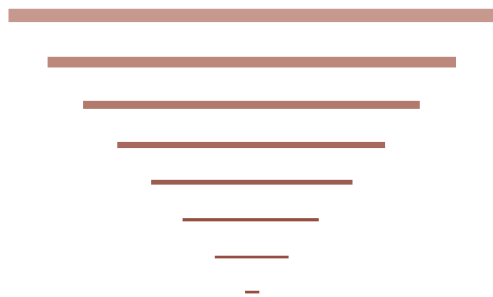


**AUDITOR GENERAL OF BRITISH COLUMBIA
AND
DEPUTY MINISTERS' COUNCIL**

JUNE 1995



**ENHANCING ACCOUNTABILITY
FOR PERFORMANCE
IN THE BRITISH COLUMBIA
PUBLIC SECTOR**



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in the British Columbia public sector**

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CONTENTS

| | |
|--|----|
| AUDITOR GENERAL'S COMMENTS | 1 |
| DEPUTY MINISTERS' COUNCIL COMMENTS | 5 |
| EXECUTIVE SUMMARY | 9 |
| INTRODUCTION | 15 |
| PURPOSE OF THIS REPORT | 16 |
| THE CHANGING FOCUS OF GOVERNMENT ACCOUNTABILITY | 19 |
| A BRIEF HISTORY | 19 |
| THE CURRENT SITUATION | 20 |
| A NEW FOCUS | 23 |
| ACCOUNTABILITY REPORTING | 29 |
| WHAT IS ACCOUNTABILITY? | 29 |
| WHO IS ACCOUNTABLE TO WHOM? | 29 |
| WHAT IS GOVERNMENT ACCOUNTABLE FOR? | 32 |
| AN ACCOUNTABILITY FRAMEWORK | 35 |
| THE LEGISLATIVE ASSEMBLY'S ROLE IN ACCOUNTABILITY | 41 |
| LEGISLATIVE COMMITTEES | 42 |
| WHERE TO FROM HERE | 47 |
| APPENDIX I: | |
| THE EXPERIENCE OF OTHER JURISDICTIONS | 51 |
| APPENDIX II: | |
| PERFORMANCE MANAGEMENT: MANAGING FOR RESULTS | 59 |

AUDITOR GENERAL'S COMMENTS

AUDITOR GENERAL'S COMMENTS

This report is unusual in that it describes the joint efforts of my Office and of the Deputy Ministers' Council to improve accountability and performance management in the British Columbia public sector. It is the first in what I intend to be a series of reports to be issued over the course of this important initiative.

I have been seeking improved accountability in the British Columbia public sector for some time. I believe that citizens want to know the intentions and actual results of government efforts, and that accountability, as it is currently practiced, does not meet this need. My view does not reflect on any particular administration but, rather, recognizes that accountability practices that have evolved over many years have not kept pace with changing circumstances and expectations.

In 1994, I announced plans for my Office to carry out a major study with a view to developing a comprehensive accountability framework that would guide governments in fulfilling their accountability obligations to the Legislative Assembly in the years to come. In the course of this initiative, I have found that politicians and public servants are as concerned as I am about accountability. Most agree that the time has come to measure and report on results of government programs, rather than on activities and money spent. Consequently, I see an opportunity to do more than simply issue a report setting out my views on the subject. I see the possibility of achieving real change by having all the parties to public sector accountability work together to develop and implement an accountability framework of enduring value to the governance process of British Columbia.

Government and Opposition members alike have acknowledged the need for improved accountability. Knowing whether programs are achieving the outcomes they were intended to achieve, and doing so with the greatest efficiency, is key information for legislators, who are responsible for assessing government's performance on behalf of the public. With this in mind, I will be seeking the input of Members of the Legislative Assembly with respect to their specific accountability needs.

Accountability for results is critical, not only to legislators but also to government in managing its programs and services on behalf of the public. I have been particularly pleased, therefore, by the genuine interest and active involvement of the Deputy Ministers' Council over the past few months. In this report, the Deputy Ministers and I commit to working together to improve performance management and accountability in

British Columbia. I know of no other jurisdiction in Canada where such a relationship exists. Our joint effort recognizes that performance management and accountability requirements of government must be fully integrated and practical in their implementation.

I hope to be able to report early in 1996 that politicians, public servants and I have reached agreement on a comprehensive integrated performance management and accountability framework for the whole of government, and that implementation of the framework is in progress.

**George L. Morfitt, FCA
Auditor General**

June, 1995

DEPUTY MINISTERS' COUNCIL COMMENTS

DEPUTY MINISTERS' COUNCIL COMMENTS

The British Columbia Government is committed to continuing the process of improving the performance and accountability of government programs. Recent initiatives such as the provincial government's strategic planning process, the debt management plan, and the Public Sector Employers' Council are illustrations of this commitment.

Deputy Ministers, with the full support of Cabinet, have been engaged over the past number of months in an important, ground-breaking dialogue with the Office of the Auditor General to develop a performance management and accountability framework. This report is a product of our joint efforts, born out of a focus on common goals—meeting the service needs of the public in an environment of increasingly scarce resources and providing the public with accurate and timely information on government performance.

To meet the public's demands for improved performance and accountability, we have begun to change the way we plan, implement and manage programs and service delivery. Over the past several years, many improvements in performance measurement and reporting have been made in various government ministries. We are increasingly focusing on results—seeking clear objectives, developing effective strategies, and monitoring and reporting on performance. Many ministries, Crown corporations and other public sector agencies are reviewing their planning, budgeting and other management systems to more effectively deliver services to the public. In this regard, a number of corporate activities are described in Appendix II.

As Deputy Ministers, we are particularly conscious of the challenges inherent in developing and implementing a comprehensive performance management and accountability framework. It will take time and will require further improvements to management systems in government. It is with the practical perspective that we will continue to participate in the development of the framework jointly with the Office of the Auditor General.

