, programs or activities and the organization's expected results/goals; - a description of the organization's operating environment; - identification of key internal and external critical success factors that impact on the organization's ability to carry out activities and ultimately to achieve intended results; and - an explanation of how the organization addresses potential risks.
ACTUAL RESULTS Performance Information should identify: • Actual achievements as outputs and outcomes. • The link between results, activities and costs. • Variances between actual and intended results with explanations of these variances. • The extent to which achievements can be attributed to the activities of an entity.	• Annual reports are not reporting outcomes - 85% of annual reports focus on reporting a mix of activities and outputs while the remaining 15% of annual reports do not include either of these. • In virtually all annual reports: - actual results are not reported in relation to stated expected results/goals; - accomplishments are not presented in relation to performance measures and targets; and - there is no attempt to present or explain variances in performance between expected and actual results. • Annual reports did not attempt to link expected results/goals, activities, outputs and outcomes with costs. • Generally, annual reports do not demonstrate the significant contribution that the crown entity makes to the achievement of expected results/goals.
FUTURE DIRECTIONS Performance Information should identify: • Activities to address the gap between actual and expected results. • Future desired directions. • Internal and external factors that could impact on the achievement of future desired directions. • Actions to mitigate any constraints identified.	• Annual reports do not identify future directions with respect to how the crown entity will address: - the gap between expected and actual performance; and - key factors that could impact on their ability to meet future expected results. • Annual reports do not highlight the overall corporate direction that will be the focus of the next two to five year time frame.

FIGURE B (CONT'D.)

Performance Reporting in Crown Entity Annual Reports	
Attributes of Performance Information	Highlights from Findings in Relation to Each Attribute
UNDERSTANDABLE Performance Information should: ● Use language and a style that is simple, free of jargon and concise. ● Use charts, graphs and other visuals in a way that makes a meaningful contribution to explaining performance. ● Have a logical flow.	● In almost 70% of the annual reports: - some parts are clear and concise while in other parts there is room for greater clarity; - logical flow is variable; - tables and other visuals do not tend to be used to good effect (i.e., not clear to the reader why the data are included or what they are meant to demonstrate). - 30% of the annual reports are disjointed, making it difficult for the reader to connect one section to the next; (generally these annual reports tended to be concise to the point of compromising their meaningfulness).
RELEVANT Performance Information should: ● Relate to expected results, especially outcomes.	● 15% of annual reports attempted to relate their accomplishments to their mission, mandate or vision; less frequently was there some attempt in the annual reports to link activities or outputs to a particular goal. ● In 85% of annual reports activities and outputs reported are generally poorly linked or not linked to what the crown entity is attempting to achieve.
RELIABLE Performance Information should: ● Identify data sources. ● Explain data limitations. ● Identify future plans to improve data quality.	● Virtually all the annual reports we reviewed lacked explanations with respect to data sources, data quality and plans for improving data limitations.
COMPLETE AND BALANCED INFORMATION Performance Information should: ● Report on successes and shortcomings. ● Report against a balanced set of performance measures. ● Provide performance data over several years. ● Compare performance to other similar entities.	● At least 60% of the annual reports did not demonstrate any of the attributes of completeness and balance in the reporting of performance information. ● In slightly over one-third of the annual reports there was some attempt to report against a mix of performance indicators and in some cases data is presented over a time frame of several years and/or compared to similar data from other jurisdictions. ● In 8% of annual reports there was some attempt to report on shortcomings in performance.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions and Closing Observations

The annual reports we reviewed from 26 crown entities generally require significant or very significant changes in order to meet the attributes of effective performance reporting. We did not find noticeable differences in the content or quality of performance information in annual reports based on the type of crown entity, its size or whether it is under the purview of Crown Corporations Council. Generally the annual reports we reviewed displayed similar weaknesses in reporting performance information (refer to **Part Two** for details).

Readers of this report are cautioned against drawing the conclusion that Manitoba crown entities lack direction or goals because limited performance information is presented in annual reports. Such a conclusion cannot be made since the scope of our review was strictly to examine performance information reported. It is our understanding from the small sample of chairpersons we interviewed that their crown entities are engaged in strategic planning/business planning processes and are at varying stages of performance measurement. However, it was beyond the scope of this review to examine business/strategic plans of the crown entities in the sample in order to determine whether in fact these entities have clear goals, targets, strategies and so forth. Thus the absence of reporting performance information as we have defined it in this report should not be equated with a lack of planning among crown entities.

Crown entity board chairpersons we met with recognize the value of performance measurement. As well, board chairpersons support performance reporting in principle. They expressed concern however in regard to two aspects of performance reporting:

- the level of detail that could potentially be expected in an annual report; and
- the need to balance openness and accountability in reporting performance information while at the same time maintaining certain information confidential for reasons of competitiveness.

With respect to level of detail, our report has attempted to provide illustrative examples of how to incorporate more performance information into an annual report without turning the annual report into a lengthy and cumbersome document. The matter of confidentiality of certain information is addressed in our recommendation on appropriate disclosure.

Recommendations

Adopting The Attributes of Effective Performance Reporting

1. That the Government of Manitoba adopt the attributes of effective reporting on performance information contained in this report.

Establishing Guidelines on the Content of Crown Entity Annual Reports

2. That the Government of Manitoba develop a common set of guidelines for annual reporting by crown entities that are based on the attributes of effective reporting.

Establishing a Disclosure Policy

3. That the guidelines referred to under Recommendation No. 2 should include a disclosure policy for crown entities to follow in determining the type of performance information to include in their annual reports. The policy should establish the minimum standards of annual report disclosure to enable legislators and the public to better understand and assess the performance of crown entities. Saskatchewan's Crown Investment Corporation (CIC), *Performance Reporting and Disclosure Policy For Annual Reports of CIC and Subsidiary Crown Corporations*, may be of some guidance in developing a Manitoba policy.

Amending Legislation On Annual Reporting

4. That the Government of Manitoba give consideration to developing legislation on the content of annual reports to require annual reports to include the following:
 - the expected results of the organization;
 - the actual results achieved;
 - explanations of the variance between expected and actual performance; and
 - future strategies to address shortcomings in performance.

Establishing A Government-Wide Corporate Framework

5. That the Government of Manitoba establish and periodically review a Government-wide corporate framework within which crown entities can develop their own strategic plans and performance measures that contribute to the implementation of the corporate framework. [Note: This recommendation was made in relation to departmental planning in our July 2000 report on *Business Planning and Performance Measurement: An Assessment of Timeliness of Implementation and Effectiveness of the Process in Departments*.] In the absence of a Government-wide corporate framework, the Government of Manitoba should identify for each crown entity the outcomes that it is expected to achieve over a specified time frame.

Make Capacity Building Available To All Crown Entities

6. That the Government of Manitoba provide support services/capacity building opportunities to assist crown entities in the area of effective performance reporting.

Consistent Review of the Performance of All Crown Entities

7. That there be a consistent approach to monitoring the performance of crown entities. The monitoring function should include ensuring that annual reports contain performance information that is consistent with government guidelines and legislation and more importantly should track whether crown entities are achieving expected results.

Opportunity For Public Debate On Performance

8. That the Government of Manitoba ensures that all crown entities provide an opportunity for public debate on their performance.

Comments of Government Officials

The government remains committed to continuous improvement in its public reporting, not only for central government, but also for its crown entities. We agree that annual reports are an appropriate vehicle for open and transparent communication. We also agree with the concept of standardization, but with due care to providing sufficient flexibility to reflect the uniqueness of each organization.

We note the auditor's observation that legislative articulation of the contents of annual reports is uncommon. We will consider whether or not legislating annual report content is the appropriate vehicle for achieving improved reporting in the Manitoba environment. However, we are also mindful that legislative measures can be rigid and take longer to implement and change. In an evolving area such as performance and annual reports, we need to ensure that the framework does not limit our goal of continuous improvement.

Developing a reporting framework for government and all of its crown entities is no trivial task and will require significant staff commitments. Providing support services and capacity building opportunities will also require the dedication of financial resources. This will need to be weighed against other needs of Manitobans in our challenge to balance budgets. We agree, however, that this is an objective worth pursuing.

Introduction

This report examines the performance information contained in the annual reports of crown entities. Crown entities are distinct legal bodies that are wholly owned by the Government of Manitoba. They operate in a wide variety of sectors, vary greatly in terms of size, public policy objectives and degree of financial support from Government.¹

While each crown entity reports to a designated minister of the government, each of these entities has its own board of directors who make decisions concerning the operations of the crown to which they have been appointed. Crown entities are established by legislation which includes a description of the mandate or purpose of the entity. Crown entities function at arms-length from government. Typically, crown entities oversee significant amounts of government funds or revenues raised directly from user fees, or charges and levies paid by consumers for goods and services provided by the crowns. Collectively, the 64 crown entities in Manitoba received approximately \$3.0 billion or 44.3% of their revenue from provincial sources during fiscal year 2000/01. Another \$3.0 billion in revenues is estimated to have been raised in 2000/01 by crown entities through user fees, charges or levies to Manitobans.

Since crown entities are wholly owned by Government and received their mandate and powers by statute, they are ultimately accountable to the Legislative Assembly through the responsible minister. Annual reports are a critical vehicle for accountability. Bearing in mind that crown entities tend to have a mix of public policy and commercial objectives, it becomes all the more important that the performance information in annual reports goes beyond focussing on financial results.

Ultimately, performance information should enable readers to determine the value that an organization adds through the results it achieves. Performance information should communicate public benefits. To enable a reader to understand and form opinions about the results achieved by an organization, the content and quality of performance information must demonstrate certain characteristics. These characteristics are captured in **Figure 1** and **Figure 2**, and are dealt with in more detail in **Part Two** of this report.

Reason for the Review

Given the substantial revenues which crown entities derive from public sources, they have a special duty of care to provide appropriate reporting of their performance to the Legislative Assembly of Manitoba and ultimately, to Manitoba citizens.

DEFINITIONS OF FREQUENTLY USED TERMS IN THIS REPORT

Crown Entity

Any agency, board, commission or other body:

- That is established by government but is not part of a government department;
- That is owned and/or controlled by government;
- Established by a statute and given delegated authority and responsibility;
- That may or may not be financially self-sufficient; and
- That may or may not derive its revenues from customers or client groups.

Performance

How well an organization, policy, program or initiative is achieving its planned, intended results measured against targets, standards or criteria.

¹ In this report "crown entities" consist of the crown organizations and crown enterprises listed in Schedule 8 of the Summary Financial Statements in *The Province of Manitoba Annual Report for the Year Ended March 31, 2001* with the exception of special operating agencies. We excluded special operating agencies from this review because they are part of a departmental structure and do not operate under an appointed board of directors.

DEFINITIONS OF FREQUENTLY USED TERMS IN THIS REPORT

Activities

Operation or work processes internal to an organization that lead to certain outputs and ultimately, outcomes. Examples of activities are: reviewing applications, conducting enforcement work, negotiating agreements, drafting legislation, developing policies/programs, conducting training programs.

Results

The consequences attributed to the activities of an organization, policy, program or initiative. Results can include both outputs produced and outcomes achieved.

Output

Products or services resulting from the activities of an organization, policy program or initiative. Examples of outputs are: advice given, reports produced, grants given, lane kilometers or repaired roads, number of people who received training.

Purpose, Scope and Approach to the Review

PURPOSE

The objectives of this review are:

- to determine whether Manitoba's crown entities are providing appropriate performance information in their annual reports to the Legislative Assembly; and
- to identify continuous improvement opportunities that crown entities can pursue in reporting performance information in annual reports.

SCOPE

There are a variety of ways in which performance reporting can take place: through a public meeting; by providing performance information on a website; in a promotional pamphlet, and so forth. Our review examined the performance information that may be contained in annual reports that are tabled in the Legislative Assembly. We assessed a sample of 26 annual reports prepared by crown entities for fiscal year 2000/01. This is a sample size of 40% of the total number of crown entities. The 26 crown entity annual reports that were selected represent a cross-section by: sector, size of budget, and functional responsibility (regulatory body, advisory body, enterprise or operational service).

It should be noted at the outset that our aim is not to evaluate the quality of the actual results achieved by a crown entity. Rather, our intent is to ascertain how well the annual reports of crown entities inform the Legislature, and ultimately the public about the results they produce.

APPROACH

We began by reviewing any applicable legislation and government policies/guidelines on the content of annual reports specifically as they relate to performance information. Additionally, we reviewed other Canadian jurisdictions with respect to the legislation and policies pertaining to performance reporting by crown entities in annual reports. Our purpose was to identify best practices opportunities that Manitoba crown entities can draw upon. Thus we developed a questionnaire that was mailed to the Government of Canada, Provincial Governments and any Federal or Provincial agency mandated with the oversight of crown entities.

We reviewed the literature on best practices in reporting performance information as well as the characteristics or attributes that legislative auditors in other jurisdictions have used in similar performance reporting assessments (see Sources of Information in **Appendix 1**). Details on the attributes of performance information that formed the basis of our review are presented in **Part Two**.

Our process also included interviews with 11 board chairpersons from our sample of 26 crown entities. This gave us an opportunity to find out their perspective on performance information and what they perceive to be the strengths and challenges in performance reporting by their crown entity. Their interviews contributed to the development of our recommendations.

The research, analysis and interviews related to this review were conducted between February and June 2002.

Organization of the Report

The work we undertook in relation to the earlier stated purpose of this review is presented in three parts.

Part One – presents our findings on the performance reporting framework as it relates to crown entities in Manitoba and other Canadian jurisdictions.

Part Two – presents the attributes of effective performance reporting and compares these to the current state of performance reporting in a sample of 26 crown entity annual reports. Opportunities for continuous improvement are identified through specific examples (“models to follow” and “traps to watch out for”) in relation to each attribute.

Part Three – contains conclusions and recommendations.

DEFINITIONS OF FREQUENTLY USED TERMS IN THIS REPORT

Outcome

A significant consequence attributed to the outputs of an organization, policy, program or initiative. Outcomes may relate to a change in behaviour, skills, knowledge, attitudes, values, conditions, status or other attributes. Outcomes may be described as immediate, intermediate or long term, direct or indirect, intended or unintended. For example, a program to enforce discharge in waterways by businesses could have the following immediate, intermediate and long term outcomes:

Immediate Outcome:

- pollutant discharges are reduced;

Intermediate Outcome:

- reduced fish and human diseases;

Long Term Outcome:

- improved water quality.

