

**Follow-up On Previously Issued
Recommendations On Business Planning
and Performance Measurement
December 2003**

Office of the Auditor General
MANITOBA





Office of the Auditor General

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December 2003

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 report on the Follow-up on Previously Issued Recommendations on Business Planning and Performance Measurement to be laid before Members of the Legislative Assembly in accordance with the provisions of Section 28 of The Auditor General Act.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Jon W. Singleton'. The signature is fluid and cursive, with a large, sweeping initial 'J'.

Jon W. Singleton, CA•CISA
Auditor General

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This report is a follow-up on the recommendations we provided to Government in our Report to the Legislature on *Business Planning and Performance Measurement*, issued in July 2000. In the July 2000 report, Government's position on our findings, conclusions and recommendations was as follows:

"The Government of Manitoba is committed to the advancement of performance measurement within the government management processes with a strong focus on the measurement of outcomes and results."

In this follow-up report management identifies various initiatives underway to implement our July 2000 recommendations. However, after 36 months since our recommendations were made, progress has been disappointingly slow. Manitoba is falling behind trends in other provinces with respect to planning, performance measurement and public reporting. I believe the process of implementing our recommendations would be facilitated and speeded up by the development of a clearly articulated framework and comprehensive implementation strategy including a time frame.

I continue to encourage Government to strengthen its commitment to these endeavors and to seek out remaining opportunities for advancing the central principles behind an effective planning, measurement and public reporting framework. Those principles are:

- **Input from Elected Officials** – providing opportunities for elected representatives to be involved in the business planning and performance measurement process.
- **Co-ordination of Plans and Indicators** – inter-departmental co-ordination of the content of business plans and the selection and collection of performance data.
- **Client/Stakeholder Participation** – input from client/stakeholders in shaping the business plan or performance indicators selected.
- **Effective Use of Performance Information** – the utilization of performance data to its full potential.
- **Public Access** – public reporting on the content of business plans and performance outcomes.

Such principles promote accountability to citizens and are intended to ensure effectiveness in managing government priorities and resources.



Jon W. Singleton, CA•CISA



Introduction

It is the practice of the Office of the Auditor General to follow-up on whether recommendations made in our reports have been implemented. We believe it is important that the Legislative Assembly be advised of management's actions and plans to fulfill our recommendations. We also believe it is equally important for the Legislative Assembly to be apprised of management's perspective on our recommendations, and thus we always seek their comments in the process of conducting a follow-up to one of our reports.

In July 2000 we issued a report entitled, *Business Planning and Performance Measurement*. The primary objective of that report was to determine whether there is an effective process in place to ensure timely implementation of business planning and performance measurement by Provincial departments.

Findings From July 2000 Review

Our July 2000 report identified several areas that needed to be addressed:

- Providing opportunities for Cabinet ministers to be involved in the strategic/business planning process;
- The lack of inter-departmental co-ordination of the content of strategic/business plans and the selection and collection of performance data;
- The need to broaden the mix of expertise available to provide central coordination and guidance to departments in strategic/business planning and performance measurement;
- The limited skills throughout Government in the area of performance measurement;
- The limited input from clients/stakeholders in shaping the strategic/business plan or performance indicators selected;
- The limited extent to which performance measurement is taking place at this point in time;
- The general absence of a systematic approach to collecting and analyzing performance data;
- The need to utilize performance data to its full potential; and
- The general absence of public reporting on the content of strategic/business plans or performance outcomes.

Based on these findings we made a series of recommendations that are presented in summary form in **Table 1** along with management's response to the follow-up on the status of our recommendations.

Conclusions From Follow-up

Generally, Government has made some progress towards implementation of our recommendations (**Table 1**). However progress in developing and implementing a planning, performance measurement and reporting process has been very slow and without the benefit of a systematic and cohesive approach.

