TBS

Office of the Treasury Board
Communications Branch

Standing Committee on Estimates

Minister's Briefing on
TBS as a Central Agency &
Value for Money/ Evidence-Based Decision Making

September 19, 2017

For Internal Use Only

Overview

TBS' mandate is to focus on strengthening the openness, transparency and accountability of government, working to get the best possible value for money, and improving public services for Ontarians.

This deck provides an overview of some of TBS' key functions that underpin its mandate:

1. **Enabling evidence-based decision making and ensuring value for money of public services**
   - Setting expectations through The Framework for Evidence-Based Decision Making, Enterprise Risk Management Framework, and IT Governance;
   - Reinforcing these standards through processes like the Program Review, Renewal and Transformation (PRRT), and building a foundation of evidence through program inventories and key performance indicators (KPIs);
   - Supporting ministries to meet expectations through advisory and technical supports like behavioural insights to improve outcomes and internal audit to improve accountability
2. **Ensuring rigour in decision making processes**
   - TB/MBC decision making
3. **Ensuring transparency and accountability**
   - TBS' role as a central agency, providing accounting expertise to line ministries

1. Enabling Evidence Based Decision Making and Ensuring Value for Money

(See Appendix 1 for Specific Examples That Can Be Referenced As Success Stories)

Enabling Evidence-Based Decision Making

Evidence-based decision making is about:

- Using the best available analytics, research and information on program results to guide government decisions.
- Identifying what works while:
  - highlighting gaps where evidence of program effectiveness is lacking,
  - enabling policymakers to use evidence in budget and policy decisions, and
  - relying on administrative and data systems to monitor implementation and measure key outcomes, using the information to continually improve program performance.
- Recognizing the complexity of the problems government is trying to solve.

The Benefits of Evidence-Based Decision Making

Evidence-based decision making helps governments determine:

1. **Strategic Alignment: Are the right things being done?**
   - Are we meeting the needs of the clients/Ontarians?
   - Are we providing the right services to the right clients?
   - Is there evidence for the policies and programs we currently provide?

2. **Impact: Are we doing things in the right way?**
   - Are policies/programs achieving intended outcomes and impacts?
   - What are the costs and benefits of programs?
   - Are we continuously improving in terms of program options, program design and service delivery?

3. **Learning: Could we be doing better?**
   - Should we continue to do the things we are doing?
   - How can we reflect "on the ground experience" when improving programs?
   - Should resources be allocated differently to support the most effective programs?

Making Better Use of Evidence in Decision-Making

TBS sets and upholds expectations for the rigour of decision-making in a number ways.

This starts with a clear and explicit focus on the use of evidence through guidance and tools, like the:

- **Framework for Evidence-Based Decision Making,**
- **Enterprise Risk Management Framework**, and
- **IT Governance**.

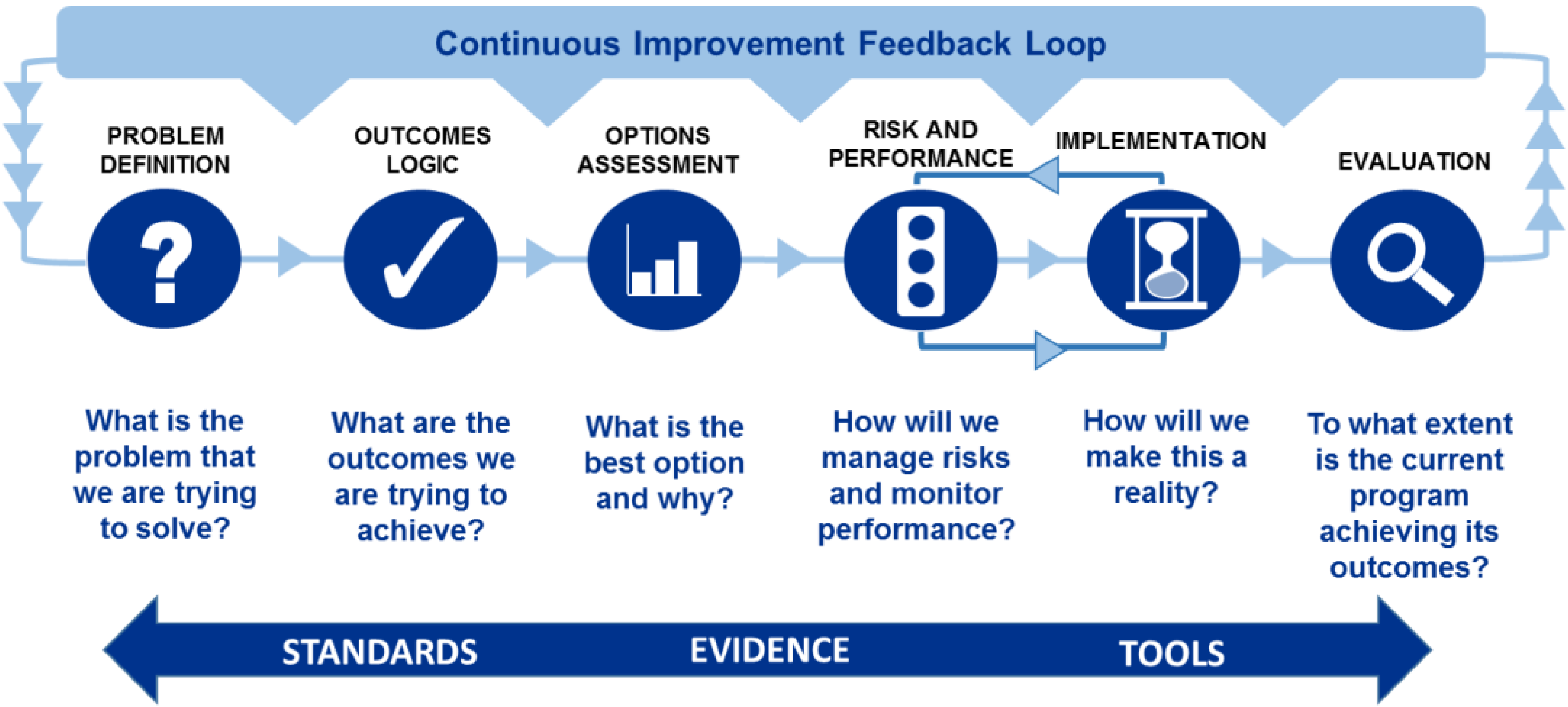
It is reinforced through systematic and structured decision-making processes, like the **PRRT**, and building a strong foundation of evidence about government programs through **key performance indicators** and **program inventories**.