FIGURE 1
Performance Information - Content Characteristics

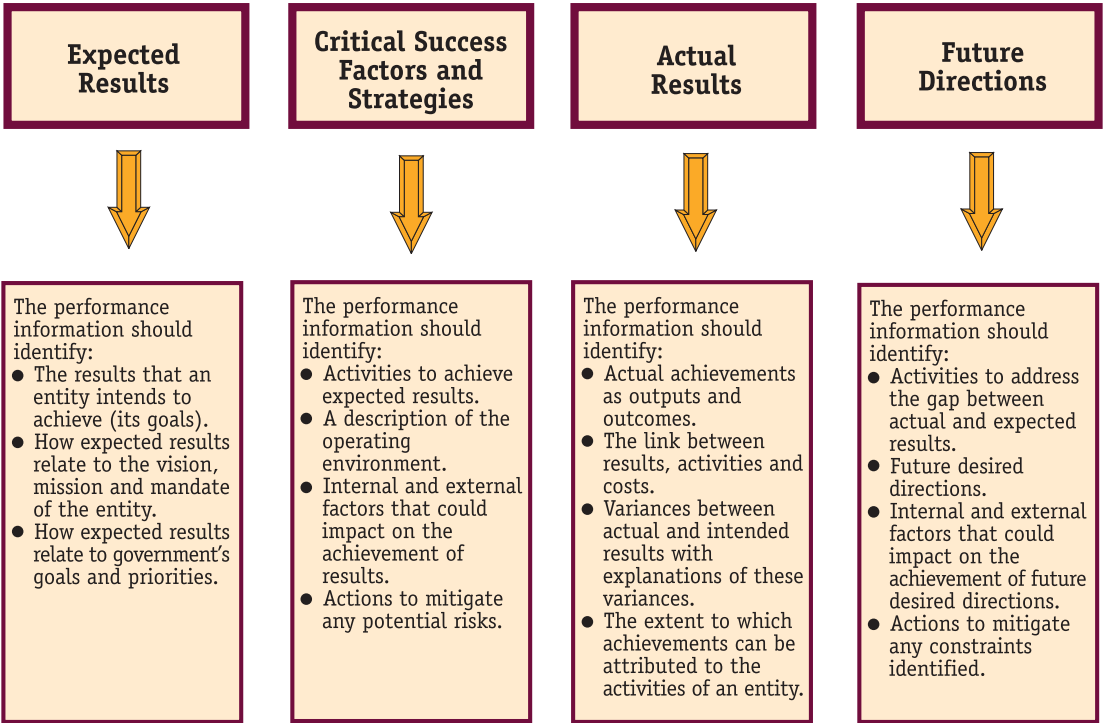
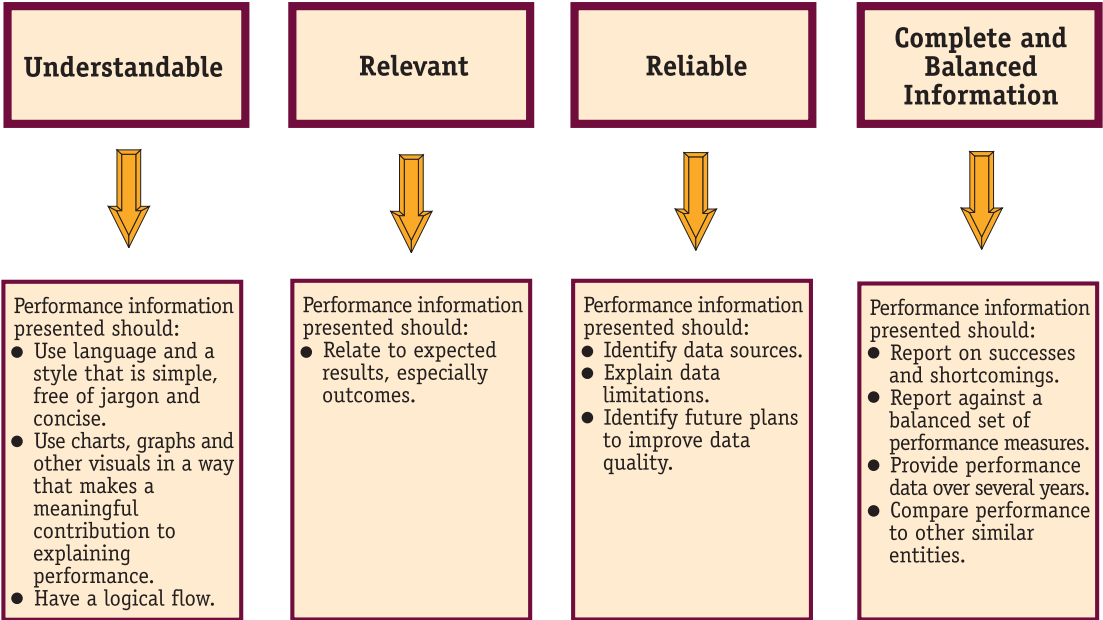


FIGURE 2
Performance Information - Quality Characteristics



Part One: The Reporting Framework

Before commencing an assessment of the performance information contained in annual reports of crown entities, we believe it is important to first understand the institutional framework, that is:

- the organizational context within which crown entities may be reporting on performance information; and
- what expectations if any are placed by government or an agency of government on crown entities with respect to performance reporting in annual reports.

Next we compared the institutional framework in Manitoba with that in other Canadian jurisdictions. The aim of this step was to determine whether expectations and practices in other jurisdictions offer opportunities from which Manitoba's crown entities may benefit. Findings from the inter-jurisdictional comparison are presented in the second half of **Part One**.

MANITOBA'S ORGANIZATIONAL SETTING

Currently, there are 64 crown entities in Manitoba of which 7 (**Figure 3**) are under the purview of Crown Corporations Council (CCC). Council was established in 1989 primarily to "depoliticize" crown corporations, strengthen their accountability and ensure consistency in respect of matters of crown policy and administration.³ Appointed by the Lieutenant Governor in Council, the board of CCC is required by *The Crown Corporations Public Review and Accountability Act*, (*The Act*), to consist of persons with management, accounting and consumer expertise. Cabinet Ministers are prohibited from sitting on CCC's board of directors [subsection 14(4) of *The Act*].

FIGURE 3

Crown Entities Under the Purview of Crown Corporations Council

- Manitoba Hydro
- Manitoba Public Insurance
- Liquor Control Commission
- Manitoba Lotteries Corporation
- Venture Manitoba Tours Ltd.
- Communities Economic Development Fund
- Manitoba Centennial Centre Corporation

³ Speech given by former Minister of Finance, Clayton Manness at the introduction of Second Reading of Bill 37 - *The Crown Corporations Public Review and Accountability and Consequential Amendments Act*. Hansard November 4, 1988.

The majority of crown entities under CCC are self-financing.

Fifty-seven of the 64 crown entities do not fall under the purview of CCC. The statutes that establish each of these 57 crowns do not have provisions that are comparable to the ones described above in relation to crown entities that fall under the purview of CCC. Each of these 57 crown entities is accountable to the minister charged with responsibility for administration of a particular crown. There is no central oversight body that monitors or provides direction and assistance on performance reporting to these 57 crown entities.

PERFORMANCE INFORMATION REQUIREMENTS IN MANITOBA'S ANNUAL REPORTS

The Financial Administration Act

Section 67 of *The Financial Administration Act* provides for the preparation of annual reports by departments and government entities to be laid before the Legislative Assembly not later than six months after the end of the fiscal year.

The Crown Corporations Public Review And Accountability Act

The Act requires those crown entities that are under CCC's purview to submit annual reports to the minister responsible for a given crown. Subsection 19(1) of *The Act* provides that each corporation report on its "operations" and include an audited financial statement in its annual report. The legislation does not elaborate on specific expectations that pertain to reporting on "operations".

Other Acts

The statute establishing each crown entity contains a requirement that an annual report be prepared and forwarded to the minister responsible for a given crown. To the extent that these statutes provide direction on the content of annual reports, the focus is on financial reporting. These statutes do not elaborate on content expectations that relate to non-financial performance information.

Annual Report Guidelines

The content of annual reports is prescribed in *Departmental Annual Reports Instructions*, (*The Instructions*), issued by the Comptroller's Division of the Department of Finance. These do not apply to crown entities. However, we were advised that some crown entities have chosen to use *The Instructions* as a guideline. For this reason, we identify here those elements in the "Instructions" that relate to performance information. *The Instructions* indicate that one of the objectives of "effective" annual reporting is "to ensure operational accountability is demonstrated by relating planned activities and expected results to actual accomplishments".⁴ *The Instructions* state that the narrative information provided in annual reports should present objectives, major results and significant operational variances for each sub-appropriation or program area. It further indicates that this type of information should be quantifiable wherever possible and

⁴ Comptroller's Division, Department of Finance. *Departmental Annual Reports Instructions*. Revised: June, 1999. Page 3.

should enable an assessment of the results achieved against those intended. If there are significant operational variances, these are to be explained in terms of the external and internal factors that account for the deviations from expected results.⁵

COMPARISON WITH OTHER CANADIAN JURISDICTIONS

Through a survey we gathered information from the Federal and Provincial governments on the reporting of performance information by crown entities in their annual report. This section of the report presents the main survey findings.

Legislation On Performance Reporting

While it is common to find a statutory requirement that crown entities prepare an annual report on their operations it is the exception rather than the rule to find in the legislation an articulation of the type of performance information to be included in annual reports. British Columbia's *Budget Transparency and Accountability Act* and Prince Edward Island's *The Financial Administration Act* include some elaboration on the type of performance information to be contained in annual reports.

In the case of British Columbia, an "annual service plan report" must compare actual results for the preceding year with the expected results identified in the service plan [subsection 16(3) of *The Act*]. The service plan of a crown entity is required by subsection 13(3) of *The Act* to be consistent with the current government strategic plan and must include a statement of goals, identify specific objectives and performance measures. Thus the reporting on achievements under subsection 16(3) is tied to the prescribed content identified under subsection 13(3). In Prince Edward Island subsection 70(5) of the *The Financial Administration Act* requires crown entities to include in their annual report a statement of goals and results achieved during the reporting period.

Guidelines On Performance Reporting

The trend among Canadian jurisdictions is to have guidelines/policies on the content of annual reports of crown entities. Such guidelines include provisions that pertain to performance information.⁶ Based on survey responses, the type of performance information expected by the guidelines in other jurisdictions essentially relates to five broad categories:

1. Expected Results
2. Critical Success Factors and Strategies to Meet Expected Results
3. Actual Results
4. Future Directions
5. Complete and Balanced Presentation of the Performance Information

As **Figure 5** shows, more jurisdictions have guidelines that relate to the first three

⁵ Ibid. Page 12.

⁶ See Figure 1 for a quick overview on the content of performance information.

categories identified above than for the last two. Particularly noteworthy is that with one exception, guidelines do not expect crown entities to report performance using a certain mix of indicator types (e.g., indicators of efficiency, effectiveness, corporate capacity, etc.).

Review of Performance Information

Our survey included questions about whether any unit in government or an agency of government is charged with responsibility to review the content of annual reports. As well, we sought to determine the purpose of such reviews. No clear trend appears on this front. Some jurisdictions have a central review of annual reports and slightly more do not (**Figure 6**). In a couple of jurisdictions, the central review only applies to certain crown entities and not others. Likewise, as can be seen from **Figure 6** a consistent pattern did not emerge with respect to the aim of the review.

Institutional Support For Performance Measurement

A few jurisdictions provide some form of support/capacity building to crown entities in relation to performance measurement and reporting (**Figure 7**). In a couple of cases the support/capacity building function only applies to a certain number of crown entities. The most frequently cited support/capacity building activities are:

- providing crown entities with guidelines/best practices in performance measurement and reporting that are optional for them to follow;
- giving advice to crown entities on the selection of performance indicators proposed by the crown entities; and
- communicating to crown entities optional changes they may want to make in future annual reports.

Opportunity For Debate On Performance Information Reported

Based on the survey the trend appears to be towards holding standing committee meetings of Parliament/the Legislature to discuss performance information reported in annual reports prepared by crown entities. In a few jurisdictions there is a standing committee devoted to crowns (**Figure 8**).

Positive Achievements in Performance Reporting

Figure 9 presents respondents' perceived successes thus far by crown entities in the evolution of reporting performance information in annual reports. The most frequently cited gains are:

- increased emphasis on outcomes;
- more consistent use of standard terminology/common framework for public reporting of performance information; and
- more public disclosure on performance by crowns.

Areas That Need Improving In Performance Reporting By Crown Entities

Survey respondents identified a variety of areas that need improving in performance reporting by crown entities (**Figure 10**). Linking planned to achieved results in the annual report was the most frequently identified area that needs strengthening.

How Does Manitoba Stack Up?

FIGURE 4

- Manitoba does not have a legislative framework that enunciates the type of performance information that is expected in annual reports.
- Manitoba's crown entities are not expected to adhere to a common set of guidelines in preparing their annual report on their performance.
- Except for the 7 crown entities under the purview of Crown Corporations Council (CCC), there is no central review/monitoring of the performance information in annual reports of the 57 other Manitoba crown entities.
- Crown entities under CCC are receiving some form of support from CCC in the area of performance measurement and reporting.
- There are 57 crown entities that receive no support/capacity building from Government in the area of performance measurement and reporting.
- Only the crown entities that are under the purview of CCC are required to appear before standing committees of the Legislature for discussion on their performance.
- Three of the crown entities under CCC are required to hold three public meetings annually for the purpose of explaining the objectives of the crown entity.

FIGURE 5

Guidelines/Policies on Performance Information														
Which of the Following are Identified in Guidelines/Policies on the Content of Crown Entity Annual Reports?	Jurisdictions ¹													
	CA	BC	AB	SK (FIN)	SK (CIC)	MB (FIN)	MB (CCC)	ON	QB	NB	NS	PEI	NFLD **	
EXPECTED RESULTS														
● Identifying the crown entity's intended results/goals.	✓	✓			✓			✓		✓	✓	✓	✓	
● Explaining the link between the crown entity's intended results and government goals/objectives and priorities.	✓	✓			✓						✓			
● Identifying performance targets.	✓	✓	✓		✓			✓			✓	✓		
● Identifying performance indicators.	✓	✓	✓		✓			✓		✓	✓	✓		
CRITICAL SUCCESS FACTORS AND STRATEGIES TO MEET EXPECTED RESULTS														
● Explaining how the crown entity is planning to achieve its intended results.	✓	✓								✓	✓	✓	✓	
● Providing baseline and trends data in order for the corporation to put its performance in context.		✓			*						✓	✓		
● Identifying key factors that could impact on the crown entity's ability to meet future year planned results.	✓	✓	✓		✓			✓			✓	✓		
ACTUAL RESULTS														
● Focussing on results rather than activities in reporting on performance measures.	✓	✓	✓		✓						✓	✓	✓	
● Using performance indicators identified in the report to measure and report on performance	✓	✓	✓		✓			✓			✓	✓		
● Demonstrating that the activities of the crown entity have significantly contributed toward the achievement of its results.	✓	✓	✓		✓					✓	✓	✓		
● Linking results to costs.	✓	✓	✓									✓		
FUTURE DIRECTIONS														
● Identifying future planned activities to address the gap between intended and actual performance.	✓	✓						✓			✓	✓		
COMPLETE AND BALANCED INFORMATION														
● The following types/categories of indicators of performance should be reported on:														
- Efficiency Indicators														
- Effectiveness Indicators														
- Client Satisfaction Indicators					*									
- Financial Results Indicators					*									
- Internal Processes Indicators					*									
- Human Resources Indicators					*									
- Environmental Management Indicators					*									
- Policy Development Capability Indicators (competencies)					*									
- Governance Capability Indicators (competencies)					*									
- Corporate Capacity to Improve and Innovate Indicators					*									
● Identifying variances between actual versus intended results	✓	✓						✓			✓	✓	✓	
● Explaining the reason(s) for variances between actual and intended results (i.e., providing information on the operating context that explains the factors that influenced/impact on the crown entity's ability to achieve intended results).	✓	✓			*						✓	✓	✓	

¹ See **Appendix 2** for a listing of the jurisdictions.

* To be reported in Annual Reports by 2003.

** Guidelines prepared by Treasury Board June 2002.

FIGURE 6

Review of Performance Information in Annual Reports														
If Your Office Reviews Annual Reports of Crown Entities, What is the Purpose of the Review?		Jurisdictions												
		CA	BC	AB	SK (FIN)	SK (CIC)	MB (FIN)	MB (CCC)	ON	QB	NB	NS	PEI	NFLD
● No review conducted.				✓	✓		✓		✓	✓				✓
● To ensure reporting compliance with directives on content requirements.			✓			✓					✓		✓	
● To determine if intended results and performance are consistent with government objectives and goals.			✓					✓			✓			
● To assist decision-making by government on level of annual funding to a crown entity.			✓					✓				✓		
● To determine the need for government to communicate certain directives/expectations to a crown entity.			✓					✓				✓		
● To ensure similar operating practices and standards are maintained among crown entities of a similar type.			✓					✓				✓		
● Other:														
- To develop a baseline for assessing future improvements.														
- To determine if type of guidance provided by the office needs adjusting.														
- To identify lessons learned and best practices.														
- To prepare the Annual Report on Crown Corporations and Other Corporate Interests of Canada pursuant to section 151 of The Financial Administration Act. *		✓												

* Under section 151 of *The Financial Administration Act* the President of Treasury Board is annually required to lay before Parliament an annual consolidated report on crown corporations listing the corporations and providing employment and financial data, including aggregate borrowings of parent crowns.

FIGURE 7

Institutional Support to Crown Entities for Performance Reporting														
What Type of Oversight and Support Roles Does Your Office Undertake in Relation to Performance Measurement and Reporting by Crown Entities?		Jurisdictions												
		CA	BC	AB	SK (FIN)	SK (CIC)	MB (FIN)	MB (CCC)	ON	QB	NB	NS	PEI	NFLD
● Not involved in an oversight/support role.				✓	✓*		✓		✓	✓	✓		✓	***
● To provide crown entities with a framework of performance measurement and reporting expectations that MUST be met.			✓			✓						✓		
● To provide crown entities with guidelines/best practices in performance measurement and reporting that are OPTIONAL for them to follow.		✓	✓			✓		✓				✓		
● To give advice to crown entities on the selection of performance indicators.			✓			✓		✓				✓		
● To approve the performance indicators proposed by the crown entities.						✓***								
● To require that data on certain performance indicators be compiled and reported on.														
● Communicating to crown entities changes they MUST make in the presentation of performance information in future annual reports.			✓			✓						✓		
● Communicating to crown entities OPTIONAL changes they MAY want to make in future annual reports.		✓	✓			✓		✓				✓		

* The Office expects to take on an oversight/support function in relation to crown entities' performance reporting in the future.