In order for Government to maximize the benefits of planning, measurement and reporting, it needs to link the three steps in the process more closely. A well-integrated strategic/business planning, performance measurement and reporting process can make a meaningful contribution to:

- Priority setting by government;
- Strategic management by departments and central government;
- Resource allocation;
- Internal and external communication of government goals, objectives, strategies and performance; and
- Accountability.

We continue to support our original recommendation that Government departments be expected to prepare strategic/business plans that are adopted by Government. This ensures that departmental priorities are situated within a broader context of their goals and desired outcomes and that Government is aware of and in agreement with those goals and outcomes. While we understand the Government's wish to have a flexible approach to planning, a requirement that departments prepare strategic/business plans need not compromise flexibility. For instance, the content expected from departments can vary by type of department. Similarly, we would encourage Government to support annual performance reporting at a departmental level. One vehicle for this can be a modified annual report.

Government's efforts to date represent first steps in implementing a planning and performance measurement system. Manitoba needs to further build and evolve its planning, measurement and reporting system in order to catch up to other provinces. Other provinces have adopted a government-wide vision to provide the framework within which ministries are to develop their business/strategic plans. In most provinces, ministry strategic/business plans are a requirement and are available to the public in some form. In half of Canada's provinces, the commitment is so strong that they have adopted legislation on strategic planning and performance measurement that requires ministries to prepare and publish strategic plans and to report their performance in relation to their plan on an annual basis.

We believe that it is up to Government to determine how best to give effect to our recommendations. From our perspective, we are interested in encouraging the implementation of our recommendations in ways that respect the principles behind them. Thus we reiterate our belief that strategic/business planning, performance measurement and reporting are essential management and accountability tools and we strongly encourage the Government to make further progress in implementing the reforms we recommended in our July 2000 report.

Status of Implementation of the July 2000 Recommendations

TABLE 1

Summary of Auditor General's Recommendations in July 2000 Report to the Legislature	Management's Update on Implementation of Auditor General's Recommendations	Observations from Auditor General
Strategic Direction and Leadership The need for a Government-wide Corporate Framework within which departments can develop strategic/business plans and performance measures that contribute to the implementation of the Corporate Framework.	This stage of the process involves Cabinet review and approval of key strategic priorities in respect of public policy objectives. Completion and communication of the results of this exercise will provide the foundation for government-wide performance measurement activity.	Some Progress ● Government officials were unable to advise on the timing for completion of this undertaking. ● A timeframe for completion and communication of key strategic priorities would reinforce Government's commitment to this endeavour.
The need to institute a process for reviewing and approving departmental strategic/business plans, key outcomes and key performance indicators.	Beginning with the 2002/03 estimates process the Government of Manitoba has sought to provide departments with an opportunity to better integrate performance related information, and in particular data related to outcomes measures, with its estimates information. The 2002/03 estimates instructions asked departments to provide a Priorities and Strategies Overview. Central to this new reporting requirement is a request on behalf of the Treasury Board Secretariat that departments supply outcome measures demonstrating progress in the achievement of departmental priorities.	Some Progress ● While the requirement for Overviews is certainly a step in the right direction, we note that there is no requirement for departments to prepare strategic/business plans that are reviewed and approved by Government or one of its committees. Management advised that government is following a flexible approach allowing departments to choose the process they follow in order to determine their priorities and strategies. We believe our recommendation for departments to adopt strategic/business plans is still relevant and can be implemented within the framework of a flexible approach. Such plans would ensure that departmental "Priorities and Strategies" support a department's approved broad goals and expected outcomes.

TABLE 1 (CONT'D.)