TBS supports ministries to do this through technical and advisory services, like the:

- **Behavioral Insights Unit**, and
- **Ontario Internal Audit Division**.

The OPS Framework for Evidence-Based Decision Making

The OPS Framework for Evidence-based Decision Making is a practical roadmap that embeds the core elements of evidence-based decision making into the work of government.



Data, analysis and evidence have a key role to play in eve ry step of the policy and program development, delivery and evaluation process.

COE is preparing additional materials (speaking points & Qs and As) regarding EBDMF, success stories and capacity building efforts and tools.

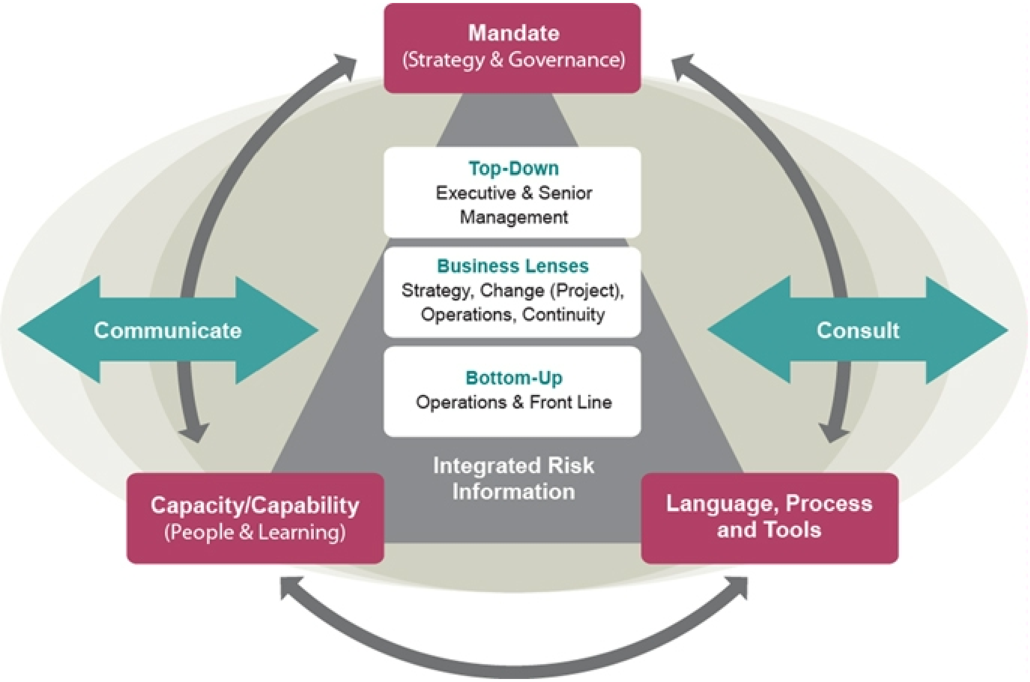
Enterprise Risk Management (ERM) Framework

TBS

Through the development and implementation of an Ontario Public Service Enterprise Risk Management (ERM) Framework, TBS is positioning risk management as a key component of evidence-based decision-making, which supports effective decision-making and achievement of objectives.

To implement the framework, TBS is ensuring that risk management is an integral part of decision-making, incorporated into organizational processes and is practised in a consistent, systematic, structured and timely way.

The goal is to ensure early identification risks (ranging from policy, financial and operational) to ensure proper risk mitigation strategies are in place.



OPCD is preparing additional materials (speaking points & Qs and As) regarding ERM and capacity building

IT Governance

I&IT is an integral part of the government's operations and the countless services that are delivered to Ontarians. From investing in cyber security to development of new systems and applications, ensuring timely and successful completion of IT projects is another way that the government ensures value for money.

To support and strengthen these efforts, the IT Governance Branch has been established within the Office of the Treasury Board to:

- Improve capacity, transparency and innovation in I&IT governance and delivery
- Promote the most efficient operating environment possible;
- Modernize and enhance transformation oversight by strengthening core functions and establishing clear accountabilities;
- Establish and enhance the many linkages and connections that enable success and a better understanding of interdependencies; and
- Maximize the value, relevance and sustainability of our investments and the program benefits they help to realize.