** The CIC Board of Directors gives final approval to the performance indicators.

*** Each department is expected to specify what it expects by way of annual reporting and to provide feedback to the crown entities reporting to them.

FIGURE 8

Opportunity for Debate on Performance Information Reported									
Are Annual Reports of Crown Entities the Subject of Parliamentary/Legislative Assembly Standing Committee Meetings?		Who is Typically Expected to Attend Standing Committee Meetings?							
Jurisdictions	YES	NO	Chair of Crown Entity's Board	All Board Members of Crown Entity	CEO of Crown Entity	Minister Responsible for Crown Entity	Deputy Minister and/or Other Officials (may include Crown staff)	Committee Determines Who It Invites	Provincial Auditor
CA	Various standing committees (different crowns are assigned to different standing committees)							✓	
BC	The Select Standing Committee on Crown Corporations		✓		✓				
AB		✓							
SK (FIN)	Standing Committee on Public Accounts *				✓				
SK (CIC)	The Standing Committee on Crown Corporations				✓	✓	✓		✓
MB (FIN)		✓							
MB (CCC)	- Public Utilities and Natural Resources Standing Committee - The Economic Development Standing Committee		✓		✓	✓	✓		
ON	- Standing Committee on Government Agencies - Standing Committee on Justice and Social Policy - Standing Committee on General Government		✓	✓**	✓	✓**			
QB	Commission De L'Administration Publique				✓	✓			
NB	Standing Committee on Crown Corporations							✓	
NS		✓							
PEI		✓							
NFLD		✓							

* In recent years the Committee has allocated a very small portion of their time to dealing with annual reports.

** Could potentially attend.

FIGURE 9

Positive Achievements in Performance Reporting by Crown Entities													
In Your Opinion, What are the Main Positive Achievements in Performance Reporting by Crown Entities in their Annual Report?	Jurisdictions												
	CA	BC	AB	SK (FIN)	SK (CIC)	MB** (FIN)	MB (CCC)	ON	QB	NB**	NS****	PEI	NFLD*****
● Increased emphasis on outcomes.					✓		✓		✓			✓	
● More consistent use of standard terminology/common framework for public reporting of performance information.					✓							✓	
● Inclusion of historical financial and statistical data.	✓												
● Reporting on client satisfaction.	✓								✓				
● Performance indicators identified in corporate plans are used to annually report on results.	✓												
● More public disclosure on performance by crowns.		✓	✓		✓								
● More crowns expanding or adopting performance measures.		✓	✓										
● Strong financial data.				✓									
● Forward-looking information about future directions in performance.					✓								
● Senior management recognition of the importance of performance reporting.												✓	

* No comments submitted.
 ** Unable to determine at this time.
 *** Reporting against the new accountability reporting requirements commences in 2002. Therefore, unable to determine at this time.
 **** Each department is setting standards for reporting by crown entities for which it is responsible. Therefore, it is not possible at this time to provide generalized observations about the state of performance reporting.

FIGURE 10

Areas That Need Improving in Performance Reporting by Crown Entities													
In Your Opinion, What are the Main Aspects of Performance Reporting by Crown Entities in Annual Reports That Need Improving?		Jurisdictions											
		CA	BC	AB	SK (FIN)	SK (CIC)	MB* (FIN)	MB (CCC)	ON	QB	NB **	NS ****	PEI
• More focus on strategic outcomes and performance measures.					✓			✓					
• Better linkage in reporting planned versus achieved results (i.e., linkage between objectives, resources, targets, performance measures and results reported.	✓		✓		✓								
• More balanced reporting of the positive and negative results.	✓												
• Better analysis of variances in financial performance.	✓												
• Distinguishing between outcome measures for public reporting and management measures for internal reporting.				✓									
• Demonstrating how the results of a crown entity contributes to the achievement of government goals.				✓									
• Clearer, more measurable and standardized performance measures.			✓			✓							
• Better adherence to performance reporting framework/guidelines.													✓
• A common framework of government expectations with respect to performance reporting by crown entities.								✓		✓			
• Well defined government goals and priorities to provide crown entities with the context within which to do performance measurement and reporting.								✓					✓
• Improving the public reporting side of performance reporting.								✓					
• Ensuring performance targets are realistic/attainable.													✓

* No comments submitted.

** Unable to determine at this time.

*** Reporting against the new accountability reporting requirements commences in 2002. Therefore, unable to determine positive aspects at this time.

**** Each department is setting standards for reporting by crown entities for which it is responsible. Therefore, it is not possible at this time to provide generalized observations about the state of performance reporting.

Part Two: Attributes of Performance Information and the State of Reporting Among Manitoba's Crown Entities

Determining whether performance information is appropriate revolves around two central questions. First, “does the annual report tell the right story about an organization’s performance”? Second, “is the performance story being told in the right way”? The first question is concerned with the content of performance information – the performance story – and whether an organization has presented information that enables the reader to draw conclusions about how effectively the organization is operating. The second question is concerned with how the performance information is presented and whether the manner in which the performance story is told is suitable.

How does one determine if the “right” performance story is being told in the “right” way? There is a growing body of documents and reports on the attributes or characteristics of performance information. Among the sources we consulted on the subject of appropriate performance information are the CCAF-FCVI Inc.’s emerging guidelines on performance reporting (refer to Sources of Information, **Appendix 1**).

Part Two is organized in such a way that the explanation of individual attributes of performance information is followed by our findings with respect to that attribute based on a review of 26 crown entity annual reports. The attributes are grouped either under “content” (i.e., the type of information that should be contained in the performance story) or “quality” (i.e., how the performance story is told). Essentially, **Part Two** is focussed on demonstrating wherever possible leading practices in achieving each of the attributes we present.

As indicated earlier, the 26 crown entities selected for this review represent a cross-section by: sector, size of budget, and functional responsibility (regulatory body, advisory body, enterprise or operational service). A list of the crown entities in the sample is presented in **Appendix 3**.

It should be kept in mind that performance information is only one component of the ideal content of an annual report. There are other elements beyond performance information that a good annual report should contain (e.g., an organization chart, a description of the different service areas/business units, a financial statement). These are not the subject of this review.

METHODOLOGY

The annual reports were reviewed in relation to each of the attributes presented in this Part in order to determine the extent to which each attribute is being met. In relation to each attribute, a determination was made as to whether the annual report:

- is a very good demonstration of the attribute;
- is a good attempt at demonstrating the attribute;
- is at the beginning stages of demonstrating the attribute;

- needs significant work before the attribute is demonstrated; or
- needs very significant work before the attribute is demonstrated (i.e., no evidence of the attribute).

PERFORMANCE INFORMATION ATTRIBUTES PERTAINING TO CONTENT

1. EXPECTED RESULTS

Characteristics of the Attribute

Presenting the expected results/goals of an organization is the starting point in reporting performance information. An expected result/goal is defined as the intended benefit (or harm avoided) that occurs due to the organization's activities or programs. Activities such as the number of participants served by a program may contribute to the achievement of an expected result/goal, but do not constitute a result in and of themselves.

Alternatively put, an organization needs to identify in an annual report what impact or outcome it hopes to achieve as a consequence of its activities, programs or strategies.

The annual report should explain how an organization's vision, mission and mandate relate to its expected results/goals. In other words, it is not enough to state the vision, mission and mandate. The annual report needs to translate the vision, mission and mandate into expected results/goals.

Moreover, in the case of crown entities or other agencies of government, the annual report should explain how the entity's goals contribute to the achievement of government's goals and priorities for that specific entity or sector. Throne Speeches, Budget Addresses and discussions with the Minister responsible for a particular crown entity are sources of information on government's goals and priorities.

In order for readers of annual reports to know whether expected results/goals have been achieved, readers need to be given information on the performance targets. Thus expected results/goals should be measurable and performance targets need to be established in relation to them.

Models To Follow

Some examples of expected results/goals presented as measurable targets in an annual report are:

Translating A Goal Into A Target

Goal:

Fewer workers become injured or ill.

Target:

- Ensuring fewer than 5% of all workers experience a workplace illness or injury.

Goal:

More customers say we provide superior service.

Targets:

- Finding out about accidents within 2 days.
- Paying injured workers within 5 days from notification.
- Scoring over 80% satisfaction in our customer surveys of workers.

Source: Workers Compensation Board of Manitoba Annual Report 2000.

Coming Up With A Target That Is Suitable For What You Are Going To Measure

Expressing A Target

A target for any given goal may not necessarily be a single number. Instead the target might be expressed as:

- Meeting a specified range;
- A defined scale of accomplishments such as “good”, “fair” and “poor”;
- Making a significant contribution to a particular result where “significant” is defined for the reader.

Determining The Amount Of A Target

Targets should be defensible - you should be able to justify them. One good source for determining your organization's targets for particular expected results/goals is to look to generally accepted standards for your sector or to benchmark what similar organizations in other jurisdictions are targeting and achieving.

Traps To Watch Out For

Distinguishing Results From Strategies/Activities:

The examples below may look like statements of expected results/goals, when in fact they are strategies or activities. The way to distinguish whether a statement is an expected result/goal or a strategy/activity is to ask the question, “what is the ultimate benefit or impact we are seeking to achieve”? The answer to that question is the expected result/goal.

These Are Strategies/Activities, Not Expected Results/Goals

- To provide advice and assistance to help Federal agencies improve their human resources management programs to effectively operate within the economy, demographics and environment of the 21st Century.
- To protect and promote the merit-based Civil Service and the employee earned benefit programs through an effective oversight and evaluation program.
- To monitor loans in a manner responsible to the client.
- To be informed and to share knowledge on economic development with client groups.
- To develop a more effective system of health advisory councils with input from the members of the Youth, Cross-Cultural and Regional Health Advisory.
- To get stakeholders to work together.
- To facilitate the development and commercialization of technology.

Our Findings

- One third of the 26 annual reports included expected results/goals. In some cases however, these expected results/goals were actually strategies or activities as opposed to a statement of the desired impact the crown entity hoped to make.
- Approximately 70% of the annual reports did not identify expected results/goals.
- 46% of annual reports did not contain either a vision, mission or mandate.
- In those annual reports where a vision, mission or mandate are included, there was almost no attempt to link these components to expected results/goals.
- In virtually all cases, the annual reports did not present government’s goals and priorities as they relate to a given crown entity’s particular sector. Similarly, there was virtually no attempt to link a crown entity’s expected results/goals to those of government.

Conclusion

Almost 70% of the annual reports we reviewed need either very significant or significant improvement in order to meet the characteristics of the attribute of presenting expected results/goals.

2. CRITICAL SUCCESS FACTORS AND STRATEGIES TO MEET EXPECTED RESULTS

Characteristics of the Attribute

Having presented the expected results/goals of the organization, the annual report should outline the key strategies, programs or activities that are being used to achieve desired results/goals. In doing so, it is important to create the link for the reader between strategies, programs or activities and the organization's intended results/goals. Likewise, providing background on the operating environment gives a context for why certain strategies, programs or activities are being undertaken. This in turn allows the reader to understand the rationale behind an organization's resource allocation decisions and why it spends its time on the initiatives described in the annual report.

The annual report needs to identify for the reader the internal and external factors (risks) that are critical to the success of their strategies, programs or activities and ultimately to their ability to achieve intended results/goals. As well, the annual report needs to explain how the organization manages its challenges and risks. Critical success factors can include areas such as organizational capacity (i.e., staff competencies, adequate levels of staffing, the necessary infrastructure for staff to do their jobs, leadership direction and support), financing, safety considerations, environmental considerations, and so forth.

Models To Follow

Linking Expected Results/Goals With Programs, Strategies Or Activities

Objective:

To proactively manage the risks of providing deposit insurance.

Supporting Initiatives:

- Perform proactive risk assessment, monitoring, problem identification....
- Ensure processes are in place for compliance verification and management.
- Upgrade the Standards and the related compliance and reporting processes.

Source: The 2000/01 Annual Report of the Canada Deposit Insurance Corporation (p.14).

Operating Environment And Risks

- On presenting the operating environment, see **Appendix 4**.
- On identifying internal and external factors that could impact on the organization's ability to carry out planned activities and ultimately to meet its expected results/goals, see **Appendix 5**.
- A resource guide to help with risk identification is a publication by Treasury Board of Canada Secretariat, *Integrated Risk Management Framework*, available on their website www.tbs-sct.gc.ca.

Our Findings

- 85% of the annual reports did not include the following:
 - linkage between strategies, programs or activities and the organization's expected results/goals;
 - a description of the organization's operating environment;
 - identification of key internal and external critical success factors that impact on the organization's ability to carry out activities and ultimately to achieve intended results;
 - an explanation of how the organization addresses potential risks.
- In 15% of annual reports reviewed, there was some attempt (not necessarily consistently applied throughout the report) to relate the strategies, programs or activities of the organization to its expected results/goals.

Conclusion

The largest majority (85%) of the annual reports we reviewed need either significant or very significant improvement in order to meet the characteristics of the attribute of critical success factors and strategies to meet expected results/goals.

3. ACTUAL RESULTS ACHIEVED

Characteristics of the Attribute

In public reporting today the focus is on shifting from reporting information on an organization's inputs, activities and processes to reporting on actual results or achievements. Organizations may well need to collect information on their inputs, activities and processes, for purposes of internal management. However, for purposes of external reporting on performance, comparing actual results to expected results provides readers with more meaningful information.

Results consist of outputs and outcomes achieved. Attributes of effective reporting on outputs and outcomes include:

- Presenting outputs and outcomes that are of strategic importance to the organization's performance (i.e., performance information reported needs to be selective in order to be useable).
- Presenting actual outputs and outcomes in relation to the organization's intended or expected results/goals as well as its vision and mission.
- Identifying the indicators used to report on outputs and outcomes.
- Reporting on instances where performance expectations met, exceeded or fell short of expectations and provide explanations of significant variances.
- Linking the organization's expected results/goals, activities and actual results to associated costs.

- Demonstrating that the organization's activities have actually made a significant contribution toward achievement of stated expected results/goals. The reader should have a clear sense of the cause and effect relationship between the organization's activities and key outputs and outcomes reported.

Models To Follow

Results Chains/Logic Models:

Presenting activities, outputs and outcomes through a results chain or a logic model is one way to demonstrate to the reader the linkage between what an organization does and what this produces. The results chain in **Figure 11** provides definitions to help distinguish activities from outputs and outputs from outcomes. For illustrative purposes, **Figure 11** also provides some examples of each of the definitions.

Results chains or logic models can be expanded to include linkage with an organization's vision, mission, expected results/goals and costs. In this way, results chains or logic models can help an organization to determine and demonstrate how the organization's undertakings are making a significant contribution towards the attainment of the organization's vision, mission, and expected results/goals.

Variances Between Planned and Actual Results:

If an organization cannot identify the reasons why actual performance exceeds or does not meet the expected target, then it is not learning from the performance information being collected. Variance explanations in annual reports, need not be lengthy, they are intended to demonstrate to the reader that the organization has made efforts to determine the cause of the difference between expected and actual results. For a demonstration of how to present variance explanations see the example provided below from the 2000/01 Annual Report of the *Canadian Commercial Corporation*. As well, refer to the U.S. Department of General Services Administration *Annual Performance Report Fiscal Year 2001* (www.gsa.gov).

Reporting And Explaining Variances

Time Required To Make Payments For Exporters

	Target 2000/01	Result 2000/01
Accelerated Payment Program	15 days	16 days
Regular Payment	30 days	32 days

Exporters rely on timely payments on their sales contracts to grow or maintain operations. The Canadian Commercial Corporation acknowledges this need and strives to deliver. Under the DPSA, the Corporation sets a 15 day standard for payments to qualified SMEs under its Accelerated Payment Program and a 30 day standard for other Canadian exporters. The Corporation did not achieve this standard due to its limited capital structure. We believe that increased liquidity access in the future, through the ability to borrow, will facilitate the achievement of the 2001/02 target, which retains the same historical standard.

Source: Extract from the *Canadian Commercial Corporation 2000/01 Annual Report*, p.10.