Summary of Auditor General's Recommendations in July 2000 Report to the Legislature	Management's Update on Implementation of Auditor General's Recommendations	Observations from Auditor General
Strategic/Business Planning and Budgeting Integrating the estimates process with the strategic/business planning process and reinforcing that strategic/business planning is as much about planning and policy-setting as it is about finances.	Since 2002, departments have submitted Priorities and Strategies Overviews as part of the Estimates process. A second element of the effort to supplement traditional financial reporting was the initiation by Policy Management Secretariat of a series of Departmental presentations to Treasury Board Ministers at the outset of the estimates process. In the case of the Healthy Child Manitoba, work is well underway to introduce child-centered estimates and expenditures supported by comprehensive outcome measures. Full scale implementation of this effort is expected to take up to four years, but the lessons and experiences absorbed along the way will inform and guide other horizontal policy initiatives.	Some Progress ● We acknowledge the value of attempting to integrate planning and budgeting for the Healthy Child Initiative. However, we believe that the integration of planning and budgeting would be further facilitated through the requirement that departments prepare strategic/business plans.
The need for Government to assess the implications of instituting multi-year fiscal planning at the departmental level.	The Government continues to assess the implications of instituting multi-year planning at the departmental level. It is anticipated that the approach described elsewhere in this document will go some way to assisting Government to move in this direction. However, it is felt that achieving significant progress will be constrained by the limits imposed by the provisions of the current balanced budget legislation.	Some Progress ● We encourage Government to complete its assessment in consultation with senior management in departments and to prepare for decision-making by Treasury Board Ministers a discussion paper on the pros and cons of multi-year departmental fiscal planning.

TABLE 1 (CONT'D.)

Summary of Auditor General's Recommendations in July 2000 Report to the Legislature	Management's Update on Implementation of Auditor General's Recommendations	Observations from Auditor General
Delegation of Authority Delegation of authority to departments once their strategic/business plan is approved.	The Government regularly reviews and provides direction on the issue of delegation of authority, in light of changing policy and fiscal circumstances. In addition, a standing mechanism exists for departments to seek approval for expanded delegations. The approach of the current Government does not involve approval of department-wide strategic/business plans followed by enhanced levels of delegated authority. Rather, approval of delegations of authority requires a business-case justification on a program or expenditure category basis. Departments have successfully used this provision to obtain approval for specific expanded delegations of authority.	Recommendation Not Accepted By Government Our recommendation proposed an enhanced level of delegated authority based on the adoption of departmental strategic/business plans. As we noted earlier, currently, there is no requirement for departments to prepare strategic/business plans. Management advised that government is following a flexible approach with respect to the process by which departments choose to determine their priorities and strategies. While dealing with delegated authority on a case by case basis in relation to specific expenditure categories is a positive step, we believe a less ad hoc approach would provide departments with opportunities to enhance efficiencies and streamline their processes.

TABLE 1 (CONT'D.)

Summary of Auditor General's Recommendations in July 2000 Report to the Legislature	Management's Update on Implementation of Auditor General's Recommendations	Observations from Auditor General
Client Input Developing systematic approaches across departments for obtaining input from clients and citizens in the process of setting government-wide as well as departmental strategic goals and performance indicators.	The development of recent outcome indicators such as the Provincial Sustainability Indicators involved a significant process of community input and consultation. Healthy Child Manitoba is planning to seek input from a wide variety of community and partner organizations in determining the most appropriate mix of performance information it intends to use to evaluate policy outcomes. Citizens are regularly consulted by departments on matters of broad and specific import be they on topics such as the Budget or changes to legislation.	Some Progress ● As contemplated in our recommendation, we encourage Government to establish a policy as well as a set of guidelines on its expectations regarding consultations on government-wide and departmental strategic goals and performance indicators. This would ensure that central government and departments are following an approach to consultation that is consistent with Government's intent.

TABLE 1 (CONT'D.)