DEPUTY MINISTERS' COUNCIL

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Deputy Minister to the Premier

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Ministry of Social Services

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Ministry of Transportation
and Highways

Suzanne Veit, DM
Ministry of Women's Equality

The development of an improved public sector performance and accountability framework will require continuing leadership from legislators and participation and input from public service clients, employees and the broader public. We believe that by working jointly with the Office of the Auditor General we will be able to assist in the development and implementation of the management and accountability improvements which will best serve British Columbians in the years to come.

Doug McArthur
Chair, Deputy Ministers' Council

EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

This report—Enhancing Accountability for Performance in the British Columbia Public Sector—is unique in that it represents the joint efforts of the Deputy Ministers’ Council and the Auditor General of British Columbia. It reflects our mutual desire to bring about comprehensive accountability for performance and, with it, continuing improvements in performance management in the public sector.

The business of government has evolved over many years so that today governments are involved in many aspects of a citizen’s life. At the same time, public information about governments’ activities has remained focused on issues of probity, prudence, and compliance with spending authorities. This is now changing, however, with the public wanting to know what their governments intend to achieve and why, and what they have actually achieved and how. But little information is available about government objectives and results for the range of its activities—particularly its organizational and program performance. This is not unusual; many jurisdictions in Canada and elsewhere are in a similar position and have only recently begun to examine accountability in terms of government results, rather than in terms of inputs, processes, and compliance.

Accountability for results is critical, not only to legislators in assessing government performance, but to government itself in managing its programs and services on behalf of the public. Consequently, the Auditor General has met with senior public sector executives and has held initial discussions with Members of the Legislative Assembly from all parties. These discussions have highlighted the consensus emerging in British Columbia, among politicians and senior public sector executives alike, that a focus on results is important.

Over the past year, the Auditor General of British Columbia and the Deputy Ministers’ Council have been working together to bring about a focus on results for the range of government activities. This report represents the first step in that process, outlining the basis for an accountability framework—that is, a way of clearly addressing:

- **who is accountable to whom and for what;**
- **what information should be reported;**
- **how much information should be reported;**
- **what the quality of the information should be;**
- **how the information should be verified;**
- **how accountability information should be provided;**

- when accountability information should be provided; and
- what the Legislative Assembly should do with the information it receives.

In this report, we recommend that accountability information be conveyed between various levels of governing: from the individual to the program level; from the program level to the corporate level; from the corporate level to the government level; and from the government level to the Legislative Assembly, on behalf of the people. We also recommend that accountability be comprehensive in its scope, applying to ministries, Crown corporations, and funded agencies (such as regional health boards and school boards), as well as government as a whole.

We believe an effective accountability framework requires that government be clear about both its intended and actual results. Therefore, the framework should be closely integrated with a performance management system that includes:

- clear objectives;
- effective strategies;
- aligned management systems;
- performance measurement and reporting; and
- real consequences for the success or failure of programs.

This information should cover the range of government activities to allow an assessment of its financial performance, its legal compliance and fairness, equity and probity, and its organizational and program performance. Of course, the type of information and level of detail to be provided would vary according to the level of accountability, but it would be based on the same information a government requires for effective management.

We suggest that the information reported be required to meet certain basic criteria, such as being relevant, complete, timely, and verifiable. Since no single report can serve the accountability interests of everyone, a variety of reports may be necessary. Summary level reports would be useful at the government-wide level; sectoral reports would provide valuable information about the status of particular policy areas of government (such as the environment); and organizational reports would provide more detailed information about the operations of government programs. It is important that performance information, such as would be contained in these reports, be reported regularly to the Legislative Assembly.

Finally, we note that the role of Members of the Legislative Assembly is fundamental to accountability because it is largely through the Assembly that government is held accountable to the people for its performance. The needs of the Assembly are, therefore, critical in designing an appropriate accountability framework. With this in mind, the Auditor General will, in the coming months, be seeking the views of Members of the Assembly as to how accountability can be improved.

In the meantime, the Auditor General and the Deputy Ministers' Council will continue to work together to develop a comprehensive accountability framework for British Columbia. As part of this process, we are inviting members of the public to express their views to us concerning performance management and accountability in this Province. This work will take time and, we believe, should be done in phases. Phase I will see the development of the framework for government ministries and Crown corporations and an action plan for its implementation. Phase II will see the adaptation and implementation of this framework to the accountability relationship between ministries and funded agencies (such as regional health boards and school boards).

It is intended that Phase I will be completed by March 31, 1996 and a second report, setting out a comprehensive accountability framework for government, issued at that time.

INTRODUCTION

INTRODUCTION

British Columbia, in common with most western democracies, is facing many difficult challenges as the 20th century draws to a close. Major changes to the world economy, a rapid expansion in the scope of government activities since the end of World War II, high population shifts through international and inter-provincial migration, the effects of the aging baby boom generation on government program demands, and the fiscal legacy of sustained deficit financing over a lengthy period have all contributed to the creation of an atmosphere of uncertainty and anxiety, common to many jurisdictions.

A major symptom of this atmosphere is the perceived decline in the public confidence in governments and government institutions. There is a growing public sentiment that government programs generally are not delivering sufficient value for the tax dollars being spent. In addition, there is a feeling that many of governments' operations are accountable only to themselves and do not adequately respond to public or client criticism.

Public confidence in government and its institutions would be enhanced by ensuring that government operates at a high level of performance and provides full accountability for that performance. The non-partisan involvement of Members of the Legislative Assembly (MLAs) is fundamental to the successful implementation of measures to improve accountability, as it is largely through the Legislative Assembly that government is held accountable to the general public.

Accountability is a contract between two parties. In the case of government, the contract it has with the public is an implicit one in which the public gives government the responsibility to govern and manage public resources. In turn, the government is accountable to the public, through the legislature, for its performance. As such, the Legislative Assembly has an essential role in assessing that performance.