FIGURE 11

Distinguishing Between Activities, Outputs and Outcomes		The Results Chain				
		E.G.s of Activities	E.G.s of Outputs	E.G.s of Outcomes		
Definitions				Immediate	Intermediate	Long Term
Activities Statements about the actions, programs, strategies that an organization undertakes to achieve expected results/goals.		Reviewing community revitalization grant applications.	↑ The number of projects funded, the total dollars paid out to grant recipients.	↑ The various projects that are implemented by those who receive the grants (e.g., creating playground space, expanding a community centre).	↑ More services available within the community.	↑ More people moving into the community.
		Water testing and enforcement of regulations on discharge in waterways.	↑ The number of water tests and type of enforcement activities.	↑ Pollutant discharges are reduced.	↑ Reduced incidents of fish and human diseases.	↑ Improved water quality.
Outputs Statements about the goods and services produced by the activities.		Conducting building inspections.	↑ The number of building inspections.	↑ Determined the location, number, types and cost of renovations required.	↑ Repaired buildings meet maintenance and occupancy standards.	↑ Increase in the stock of good quality affordable housing available.
		Responding to crop insurance claims.	↑ The number of crop insurance claims processed.	↑ Claimants received benefits cheques.	↑ Claimants able to remain in the business of crop farming.	↑ Number of crop farmers adequate to ensure supply meets demand.
		Implementing reforms to the claims process.	↑ A more efficient claims process as evidenced by the number of days to complete a claim.	↑ Reduced hardship to claimants.	↑ Claimants able to resume work sooner.	↑ Claimant returns to being financially self-sufficient and to contributing to the economy.
Outcomes Statements about the significant consequences or impacts attributable to the outputs. Outcomes may relate to a change in behaviour, skills, knowledge, attitudes, values, conditions, status or other attributes. Outcomes may be described as immediate, intermediate or long term.		Providing training on home maintenance and repair.	↑ Number of persons who received training.	↑ More of the needed maintenance is done by homeowners.	↑ Maintenance expenses to homeowners is reduced.	↑ Real estate in certain neighbourhoods is more desirable.

Linking Goals, Activities and Result To Costs:

One approach that can be used to link an organization's expected results/goals, activities and actual results to associated costs is as follows:

	Operating	Salary	Corporate	Total
	\$ Millions			
Goal 1				
Programs/Activities				
1. Regulation of Forest and Range Practices	4.01	35.06	14.63	53.69
2. Land-Use Planning	3.53	18.55	6.85	28.93
3. Timber and Range Supply, Planning and Determination	1.44	10.91	3.9	16.26
Total Goal 1	8.98	64.52	25.38	98.88

Salary Costs include expenditures for base salaries and employee benefits.
Operating Costs include expenditures for field goals, contracts, supplies and grants.
Corporate Costs include expenditures for the corporate pools (e.g., amortization, facilities, vehicles, legal services).

Source: Extracted with some modifications from the *B.C. Ministry of Forests Performance Plan 2001/02 to 2003/04*.

Making The Cause and Effect Link:

One of the challenges in performance reporting is making a clear case for the cause and effect relationship between an organization's activities and outputs and how these contribute to the expected results/goals.

Demonstrating The Organization's Contribution To Achievement of Expected Results/Goals

Output Group 1.4: Child Care Support

Contribution To Outcome 1 - Stronger Families

Child Care Support contributes to Outcome 1 by:

- Helping families to participate in the economic and social life of the community through providing support for child care.
- Helping families to balance their work and parenting roles by providing flexible child care services.
- Promoting quality childcare, contributing to the development and education of children.
- Providing a focus for early intervention and prevention initiatives for vulnerable families and children.

Source: Extract from Australia's *Department of Family and Community Services Annual Report 2000/01*, p.74. http://www.facs.gov.au/annreport_2000-01/contents.html

Traps To Watch Out For

Acknowledging The Contribution Of Other Players:

Often there is more than one organization that influences achievement of expected results/goals. In such cases, annual reports should acknowledge the contribution of key players external to an organization. One approach to acknowledge the role of other players in the field can be found in the *Fiscal Year 2000 Annual Performance Report* prepared by USAID. The section on each goal ends with a discussion on “Collaboration with other Donors and Development Partners”, see **Appendix 6**.

Attribution:

One of the challenges with demonstrating the significant contribution that an organization’s programs make to the achievement of expected results/goals stems from the question of attribution – the impact that an organization can legitimately lay claim to. Hypothetically, if there is a marked reduction in the number of drivers on the road, can a vehicle insurance corporation take credit for the drop in the number of car accidents? If the corporation has as one of its goals reduction in car accidents, but no programs aimed at achieving this or very limited activities in this area then it could not legitimately take credit for the reduction in car accidents. However, this corporation may have a major program aimed at reducing the number of drivers to festivals and major holiday events. Moreover, its annual report may present trends data that shows that car accidents over several years prior to the program are noticeably higher than after implementation of the program. Under such circumstances, the corporation could legitimately lay claim to having influenced a reduction in car accidents.

Our Findings

- In reporting on results, annual reports are not reporting outcomes - 85% of annual reports focus on reporting a mix of activities and outputs while 15% did not include either of these.
- In virtually all cases, annual reports are not reporting the crown entity’s results against expected results/goals. Thus stated accomplishments cannot be compared to what an entity had hoped to achieve.
- In virtually all cases, accomplishments in annual reports are not presented in relation to performance measures and targets.
- In virtually all cases, there is no attempt to present or explain variances in performance between expected and actual results.
- Generally, annual reports do not demonstrate the significant contribution that the crown entity makes to the achievement of expected results/goals.
- Annual reports did not attempt to link expected results/goals, activities, outputs and outcomes with costs.

Conclusion

All the annual reports we reviewed need either significant or very significant improvement in order to meet the characteristics of the attribute of presenting actual results.

PERFORMANCE INFORMATION ATTRIBUTES PERTAINING TO QUALITY

4. FUTURE DIRECTIONS

Characteristics of the Attribute

For the focus of performance to be on results, the planning horizon usually must be longer than one year because achieving long-term outcomes usually takes several years. Therefore, it is essential that annual reporting on results be set within the context of multi-year plans. The annual report needs to give the reader a general sense of the organization's future directions over a period of anywhere between the next two to five years.

The annual report also needs to identify future activities to address the performance gap between expected results for the year and actual results. By identifying how performance gaps are to be addressed the organization demonstrates its capacity to learn and adapt. Accountability is not the only aim behind reporting performance information. Gathering this information is also aimed at providing organizations with data that informs future actions. Thus by reporting how information on results reported is going to affect future directions, the organization demonstrates that it intends to use performance information.

Another aspect of discussing future directions in an annual report relates to identifying key factors that could impact on the organization's ability to meet future expected results. Critical success factors such as organizational capacity (e.g., number of staff retirements), other internal considerations (e.g., aging infrastructure) and external factors (e.g., changes in international trade agreements/policies) should be presented along with the strategies to address them.

It is important to keep in mind that a presentation of future directions in annual reports need not be lengthy, rather it can be provided as a brief synopsis or highlights of what can be expected.

Models To Follow

Generally speaking, discussion of future directions in annual reports tends to be weak. As well, the presentation of future directions either tends to be too brief to offer much meaningfulness or too lengthy. A balance needs to be struck between these two tendencies. Nevertheless, although not perfect, some examples are suggested here as a starting point to illustrate the intent of the attribute.

General Directions For The Future (the next 2 - 5 years):

Examples of approaches to providing annual report readers with a sense of the organization's future priorities can be found in **Appendix 7**.

Future Corrective Action To Address The Performance Gap:

One approach to presenting how the performance gap will be remedied can be found in the *U.S. Environmental Protection Agency (EPA) Year 2000 Annual Performance Report*. In its report the EPA summarizes where performance is lagging in relation to particular goals and then outlines the type of corrective action that will be taken to address the problem (see **Appendix 8**).

Identifying Critical Success Factors For Future Performance:

Here again the *EPA Year 2000 Annual Performance Report* provides some guidance on how the identification and discussion of future critical success factors might be presented (see **Appendix 9**). However, we believe that the presentation of these critical success factors is on the lengthy side for an annual report and suggest that they could be considerably shortened.

Traps To Watch Out For

Disclosure of Information:

Obviously organizations need to find an appropriate balance between being forthright about their future directions and safeguarding what may not be appropriate to disclose. Disclosure may not be appropriate for a variety of reasons such as: commercial competitiveness, conflict of interest, safety, or simply because potential future plans are at the earliest stages of being researched to determine their merits and as such, identifying them as future directions may be premature. Notwithstanding the legitimate need to safeguard against inappropriate disclosure, organizations must be careful not to present their future directions at such a high level that the reader is left uncertain as to exactly what is intended. Decisions on what to disclose ought to be made within a context of common guidelines that apply to annual reporting by government entities. This subject is dealt with further in the recommendations section of this report.

Our Findings

- The annual reports we reviewed did not identify future directions within a two to five year time frame. Less than 20% of annual reports contain some attempt to highlight future initiatives for the next year. Generally, the future directions presented were somewhat sketchy.
- The annual reports did not identify future activities to address the gap between expected and actual performance.
- Apart from the occasional passing comment about a future concern/challenge, crown entities did not tend to discuss or indicate in their annual report how they plan to address key factors that could impact on their ability to meet future directions or expected results.

Conclusion

All the annual reports we reviewed need either significant or very significant improvement in order to meet the characteristics of the attribute of presenting future directions.

5. UNDERSTANDABLE

Characteristics of the Attribute

Performance information needs to be presented in a way that makes it understandable by a non-specialist. The following features should be demonstrated:

- information presented should be free of jargon;
- acronyms used should be defined;

- the content of the report should be concise without compromising comprehension or completeness;
- there should be a logical flow such that the reader can understand the connection between one section or one topic and the next;
- where diagrams, graphs or other visual aids are used their relevance to the performance of the organization should be explained.

Models To Follow

A couple of examples of well-structured, clear and easy to read year 2000/01 Federal crown corporation annual reports worth reviewing are the ones from:

- Defence Construction (1951) Ltd. (in the process of being made available on the internet), and
- The Farm Credit Corporation at internet address (<http://www.fcc-fac.ca>).

Both reports demonstrate an effective use of visual features like graphs, tables and headings.

Traps To Watch Out For

Logical Flow:

Generally the annual reports we reviewed lacked links to tie one section to the next. A typical example would be the absence of linkage between vision or goals and the accomplishments for the year. The absence of linkages makes for a disjointed report and thus the reader cannot readily understand how the accomplishments listed relate to the stated vision or goals. The use of logic models/results chains referred to earlier in this report can be a useful tool in presenting performance information in a way that links it together (see **Figure 11**).

Our Findings

- In almost 70% of the annual reports we reviewed we found that:
 - in each annual report some parts are clear and concise while in other parts there was room for greater clarity;
 - logical flow is variable;
 - tables and other visuals do not tend to be used to good effect (not clear to the reader why the data are included or what they are meant to demonstrate).
- 30% of the reports we reviewed are disjointed making it difficult to make the connection between different sections of the report. Generally these reports tended to be concise to the point of compromising their meaningfulness.

Conclusion

Close to 70% of the annual reports we reviewed are in the beginning stages of demonstrating the attributes of understandability. One third of the annual reports need significant or very significant improvement in order to meet the attribute of understandability.

6. RELEVANT

Characteristics of the Attribute

Not everything an organization has achieved can necessarily be reported on without overwhelming the reader with information. Therefore, performance information reported needs to be selective. To be relevant, the information selected for inclusion should relate to expected and actual results that are of strategic importance to the organization. The performance information selected should be directly related to the heart of what the organization exists to undertake. Another way of expressing the principle of relevancy is to say that performance information included should enable the reader to form conclusions about how the organization is performing relative to its stated expected results. If the performance information presented is relevant, the reader should be able to draw some conclusions about the value-added by the organization.

Models To Follow

A good performance story is one that is told in such a way that the reader can generally follow the relevance of the information presented. The reader is able to understand the link between the Corporation's aims and the type of information provided in relation to accomplishments as well as the critical success factors (operating context) that impact on the operation. One example of an annual report that generally appears to focus on what is relevant is the 2000/01 Annual Report prepared by the Federal Crown Corporation Defence Construction (1951) Ltd.

Traps To Watch Out For

Use of Tables/Other Visuals:

Where statistical tables, charts, graphs or other visuals were included in the annual reports we reviewed, generally they were presented without explanations as to the relevance of the data. When data is presented ask yourself how you want the reader to interpret it and what conclusions you want the reader to make about the organization's performance or operating context. It is the interpretation and conclusion to be drawn from such information that is typically missing thereby rendering the data rather meaningless.

Being Clear On Expected Results:

A shortcoming of the majority of the annual reports we reviewed is the absence of clearly stated expected results/goals. If expected results/goals are not articulated in the annual report, it becomes extremely difficult for the reader to determine the relevance of the information contained therein and ultimately to form opinions about the relevance of the organization or whether it is achieving its aims.

Linkages:

Creating linkages in an annual report is key to helping the reader follow the performance story. For instance, in the annual reports we reviewed the stated vision, mission, mandate is not linked to the accomplishments presented. We found that the vision, mission and mandate once stated were generally forgotten about in the rest of the document. The reader should not be expected to make leaps of thought and conjectures about the link between various accomplishments and the vision, mission, mandate or goals. Without appropriate linkages, the relevance of the accomplishments listed may be missed or may produce a “so what” reaction.

Our Findings

- A few (15%) annual reports attempted to relate their accomplishments to their mission, mandate or vision; and less frequently was there some attempt in the annual reports to link activities or outputs to a particular goal.
- In 85% of the annual reports we reviewed we found that activities and outputs reported are generally poorly linked or not linked to what the crown entity is attempting to achieve.

Conclusion

The largest majority (85%) of annual reports we reviewed need significant or very significant improvement in order to meet the characteristics of the attribute of relevancy. The remaining 15% of the annual reports are in the beginning stages of meeting the attribute of relevancy.

7. RELIABLE

Characteristics of the Attribute

To be credible, performance information presented must be reliable. Moreover, a report containing performance information must provide the reader with comments on the reliability of the data. The usefulness of performance data to decision-makers depends on the reliability of the data. There are three aspects of reliability that should be addressed when performance data is presented:

- 1) Sources of performance information
- 2) Quality of performance information
- 3) Planned improvements to data quality.

Data Sources:

In relation to data sources, the annual report needs to identify where the data presented in various tables, graphs or in the text comes from. The method by which data is collected and compiled needs to be explained. Performance measures should be defined and their method of calculation needs to be explained.

Data Quality:

With respect to data quality, the annual report needs to briefly comment on the degree of confidence that management has in the data. This would include commenting on how data quality is managed. Any limitations to the data presented would be explained so that the reader can make an informed decision about the reliability of the performance information. Ideally, the accuracy of data reported has been independently verified and the annual report can make this claim.

Data Improvements:

The third aspect of reliability is to tell the reader how management intends to address the data limitations that have been identified. The annual report needs to indicate management’s plans to improve data quality or data availability issues.

Models To Follow

The U.S. Department of Transportation annual performance reports (see www.dot.gov) provide a comprehensive model of how to present information on the reliability of data. Apart from the example provided in **Figure 12**, see also **Appendix 10** which contains detailed background information on the U.S. Department of Transportation’s data reliability.

Our Findings

- Virtually all the annual reports we reviewed lacked explanations with respect to data sources, data quality and plans for improving data limitations.

Conclusion

The largest majority (96%) of annual reports we reviewed need either significant or very significant improvement in order to meet the characteristics of the attribute of reliability. Only one of the annual reports we reviewed is at the beginning stages of meeting the attribute of reliability.

FIGURE 12

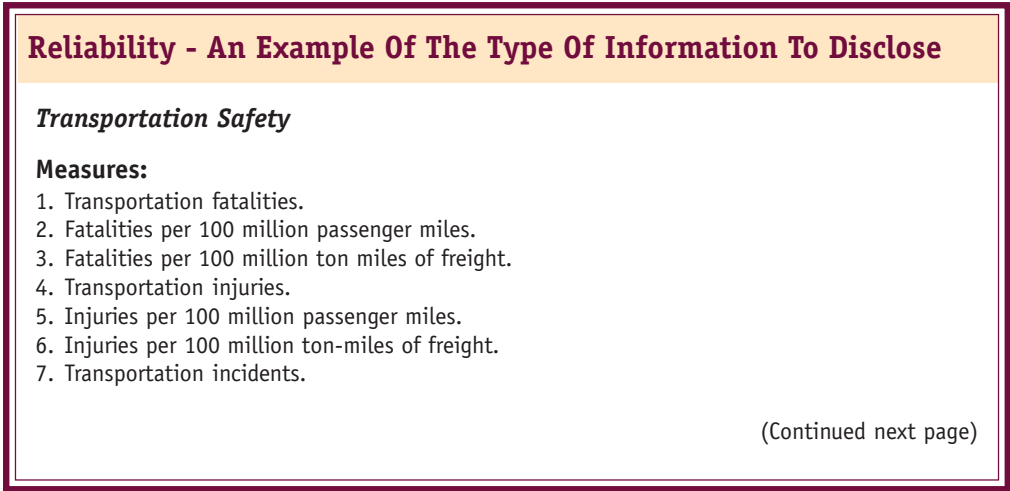


FIGURE 12 (cont'd.)