Summary of Auditor General's Recommendations in July 2000 Report to the Legislature	Management's Update on Implementation of Auditor General's Recommendations	Observations from Auditor General
Skills and Expertise Providing departmental staff with access to a team of persons with direct experience in facilitating strategic/business planning and performance measurement. Providing departmental staff with opportunities to expand their knowledge and experience with strategic/business planning and performance measurement.	Building and developing organizational capacity in the area of performance measurement has been acknowledged as a priority. Over the last several years a number of efforts to develop increased knowledge and expertise have been supported at both the departmental and corporate level. Specific examples include the inter-departmental committee of business plan coordinators who meet regularly to discuss common issues and best practices. In 2001/02 over 20 provincial staff participated in a 4 day training workshop on the use of social science research to evaluate program performance. In 2002, a committee of senior policy and program officials was formed to provide technical advice to key program measurement initiatives in the areas of social policy, health and the environment. Collectively these efforts have led to a significant increase in knowledge, expertise and capacity. The province recognizes that an opportunity exists to establish a broad community of practice. As a first step, a one-day conference highlighting best practice activity in Manitoba is planned for 2003. The objective is to recognize that the expertise rests not in the centre but in the departments themselves.	Some Progress ● A number of individual steps have been taken by management towards building skills and expertise. We encourage Government to reinforce its commitment by developing a cohesive strategy on how to further strengthen skills and expertise.

TABLE 1 (CONT'D.)

Summary of Auditor General's Recommendations in July 2000 Report to the Legislature	Management's Update on Implementation of Auditor General's Recommendations	Observations from Auditor General
Coordination Of Plans And Indicators Ensure inter-departmental coordination in strategic/business planning and performance measurement.	Government recognizes the need to address policy and program delivery issues from a horizontal, inter-departmental and inter-sectoral perspective. Currently, evaluations by Treasury Board Secretariat staff of plans and performance indicators include observations to Treasury Board ministers on inter-departmental coordination. As well, key committees of cabinet (e.g., Community and Economic Development Committee and the Healthy Child Committee of Cabinet) provide a forum to ensure inter-departmental coordination of strategic and operational planning and performance measurement.	Some Progress ● Our recommendation envisaged that departments would prepare strategic/business plans and performance measures and that the content of plans, the selection of measures and collection of measurement data would be co-coordinated across departments. As noted earlier, Government does not require departments to prepare strategic/business plans. As explained in our 2000 report and restated in our conclusions here, we believe the preparation of such plans is essential.

TABLE 1 (CONT'D.)

Summary of Auditor General's Recommendations in July 2000 Report to the Legislature	Management's Update on Implementation of Auditor General's Recommendations	Observations from Auditor General
Monitoring, Data Collection And Reporting The need to monitor strategic/business plan implementation, collect performance data, and publicly report on performance.	Efforts have been adopted over the last 24 months to monitor strategic/business plan implementation, performance data collection and reporting. Specifically, this has included making special provision for the inclusion of such indicators in departmental estimates. Beginning in 2002/03, estimates instructions require departments to provide a Priorities and Strategies Overview. Central to this new reporting is that departments supply outcome measures demonstrating progress in the achievement of departmental priorities. A second element of the effort to supplement traditional financial reporting was the initiation by Policy Management Secretariat of a series of Departmental presentations to Treasury Board Ministers at the outset of the estimates process. Furthermore, there is a process for monitoring and reviewing performance and outcome indicators published by departments. Three significant examples include: A Profile in Student Learning Outcomes in Manitoba (2002), Manitoba's Health Indicators Report (2002), and Provincial Sustainability Indicators (2001).	Some Progress ● We encourage Government to reinforce its commitment by developing a cohesive strategy on how it will further implement our recommendations on monitoring, data collection, and reporting. ● It should be noted that the first two reports that management cites provide information on current conditions in various sectors, as such they are benchmarking reports. The third report lists sustainability indicators, it does not report on those indicators. To be a performance report requires that the data be presented in the context of what an organization is hoping to achieve by way of results.

TABLE 1 (CONT'D.)

