2.4 Framework of Accountability

Introduction

A fundamental principle of accountability is that an entity cannot be accountable to itself. True accountability requires that entities be held accountable to those who provide the resources for their operations. On behalf of the taxpayers of the Province, the House of Assembly approves the allocation of approximately $4 billion annually to Government departments and Crown agencies (including Memorial University of Newfoundland).

To be truly accountable, these entities would be required to table strategic and annual operational plans and provide an annual performance report to the House of Assembly. This report would provide information on the results of their activities in comparison with these plans, using measurable criteria and providing explanations for areas where performance varies from that expected. Strategic plans outline the long-term goals and objectives of an entity while operational plans are prepared annually and include the allocation of all resources, including financial, to further the goals and objectives contained in the strategic plan.

In previous Reports to the House of Assembly, my Office has expressed concern over the lack of performance information being provided to the House of Assembly by Government departments and Crown agencies. As a result, my Office recommended the implementation of a legislated accountability framework for all Government departments and Crown agencies which would include the requirement to provide an annual performance report.

On 16 December 2004, a *Transparency and Accountability Act* received Royal Assent. Pursuant to section 24 of the *Act*, it will come into force on a day to be proclaimed by the Lieutenant-Governor in Council.

Conclusion

Although I am pleased that a new *Transparency and Accountability Act* has received Royal Assent and will come into force on a day to be proclaimed by the Lieutenant-Governor in Council, I am concerned that amendments were made to exclude the Memorial University of Newfoundland from certain requirements of the *Act*. The University should be part of Government's reporting entity and should be held accountable to the House of Assembly as any other Crown agency.

All 19 Government departments and 67 of the 80 Crown agencies at 31 March 2003 had some form of annual report tabled in the House of Assembly relating to the 2003 fiscal year. Furthermore, as of 16 December 2004, 17 of the 19 Government departments and 27 of the 82 Crown agencies at 31 March 2004 had some form of annual report tabled in the House of Assembly relating to the 2004 fiscal year. However,

these reports, in general, did not provide the information necessary to hold each entity accountable for its performance in relation to its approved plans using established measurable criteria.

The required improvements in accountability information should be addressed by the requirements of the new *Transparency and Accountability Act* after it is proclaimed.

Findings and Recommendations

Review of Information Tabled in the House of Assembly During 2004

In recent years, Government has issued guidelines for Government departments and Crown agencies to follow in preparing annual reports. These guidelines provide direction relating to production standards, report contents, critical dates, and require that all annual reports be tabled in the House of Assembly.

We performed a detailed review of Hansard (the daily transcripts of proceedings of the House of Assembly) to determine whether any strategic plans, annual operating plans, or annual reports were tabled in the House of Assembly for the various departments and Crown agencies.

As a result of our review, we found the following:

- There were no strategic plans or annual operating plans tabled in the House of Assembly by any of the departments and Crown agencies.

  Although not tabled in the House of Assembly, we have obtained copies of departmental strategic plans for 18 of the 19 departments (no plan was provided by Labrador and Aboriginal Affairs). We found that 13 of the 18 strategic plans were prepared for the three-year period ended 31 March 2004 and therefore are now outdated. As well, the strategic plan for 2 departments (Labour, and Government Services and Lands) were no longer relevant as a result of changes in structure and responsibilities. Therefore, these 15 departments require a new planning process. Only the departments of Health and Community Services, Justice, and Transportation and Works have current strategic plans.

  Although my Office requested that departments provide a copy of all plans, no annual operating plans were provided.

- All 19 Government departments had an annual report for fiscal year 2003 tabled in the House of Assembly and as of 16 December 2004, 17 of the 19 departments (all except Environment and the Public Service Commission) had an annual report for fiscal year 2004 tabled in the House of Assembly.

- Of Government's 80 Crown agencies at 31 March 2003, 67 had some form of annual report for the 2003 fiscal year tabled in the House of Assembly and as of 16 December 2004, 27 of the 82 Crown agencies at 31 March 2004 had some form of annual report for the 2004 fiscal year tabled in the House of Assembly.

We are pleased that all Government departments and most Crown agencies are preparing annual reports and having them tabled in the House of Assembly. In addition, we are pleased that the quality of these reports and the information included has improved. However, while we were pleased with the number and improved quality of these reports, we found that, in general, these reports do not provide information on performance in relation to strategic and operational plans using established measurable criteria.

The required improvements in accountability information should be addressed by the requirements of the new *Transparency and Accountability Act* after it is proclaimed.

Government's New *Transparency and Accountability Act*

On 29 November 2004 Government tabled new accountability legislation in the House of Assembly. This *Act* entitled the *Transparency and Accountability Act* received Royal Assent on 16 December 2004 and will come into force on a day to be proclaimed by the Lieutenant-Governor in Council.

The *Act* sets requirements for Government, all Government departments and Crown agencies with regards to accountability information for the House of Assembly. Although I am pleased that a new *Transparency and Accountability Act* has received Royal Assent and will come into force on a day to be proclaimed by the Lieutenant-Governor in Council, I am concerned that amendments were made to exclude the Memorial University of Newfoundland from certain requirements of the *Act*. The University should be part of Government's reporting entity and should be held accountable to the House of Assembly as any other Crown agency.

2.4 Framework of Accountability

Some of the information required to be provided to the House of Assembly under the *Act* includes:

- Depending on the category, a strategic plan, a business plan or an activity plan every three years and approved by the responsible Minister. However, while the plan for Memorial University of Newfoundland is required to be tabled in the House of Assembly, it is not required to be approved by the responsible Minister;

- An annual report which compares actual results with the approved plan and explains any variance; and

- A three year fiscal forecast to be tabled by the Minister of Finance on the day the budget is presented and the Minister must report semi-annually on the economic and fiscal position of the Province.

In addition, the *Act* requires that:

- The approval of the Lieutenant-Governor in Council be obtained before a Crown corporation is created under the *Corporations Act*;

- The approval of the Minister of Finance be obtained before a public body may borrow;

- All Government entities must prepare their annual budgets using accrual accounting and cash-based information;

- All Government entities must report required financial information in accordance with generally accepted accounting principles; and

- Each minister must enter into a performance contract with their deputy minister and each board chairperson must enter into a performance contract with their chief executive officer.

Furthermore, section 20 of the *Act* which outlines the role of the Lieutenant-Governor in Council relating to concerns of the Minister that the entity is failing to meet objectives set out in its plan, does not apply to the Memorial University of Newfoundland.

Recommendation

The Transparency and Accountability Act *should be proclaimed and Government, its departments and Crown agencies should implement and comply with the provisions of the* Act, *continue to improve their performance reporting standard, and provide the required information to the House of Assembly on a timely basis.*

Treasury Board Secretariat's Response

The Treasury Board Secretariat is pleased the Auditor General acknowledged the progress by Government regarding the accountability and transparency requirements for public entities, which include departments and public bodies. Memorial University of Newfoundland (MUN) requested amendments to the legislation to protect academic freedom. This exclusion does not exempt MUN from completing a strategic plan and it does not exempt it from writing goals and objectives which are measurable. Memorial, as with all other public entities, is expected to plan outcomes, compare actual results with those expected, and explain variances. MUN is also required to include audited financial statements in their annual performance report. Both the strategic plan and the annual performance report will be tabled in the House of Assembly and made public.

An implementation strategy is being developed to address some of the concerns outlined in your report, such as improvements in annual reporting, and updating and tabling of strategic plans.

2.4 Framework of Accountability