Scope:

This family of measures aggregates fatalities, injuries and incidents across all modes of transportation (air, highway, railroad, transit, waterborne and pipeline). The fatality and injury rates per 100 million passenger miles exclude pipeline fatalities and injuries due to minimal interaction with passenger miles.

Source:

The data for these measures are obtained from National Transportation Statistics published annually by the Bureau of Transportation Statistics. Information is taken from the following tables: Transportation Fatalities by Mode; Injured Persons by Transportation Mode; U.S. Passenger-Miles (Millions); U.S. Ton-Miles of Freight (Millions); and Transportation Accidents by Mode. The one exception is the data on large truck fatalities and injuries used for calculating fatality and injury rates per 100 million ton-miles of freight are obtained from the Federal Motor Carrier Safety Administration.

Limitations:

Double counting fatalities and injuries may occur when an accident involves more than one mode of transportation. Differing definitions of injuries or transportation-related fatalities makes comparison across modes of transportation problematic. Highway injuries and incidents are obtained from a nationally representative probability sample and are estimates, while the totals for other modes of transportation are actual counts. The highway estimates are based on crashes where a police accident report was completed and the crash resulted in property damage, injury or death. Accidents that were not reported to the police or did not result in property damage are not included. Highway passenger miles are calculated by multiplying vehicle-miles of travel (VMT) by the average number of occupants for each vehicle type. VMT is based on a nationwide sample of vehicle travel. The average number of vehicle occupants comes from survey information. Therefore, vehicle passenger miles is an estimate, whereas passenger-miles for other modes of transportation are calculated based on actual passenger counts and recorded trip lengths.

Statistical Issues:

All fatality totals, and the injury and incident numbers where actual counts are recorded, are relatively accurate. Any double counting or omissions are expected to be fairly small. The primary source of uncertainty in these measures comes from sampling and survey errors related to estimation of highway injuries, incidents, VMT and vehicle occupancy.

Verification and Validation:

BTS compiles the data for the *National Transportation Statistics* from information it gathers directly in its own data systems (e.g., airlines information), information published by other sources (e.g., FHWA highway statistics), or by personal communication with the agency/organization responsible for collecting the data. Each data source conducts error checks and monitors the accuracy of its data. Most of these sources and their verification and validation procedures are described in subsequent data details in this report for performance measures of individual modes of transportation.

Comment:

While caution should be exercised in comparing fatalities, injuries and incidents between modes of transportation due to differences in definitions and calculations, the aggregation of these values still provides useful information. Because the methodology for calculating these measures has remained consistent over the years, the trend information should provide a reasonably accurate picture of results.

Source: Extract from the *U.S. Department of Transportation 2003 Performance Plan and 2001 Performance Report*. See also <http://www.dot.gov>

8. COMPLETENESS AND BALANCE

Characteristics of the Attribute

Annual reports should provide performance information on all key aspects of an organization's performance. However, the information provided should not be so detailed or extensive as to dilute or lose the important messages that the organization wants to get across to the reader. For this reason, performance information has to be selective yet sufficient to enable readers to make informed conclusions about the organization's performance.

Performance information is complete and balanced if it:

- Reports on both the successes and shortcomings relative to stated expected results.
- Reports performance through a balanced mix of performance indicators (i.e., financial and non-financial indicators, qualitative and quantitative indicators).
- Explains the basis for selecting the aspects of performance on which the report is focused. Annual reports should focus on reporting what is significant to the organization's mandate. It should be obvious to the reader why the performance aspects selected for measurement and reporting are the ones that the organization has chosen to highlight in the report.
- Provides comparative performance data over time with explanations so the reader can determine if performance is improving or declining.
- Presents actual performance within the context of other similar organizations in order to provide readers with a frame of reference for assessing performance.

An annual report also needs to identify where performance information is incomplete. For instance, if there are stated performance goals for which indicators have not yet been developed or data has not yet been collected, then the annual report needs to flag such instances.

Models To Follow

An example of balanced reporting that covers successes in meeting expected results as well as instances when expected results were not fully met can be found in the *Fiscal Year 2000 Annual Performance Report of USAID*, see **Appendix 11**.

Traps To Watch Out For

Focusing On Your Organization's Results and Contribution:

An organization's annual report needs to focus on reporting the organization's results and not the results of entities that receive some form of assistance from that organization (e.g., a ministry provides grants to local governments, an agency is a resource to foster entrepreneurship). An annual report is not complete and balanced if it almost exclusively reports on the results of third parties who receive some form of assistance from the organization reporting on its performance. Where an organization's annual report is largely about the achievements of third parties, the annual report needs to make a credible effort to explain the link between its activities and results achieved by a third party.

Benchmarking:

The purpose of presenting comparative data with other jurisdictions is to provide the reader with an understanding of how well the organization is performing and where it faces challenges in performance. In the annual reports we reviewed, the relevance of the comparative data included was not generally clear. Attention needs to be given to ensure that whatever comparative data is included in an annual report is not simply there because it is available and interesting, but rather because it adds value by helping us understand the operations of the organization. Moreover, explanation should be given as to the relevance of the comparative data included in an annual report. It should not be assumed that the meaningfulness of comparative data will be immediately or intuitively obvious to the reader.

Our Findings

- At least 60% of the annual reports we reviewed did not demonstrate any of the attributes of completeness and balance in the reporting of performance information.
- In slightly over one-third of the annual reports there was some attempt to report against a mix of performance indicators and in some cases data is presented over a time frame of several years and/or compared to similar data from other jurisdictions.
- In 8% of annual reports there was some attempt to report on shortcomings in performance.

Conclusion

The largest majority (92%) of annual reports we reviewed need either significant or very significant improvement in order to meet the characteristics of the attribute of completeness and balance. Only 8% of the annual reports we reviewed are at the beginning stages of meeting the attribute of completeness and balance.

Part Three: Conclusions and Recommendations

CONCLUSIONS AND CLOSING OBSERVATIONS

The annual reports we reviewed from 26 crown entities generally require significant or very significant changes in order to meet the attributes of effective performance reporting. We did not find noticeable differences in the content or quality of performance information in annual reports based on the type of crown entity, its size or whether it is under the purview of Crown Corporations Council. Generally the annual reports we reviewed displayed similar weaknesses in reporting performance information (refer to **Part Two** for details).

Readers of this report are cautioned against drawing the conclusion that Manitoba crown entities lack direction or goals because limited performance information is presented in annual reports. Such a conclusion cannot be made since the scope of our review was strictly to examine performance information reported. It is our understanding from the small sample of chairpersons we interviewed that their crown entities are engaged in strategic planning/business planning processes and are at varying stages of performance measurement. However, it was beyond the scope of this review to examine business/strategic plans of the crown entities in the sample in order to determine whether in fact these entities have clear goals, targets, strategies and so forth. Thus the absence of reporting performance information as we have defined it in this report should not be equated with a lack of planning among crown entities.

Crown entity board chairpersons we met with recognize the value of performance measurement. As well, board chairpersons support performance reporting in principle. They expressed concern however in regard to two aspects of performance reporting:

- the level of detail that could potentially be expected in an annual report; and
- the need to balance openness and accountability in reporting performance information while at the same time maintaining certain information confidential for reasons of competitiveness.

With respect to level of detail, our report has attempted to provide illustrative examples of how to incorporate more performance information into an annual report without turning the annual report into a lengthy and cumbersome document. The matter of confidentiality of certain information is addressed in our recommendation on appropriate disclosure.

Recommendations

Adopting The Attributes of Effective Performance Reporting

1. That the Government of Manitoba adopt the attributes of effective reporting on performance information contained in this report.

Establishing Guidelines on the Content of Crown Entity Annual Reports

2. That the Government of Manitoba develop a common set of guidelines for annual reporting by crown entities that are based on the attributes of effective reporting.

Establishing a Disclosure Policy

3. That the guidelines referred to under Recommendation No. 2 should include a disclosure policy for crown entities to follow in determining the type of performance information to include in their annual reports. The policy should establish the minimum standards of annual report disclosure to enable legislators and the public to better understand and assess the performance of crown entities. Saskatchewan's Crown Investment Corporation (CIC), *Performance Reporting and Disclosure Policy For Annual Reports of CIC and Subsidiary Crown Corporations*, may be of some guidance in developing a Manitoba policy.

Amending Legislation On Annual Reporting

4. That the Government of Manitoba give consideration to developing legislation on the content of annual reports to require annual reports to include the following:
 - the expected results of the organization;
 - the actual results achieved;
 - explanations of the variance between expected and actual performance; and
 - future strategies to address shortcomings in performance.

Establishing A Government-Wide Corporate Framework

5. That the Government of Manitoba establish and periodically review a Government-wide corporate framework within which crown entities can develop their own strategic plans and performance measures that contribute to the implementation of the corporate framework.
[Note: This recommendation was made in relation to departmental planning in our July 2000 report on *Business Planning and Performance Measurement: An Assessment of Timeliness of Implementation and Effectiveness of the Process in Departments*.] In the absence of a Government-wide corporate framework, the Government of Manitoba should identify for each crown entity the outcomes that it is expected to achieve over a specified time frame.

Make Capacity Building Available To All Crown Entities

6. That the Government of Manitoba provide support services/capacity building opportunities to assist crown entities in the area of effective performance reporting.

Consistent Review of the Performance of All Crown Entities

7. That there should be a consistent approach to monitoring the performance of all crown entities. The monitoring function should include ensuring that annual reports contain performance information that is consistent

with government guidelines and legislation and more importantly should track whether crown entities are achieving expected results.

Opportunity For Public Debate On Performance

8. That the Government of Manitoba ensures that all crown entities provide an opportunity for public debate on their performance.

Comments of Government Officials

The government remains committed to continuous improvement in its public reporting, not only for central government, but also for its crown entities. We agree that annual reports are an appropriate vehicle for open and transparent communication. We also agree with the concept of standardization, but with due care to providing sufficient flexibility to reflect the uniqueness of each organization.

We note the auditor's observation that legislative articulation of the contents of annual reports is uncommon. We will consider whether or not legislating annual report content is the appropriate vehicle for achieving improved reporting in the Manitoba environment. However, we are also mindful that legislative measures can be rigid and take longer to implement and change. In an evolving area such as performance and annual reports, we need to ensure that the framework does not limit our goal of continuous improvement.

Developing a reporting framework for government and all of its crown entities is no trivial task and will require significant staff commitments. Providing support services and capacity building opportunities will also require the dedication of financial resources. This will need to be weighed against other needs of Manitobans in our challenge to balance budgets. We agree, however, that this is an objective worth pursuing.

SOURCES OF INFORMATION

Appendix 1

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CONTACTS

- Office of the Auditor General of Canada
- Office of the Auditor General of British Columbia
- National Audit Office of Australia
- Canadian Comprehensive Audit Foundation (CCAF)
- U.K. National Audit Office
- Professor Paul Thomas, University of Manitoba
- Crown Corporations Council of Manitoba
- Results-Based Management Directorate, Comptrollership Branch, Treasury Board Canada Secretariat

Appendix 2 SURVEY RESPONDENTS

Survey Respondents	Short Form Listing In All Tables In The Report	Contact Person, Position, Phone Number and Email Address
Canada Office of Infrastructure and Crown Corporations	CA	Helen Hardy, Director Crown Corporations Policy and Information Division Office of Infrastructure and Crown Corporations of Canada 8 th Floor, 400 Cooper Street Ottawa, ON K1A 0R5 Phone: (613) 957-0138 Fax: (613) 957-0160 Email: hardy.helen@tbs-sct.gc.ca
British Columbia	BC	Darlene Harris-Williams, A/Director Governance and Accountability Crown Agencies Secretariat P.O.Box 9300, Station PROV Government 3 rd Floor, 1810 Blanshard Street Victoria, BC V8W 9N2 Phone: (250) 952-0755 Fax: (250) 952-0777 Email: Darlene.Harris@gems5.gov.bc.ca
Alberta	AB	Murray Lyle, Performance Measurement Alberta Finance Rm. 455, Terrace Building 9515 - 107 Street Edmonton, AB T5K 2C3 Phone: (780) 427-8417 Fax: (780) 422-2164 Email: murray.lyle@gov.ab.ca
Saskatchewan Finance	SK (FIN)	Naomi Mellor, Executive Director Performance Management Branch Department of Finance Room 530, 5 th Street Regina, SK S4P 4A6 Phone: (306) 787-6634 Fax: (306) 787-0002 Email: nmellor@finance.gov.sk.ca
Saskatchewan Crown Investments Corporation *	SK (CIC)	James Hoffman, Director, Performance Management Crown Corporation Services Division Crown Investments Corporation 400 - 2400 College Avenue Regina, SK S4P 1C8 Phone: (306) 787-0474 Fax: (306) 787-0294 Email: jhoffman@cicorp.sk.ca

Appendix 2 (cont'd.)

Survey Respondents	Short Form Listing In All Tables In The Report	Contact Person, Position, Phone Number and Email Address
Manitoba Finance	MB (FIN)	Don Potter, Secretary to Treasury Board 200 - 386 Broadway Winnipeg, MB R3C 3R6 Phone: (204) 945-1101 Fax: (204) 948-2358 Email: dpotter@gov.mb.ca
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Quebec	QB	Norbert Chouinard, Financial Analyst Ministère des finances Direction de l'organisation financière 12, rue Saint-Louis Quebec, QB G1C 4L5 Phone: (418) 691-2231 Fax: (418) 528-1463 Email: nchouinard@finances.gouv.qc.ca
New Brunswick	NB	Benjamin Mersereau Executive Council Office P.O.Box 6000 Fredericton, NB E3B 5H1 Phone: (506) 453-8126 Fax: (506) 453-2266 Email: benjamin.mersereau@gnb.ca
Nova Scotia	NS	David Perry, Senior Corporate Financial Analyst Treasury and Policy Board One Government Place, 5 th Floor P.O.Box 1617 Halifax, NS B3J 2Y3 Phone: (902) 424-4810 Fax: (902) 424-7638 Email: perryde@gov.ns.ca

Appendix 2

(cont'd.)

Survey Respondents	Short Form Listing In All Tables In The Report	Contact Person, Position, Phone Number and Email Address
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* Responsible for a certain number of the total number of crown entities in that jurisdiction.

NAME AND TYPE OF CROWN ENTITY

Appendix 3

NAME AND TYPE OF CROWN ENTITY	SECTOR/ACTIVITY REPRESENTED
ADVISORY AGENCY	
Crown Corporations Council	Economy
Economic Innovation & Technology Council	Economy
Manitoba Arts Council	Arts/Entertainment
REGULATORY	
Manitoba Boxing Commission	Recreation
Horse Racing Commission	Recreation
Manitoba Gaming Control Commission	Recreation
OPERATIONAL SERVICE	
Winnipeg Regional Health Authority	Health
Interlake Regional Health Authority	Health
Churchill Regional Health Authority	Health
Red River College	Education
Keewatin Community College	Education
Brandon University	Education
University of Manitoba	Education
Winnipeg Child & Family Services	Social
Child & Family Services of Central Manitoba	Social Services
Manitoba Housing & Renewal Corporation	Social Services
Manitoba Crop Insurance Corporation	Insurance
Communities Economic Development Fund	Economy
Manitoba Centennial Centre Corporation	Arts/Entertainment
OPERATIONAL ENTERPRISE	
Workers Compensation Board	Insurance
Manitoba Product Stewardship Corporation	Waste Management
Manitoba Hydro-Electric Board	Utility
Manitoba Public Insurance Corporation	Insurance
Liquor Control Commission	Liquor
Manitoba Lotteries Corporation	Entertainment
Venture Manitoba Tours	Recreation

 Crown entities under Crown Corporations Council

DEFINITIONS OF TYPES OF CROWN ENTITIES

Advisory Body

Provides on-going information and or advice to assist in the development of policy and/or in the delivery of programs. May also be involved in program delivery.

Regulatory Body

Makes independent decisions (including inspections, investigations, prosecutions, certifications, licensing, rate-setting, etc.) which impact on the conduct, practice, obligations, rights, and responsibilities of an individual, business or corporate body.