The average British Columbian does not have a clear and comprehensive idea of how well the government is performing. Often the information citizens receive on government performance is through media stories on selected issues. While information on current issues and government programs is more readily available to Members of the Legislative Assembly it is often not available in a form useful for assessing the effectiveness of government policies and programs.

Also key to improving accountability is securing a change in the way publicly funded bodies (including ministries, Crown corporations,

and funded agencies such as regional health boards and school boards) plan, manage and measure their performance. These bodies will have to shift from their present emphasis on management of program inputs to that of clearly identifying desired results and measuring performance against these objectives. Effective ways of reporting on program performance to the government, the legislature and the public will also have to be developed.

In recent months, the Office of the Auditor General and senior public servants have made significant progress in discussing possible changes designed to improve accountability practices and to enhance performance in the public sector. Staff from the Office of the Auditor General have also held initial discussions with MLAs from all parties. Over the coming months, the Auditor General intends to seek the input of MLAs with respect to their specific accountability needs.

PURPOSE OF THIS REPORT

This report serves two main purposes. First, it discusses program performance in general and provides an overview of accountability, as it has evolved, in British Columbia; second, it outlines the basis for an improved accountability framework and indicates the next steps to be undertaken to improve accountability in the public sector.

Management processes need to evolve to meet the new challenge. Roles and responsibilities have to be defined and management systems, reporting systems, and indeed the prevailing management culture altered, if real change is to be effected. This report is a first step in determining how accountability practices can better meet the public's demand for continuing improvement in government program performance and accountability.

THE CHANGING FOCUS
OF GOVERNMENT ACCOUNTABILITY

THE CHANGING FOCUS OF GOVERNMENT ACCOUNTABILITY

A BRIEF HISTORY

Within a parliamentary system of government, the public, through its elected representatives in the Legislative Assembly, gives government the power and resources to provide goods and services to its citizens and communities. Since it was founded in the mid-19th century, the British Columbia government has assumed a growing role in the provincial economy. As a result, a significant share of society's resources is now channeled through governments. The experience of the British Columbia government is not unique; it is shared by virtually every western economy.

The Public Accounts for 1871 show that the main expenditures of the British Columbia government were primarily in the areas of administration of justice (courts and police), public buildings and works (such as building of roads and bridges), and mineral administration.

By the mid-1930s the British Columbia government had expanded into the areas of agriculture, labour management (factories inspection and apprenticeship regulation), land management (including forest activities), and some funding of hospitals and welfare. The mid-1990s now find the provincial government involved in a wide range of activities including regulating the securities industry, funding provincial colleges and universities, regulating complex environmental issues, and administering a comprehensive health care system.

With that greater role, the methods and processes by which government is held accountable have evolved too. In the earlier period of government evolution, the public were well aware of the limited objectives of the governments of the day and were able to recognize whether those objectives were being met. The maintenance of law and order was easy to recognize as was the achievement of major construction activities. Debate focused mainly on which priorities to pursue, and not on whether the programs set up to deal with those priorities were effective. In this early environment, accountability was limited largely to questions of probity and prudence, and to central legislative and government control of expenditures; and debt financing was limited to capital construction projects where a clear public benefit was recognizable over an extended period into the future.

The legislation governing the financial administration of government activities has also evolved over the years. Early financial reporting

consisted of summaries and details of money received by government and payments made by government.

The most recent major revision to such legislation occurred in 1982 when the Financial Administration Act was passed. This Act, in addition to updating previous provisions, allowed the switch from a cash basis of accounting to a modified accrual basis, bringing government closer to well-established private sector accounting practices. At the same time, government adopted the practice of producing summary financial statements which consolidated the financial activities of major provincial Crown corporations with those of central government. These summary statements were among the first in Canada to be produced by a provincial government and still rank among those considered “best practice” in this field.

In 1994, the British Columbia government issued a strategic plan to guide its activities over the course of its mandate. This plan also provides a framework against which its achievements could be measured. In addition, the 1995 Budget contained a debt management plan setting out how the government will reduce the provincial debt over the next 20 years. The debt management plan sets out several benchmarks that can be tracked at intervals and results reported annually.

Other accountability systems, however, have not evolved rapidly enough to keep pace with the unprecedented changes experienced in recent years, and need to be updated.

THE CURRENT SITUATION

Today, the range of goods and services that government provides to the public is much wider and the resulting benefits of those goods and services are less easily identified. This is a problem because, as fiscal pressures mount, government is being forced to reassess which programs to maintain and which to reduce or terminate—a job made difficult when results are unclear. Moreover, the public are now demanding an increased role in the development of public policy and programs.

There is a realization among the federal and provincial governments that they can no longer accumulate budget deficits and debt to provide services. In addition, the international financial community, bond investors, and bond rating agencies are exerting increasing pressure on governments to reduce or eliminate deficits. Governments also recognize that if confidence in government fiscal management is allowed to falter,

this could translate into increased borrowing costs and then into declining borrowing power.

At the same time, increased global competition and major economic changes have caused the general public to experience a decline in real incomes—a decline that has reduced the acceptability of increased taxes. Public demand for service, nevertheless, has continued unabated. This is creating unprecedented pressures on governments to clarify public priorities, to refocus resources to these priorities and to improve efficiency of programs.

Both federal and provincial governments, including British Columbia's, have responded to these pressures by focusing on reducing or eliminating deficits. Many governments are attempting to meet reduced spending targets through a range of measures, including service reductions and withdrawal from activities no longer considered appropriate or essential. There is also a desire to identify and discontinue programs that do not work well, and to improve the relevance and efficiency of government programs that will be continued, demonstrating to the public that better value will be achieved for money spent.

These efforts are complicated by the fact that government has many different clients and constituencies to satisfy, as shown in Exhibit 1.