IT will provide additional information regarding the tools/tracker.

PRRT

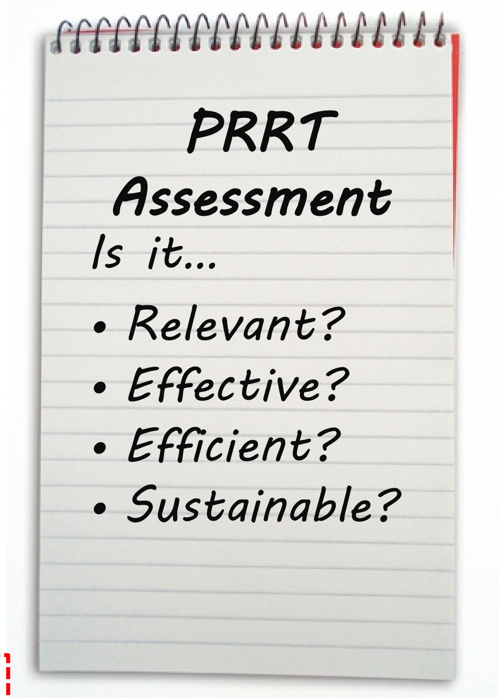
TBS

Program Review, Renewal and Transformation (PRRT) is both the Ontario government's ongoing fiscal planning and expenditure management approach and a continuous review of programs.

PRRT is led by the President of the Treasury Board, working closely with the Minister of Finance.

Focused on achieving better outcomes for Ontarians through:

- Examining how every government dollar is spent
- Using evidence to inform better choices and improve outcomes
- Looking across government to find the best way to deliver services
- Taking a multi-year approach to find opportunities to transform programs and achieve savings



PEMD is preparing additional materials showcasing PRRT success stories

PRRT

The PRRT has shifted the focus from incremental changes in individual ministry programs to a ‘one-government’ approach to delivering better outcomes for Ontarians, supported by a decision-making process that is evidence-based and encourages horizontal collaboration.

Key Elements of PRRT Include:

1. Developing an **inventory** of ministry programs aligned with the government’s priority outcomes

2. Establishing **key performance indicators** (KPIs) for each ministry to track progress towards strategic objectives and support continuous improvement

3. Undertaking **assessments** of all ministry programs, and identify opportunities for modernization, transformation and efficiencies

4. Developing multi-year ministry spending **plans** for TB/MBC review and approval

PRRT: KPIs and Program Inventories

TBS is building a solid foundation of evidence about public services and their performance through the PRRT.

KPIs serve two key purposes:

- **Drive progress** by focussing on outcomes and strategic priorities, and make progress visible;
- **Highlight areas where progress is limited**, so that the programs can be evaluated and redesigned to support continuous improvement.

Through the PRRT, TBS has been working with ministries to establish strong KPIs that will form the basis for government-wide accountability measures and demonstrate the impact of investments in the province. As of this year, Ministries have their KPIs and have been asked to include them in their Estimates.

Along with these performance measures, the PRRT includes a focus on ensuring a clear line of sight into all government programs and initiatives (base spending)

- The program inventory provides an understanding of the services offered across the province from multiple perspectives – considering their end beneficiaries, service delivery models, geographic focus, etc. Program level performance measures are being developed as well.

Improving Outcomes through Behavioral Insights

TBS' Behavioural Insights Unit (BIU) is applying innovative approaches to improve outcomes at low or no cost. The Unit aims to improve the effectiveness of government policies, programs & services.

The Role of the BIU

*The ultimate **Behavioural Insights vision** is for **all government** policies, programs and services **to be human-centric** and **supported by evidence**, leading to **improved outcomes for Ontario's citizens.***

BIU is preparing additional materials (speaking points and Q&As) showcasing success stories

Ontario Internal Audit Division (OIAD)'s Role

TBS

- OIAD provides assurance, advisory and investigative services that support the achievement of government priorities and ministry specific objectives.
- Focus of OIAD's work is to support ministries with proactive identification of risks that may impact key business objectives, and to help inform strategic initiatives to ensure key risks are addressed.
- In Ontario, the Office of the Auditor General of Ontario (OAGO) conducts extensive Value-for-Money (VFM) audits annually.
- At the same time, OIAD conducts audits that often contain key VFM elements, such as:
  - Reviewing key projects to determine whether they are on track and on budget (e.g. I&IT Projects)
  - Assessing the effectiveness with which ministries are in compliance with key legislation, directives, and policies
  - Reviewing the existence of sound evidence that supports informed decision-making for key priorities
  - Monitoring OPS progress in addressing key recommendations raised in VFM audits performed by the Auditor General
  - Supporting TBS and ministries by providing advice/support on the PRRT process and planned program reviews (i.e. existence of risk and performance indicators)

OIAD is preparing speaking points/additional materials re: specific VFM audit examples

2. Ensuring Rigour in Decision-Making Processes

Treasury Board and Management Board of Cabinet (TB/MBC)

- Treasury Board (TB) and Management Board of Cabinet (MBC) is a Committee of Cabinet that consists of Ministers and Advisors; and is known as TB/MBC.