Summary of Auditor General's Recommendations in July 2000 Report to the Legislature	Management's Update on Implementation of Auditor General's Recommendations	Observations from Auditor General
Outcome Indicators Emphasizing the measurement of outcomes.	Steps have been taken to emphasize the importance of outcome indicators. This has included making special provision for the inclusion of such indicators in departmental estimates. Three reports containing outcome based information have been released: A Profile in Student Learning Outcomes in Manitoba (2002), Manitoba's Health Indicators Report (2002), and Provincial Sustainability Indicators (2001). Over the next few years, the Government is committed to the development and distribution of a much wider array of such information including: Healthy Child Manitoba, Workforce Labour Mobility, and Internal Barriers To Trade.	Some Progress Positive steps have been taken in the collection and reporting of baseline data in several sectors. Benchmarking existing performance is the first step towards measuring outcomes. Thus the two reports released in 2002 provide a picture of the current state of student education, and the health sector, while the 2001 report identifies indicators selected for future reporting. However, in order to emphasize measurement of outcomes we encourage Government to incorporate its goals/expected outcomes into future reports on performance and to report its progress in achieving those outcomes.

TABLE 1 (CONT'D.)

Summary of Auditor General's Recommendations in July 2000 Report to the Legislature	Management's Update on Implementation of Auditor General's Recommendations	Observations from Auditor General
Public Accountability Reporting There should be public reporting on government and departmental strategic direction, expected outcomes, performance measures and actual performance relative to expected outcomes.	Lessons from other jurisdictions and feedback from Manitoba departments indicates that leadership in this area should be provided at several levels and the measures program itself should build in flexibility to reflect the different needs and challenges of departments. Work is proceeding on this task with responsibilities shared among central offices of the government and department heads. It is the Government's view that a significant amount of effort has been dedicated to reporting on the Government's direction, expected outcomes and actual performance. As already noted, the Government has published reports with such information in the key fields of education, health, and social services.	Some Progress • While Government's intention to report publicly on its outcomes in relation to its corporate framework is a positive step in the direction of public accountability reporting, we encourage Government to also implement our recommendation on public performance reporting at a departmental level. • As contemplated in our recommendation, we also suggest that future reporting on particular sectors/programs should identify clear goals and report progress in relation to such goals.

Comments from Government of Manitoba

The Government of Manitoba has demonstrated a commitment to the advancement of performance measurement within the government process over the last three years.

Examples of progress include the set of Provincial Sustainability Indicators released for discussion in 2001, the Profile in Student Learning Outcomes and Manitoba's Health Indicators Report which were published last year.

Each of these reports was precedent-setting and inaugurated a public reporting strategy the provincial government is committed to following in years to come.

Performance indicators have now been incorporated into the strategic documents prepared by departments as part of the annual estimates process, and staff training has been undertaken to support this approach and build up new expertise within departments.

Manitoba has benefited from studying the experiences of other jurisdictions, which have included "false starts" as well as successful incorporation of indicators. It is interesting to note that jurisdictions throughout North America such as Ontario are beginning to rethink and adjust their approaches in recognition of the fact that the models in vogue at the time of the Auditor General's original report are proving to be inadequate. Rather than falling behind the trend it appears that jurisdictions are seeking, like Manitoba, to define a more nuanced approach to the measurement of outcomes and performance.

The Manitoba Government is committed to further evolving a practical approach which meets the needs of Manitobans.

OFFICE OF THE AUDITOR GENERAL OF MANITOBA

Vision

As a leader in promoting enhanced accountability of government to the citizens of Manitoba, the Office of the Auditor General will contribute to greater public trust and confidence in the institutions of government.

Mission

To contribute to effective governance by the Manitoba Legislature, we provide the Members of the Legislative Assembly with independent assurance and advice on:

government accountability information;
compliance with legislative authorities; and
the operational performance of government.

Values

IN INTERPERSONAL RELATIONSHIPS

Respect Honesty
Integrity Openness

IN ACHIEVING OUR VISION AND MISSION

Teamwork
Independence
Balanced Perspectives
Professional Excellence

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