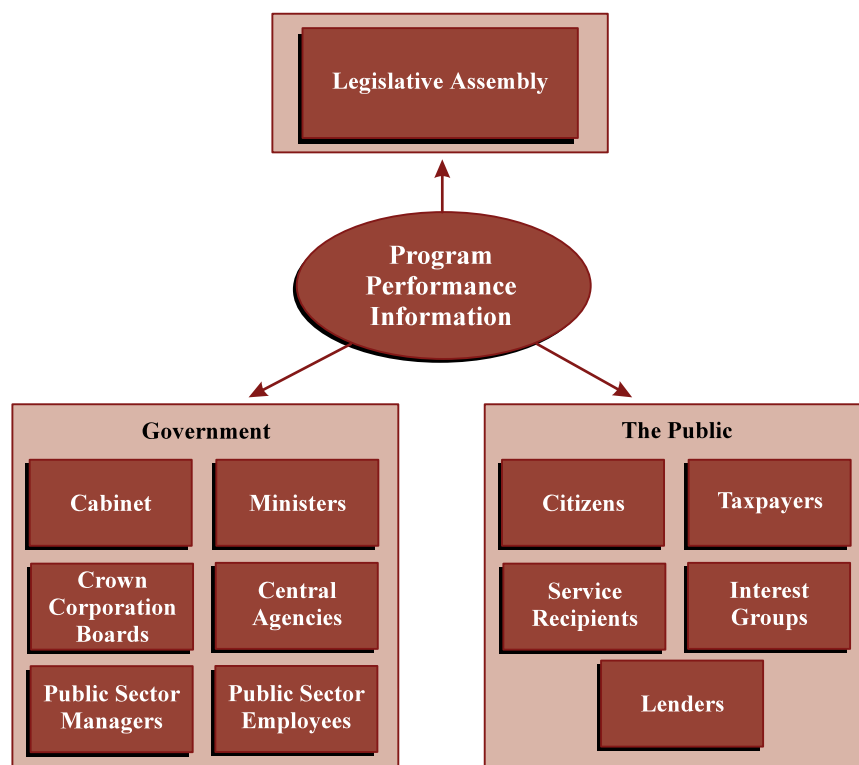


Exhibit 1
Clients of
Performance
Information

The interests and demands of these groups are wide-ranging and often conflicting, and any one individual can fall into several groups as, for example, a taxpayer, service recipient, employee, and program deliverer. Priorities can therefore change rapidly, depending on the perspective in force at any particular time.

Other jurisdictions, confronted with similar pressures, have responded by reforming the way they manage and account for their performance. (Some examples of these reforms are described in Appendix I.) In British Columbia, in some areas, central government and individual ministries and Crown corporations are starting to experiment with the way they manage in an attempt to address the challenges of the 1990s. Many activities such as setting government strategic priorities, conducting corporate strategic and operational planning, and managing and measuring government performance, are in progress and their overall effectiveness is still to be determined. Appendix II illustrates some of the performance management initiatives already underway in some ministries and Crown corporations.

SETTING GOVERNMENT STRATEGIC PRIORITIES

As mentioned above, the government of British Columbia's strategic planning process identifies and articulates its goals and priorities over the term of its administration. Public involvement in setting direction and objectives is part of this process and is, the government believes, an important aspect of accountability.

In some sectors, such as economic development and trade, skill development and training, and social security and employment, Premier's Summits have been held. At these summits, stakeholders have been involved in consultations to develop a vision, goals and strategies for specific sectors. In the skills and training sector, the Skills Now! strategy was developed and further consultations carried out with educators and business, labour, and community organizations during program planning and implementation.

The Minister of Finance and Corporate Relations has also conducted annual budget consultations with members of the business and financial communities, labour organizations, and the community at large.

In addition, consultations—including the Round Table on the Environment and Economy, and the Commission on Resources and Environment—have considered such issues as the balance between economic growth and environmental management. Community consultations also have been held to identify reforms for the Kindergarten

to Grade 12 system, a process that has resulted in the Improving the Quality of Education in British Columbia initiative. Consultations are now being undertaken to develop provincial health goals as part of the New Directions for a Healthy British Columbia.

CORPORATE STRATEGIC AND OPERATIONAL PLANNING

A significant effort has also been under way to communicate the government's strategic plan throughout ministries, Crown corporations and funded agencies. All ministries are required to prepare strategic plans at the corporate level to guide their operations. These plans are presented at the annual Deputy Ministers' Council planning conference held each spring. Examples of ministry and Crown corporation activities in this area are shown in Appendix II.

It is clear that many ministries and Crown corporations are making progress in managing for results. However, the work needs to be better coordinated and formally linked to the budget, strategic planning processes, and public reporting. More work by ministries and funded agencies needs to be done within a clearly articulated set of policy guidelines from Treasury Board. In addition, the roles and responsibilities for central agencies, ministries, Crown corporations and other government organizations, the Auditor General and the Legislative Assembly need to be clearly defined.

A NEW FOCUS

In the coming years, governments will continue struggling to balance the need to deliver a range of services with fewer and fewer resources while, at the same time, involving individuals, stakeholder groups, and communities in the tough choices that must be made. To meet the challenge, governments must be able to demonstrate clearly to their citizens that programs are producing the results they were designed to achieve, with the greatest efficiency. Governments must also know how well they are providing their services if they are to make sound decisions about those programs. This means that information about the actual results compared to the intended results of programs, and the cost of such programs, will be required.

Currently, government information systems are not focused on results. Measuring and reporting practices have traditionally focused on inputs (what resources have been acquired and used), process (what activities were undertaken and how), and compliance with spending authorities (was the money spent within the limits and for the purposes authorized).

ACCOUNTABILITY AND PERFORMANCE MANAGEMENT

Government accountability is best served when programs and services are managed for results. Outlined below are practices that should be considered as government moves toward managing for results or “performance management.” In jurisdictions that are implementing performance management, changes are being made to the way government sets goals, plans its initiatives, and allocates resources for programs and services. Public sector management systems, including planning, human resources, and information systems, are also being realigned to concentrate on results rather than inputs alone. As well, new ways of reporting on programs, with a focus on effectiveness, are being implemented. Public sector managers are developing new skill sets and the management culture is being reoriented.