- TB/MBC decisions are broken down as **money (TB)** and **resources and people (MBC).**

- **TB/MBC** authority is established under the ***Financial Administration Act (FAA)*** and the ***Management Board of Cabinet Act (MBC Act)***.
  - Specify powers, duties, membership and quorum.
  - Provide the Board with flexibility to determine their own management approaches and operational procedures.

Treasury Board and Management Board of Cabinet (TB/MBC)

Powers and duties under the respective Acts include:

Treasury Board (Financial Administration Act):

- Assess the adequacy of plans for the implementation of programs approved or provided for by the Legislature;
- Direct the preparation and review of forecasts, estimates and analyses of short term and long term expenditures and expenditure commitments and other data pertaining to authorized or proposed programs of any ministry or public entity;
- Direct, and establish policies for, the preparation, form and content of estimates and supplementary estimates submitted to the Legislature for any ministry or public entity;
- Determine fees or charges for the provision of services by any ministry or public entity or for the use of the facilities of a ministry or public entity and to require the ministry or public entity to take such action as is necessary to implement the determination;
- Review, evaluate and approve new and existing programs of any ministry or public entity and determine priorities with respect to them;
- Control expenditures of public money within the amounts appropriated or otherwise provided by the Legislature; and
- Carry out or perform any directions or responsibilities given to the Board by the Executive Council.

Treasury Board and Management Board of Cabinet (TB/MBC)

TBS

Powers and duties under the respective Acts include:

Management Board of Cabinet (Management Board of Cabinet Act):

- Approve organization and staff establishments in any part of the public service;
- Establish, prescribe or regulate such policies and procedures as the Board considers necessary for the efficient and effective operation of any part of the public service;
- Initiate and supervise the development of management practices and systems for the efficient operation of any part of the public service; and
- Report to the Executive Council on any matter concerning general administrative policy in any part of the public service that is referred to it by the Executive Council or on which the Board considers it desirable to report to the Executive Council.

TB/MBC Decision Making

Treasury Board

Provides leadership on the management of the **government's financial resources** in support of the government's fiscal policy priorities

- **Key role** is managing overall government spending within allocations approved in the Estimates

TREASURY BOARD DECISIONS:

- **In-year spending changes**
- **Annual PRRT plans**
- **Quarterly expenditure management**
- **Non-tax revenue** – new proposals and changes to fees and charges
- Disposition or acquisition of **government property**
- **New programs** including establishment, consolidation, changes to and/or elimination
- **Remuneration** of appointees.
- **Regulations and legislation** with financial/fiscal implications.

Management Board of Cabinet

Provides leadership in running the **operations of government and managing the public service** (governance).

MANAGEMENT BOARD DECISIONS:

- **Corporate governance policies and directives** (approval and exemptions).
- **Agency governance and accountability**
- **Human resources** and administrative management (under the Public Service of Ontario Act)
- **Changes to ministry staffing** allocations
- **Bargaining mandates** and approval/implementation of negotiated settlements.
- **Procurement or IT projects** valued at $20 million or greater.
- Non-appointment **OICs**, regulations and legislation with human resource implications.

Delegations to the Chair

The Chair has delegated authority under the Financial Administration Act, to approve certain types of transactions:

- **Treasury Board Orders**:
  - For Inter-ministry transfers (with some exceptions)
  - That increase Ministry appropriations, offset from Contingency Funds in the following circumstances:
    - Emergency Management Ontario is responding to an emergency in the province.
    - The provision of assistance to eligible recipients under the Disaster Recovery Assistance for Ontarians program and the Municipal Disaster Recovery Assistance program, as well as the procurement of related fee-for-service resources (*new delegated authority approved August 25, 2015)*.
    - International or national disaster relief assistance.
    - MNRF Extra Fire Fighting.
    - Funding was previously minuted in the Contingency fund for the initiative.

    Note: The offset amount cannot exceed $5 million except where TB/MBC has explicitly minuted a higher amount in the Contingency Fund(s) for the purpose for which the TBO is sought.

- **Releases from holdback** (no limit), when the conditions under which TB/MBC placed the funds on holdback have been met.