Operational Services

Delivers goods, services or grant programs to the public usually without charging a fee or for a fee that is minimal or subsidized by government funding.

Operational Enterprise

Sells goods or services to the public in a commercial manner (including, but not necessarily in competition with the private sector).

Appendix 4

EXCERPT FROM: FARM CREDIT CORPORATION 2000-01 ANNUAL REPORT (pg.10)

(Website: www.fcc-sca.ca)

OPERATING Environment

Freer trade, globalization and technology are redefining the agricultural industry. These forces are creating new export opportunities for Canadian producers and an environment that is increasingly competitive.

Producers and agribusinesses face a complex set of challenges when compared to their predecessors. To succeed in today's environment, it is necessary to be positioned to take advantage of the opportunities in the marketplace. In responding to market needs, producers are expanding their agricultural operations, delving into new product lines and creating new businesses that add value to the agricultural industry. With the effects of globalization and freer trade, producers have more access to markets and opportunities, but they are also exposed to more risk than ever before.

Consumers are driving the need for efficiencies, as well as the increasing importance of food safety and concern for the environment. Consumers want to know what's in their food and how it's produced. Consumer confidence in the origin, content and handling of food has become a key driver in global markets. Diseases in livestock and produce can have a dramatic economic impact.

Subsidization in other countries is affecting the competitiveness of Canadian agricultural products in world markets. Commodity prices combined with steadily increasing costs of seed, feed, fertilizer, fuel and transportation are creating a cost-price squeeze for many producers. Narrower operating margins mean producers are faced with the challenge of attaining greater efficiency and diversification in their operations by expanding along the value chain or achieving economies of scale. This is resulting in a redefinition of what it means to be a farmer.

**New markets
and new ways
of doing things.**

Redefining the boundaries of agriculture

*"In the face of a changing economic environment, farm families are challenging themselves to explore new markets and new ways of doing things. They need access to more complex business and financial management tools to succeed."*¹

Family farms remain a vibrant part of the Canadian agricultural landscape. Today's producers are focused on their markets, specific customers and product differentiation. This focus is influenced by increased demand for consumer-ready products. In Canada, annual exports of consumer-oriented agri-food products have grown to \$9.1 billion in 1998 from \$5.4 billion in 1996, making food and beverage processing Canada's second largest manufacturing sector.

Producers are exploring alternatives to traditional production and marketing methods in order to increase their competitiveness and access to markets. They are using new equipment and technology to reduce labour costs and increase productivity. E-commerce and e-business are having a positive impact on value-added production, creating better management of the links between supplier and buyer and breaking down distance and time barriers, as well as other obstacles to business and trade. Alliances, partnerships, mergers and fall-outs are occurring as producers explore new ways of doing business.²

EXCERPT FROM: FARM CREDIT CORPORATION 2000-01 ANNUAL
REPORT (pg.50)

(Website: www.fcc-sca.ca)

Appendix 5

Managing risk

HIGHLIGHTS – Risk

- Implemented a new internal risk-rating system.
- Completed the first full year of the new field audit program.
- Met all risk measurement targets throughout the year.

Overview

Risk management is key to protecting FCC's customers, business interests and future viability. FCC is exposed to many different risks in its dual role as a self-financing financial institution and a vehicle for public policy.

The first concern of the Board of Directors and senior management is strategic risk. Failure to properly execute strategy to meet the needs of the marketplace or FCC stakeholders can dramatically impact the Corporation's business. Without an appropriate overall business strategy, the Corporation's other efforts at risk mitigation could be compromised as well.

FCC considers that it faces four specific types of business risks: credit risk, market risk, operational risk and liquidity risk.

Credit risk: The risk of loss due to the failure of a counterparty to meet its financial obligations. This risk includes:

- risk of borrower defaults and associated losses;
- risk of failure of other counterparties to honor contract arrangements.

Credit risk is inherent both in FCC's lending portfolio and its funding programs.

Market risk: The potential for loss to FCC as a result of adverse changes in underlying market factors, including interest rate variability.

Operational risk: All risks inherent in the operational activities of the Corporation:

- control and compliance;
- policies, procedures and processes;
- fraudulent or unauthorized activities;
- information technology; and
- e-business.

Liquidity risk: Liquidity is the availability of funds or assurance that funds will be available to honour all commitments. Commitments are generally met by operating cash flows, supplemented by assets readily convertible to cash or through FCC's capacity to borrow. Liquidity risk may increase if principal and interest cash flows related to assets, liabilities and off-balance sheet items are mismatched.

Responsibility for risk management

No one division or unit is responsible for managing all the risks FCC faces. Instead, divisions and teams with specialized expertise address specific risk concerns.

- The Risk Management division manages credit risk in the loan portfolio and is responsible for credit authorization, customer and loan monitoring, participation in field office credit audits, and the development and administration of lending and loan administration policies. The division assesses credit risk at both the transactional level and the aggregate level.
- The Treasury division is responsible for managing funding operations, as well as mitigating associated risks such as liquidity risk, interest rate risk, foreign exchange risk and credit risk related to derivative instruments. The Asset/Liability Committee (ALCO) oversees Treasury's management of credit, liquidity and market risks at the executive level and reports to the Board of the Corporation on a quarterly basis.
- Corporate Audit is responsible for ensuring compliance to all corporate risk management policies and provides regular feedback on a variety of risk management issues. In 1999-2000, special emphasis was placed on the management of credit risk through the field audit program.

Appendix 5 (cont'd.)

EXCERPT FROM: DEFENCE CONSTRUCTION (1951) LIMITED ANNUAL REPORT 2000-2001 (pg.18)

Our Business Environment and Related Corporate Commitments

Clients

We reconfirmed the following, ongoing client factors as being important for the 2000-01 year:

- (1) continuing budgetary restrictions within DND, and their negative impact on (a) staff numbers; (b) DND's ability to carry out work in-house; (c) the volume of infrastructure holdings; and (d) the amount of maintenance carried out on facilities;
- (2) military imperatives such as (a) increasing pressure to procure and maintain systems and equipment, and (b) the growing demand to make and support international troop commitments;
- (3) a decrease in the importance of infrastructure spending resulting from the previous two factors.

ONGOING RESPONSE: Maintain our position respecting traditional contracting and contract management work, despite the existence of alternatives for our clients. Continue our drive to neutralize the impact of the decline in traditional work through expanding and diversifying our service lines.

- (4) clients' longstanding preference for continuous on-site service delivery. Opposed to this preference was our need, arising from financial and geographic factors, to provide newer, non-traditional services on an as-required basis and from larger, central locations.

ONGOING RESPONSE: Develop innovative ways to ensure provision of new services at a level equal to contracting, contract management and supervision and inspection.

- (5) the change from appropriations dependency to fee-for-service resulting in (a) DCC service-level decisions being made by clients rather than by us alone; (b) long-term value for money, as opposed to immediate lowest cost, taking over as the primary driver of decisions respecting our services; and (c) the need for us to emphasize, to clients, the trade-off between DCC service levels (and hence costs to clients) and risk.

ONGOING RESPONSE: Develop service packages involving different combinations of price/service level/risk acceptance which clients can then tailor according to need. The level of service to be provided will be negotiated in advance and the agreement used as a checklist throughout project implementation.

We believed that these client issues were ongoing, and that we could newly encompass them within the function of "business development" as broadly defined. ***Our commitment was to review our current approach, determine whether opportunities were being missed and, if so, identify possible enhancements.***

The consultant-led review of our current tactics was completed by the fall of 2000 through

surveys of both client groups and our own employees. The conclusion of the exercise was that the only real improvement to be made to our business relationship was to enhance the sharing of information. However, the suggested course of action was an unproven technology solution that would require groundbreaking developmental effort with no guarantee of success. No action is currently planned, although we have not totally ruled out adoption of this approach in a modified form.

Quality Issues

In 2000-01, the key factor for us in the area of quality was the increasing importance of obtaining quality certification.

This perceived importance was a result of the following:

- (1) a renewed concern with quality complementing the recent, intensive focus on efficiency and cost, for both clients and for us;
- (2) the consequent drive to obtain ISO 9001 certification for the contracting function, both for reasons of internal efficiency and to match a similar initiative within project management units at National Defence Headquarters;
- (3) a plan to ultimately encompass, within a quality management framework, most, if not all, corporate business processes in addition to operational functions (e.g., human resources selection, training and retention; development and monitoring of service standards and the carrying out of compliance audits).

EXCERPT FROM: YEAR 2000 ANNUAL PERFORMANCE REPORT OF
USAID (pg.86)

(Website: www.usaid.gov/pubs/apr00)

Appendix 6

and agriculture. The USDA also helps USAID by supporting, training, and helping to recruit temporary staff. Through a partnership with the U.S. Department of Commerce, USAID's U.S.-Asia Environmental Partnership maintains 15 offices in **Asia** that promote the transfer of environmentally beneficial technologies to developing Asia, and similar work is done with the Departments of Commerce and Energy in other regions. In addition, the State Department's Office of Oceans, Environment, and Science and the international offices of the U.S. Fish and Wildlife Service (USFWS), the Environmental Protection Agency (EPA), and numerous other U.S. government agencies and their counterparts in other countries support and complement USAID's efforts to present a complete package of environmentally responsible development assistance. Another partner is the small environmental staff of the Treasury Department's Office of Multilateral Development Banks, which must review many assistance proposals each year from each of these financial institutions and take into account the information provided by USAID and other agencies in evaluating those proposals.

OTHER DONOR COUNTRIES AND ORGANIZATIONS

It is critical that all donor countries benefit from the knowledge of their counterparts and work together with a common understanding of development goals. To help, USAID officials meet regularly with representatives of other donor nations to compare priorities and progress. Leading donor nations include not only those developed nations that give large amounts but also others who give generously of their experience and expertise. The Organization for Economic Cooperation and Development is a group of developed nations whose development officials cooperate in information, policy, and program matters. Of course, each nation makes its own final decisions concerning whether and how to grant or receive bilateral assistance, as contrasted with the more complex nature of multilateral aid. USAID's U.S.-Asia Environmental Partnership is a leading example of a multipartner operation working closely with NGOs, businesses, multilateral donors, and governments to advance environmental protection and economic efficiency at the same time.

NGOs, ACADEMIC INSTITUTIONS,
STATE AGENCIES, AND PROFESSIONAL ASSOCIATIONS

Private voluntary organizations (PVOs) and NGOs often lead the way in highlighting emerging problems and sparking new initiatives. These range from the World Wildlife Fund and the World Resources Institute to the Center for International Environmental Law. World Watch studies global trends, while the World Resources Institute

**2. Collaboration With
Other Donors and
Development Partners**

The ability of USAID to achieve its long-term goals is affected by the actions of other agencies and donors. USAID worked with these agencies and U.S. donors in FY 1999, in international settings and in the countries where USAID and other donors have programs.

U.S. AGENCIES

The contributions of other U.S. government agencies to international development are among the least appreciated aspects of development. For example, the international programs of the U.S. Department of Agriculture (USDA) provide assistance in food security and emergency relief efforts, as well as sustainable forestry, soil conservation,

Appendix 6 (cont'd.)

EXCERPT FROM: YEAR 2000 ANNUAL PERFORMANCE REPORT OF USAID (pg.87)

(Website: www.usaid.gov/pubs/apr00)

publishes *World Resources*— a comprehensive and authoritative country-specific database. Colleges and universities also play active roles to support USAID's environmental objectives through their schools of agriculture, forestry, natural resources, environmental, and international affairs; in regional or country specialties; and in general development analysis. For example, the Yale-Columbia Sustainability Ratings, now being considered by USAID, emerged out of a joint effort between those two schools and others to track the implementation of conservation treaties and other elements of environmental stewardship. The Agency mobilizes the regulatory and environmental experience of U.S. states to address Asia's environmental problems through the U.S.-Asia Environmental Partnership's programs with the Council of State Governments, the National Association of State Development Agencies, and the California Environmental Protection Agency. In order to reach larger audiences and leverage state-of-the-art professional expertise, the Agency also partners with professional associations such as the International City/County Managers Association, the Air and Waste Management Association, the Water Environment Federation, and the American Consulting Engineers Council.

BUSINESSES

USAID's programs such as ecosystem conservation, urban sanitation, and coastal resource management help protect the viability and competitiveness of the tourism industry, which for example represents 31 percent of GDP and 25 percent of total employment in the **Caribbean** region. U.S. business interests linked to tourism would be jeopardized if environmental degradation were to continue unabated; therefore, USAID works in the **LAC** region with the Caribbean Hotel Association and the U.S. Chamber of Commerce in promoting environmentally sound investments to ensure sustainable growth in tourism. USAID works closely with U.S. and regional industry associations, other U.S. government agencies (e.g., the Departments of Commerce and Energy), and U.S. Chambers of Commerce in linking U.S. suppliers of environmental technologies with regional industries and communities needing them.

U.S. consumers are increasingly demanding products that have been produced and processed in environmentally friendly ways. USAID works closely with U.S. industry associations in developing and accessing U.S. markets for **LAC** producers of ecocertified products such as sustainably produced timber (from **Bolivia** and **Central America**) and shade-grown coffee (from **Mexico** and **Central America**).

Many of USAID's environmental investments (sustainable steeplands agriculture, forest management, and protected

areas management) in **LAC** help to reduce the vulnerability of economies and U.S. business investments to natural disasters. These include high-value export agriculture and shrimp aquaculture in **Central America**, as well as tourism in the **Caribbean**. Therefore, USAID is collaborating with the U.S. Department of Commerce and the American Forest & Paper Association in implementing a reforestation initiative in **Honduras** in the wake of Hurricane Mitch. USAID is also developing a Memorandum of Understanding with the Specialty Coffee Institute and with the American Cocoa Research Institute to collaborate in promoting environmentally sound, small landholder coffee and cacao production in a number of developing countries, including **Brazil, Guatemala, Haiti, Honduras, and Peru**.

NEW INSTITUTIONS

Joint government and nongovernment initiatives from the International Union for the Conservation of Nature to the Global Invasive Species Program play leading roles in environmental measurement, which helps prevent losses in biological diversity, keep water clean, and protect ecosystems.

A fairly recent financial "hybrid" institution is a type of publicly supported conservation foundation with a board of directors comprising NGOs and government representatives. In FY 1999, USAID was involved in a coordinated effort with the Nature Conservancy and others to help establish and assist foundations in the developing world with an emphasis on conservation. In September 2000, for example, the first foundation was formally established under the Tropical Forest Conservation Act. It will support forest conservation work in **Bangladesh**. Its small secretariat staff will be housed in USAID, but answer to a joint public-private board of directors. The Agency will report on its progress next year.

EXCERPT FROM: YEAR 2000 ANNUAL PERFORMANCE REPORT OF
USAID (pg.88)

(Website: www.usaid.gov/pubs/apr00)

Appendix 7

NEW INITIATIVES

- *Biodiversity Initiative.* Supporting the Biodiversity Initiative of the Administration is a high priority for USAID. In response to the Administration's request for biodiversity programs, Congress directed USAID to provide not less than \$100 million in FY 2001 for USAID biodiversity programs. USAID recognizes that given limited financial resources, biodiversity "hotspots" around the world should be a priority. USAID will pursue conservation and tropical forest management wherever possible in all geographic regions with threatened habitat and species, including border regions and countries where there is no USAID field Mission, in cooperation with NGOs. This further aligns Agency priorities to those recommended by the Congress. USAID will also focus on opportunities to leverage better policy and performance with its development partners such as the MDBs in conserving biodiversity.
- *Climate Change Initiative.* USAID's Global Environmental Center plans to expand its efforts on the Agency's Global Climate Change (GCC) Initiative, including strengthening Missions' participation in GCC programs. One key activity will be to launch a special climate change incentive fund, offered to USAID Missions with innovative projects promoting GCC objectives. USAID will also seek to play a more meaningful role in international negotiations and technology transfer activities such as TCAPP. The Agency also intends to participate in an Administration initiative aimed at addressing developing country climate change adaptation needs through technology transfer and capacity building. This initiative will result in a needs assessment and several climate change adaptation demonstration projects.
- *Global Water Scarcity Focus.* USAID is leading a concerted effort to focus world attention on the looming global water crisis. The Agency will continue to promote integrated water resource management as the most promising approach to respond to water shortages and excesses, water pollution, and the need for improved management. As part of this effort, USAID has been actively engaged in the World Water Forum with the U.S. Department of State and other agencies.