Those jurisdictions that are currently moving toward results-oriented management are in the process of making such changes. The following matrix summarizes the practices and systems that can be adopted to improve accountability through strategic planning and performance management.

| Level of Accountability | Practices to Improve Accountability/Performance |
|-------------------------|--|
| Societal | <ul style="list-style-type: none"> • A public consultation process is established for developing a long-term vision of society and broad societal goals. • Measurable benchmarks are developed against which to measure progress in meeting these goals. • An annual progress report is prepared for the public. |
| Governmental | <ul style="list-style-type: none"> • Governments prepare a strategic plan outlining priorities for their term of office (5 years). • Governments may prepare a multi-year fiscal plan. • Program performance indicators may be part of annual estimates. • A performance-based budget process is established. • A flexible financial management policy is established with less emphasis on input control and more on program results. |
| Corporate | <ul style="list-style-type: none"> • Ministries and Crown corporations prepare strategic plans and business plans linked to government priorities. • A strategic plan identifies what business the organization is in (mission), what its goals are, and how it plans to achieve them (strategies). • A business plan identifies management objectives and performance measures, outlines programs and activities, and indicates resource requirements. • Reports on effectiveness are prepared for government budget preparation and the legislature (e.g., annual reports written to include performance results). • Management contracts are established between Deputy Ministers and senior managers based on accountability for results, with incentives for good performance. |
| Program | <ul style="list-style-type: none"> • Performance measures are developed and information systems are realigned to collect appropriate data. • Performance is monitored continuously. • Client surveys are conducted. • Comprehensive program evaluations are undertaken. • Internal and external value-for-money audits are conducted. • Management contracts, based on accountability for results with incentives, are established. • Training in results management is provided. |
| Individual | <ul style="list-style-type: none"> • Employee performance agreements are established. • Training of employees in results achievement is provided. |

Less emphasis has been given to the outcomes achieved as a result of government efforts—that is, what the real impact has been on the lives of individuals and communities.

When government affects the lives of its citizens in as wide a range of social and economic activity as it does today, citizens have the right to know what their government intends to achieve and what it has actually accomplished. In other words government must account to the public, through their elected representatives, for its intentions, its objectives and strategies, the costs of its strategies, and its actual results. Accountability for results can increase public confidence if citizens know that government programs are relevant, and are effective and efficient in meeting the objectives that their government has set.

ACCOUNTABILITY REPORTING

ACCOUNTABILITY REPORTING

WHAT IS ACCOUNTABILITY?

Accountability—the obligation to account for responsibilities conferred—is a concept fundamental to our democratic system. It clearly establishes the right of the citizen to know what government intends to achieve on behalf of its citizens and how well it has met its intentions. In British Columbia, it means that government is accountable to the Legislative Assembly for the way in which it manages the power and resources entrusted to it. In turn, the Legislative Assembly, on behalf of the people, is responsible for ensuring that this accountability takes place.

WHO IS ACCOUNTABLE TO WHOM?

In a parliamentary system of government, accountability is exercised through several levels. It begins at the societal level, where the long-range goals for members of society are generally understood. These goals are typically broad in nature (such as encouraging a robust economy or ensuring that citizens are healthy and productive) but are generally not articulated. How these goals will be carried out is determined at the ballot box when citizens approve the objectives and strategies that a particular political party intends to use to achieve these societal goals. However, it is possible that these goals can be formalized, thereby forming the basis for accountability. For example, in Oregon and Minnesota societal benchmarks have been established and performance is reported against these benchmarks. Appendix I provides more detail.

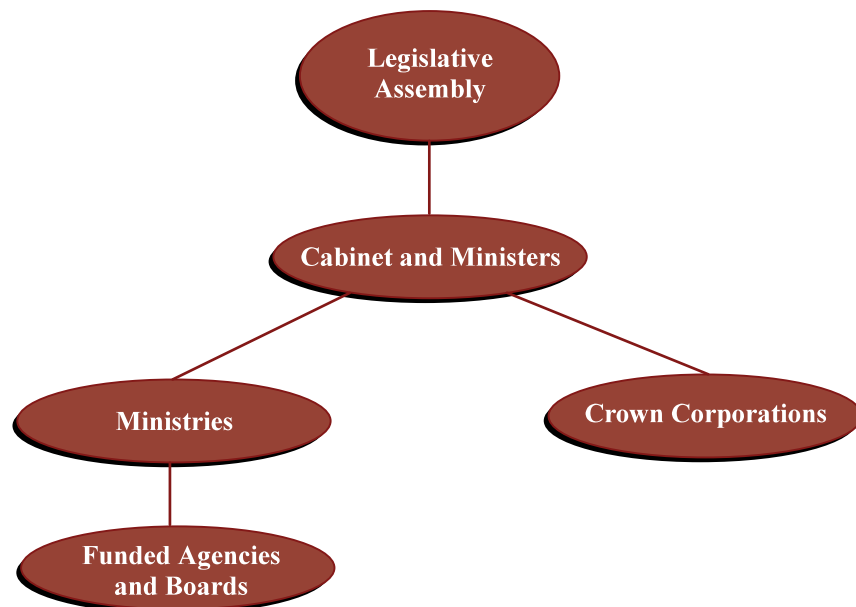
At the next level, governments develop their strategies for achieving specific objectives in support of the broad societal goals. These objectives and strategies may be part of a strategic plan and tend to coincide with the three to five years that a government is in office. To carry out its administration over this period, government is provided with its power and resources by the Legislative Assembly, on behalf of the people of the Province. In return, the government is accountable to the Assembly for the way in which it has discharged its administration. In practice, accountability is carried out individually by Ministers during Question Period and the Estimates debates on government spending, by members of legislative committees, and through the tabling of annual reports and other documents before the Legislative Assembly. Such an arrangement reflects government's organization into ministries, Crown corporations and funded agencies and ensures that the Assembly receives a direct accounting from the Minister responsible for each organization.