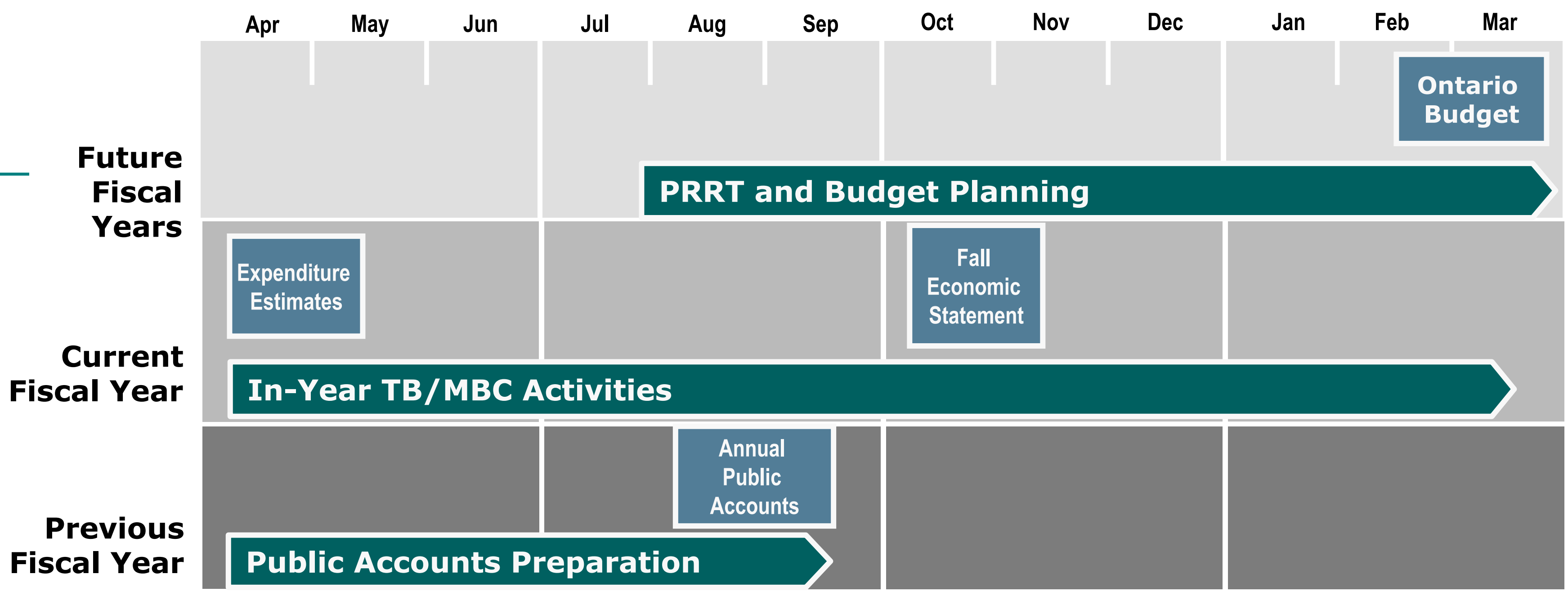
- **Reallocation of Full-Time Equivalents** (FTEs) within the OPS FTE cap

TBS Support for TB/MBC

- **Multi-year fiscal planning** – Supports the development and implementation of the government’s fiscal plan, including providing advice on PRRT process, objectives, expense management tools and/or options.
- **Due diligence** – Analyse and make recommendation on the allocation of public funds through ministries' annual multi-year plans and in-year submissions to TB/MBC and other committees of Cabinet.
- **Oversight** – Ensure that decisions are in keeping with the government's legal spending authority, and address the government's key priorities.
    - This includes ensuring that the government has the legal spending authority to meet its obligations.
- **Public Reporting** – Working with the Ministry of Finance, to develop, monitor and report on the fiscal plan and results through the Ontario Quarterly Finances, the Economic Outlook and Fiscal Review (Fall Statement), the Ontario Budget, Expenditure Estimates and Supplementary Estimates.

PRRT and Fiscal Planning

At any point in time, the government is considering its plans for the future, the current fiscal year, and the previous year's results



- ✓ Ministries prepare multi-year business plans through PRRT
- ✓ Plans are presented to Treasury Board /Management Board of Cabinet for consideration
- ✓ The Provincial fiscal plan is developed based on ministry submitted plans and other information
- ✓ Once the fiscal plan is complete, the Budget is presented to the Legislative Assembly of Ontario

3. Ensuring Transparency and Accountability

Office of the Provincial Controller Division

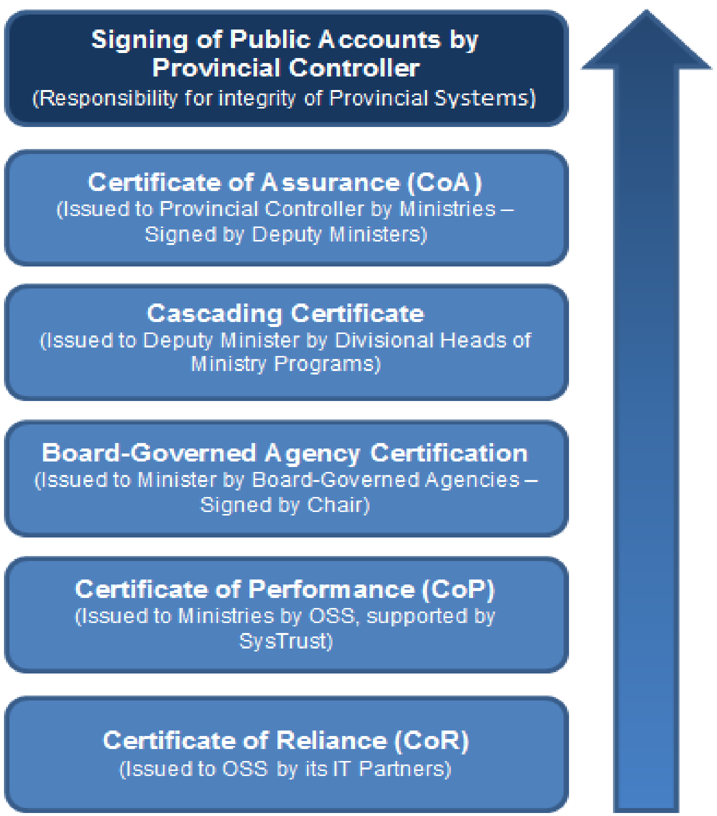
- The Province continues to strengthen its financial management, ensure clear and consistent accounting practices, enhance oversight and accountability, and provide better data and information to the public through more channels.
- The Office of the Provincial Controller Division (OPCD) plays a key role in ensuring this transparency and accountability in the Province's financial reporting through its major functions, including:
  - Providing the OPS and Broader Public Sector with accounting and financial management policy and controllership advice;
  - Maintaining the Public Accounts and preparing the Annual Report and Consolidated Statements and the Public Sector Salary Disclosure;
  - Participating in and influencing the Public Sector Accounting standard setting processes both nationally and internationally to ensure general purpose financial statements meet public needs.
  - Collaborating with other jurisdictions on reporting best practices and application of government reporting standards;
  - Supporting the development of financial management and controllership capacity across the OPS; and
  - Supporting the modernization of government by improving the efficiency, effectiveness, and integrity of its financial systems and processes.