3. Future Plans

USAID plans to continue its environmental efforts in a similar direction during the next two years. At the same time, the Agency is sharpening its focus and taking on three bold new initiatives in biodiversity conservation, climate change, and global water scarcity. The Agency is also making refinements to support these initiatives on a regional basis.

Appendix 7 (cont'd.)

EXCERPT FROM: DEFENCE CONSTRUCTION (1951) LIMITED,
ANNUAL REPORT 2000-2001 (pg.23)

GLANCE FORWARD

Our commitment is to remain in tune with both the Government On Line initiative, client needs, and developments within our industry by moving into the delivery of services via e-commerce. We will begin with preliminary research and analysis which will take place in four phases. These are **(1) the gaining of a thorough understanding of the Government On Line initiative and of the degree to which our own service provision currently conforms to the goals of that initiative; (2) an analysis of how e-commerce might best support our business strategy with respect to immediate clients and our industry over the next five years; (3) ongoing monitoring to determine in what direction stakeholder groups are moving and what technologies are being used; and (4) the development of a plan of action to implement those e-commerce initiatives that will be supportive of our business strategy and ensure the best service provision for our clients.**

By September 30, 2001, we expect to have in place a report, complete with recommendations to be carried out in 2002-03. Our budget for these preliminary research and analysis activities is a very modest \$75,000, plus the cost of in-house personnel. We believe that this commitment will move us toward the achievement of our newly minted strategic vision, first given expression at our 2001-02 planning sessions. **This vision is to build on 50 years of partnership in delivering defence projects, to become the leading provider of innovative solutions that add value for our clients, foster growth in our employees, and make meaningful contributions to our industry.**

Glance Forward

Although our planning discussions, conducted in the fall of 2000, were wide-ranging and addressed a variety of important environmental issues, we have decided to concentrate for our formal planning at the corporate, strategic level, on only one large, new undertaking for 2001-02.

ANNUAL REPORT 2000-2001

**EXCERPT FROM: CANADA DEPOSIT INSURANCE CORPORATION,
ANNUAL REPORT 2000/2001 (pg.8)**

Appendix 7
(cont'd.)

Future Recoveries

CDIC projects future recoveries of approximately \$100 million from the remaining \$170 million in assets being liquidated, with the balance going to other creditors and for liquidation costs. These recoveries will be achieved mainly over the next two years.

A number of factors will affect these recoveries, including the asset management and disposition strategy used by liquidators, the quality of remaining non-cash assets and general market conditions. Although the continuing growth of the Canadian economy has helped the workout strategies implemented by liquidators, commercial lenders have continued to apply stringent financing ratios and conditions for real estate financing toward potential purchasers of assets of failed members. In addition, real estate values in the sub-prime markets, where most of the remaining assets are located, have improved less than in the broader market.

**EXCERPT FROM: CANADIAN COMMERCIAL CORPORATION,
ANNUAL REPORT 2000-2001 (pg.35)**

Future direction

Given the Government of Canada's financial management agenda, it will be increasingly important for the Corporation to generate incremental revenue from non-parliamentary sources in the future and to manage its expenditures accordingly. The Corporation believes that revenues from service offerings can be increased through the execution of a more proactive business strategy and the delivery of services that would validate a fee-based rather than cost recovery approach to charging. As the Corporation attempts to execute this long-term financial strategy, it will seek the assistance of its shareholder to implement required legislative changes, inject additional risk capital, and stabilize long-term operational funding to support this objective.

Appendix 8

EXCERPT FROM: U.S. ENVIRONMENTAL PROTECTION AGENCY, FY 2000 ANNUAL REPORT (pg. III-2)

INTEGRITY ACT REPORT

The Agency is declaring three new material weaknesses for FY 2001 on Title VI and VII of the *Civil Rights Act of 1964* and Information Systems Security and is continuing to address two weaknesses from the previous fiscal year: National Pollutant Discharge Elimination System (NPDES) Permits and Construction Grants Closeout. These are described below, along with a summary of corrective actions and expected completion dates.

1. Backlog of Title VI (Civil Rights Act of 1964) Discrimination Complaints (Goal 10): Title VI prohibits discrimination on the basis of race, color, or national origin by any entity that receives federal financial assistance. The number of Title VI administrative complaints that require an investigation or a jurisdictional determination by EPA is 61 and growing. EPA's program to investigate Title VI complaints generally does not meet regulatory deadlines for processing and investigating complaints.

Corrective Action Strategy: In addition to the four temporary employees hired as Title VI case managers for 2-year terms, four employees will be detailed to the Office of Civil Rights from regions and programs to complete a civil rights investigation. By the end of the third quarter FY 2001 EPA will improve the long-term efficiency of the program by finalizing Draft Revised Investigations Guidance, issuing final guidance regarding alleged discrimination against persons with limited English proficiency, issuing standardized procedures on preparing complaints for the investigation process, and drafting protocols for conducting adverse impact analyses and statistical demographic analyses. Completion of corrective actions is expected by the end of FY 2001.

2. Deficiencies in Internal Employment Discrimination Complaints Resolution Process under Title VII (Civil Rights Act of 1964) (Goal 10): Title VII requires that EPA implement and manage an effective federal discrimination complaints process that provides employees and applicants for employment an opportunity to seek redress. Difficulty in managing the Equal Employment Opportunity (EEO) process in a timely manner is attributable to several factors, including inadequately trained counselors; lack of accurate and timely data in the tracking system; late, incomplete, and/or missing discussion of allegations in counselors' reports; an inability to utilize the automated data

tracking system effectively; insufficient contractor support to manage the investigations process; and a lack of staff to handle the current inventory of 269 complaints.

Corrective Action Strategy: Corrective actions currently under way include utilizing attorneys from the Civil Rights Law Office to review and provide advice on final Agency decisions; to provide regions with monthly status reports on the inventory of complaints and overdue reports and with feedback on inadequate submissions; and to devote more attention to each area of the process currently needing improvement. Completion of corrective actions is expected by September 2001.

3. Information System Security (Goal 7): EPA needs a centralized security program with strong oversight processes to address risks adequately and ensure that valuable information technology resources and environmental data are secure. The Agency is strengthening its information security program by instituting a comprehensive strategy that addresses all security-related deficiencies, including currently identified weaknesses covering Information Systems Security Plans and Cyber Security. In doing so, EPA is taking a systematic approach to correct its information security weakness by FY 2002. *(FY 1997–2000 OIG major management challenge; FY 2000 GAO and OMB major management challenge; declared a material weakness FY 1997 and an expanded material weakness FY 2000.)*

Corrective Action Strategy: Though EPA has corrected the most serious security vulnerabilities, several significant milestones remain. Corrective actions currently under way include completing security risk assessments of critical applications and systems, evaluating network and data security, installing network intrusion detection and monitoring controls, conducting training, certifying security plans for all critical security systems, finalizing EPA's National Network Security Policy, validating success of policy and guidance, and conducting random program office formal security plan reviews of mission-critical systems. All corrective actions are expected to be completed by the end of FY 2002. *(Also see OIG List of EPA Top Management Challenges.)*

EXCERPT FROM: U.S. ENVIRONMENTAL PROTECTION AGENCY,
FY 2000 ANNUAL REPORT (pg. III-13)

Appendix 9

MAJOR MANAGEMENT CHALLENGES NEEDING HIGH-LEVEL AGENCY ATTENTION
(Prepared by EPA's Office of Inspector General)

ACCOUNTABILITY

EPA's stated mission is to protect human health and safeguard the environment. Accountability, a critical part of the Agency's overall system, is needed for EPA to accomplish its mission effectively. Over the years OIG has recommended improvements in a number of areas that will help EPA achieve greater accountability. However EPA needs to take further action to develop accountability systems that tie performance to the Agency's organizational goals.

EPA can be viewed as a business which must endeavor to deliver high quality products and services to its customers. To do this EPA needs to integrate its management systems better. These systems encompass leadership to define the Agency's mission, values, and products; strategic planning to establish goals and measures of success; customer focus to ensure expectations are met; management information systems to report progress in achieving goals; streamlined work processes; and effective human capital management. These components should all work together so that EPA can meet customer needs and achieve desired environmental and business results.

EPA was consciously organized with ten largely autonomous regional offices so that the Agency could be more sensitive to local environmental concerns. With this organizational structure it is very important that regional offices be held accountable for implementing national environmental policies. Resources budgeted for environmental programs by EPA Headquarters should be controlled and accounted for to ensure they are used for designated purposes. This can be achieved through clearly defined goals, performance measures, and areas of responsibility; better tracking of how employees spend their time; and greater commitment to achieving national goals.

EPA needs to work with its state, tribal, and federal agency partners to identify roles and responsibilities for carrying out environmental protection. For example, in work on the Great Lakes Program, we found that plans to address the Great Lakes ecosystems would benefit from clarifying the organizational roles and responsibilities for the offices, divisions, and teams involved. Another example is the 1998/1999 RCRA

Implementation Plan, which did not include specific expectations regarding basic permit program maintenance. Clarification of roles and responsibilities for this program would establish accountability and help the program achieve success.

The availability of management information also greatly impacts accountability. EPA needs to work with its partners to identify and agree on what data is needed to measure the health of the environment and assess progress. As further discussed under the information resources data management weakness, the Agency has a number of ongoing activities to improve the quality and availability of its environmental data; however, it is unlikely EPA will have the foundation it needs to share comparable information, monitor environmental activities, or compare progress across the nation in the near future.

**RESULTS-BASED INFORMATION
TECHNOLOGY PROJECT MANAGEMENT**

As the Agency looks to its future it is increasingly apparent that EPA has not adequately planned an information technology (IT) infrastructure to support an integrated approach to managing environmental information. To facilitate improvements in environmental protection EPA needs to provide and share environmental information with its diverse partners and stakeholders. To achieve that goal EPA and its partners need to plan strategically for implementing a common data architecture, data standards, geospatial information, and one-stop electronic reporting. Although EPA has initiated numerous IT projects in recent years, they were not evaluated to assess how they support the Agency's programmatic and operational goals. In the last 2 fiscal years, EPA has dedicated approximately \$822 million to IT projects. The Agency expects it will spend at least \$472 million in FY 2001. To ensure projects are timely, cost effective, and results-based, it is imperative that EPA better plans, develops, approves, and manages its IT projects.

We have significant concerns regarding the current structure of EPA's investment process and the Agency's ability to track IT development and implementation

One List of EPA Top Management Challenges

Appendix 9 (cont'd.)

EXCERPT FROM: U.S. ENVIRONMENTAL PROTECTION AGENCY, FY 2000 ANNUAL REPORT (pg. III-14)

effectively. For several years EPA has attempted to address these problems but has been unable to craft an adequate project management process for IT capital investments that will enable the Agency to support its environmental mission. Instead EPA appears to have an evolving approach to integrating information using existing IT projects, which in themselves have not incorporated reasonable project management controls. This approach has resulted in many stops and starts over the last several years and does not meet the intent of the Clinger-Cohen Act of 1996. The Act requires a comprehensive approach to capital planning and a disciplined budget process for managing a portfolio of assets to meet Agency goals and objectives.

Our concerns regarding the lack of IT project management at EPA are echoed in the special report, *Federal Agency Compliance with the Clinger-Cohen Act*, issued by the Senate Governmental Affairs Committee. This report noted that EPA could produce no evidence of mission-related reviews or assessments regarding IT projects that discussed programmatic or operational goals. EPA's own 1999 analysis of 49 major IT investment proposals found that:

- Project milestones were too general, non-measurable, and not tied to key life-cycle milestones.
- Projects were still being planned, developed, and managed in a stovepipe fashion.
- EPA had not established Agency-wide priorities for IT investments.
- EPA's Information Resources Management Strategic Plan was outdated and did not track with the Results Act.

EPA created the Office of Environmental Information (OEI) 2 years ago to consolidate many information technology operations. While well-intentioned, OEI has not formalized a long-term implementation strategy for providing the Agency with a multimedia approach to accomplish its various programmatic missions.

DATA MANAGEMENT

Audits of EPA programmatic areas often cover areas relating to environmental data information systems, and we frequently find deficiencies within these systems. States have developed information systems based on the information they need to support their

environmental programs. EPA and the states often apply different data definitions within their respective information systems and sometimes collect and input different data. As a result states and EPA report inconsistent data and often have difficulty sharing comparable information. EPA has attempted to address data quality issues such as data gaps, but, to date, has not produced an approved action plan. Consequently EPA may not have the environmental data it needs to monitor environmental activities or compare progress across the nation.

For many years EPA has acknowledged data management as an internal Agency weakness. In particular it has recognized the need to implement (1) a data architecture, (2) data standards, and (3) data administration functions to share environmental data Agency-wide and with EPA's partners and stakeholders. Developing a data management program has been a complex effort and, consequently, corrective action dates have been extended several times since the problem was first reported in 1994. The Agency's estimated date to correct this Agency weakness is now FY 2002.

Several areas remain to be addressed. First EPA committed to publish a data architecture by December 1996. The Agency stated that it completed the corrective action in May 1999, but it has been unable to produce evidence of a publication for our review. Second EPA initiated action to promulgate six data standards by June 1996. Although the standards have been formally approved, they have not been implemented in the Agency's major environmental systems. Third EPA agreed to revise policies and procedures by March 1997, and although this action was reported complete in May 1999, the revised policies have not been approved or implemented. Using the data standards and revised procedures, EPA stated that a functioning management structure would be operational by September 1998. EPA's Environmental Data Registry and Facility Registry System (FRS) were to form the backbone of the management structure. However it will be FY 2001 before FRS is fully loaded and functioning.

In 1999 EPA formed OEI to increase the value of environmental information for all stakeholders by systematically improving interagency data sharing, as well as the accuracy, reliability, and scientific basis of environmental information. The Administrator also established an Information Integration Initiative (I-3)

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focused on establishing a single integrated multimedia core of environmental data and tools. After 1 year the I-3 project still does not have an approved action plan to coordinate current and future efforts.

OEI recognizes that much needs to be done to realize EPA's vision of integrated, quality environmental information and expects to develop a long-term approach and implementation schedule for improving the quality and reliability of the Agency's environmental data. To that end OEI will continue to develop data management policies and procedures and work on promulgating existing data standards. Moreover, through the recently-established Environmental Data Standards Council, EPA will work with states and tribes to identify and develop the next set of data standards. OEI is also continuing to develop and expand implementation of its integrated error correction process to improve the reliability of collected environmental data. Finally, in FY 2000, EPA began to plan a comprehensive data exchange network which, through the use of current technology, will provide a wide range of shared information among EPA, states, tribes, localities, the regulated community, and other data partners.

Although the Agency is moving in the right direction, it has not developed an overall strategy to address the integration, quality, and management of its environmental data. To help the Agency achieve success in these endeavors, we shared thoughts with EPA's Chief Information Officer regarding the Agency's strategy and planned activities for I-3 and the proposed exchange network. At this point it is unlikely that EPA will have the foundation it needs to share comparable information, monitor environmental activities, or compare progress across the nation within the near future. Moreover EPA's ability to evaluate the outcomes of its programs in terms of environmental changes will continue to be limited by gaps and inconsistencies in the quality of its data.

Appendix 10

EXCERPT FROM: U.S. DEPARTMENT OF TRANSPORTATION 2003 PERFORMANCE PLAN AND 2001 PERFORMANCE REPORT (pg. 1)

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Performance Data and Performance Measurement

Performance measurement is dependent on the availability of useful data. Useful data will indicate level of performance and progress toward organizational goals. All data are imperfect in some fashion. Pursuing “perfect” data, however, may consume public resources without creating appreciable value. For this reason, there must be an approach that provides sufficient accuracy and timeliness but at a reasonable cost. This section of the Performance Plan/Performance Report provides information on how DOT reports on performance, verifies and validates data, assesses limitations of the data, and plans for improving DOT’s data.

PerformanceData Completeness and Reliability

In an attempt to bring consistency and quality to its performance reporting, DOT has implemented some general rules regarding the data it uses and how it is evaluated.

Annual data – Whenever available, the data in this document are reported on a Federal Government fiscal year basis. However, there are instances where this is not possible so calendar year data are used instead. This often occurs when data are collected and reported to DOT by external sources and a calendar year reporting requirement is specified in the implementing regulation. The reporting timeframe (FY or CY) for each measure is included in the Data Details in Appendix I.