At the corporate level, it is the ministries, Crown corporations, and funded agencies that carry out the government's strategies for achieving its objectives. These individual organizations plan their corporate activities for the medium term, ideally linking their plans to societal and government objectives. Activities at the corporate level generally include the preparation of business plans, spending commitments, and annual reports. Accountability flows from the board members of Crown corporations and the deputy ministers within government to the responsible Minister who, in turn, is accountable to the Legislative Assembly.

At the program level, organizational objectives are translated into action through the planning and delivery of public programs and services. Ideally, program managers are held accountable for the results achieved by these programs and services as well as compliance with input controls and administrative regulations. Accountability is exercised up the line to the Deputy Minister or board members of Crown corporations. However, it is also at the program level where citizens most directly judge the impact that government is having on their lives. This assessment happens daily, for example, whenever people travel the roads, apply for a driver's license or camp in a provincial park.

Many programs are delivered indirectly through funded agencies such as regional health boards, school boards, colleges and universities. Although these organizations receive public funds from government, they are not directly accountable to the Legislative Assembly (as illustrated on Exhibit 2). Government, however, through its Ministers,

Exhibit 2
Accountability
in the B.C.
Public Sector



must ensure that funded agencies are responsible in the way they use public funds. Citizens pay for results and expect to be informed as to what has been achieved by all of government on their behalf.

Accountability does not end at the program level. Individual public sector employees are also responsible for the way in which they plan and carry out their assigned tasks, and may be held accountable by way of performance targets and regular performance assessments. Exhibit 3 shows the various levels of public accountability.

Although accountability flows from the individual employees to program managers, senior executives, Ministers, and the Legislative Assembly, citizens are interested in the results achieved at various levels of accountability. As service recipients, customers, taxpayers, or members of special interest groups, they want to know how government has served their interests.

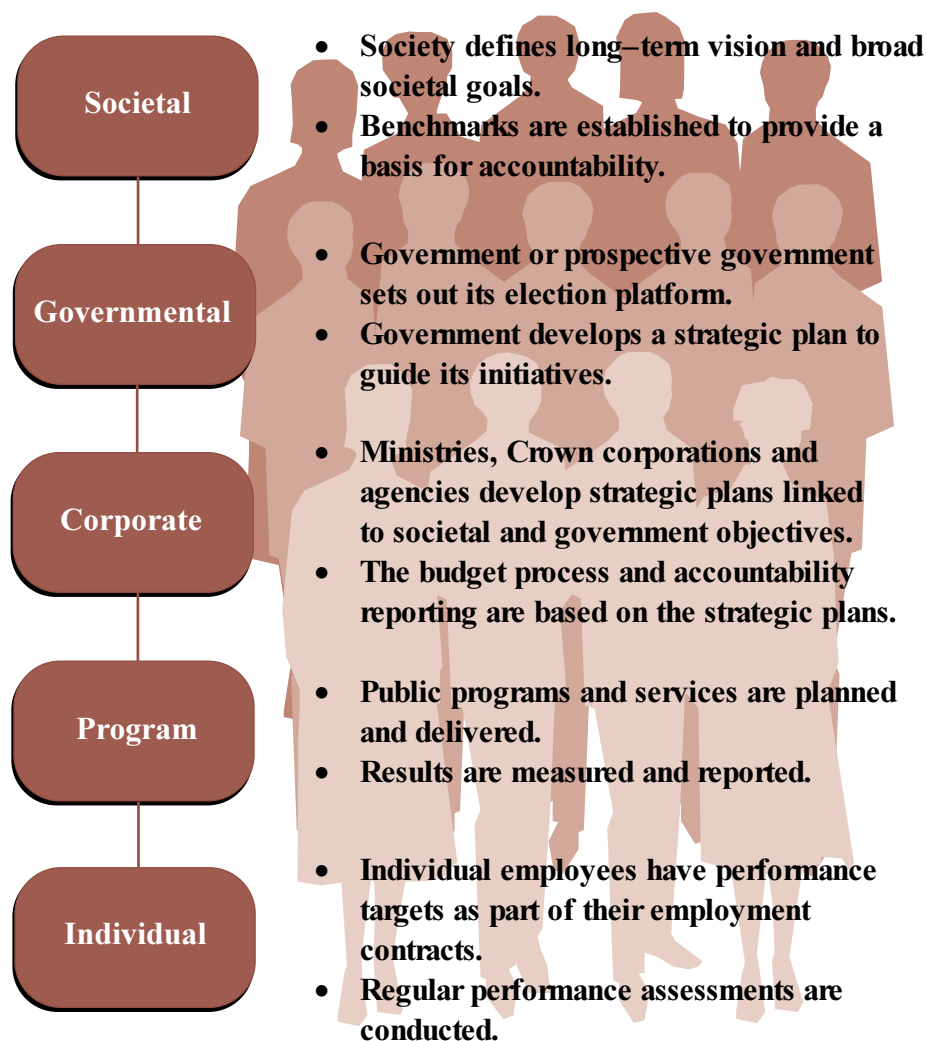


Exhibit 3
Levels of
Accountability

Within a parliamentary system of government, the lines of accountability seem clear: public servants are accountable to Ministers, Ministers are accountable to the Legislative Assembly, and MLAs are accountable to the people by means of elections. In practice, though, accountability is not as simple as this.