Transparency and Accountability in Financial Reporting

- The Province’s financial reports are prepared in accordance with the accounting principles for governments recommended by the Public Sector Accounting Board.
- C.D. Howe, an independent research organization supporting economically sound public policies, has recognized that Ontario’s practices, which align the Budget, Estimates and financial reporting, demonstrate a high level of accountability and transparency.
- A key component in supporting sound financial reporting is achieved through effective TBS oversight and implementation of internal controls and assurance processes.
- Annually senior executives of all OPS ministries and board governed agencies provide TBS with a formal attestation that their organization has a strong internal control framework in place and that reliance can be placed on their financial reports.

Reliance on Financial Reporting

The Certificate of Assurance (CoA) process, followed by all ministries and OPS board governed agencies provides assurance over all aspects of internal control including operations, compliance and reporting with cascading approvals within and across the organization.

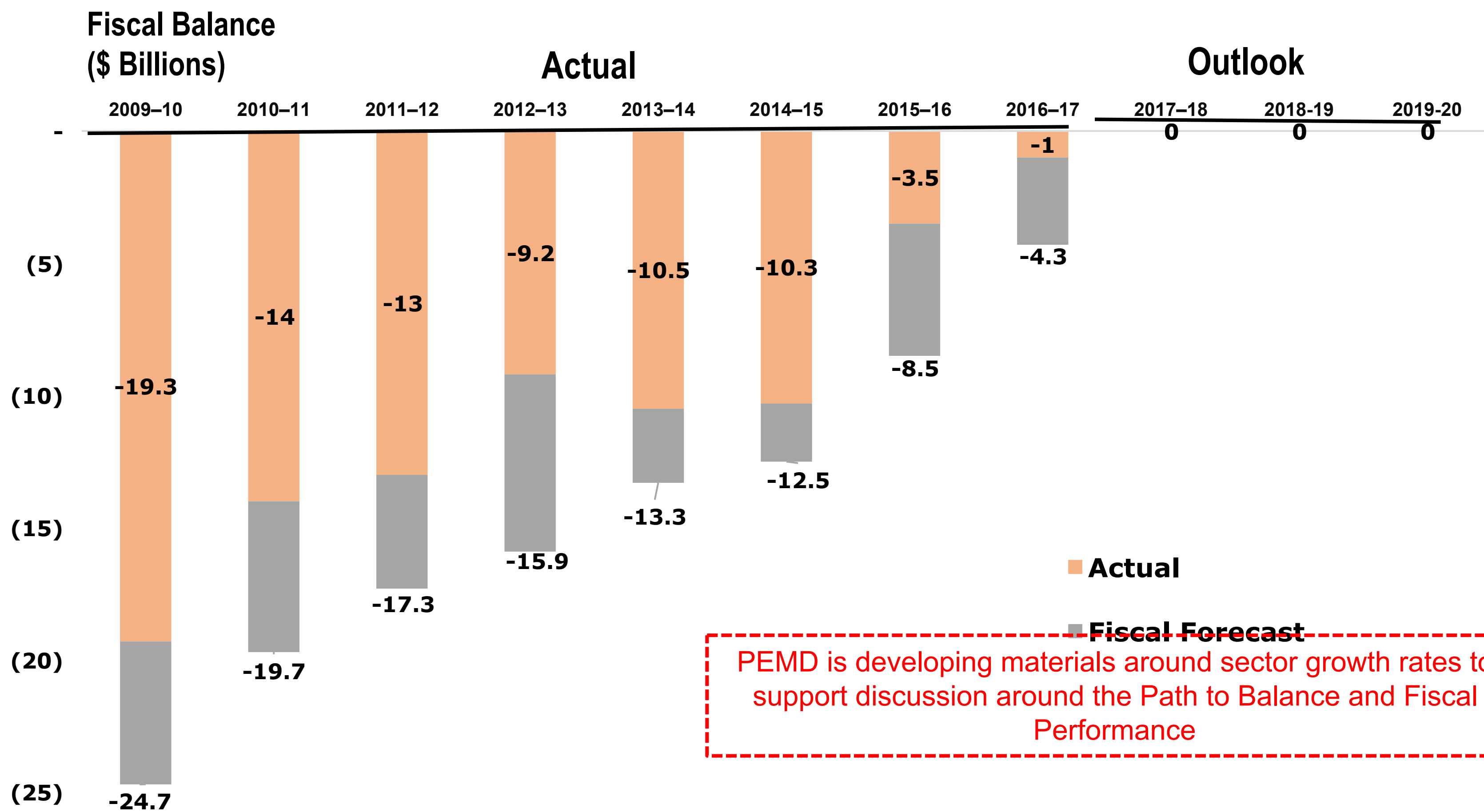


- Confirm that an effective state of internal control is present throughout the fiscal reporting period
- CoA is informed by a chain of assurances that cascade upwards from the Certificate of Reliance
- Exceptions (control risks) are identified along with impacts and mitigation plans