Annual results – If available, the results for the most recent year in the Report are listed as “Actual” in the Performance Goals & Results box for each performance measure. However, given the March deadline for submission of the Performance Report, quite often data have not been compiled and finalized for the entire year. When this occurs and an actual value is not available for the current year, either an estimate or projection is provided instead. In general, estimates are based on partial year data that are extrapolated to cover a full 12-month period. For example, if six months of data are available, they will be compared to prior years for the same six-month period to determine any variation from past levels. Historical trend information, supplemented by program expertise, will then be applied to estimate the remaining six months of performance. The result will be identified as a “preliminary estimate” in the Report. If partial year data are not available, then past trend information will be analyzed and supplemented by program knowledge to develop a projected value for the annual performance measure. The result will be identified as a “projection” in the Report. As data are finalized, the projections and preliminary estimates will be replaced by actual results. Results may be amended as errors and omissions are identified in the data verification process, because updated information is provided by the reporting sources, or because of legal or other action that changes a previously reported value. For example, updated pipeline spill reports may change the status of a previously reported value used in performance measurement.

In measuring progress toward the majority of performance goals, DOT is moving to a system of monthly performance measurements. This will make it much easier to internally gauge periodic progress toward goals as the year progresses, and will enable more timely performance reporting after the years’ end.

Completeness of Data – As described above, actual data and “preliminary estimates” incorporate complete or partial data from 2001. Results listed as “projections” are not based on data from 2001, but on trend data from prior years.

Reliability of Measurement Data – Because performance results in a given year are influenced by multiple factors, some of which are beyond DOT’s control, and some of which are due to random chance, there may be considerable variation from year to year. (See discussion in Appendix I.) A better “picture” of performance may be gained by looking at results over time to determine if there is a trend. Therefore, graphs are provided for each measure showing trend lines back to 1990, or as many years as possible if data are not available back to 1990. Additionally, a table is included at the beginning of each strategic goal section giving the available data from 1995 through 2001 for measures with performance goals specified for 2001.

Verifying & Validating Performance Measures

Integral to performance measurement is understanding data limitations, addressing these limitations where necessary and cost-effective, and acknowledging those that remain when interpreting results. This section on verification and validation provides a DOT-wide overview of our plan for assessing the quality of the data DOT uses to measure its performance, and follows the GAO definitions for verification and validation:

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"Verification is the assessment of data completeness, accuracy, consistency, timeliness, and related quality control practices."

"Validation is the assessment of whether data are appropriate for the performance measure."

Virtually all data have errors. In Appendix I we have provided the following information about the data used for each performance measure: source of the data, limitations of the data, observations about the quality of the data, work planned or ongoing to improve data quality, and any known biases.

Additionally, we have compiled Source and Accuracy Statements for each of the DOT data programs used in this report, which can be found at www.bts.gov/statpol/SAcompendium.html. The Source and Accuracy Statements give more detail on the methods used to collect the data, sources of variation and bias in the data, and methods used to verify and validate the data.

By validating data used in the DOT performance plan, we are ensuring that those data are reflective of the phenomena they purport to measure. The Office of the DOT Inspector General (OIG) plans to selectively verify and validate performance measurement data each year. When pertinent to the conduct of ongoing projects, OIG will also assess performance measures to determine their appropriateness for measuring progress toward stated goals. These assessments may lead to changes in the goals, improvements to or additions of data collection systems, or both.

Assessing and, where possible, eliminating sources of error in DOT data collection programs has always been an important task for data program managers. As a part of their ongoing work, managers of Departmental data programs use quality control techniques, such as flowcharting the data collection process, to identify where errors can be introduced into the data collection system. Program managers also use computerized edit checks and range checks to minimize errors that may be introduced into the data of their respective programs. In addition, quality measurement techniques are employed to measure the effects of unanticipated errors. These include verification of data collection and coding, as well as coverage, response and non-response error studies to measure the extent of human error affecting the data. As sources of error are identified, steps are initiated to improve the data collection process.

The data used in measuring performance come from a wide variety of sources. Much of the data originates from sources outside the Department and, therefore, outside the direct control of the Department. The data often come from administrative records or from sample surveys. While DOT may not have a strong voice in improving the quality of outside data, the Department takes all available information about the limitations and known biases in outside data into account when using the data.

The myriad data sources make the task of assessing and, where possible, eliminating error a challenging one for DOT. Different data systems contain different types of errors. For example, data from administrative records systems may have missing or incorrect records, and data from sample surveys will contain sampling error.

Several measures (particularly in safety) require aggregation across transportation modes. This can be particularly problematic because of the use of different definitions in different transportation modes. Also, data from outside the Department may have unknown error properties.

To help the operating administrations address these issues, the Bureau of Transportation Statistics (BTS) is developing a statistical policy framework where the operating administrations will work together to identify and implement the current statistical "best practices" in all aspects of their data collection programs. This project is consistent with the data capacity discussions found in the DOT Strategic Plan.

In 2001, a DOT intermodal working group addressing DOT data quality issues continued to:

- develop Departmental statistical standards;
- update Source and Accuracy Statements for all DOT data programs to document limitations and known errors and biases;
- improve quality assurance procedures;
- evaluate sampling and non-sampling error; and;
- develop common definitions for data across modes.

BTS's statistical staff is consulting with the DOT operating administrations' data program managers to assist in

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data evaluation and validation, documenting data sources, and determining the reliability of performance measurement estimates.

Departmental data systems managers use these data verification methods:

- Comparisons with previous data from the same source.
- Comparisons with another reliable source of the same type of data within DOT for the same time period.
- Comparisons with another reliable source of the same type of data within DOT for a previous time period.
- Comparisons with another reliable source of the same type of data outside DOT for the same time period.
- Comparisons with another reliable source of the same type of data outside DOT for a previous time period.

In addition to computerized edit checks and clerical review procedures to look for outliers, duplicate records, and data inconsistencies, data managers also verify data quality at each step of the data collection process using these procedures:

- Re-collecting/re-interviewing all (or a sample of) records and reconciling with the original collection. (This applies to census or sample survey data collections from administrative records, organizations, or individuals.)
- Conducting 100 percent (or a sample of) data re-coding and reconciliation to assess and correct coding errors.
- Conducting 100 percent (or a sample of) data re-entry and reconciliation to assess and correct data entry errors.

The American Travel Survey's re-interview program, in which a sample of households were re-contacted and differences reconciled, is an example of a verification system within a data collection program.

Data Limitations in Performance Measures

DOT Data Source Limitations – Timeliness is the most significant limitation for DOT performance measurement data. Some DOT data are not collected annually. For example, the National Household Travel Survey and the Commodity Flow Survey each collect data every five years. Data that are collected each year (or more frequently) require time to analyze, confirm and report results. For example, Highway Performance Monitoring System vehicle-miles traveled (VMT) data require several months of post-collection processing, making final results unavailable for this performance report.

Other performance measurement data limitations can be found in the previously mentioned Source and Accuracy Statements for DOT data programs. These statements contain descriptions of data collection program design, estimates of sampling error (if applicable), and discussions of non-sampling errors. Non-sampling errors include under-coverage, item and unit non-response, interviewer and respondent response error, processing error, and errors made in data analysis.

As part of its mandate in the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA), the Transportation Equity Act for the 21st Century (TEA-21), and its plans for a statistical policy framework in the Department, BTS is working on a program of research, technical assistance, and data quality enhancement to support the continued improvement of data programs in DOT. This will help data program managers throughout DOT improve data quality and better document known data limitations. BTS also assists operating administrations with data collection and documentation.

Many of DOT's internal data programs rely on State DOTs to collect reliable statistics within cost constraints. While we work closely with our State DOT partners, we do not have direct control over these data.

External Data Source Limitations – Timeliness is also a significant limitation for external or third-party data. Other limitations of external data are noted in the comments for each performance measure in Appendix I. In some cases, DOT has replaced external data, where little is known about the quality of the data, with internal data. For example, DOT has used estimates of person-miles traveled (PMT) from private organizations, absent any better estimate. The 1995 Nationwide Personal Transportation Survey and American Travel Survey give DOT data with known error properties that allow a better estimate of PMT.

Our Data Needs

The DOT Strategic Plan 2000 – 2005 identifies data needs for each of the Department's strategic goals. They

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include:

Safety – DOT is undertaking major efforts over the next several years to improve safety data. Safety has always been our primary strategic goal, and in 1999 DOT created a Safety Data Action Plan to better organize data improvement efforts. BTS will lead efforts to: 1) develop common criteria for reporting injuries and deaths; 2) develop common data on accident circumstances; 3) improve data quality; 4) develop better data on accident precursors; 5) expand the collection of near-miss data to all transportation modes; 6) develop a variety of common denominators for safety measures; 7) advance the timeliness of safety data; 8) link safety data with other data; 9) explore options for using technology in data collection; and 10) expand, improve and coordinate safety data analysis.

Homeland Security – Existing performance data sources are generally good, but DOT will collect data to better understand the transportation system's vulnerability to intentional acts of disruption or destruction.

Mobility – All mobility outcomes present complex measurement issues. Accordingly, DOT will: 1) develop ways of measuring user transportation cost, time, and reliability with time-series data; 2) develop better approaches for measuring access; 3) develop straightforward measures of congestion and its costs; 4) produce more timely and comprehensive data on the condition and use of the transportation system; and 5) develop a more complete understanding of variables influencing travel behavior.

Economic Growth – DOT needs aggregate data for measuring the productivity, effectiveness and efficiency of the U.S. transportation system. We plan to collect, analyze and disseminate data and information that identify critical trends and issues relating to transportation's nexus to the U.S. economy. DOT will: 1) develop a means of measuring transportation cost, time, and reliability – at an aggregate level – with time-series data; 2) develop a comprehensive measure of the transportation capital stock; 3) improve our view of changes in the transportation workforce; 4) develop better measures of productivity in the transportation sector, and other issues concerning use of Producer Price Indices; and 5) develop a better picture of transportation-related variables influencing U.S. competitiveness in the global economy.

Human and Natural Environment – DOT will: 1) develop comparable and complete data on transportation emissions, noise, hazardous materials releases, and wetlands impacts; 2) improve our understanding of collateral damage to the human natural environment; 3) create better leading indicators for potential environmental issues; and 4) develop a reliable method of measuring the environmental benefits of bicycling and walking.

Appendix 10 (cont'd.)

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Appendix I – Performance Measures (Detail)

Each table includes a description of a performance measure and associated data provided by the agencies in charge of the measure. The Scope statement gives an overview of the data collection strategy for the underlying data behind the performance measure. The Source statement identifies the databases used for the measure and their proprietary agencies. The Limitations statement describes some of the shortcomings of the data in quantifying the particular performance characteristics of interest. The Statistical Issues statement has comments, provided by the Bureau of Transportation Statistics (BTS) and the agency in charge of the measure, that discuss variability of the measure and other points. The Verification and Validation statement indicates steps taken by the proprietary agencies to address data quality issues.

DOT feels strongly that full compliance with the Government Performance and Results Act requires impartial reporting of the statistical uncertainty associated with numerical performance measures. A portion of this uncertainty is related to the methodology used to calculate the performance measure and the accuracy of the underlying data. For example, the use of samples introduces uncertainty because estimates are used in lieu of actual counts. Also, there may be errors in the data collected. However, there are many other sources of variation (e.g., nonsampling errors, climate effects, new technology) and they are often difficult to quantify. Nonetheless, a combination of past data and expert judgment can enable uncertainty statements that are order-of-magnitude correct for even the most difficult problems.

The standard error of a performance measure indicates the likely size of the chance variation in the reported number. It incorporates both the effects of measurement error, survey error, and so forth, as well as the variation that occurs naturally from year to year (i.e., even if there were no change in laws, infrastructure conditions, or human behavior, there would still be chance variation in an annual count of fatalities). DOT success in meeting GPRA goals must be viewed in the context of this background noise.

In many of the following Statistical Issues statements, BTS refers to regression standard error. This is a modification of the standard error to take into account linear trends in the recent past. Such adjustment is generally needed to incorporate consistent trends due to cumulative effects of such things as education programs, changing demographics, the gradual adoption of new technologies, and so forth. The underlying assumptions are that: over a short time period the trend of the measurement data is linear; for any given year the performance measure values are normally distributed; and the standard deviation is the same for all years. We believe that these assumptions lead to a conservative estimate of variability.

The regression standard error is an estimate, calculated from the annual performance results, of this common standard deviation. It may be used in the same way as a regular standard error to set confidence intervals or describe uncertainty. For the purposes of performance measurement, it may be considered a rough approximation of the annual variability in a measure, and it will include the affects of program initiatives, influences beyond the control of DOT (e.g., weather, petroleum prices, etc.), random chance, and errors inherent in the data.

For further information about the source and accuracy (S&A) of these data, please refer to the BTS S&A compendium available at

www.bts.gov/statpol/SAcompendium.html

EXCERPT FROM: YEAR 2000 ANNUAL PERFORMANCE REPORT OF
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(Website: www.usaid.gov/pubs/apr00)

Appendix 11

waste treatment is another important component of USAID's approach in cities.

Examples of USAID Program Results

Working through its Regional Urban Development Offices (RUDOs), the Agency reached 150 municipalities and national associations of municipalities during FY 1999. In **Indonesia**, for example, the focus was on “twinning” the goal of delivering environmental services with job creation. Approximately 1,700 labor-intensive infrastructure projects were developed. In cooperation with the World Bank, 50 million person-days of work are expected to be generated in East and West Java, which will both employ locals and provide much needed improvements in access to water, shelter, and sewage facilities. In **Morocco**, Agency efforts to strengthen local government and help it become more responsive to environmental problems made demonstrable progress. Local government officials met the need for wastewater treatment in the Al-Attaouia region through the construction of a cutting-edge treatment plant. The 15,000 residents of this region will no longer suffer the health, aesthetic, and environmental effects of the release of untreated wastewater in their neighborhoods.

Using the new Development Credit Authority (DCA) for the Agency's urban lending effort has led to impressive accomplishments in FY 1999. In **South Africa**, 22,000 previously neglected households were provided with access to basic services. In

Poland, a recently completed eight-year program generated a hundred thousand homeownership loans from 20 commercial banks. PROMUNI, a municipal infrastructure finance program in **Central America**, also recently came to an end, having helped 867,490 families through improved infrastructure. These efforts improved the access to clean sanitation and water and the environment of the communities.

**c. USAID Objective:
“Sustainable Management of
Urbanization, Including Pollution
Management, Promoted”**

USAID works with cities around the world to improve the living conditions of the urban poor and to protect the environment through reducing pollution, saving energy, and improving waste management. The Agency also works directly with municipalities to enhance their ability to deliver environmental services. Promoting partnerships with the private sector to reduce pollution and manage

Program(s) Failing to Meet Expectations

In some cases, factors beyond the Agency's control can hamper meeting activity goals. In **Ecuador**, for example, USAID helped create and worked through an NGO, Oikos, to improve the capacity of selected public and private institutions to prevent pollution. However, many industrial firms went out of business during Ecuador's serious political and economic crisis. This prevented the program from meeting all its goals. No major adjustments will be made to the activity at this point, because it ended in September 2000. The primary focus now will be to ensure the sustainability of past efforts. Oikos should be

Appendix 11 (cont'd.)

EXCERPT FROM: YEAR 2000 ANNUAL PERFORMANCE REPORT OF USAID (pg.85)

(Website: www.usaid.gov/pubs/apr00)

percent reduction in greenhouse gas emissions from the flaring of natural gas in Nigerian oil fields.

Program(s) Failing to Meet Expectations

In **Egypt**, the Agency is working to increase the number of vehicles using compressed natural gas (CNG) as a fuel, thus reducing automobile air pollution. Although ambitious 1999 targets for CNG conversion were not met, the current rate of conversion, facilitated through the import incentives of the U.S. Commodity Import Program, suggests that FY 2000 targets will be reached.

d. USAID Objective: “Use of Environmentally Sound Energy Services Increased”

USAID energy programs assist countries by 1) promoting energy-sector reform, 2) establishing free market policies, 3) instituting improved energy standards, and 4) strengthening institutions that enhance energy development through private-sector participation. In addition, USAID provides training and technical assistance to encourage legal and regulatory reform, institutional development, and private investment in energy infrastructure.

Examples of USAID Program Results

In **Ghana**, the Agency secured a \$1.5 million grant from the Africa Trade and Investment Program in FY 1999 to assist the Economic Community of West African States (ECOWAS) to develop training and technical assistance for the West African Gas Pipeline Project—a \$1.8 billion U.S. public-private venture currently in development. This assistance has improved the capacity of energy officials in **Nigeria, Togo, Benin, and Ghana** to negotiate a commercially developed and managed project with private-sector pipeline partners. Expected benefits include greater availability of natural gas to meet **West Africa's** regional energy needs, better access to electricity, and a 10