As governments have grown in size and complexity, the principle of ministerial responsibility requires examination. While Ministers are clearly responsible for policy, many people question the practicality of holding them to account for the day-to-day management of their administrations. Furthermore, as the breadth and depth of government becomes so far-reaching, it is clear that many objectives can no longer be achieved by any one Minister. Protecting the environment, for example, may require the efforts of the Ministry of Forests, the Ministry of Agriculture, Fisheries and Food, and the Ministry of Environment, Lands and Parks. This cross-government, or sectoral, approach to achieving government objectives raises questions as to who can be held accountable for identifying and achieving the intended results. Governments, nevertheless, have in recent years attempted to report, at the very least, on the status of broad areas of their responsibility. British Columbia's Report on the State of the Environment is one such example of sectoral reporting.

Another issue of accountability concerns the collective responsibility of Ministers. As members of Cabinet and Cabinet committees, Ministers not only formulate priorities and broad policies of government, they are also responsible for overseeing government-wide management systems that bring about those priorities and policies. Under the Financial Administration Act, for example, the financial management of government is entrusted not to an individual Minister but to the Treasury Board, a committee of the Cabinet. It could be argued, then, that Ministers have a collective as well as an individual responsibility to account to the Legislative Assembly, and through it to the people, for the performance of government.

WHAT IS GOVERNMENT ACCOUNTABLE FOR?

Historically, governments have reported on financial accountability, including compliance with spending authorities. This information continues to be important, particularly given concerns about the debt and deficit, but government is responsible for much more. It has an obligation to make program choices and deliver these programs and services in the best interests of its citizens. These decisions go beyond financial considerations to include issues such as fairness and equity.

At the same time, the citizens who support or use these programs want to know that government is actually achieving what it intended to; that money is being spent wisely; that they are getting value for money for their tax dollars; and that government is conducting its business in a fair, legal, and ethical way.

To understand such issues, legislators and citizens need to know what government intends to achieve and why, and what it has actually achieved and how. In turn, the government must be clear about its objectives and targets, the strategies it will employ to meet its objectives, the full costs of these strategies, and its actual results. To be accountable, it should explain if and why its results differed from what was intended, and what action it took. Information such as this would be derived from a management system geared for results. Exhibit 4 shows the elements of effective performance management.

We believe the information to be reported at the government level should build on the information required for managing at the program level. However, the degree of detail and the way the information is aggregated differs for each level of accountability.



Exhibit 4
Elements of
Effective
Performance
Management

To assess government performance fairly, legislators and the public need information about the intended and actual results for the range of government activity. Therefore, government should report publicly about its:

- **Financial performance:** Government should say whether it achieved its financial objectives and managed its financial affairs according to sound financial controls. Information about financial objectives includes:
 - comparing actual revenues and expenditures to budgeted amounts;
 - comparing actual deficit to budgeted deficit; and
 - reporting on progress compared to the debt management plan.
- **Legal compliance and fairness, equity and probity:** Government and the public service must be able to report on how well they have met standards of behavior in the conduct of government business. This includes:
 - complying with the legislation and regulations governing the activities of government organizations. This would cover areas such as human rights, employment standards, employment equity, conflict of interest, working conditions, and environmental safety; and
 - meeting high standards of conduct and treating equitably employees, clients, suppliers, and other parties to government operations.
- **Organizational and program performance:** Government should show whether taxpayers are receiving the best possible value for money from government operations. It must be able to say whether the programs it delivers are:
 - relevant – that they make sense in relation to the problems they are designed to solve;
 - effective – that they achieve the intended results; and
 - efficient – that they achieve those results in the most economical and cost-effective manner.

Government should also be able to say whether its organizations have the capacity to deliver results in the future. Management direction to staff should be clear and well understood, for example, and staff should be well trained and qualified to meet the demands of the organization or program.

AN ACCOUNTABILITY FRAMEWORK

Although the business of government has changed over the years, government reporting continues to focus heavily on inputs, process, and compliance—not on outcomes—and is primarily concerned with financial accountability. Even though some government organizations, as indicated earlier, are now shifting their emphasis to the management of results, public accountability for results has not generally followed suit.

As in many jurisdictions, there is no conceptual framework in British Columbia for defining and reporting on performance across the spectrum of government activities. We believe a comprehensive accountability framework—a way of specifying how accountability will be served—should be developed to guide all levels of governing. The framework should be integrated with government's performance management processes, such as strategic planning and budget and expenditure control. It should address the following issues:

- **Who Is Accountable to Whom?** Accountability should be required at all levels of governing, from the individual employee to the program level, from the program level to the corporate level, from the corporate level to the government level, and from the government level to the Legislative Assembly, on behalf of the people (Exhibit 3). Accountability should also be comprehensive in its scope; that is, it should apply to ministries, Crown corporations, and funded agencies (such as regional health boards and school boards), as well as to government as a whole.
- **Accountable for What?** Government should be clear about its intentions, its objectives and strategies, the costs of its strategies, and the actual results achieved. Ideally, such information would be based on an effective performance management system. As shown in Exhibit 4, this includes having in place:
 - clear objectives;
 - effective strategies;
 - aligned management systems;
 - performance measurement and reporting; and
 - real consequences.
- **What Information Should Be Reported?** Accountability information should encompass the range of a government's activities:

- for its financial performance, information is required on the use and source of funds, financial results, and financial integrity;
- for its legal compliance and its fairness, equity and probity, information is required on the extent to which government has met its legislative requirements and its standards of conduct (such as its human rights, employment equity and conflict of interest); and
- for its organizational and program performance, information is required on the relevance and responsiveness of programs, the appropriateness of programs, program results (such as outcomes, outputs, acceptance, and secondary impacts), and management results (such as management direction, working environment, and the monitoring and reporting systems).

Various types of information can be made available to the Legislative Assembly for the range of government activities. Program performance, for example, can be described in annual reports by providing information about actual results compared to program objectives and performance targets. Similarly, the total expenditures of a ministry can be compared to its voted appropriation, to give readers an understanding of the ministry's financial results. Such a comparison is already made in the Public Accounts of British Columbia.