Components:

- Cascading Certificate: Ministry program controls are in place & adhered to
- Board-governed Agency Certification
- Certificate of Performance (CoP): Reliable centralized transaction processing, assurance provided through SysTrust audit
- Certificate of Reliance (CoR): I&IT services and controls operated effectively for the year for major OPS financial systems IFIS, WIN

Path to Balance - Track Record of Meeting & Exceeding Fiscal Targets



PEMD is developing materials around sector growth rates to support discussion around the Path to Balance and Fiscal Performance

[1] Represents the 2017 Budget outlook for 2017–18 to 2019–20. For 2009–10 to 2016–17, actual results are presented. The 2015–16 actuals have been restated to reflect recognizing jointly sponsored net pension assets for the Ontario Public Service Employees' Union Pension Plan and the Ontario Teachers' Pension Plan on the Province's financial statements, consistent with the 2016 Budget and as described in the 2016–17 Third Quarter Finances.

[2] Forecast for 2009–10 is based on the 2009 Ontario Economic Outlook and Fiscal Review, 2010–11 to 2013–14 is based on the 2010 Budget; 2014–15 is based on the 2014 Budget; 2015–16 is based on the 2015 Budget.

Key Messages

- TBS's mandate is to focus on strengthening the openness, transparency and accountability of government, working to get the best possible value for money and improving public services for Ontarians.
- We have supported the government in successfully delivering its first balanced budget, which focused on managing growth in spending and delivering on the best possible value for every dollar spent.
- The government is committed to finding new and smarter ways to both improve outcomes for Ontarians and meet the Province's fiscal targets.
- The government will continue to build on its track record of responsible fiscal management.

Key Issues

- Questioning balanced budget narrative
- Distrust of government's fiscal management (i.e. qualified opinion of Public Accounts)
- Alleged government waste

Top Questions & Answers

1. How is the government ensuring value for money on its spending?

2. How do you know your actions are working?

3. How are you ensuring transparency and accountability?

4. Two officers of the Legislature are questioning your accounting. What do you say to the accusations that the government's numbers are wrong?

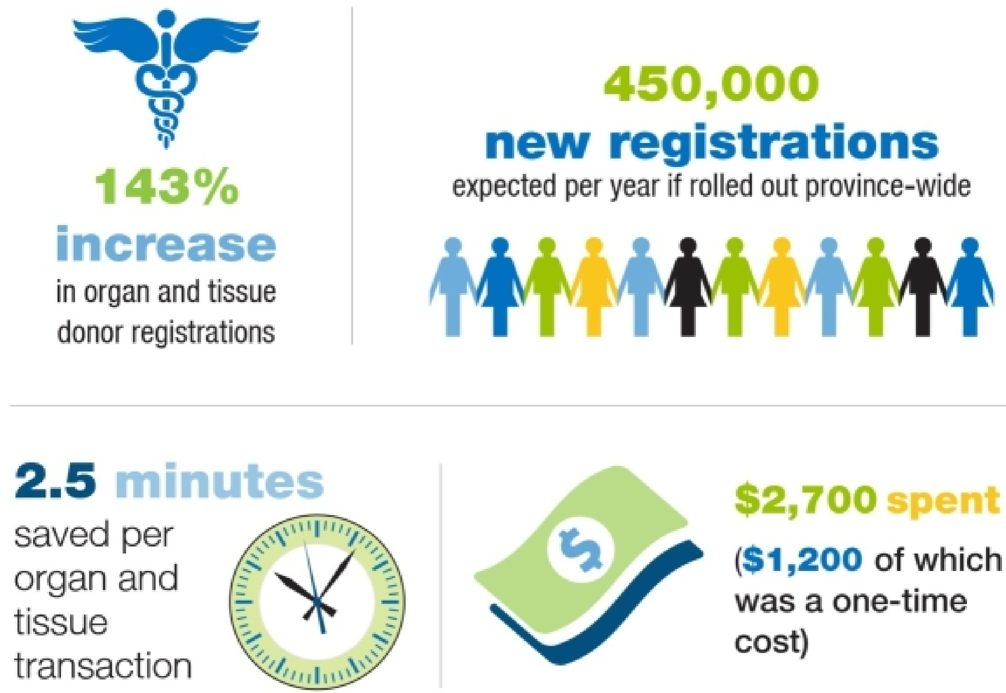
Appendix 1: BIU Success Stories

Organ and Tissue Donation

Summary

- **Problem**: 85% of Ontarians support organ donation. Yet only 26% are registered organ donors.
- **Behavioural Insight**: Small 'hassle' factors (i.e., confusing form) can prevent people from following through on their intentions.
- **Solution**: Modify paper registration form to make process easier.

Results:



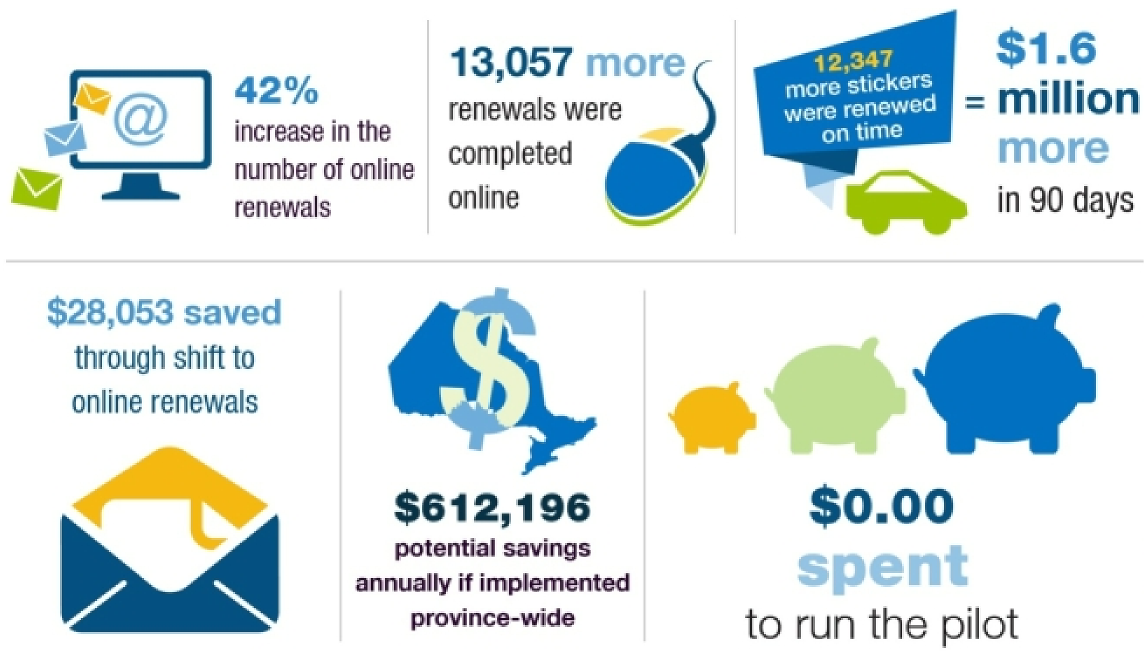
Appendix 1: BIU Success Stories

E-Service Adoption

Summary

- **Problem**: 84% of Ontarians report interest in government e-services, yet four years after development only 10% of licence plate stickers were renewed online.
- **Behavioural Insight**: People are not made aware of the online channel at key moments
- **Solution**: Modify design of paper reminder to make online channel more salient

Results:



Appendix 1: BIU Success Stories

Tax Collection

Summary

- **Problem**: Employers who delay paying the Employer Health Tax face mounting penalties, but 9% pay late each year
- **Behavioural Insight**: Giving people clear information about how, where and when to do a task can increase follow-through
- **Solution**: Modify design of paper notice to make next steps very clear

Results:

Appendix 2: Accounting for Pension Assets

- Ontario Public Service Employee's Union Pension Plan (OPSEUPP) and Ontario Teachers' Pension Plan (OTPP) are jointly sponsored pension plans (JSPPs) where the Government of Ontario is a co-sponsor.
- Under PSAB standards, an asset arises when the government's total contributions to a plan, including interest earned thereon, are greater than the pension expense recognized since the start of the plan.
- The Province has shared control over the pension plan and the existing agreements in place between the sponsors support the recognition of the pension asset.
- Since 2001-02, the Province's share of pension assets reflected on the audited consolidated financial statements of the Province has been based on a policy considered to be consistent with PSAB standards related to accounting for retirement benefits.
- The professional staff's interpretation of PSAB standards is supported by the Pension Asset Expert Advisory Panel report released in February, 2017.
- The qualified opinion on our Public Accounts issued by the Office of the Auditor General is the subject of a difference in professional opinion on the application of public sector accounting standards.

Appendix 2: Independent Electricity System Operator

- Independent Electricity System Operator (IESO) is a corporation established pursuant to Part II of the Electricity Act, 1998, formed by way of a merger of the previous IESO and the Ontario Power Authority (OPA) in 2015.
- IESO administers a $17 billion annual electricity market reflecting the amounts due to entities that provide electricity to the market (e.g. power generators) and due from entities who consume electricity (e.g. local distribution companies on behalf of their consumers).
- In 2015, the IESO did not report the accounting for the market accounts, but changed in 2016 to recognizing these amounts due from and due to the market participants as assets and liabilities respectively, as IESO is a party to these agreements with the market participants.
- Prior to 2015, the OPA included similar market accounts in its financial statements, and received an unqualified opinion by its external auditor, KPMG LLP, who currently audits IESO's financial statements. KPMG LLP issued an unqualified opinion on the December 31, 2016 financial statements.
- The amounts due from market participants meet the definition of an asset and the amounts due to market participants meet the definition of a liability under PSAB standards, under which the IESO prepares its audited financial statements.