- **How Much Information Should Be Provided?** The type of information and the level of detail to be provided will vary according to the level of governing. For example, at the program level in the health field, program managers may want to know hospital bed utilization rates; at the government level, legislators and taxpayers may want to know how the decision to locate a facility was made; and at the societal level, legislators and citizens may want to know what the health goals are for the Province. We believe the information needed to answer these and similar questions is the same as that required for effective management. However, the information would need to be aggregated differently. Program managers, for instance, would likely require more detailed information than legislators would need to assess government performance.
- **What Should the Quality of That Information Be?** The quality of the information to be reported is critical if it is to be of value in assessing performance. Accountability information should be:

- relevant (deal with matters of interest to users);
 - complete (deal with all significant aspects—financial and non-financial—of the subject matter);
 - meaningful (be readily comparable to previous periods; provide sufficient contextual material; and be presented in a readily understandable way);
 - fair (fairly represent in tone and balance the underlying information);
 - timely (available to users in time for it to be of value in assessing performance and making decisions);
 - accessible (be provided through a medium that is readily usable);
 - consistent (be reported in the same manner over time); and
 - verifiable (be capable of independent checking or auditing).
- **How Should the Information Be Verified?** As broader accountability information is produced, the quality of the information that is reported, and possibly the measures that are used, should be independently verified. An audit methodology may need to be developed and tested for public accountability.
 - **How Should Accountability Information Be Provided?** No single report can meet the accountability requirement of the government to the Legislative Assembly; a variety of reports are needed. Summary reports can provide important information at the government-wide level; sectoral reports, such as the Report on the State of the Environment, can provide valuable information about the status of a particular policy area; organizational reports can provide more detailed information about the operations of government programs. The information to be reported will vary in detail according to the level of accountability. Accountability information could be made available electronically, as well as in print, as a way of reducing costs and broadening accessibility.
 - **When Should Accountability Information Be Provided?** Performance information should be reported regularly, through the various levels of accountability, to the Legislative Assembly. Depending on the needs of the Assembly, information may be required quarterly, annually, or periodically.

- **What Should the Legislative Assembly Do with the Information It Receives? Simply reporting to the Legislative Assembly is not enough. If the Assembly is to hold government to account, it must inform itself about what government intends and what government achieves.**

This proposed outline for an accountability framework raises several issues that will need to be discussed and developed further. Program managers, senior executives, Ministers, and legislators will all have to be consulted to ensure that accountability is meaningful.

THE LEGISLATIVE ASSEMBLY'S ROLE IN ACCOUNTABILITY

THE LEGISLATIVE ASSEMBLY'S ROLE IN ACCOUNTABILITY

In our parliamentary system of government, citizens have a right to know how they are being governed. This right of accountability is exercised, in the interests of the people, by the elected representatives of the Legislative Assembly. If the Assembly is to understand what government intends to achieve on behalf of its citizens and how well it has met its intentions, MLAs need to be informed. This means that the Legislative Assembly should receive meaningful information, and should use it actively to judge the performance of government.

In British Columbia, government and Opposition members alike have acknowledged the need for improved accountability. A key question for legislators is whether programs are achieving the outcomes they were intended to achieve and doing so with the greatest efficiency. To answer this question, legislators have suggested that what is needed is a comprehensive picture of program performance—that is, meaningful information about results achieved compared to the results expected.

In calling for accountability for results, the Assembly may want to define, in explicit terms, the information it requires to assess the performance of government. We have suggested that such information would include the intentions and actual results of a government's activities—that is, its financial performance, its legal compliance and fairness, equity and probity, and its organizational and program performance. We believe a fair and complete assessment of this performance would extend beyond a government's ministries to include other government organizations and enterprises, most of which are Crown corporations.

This is an important point because Crown corporations are a vital part of the public sector in British Columbia. Over the years, Crown corporations were either established or acquired by government to provide a range of services for its citizens: electricity, transport, automobile insurance, rental housing, and trade development, for example. For many of these corporations, the government provides financial assistance and guarantees their debt. Several corporations are also funded annually by appropriations from the Consolidated Revenue Fund or have been given the power to raise their own revenue. In fiscal year 1993/94, Crown corporations had approximately \$9.5 billion in revenues, \$8 billion in expenditures and \$24 billion in assets; Crown corporations alone accounted for approximately \$14 billion of public debt.

For Crown corporations, it is the Legislative Assembly that performs many of the functions associated with ownership of private sector corporations. The Assembly authorizes a corporation's creation, mandate, disposal and dissolution, and provides the funds. Ultimately, it is to the Legislative Assembly, through the Ministers responsible, that the Crown corporations owe their accountability.

It is critical, therefore, that the Legislative Assembly receive information on the performance of all of government, not just its ministries. Although, in practice, the government of the day will decide on the information to be reported, no government can operate without regard for the wishes of the Assembly. It is clear that, in representing the people, the Legislative Assembly has primacy and ultimately its demands for accountability must prevail. The most powerful vehicle available to the Assembly in this regard is legislation.

LEGISLATIVE COMMITTEES

Accountability will not be complete simply because government reports the information that the Legislative Assembly requires. To assess the performance of the public sector, the Assembly must use the information it receives. It does this now, while the Legislative Assembly is in session, by querying Ministers during Question Period or by debating the government's annual estimates, for example; another forum for holding government to account is the legislative or select standing committee.

Legislative committees exist to allow Members of the Assembly to carry out a more detailed analysis of matters than would be possible if such issues came before the Assembly as a whole. Its members are chosen from among all MLAs and are empowered to call witnesses and examine documents. Legislative committees are expected to produce non-partisan reports on issues referred to them and report directly to the Legislative Assembly. Where a committee cannot reach agreement, the conclusions of the majority become the conclusions of the committee.

In British Columbia, 13 select standing committees have been struck to examine a range of matters, such as justice, education, economic development, and health. Meeting only when an issue has been referred by government, the most active committee is the Select Standing Committee on Public Accounts. By contrast, the Select Standing Committee on Finance, Crown Corporations and Government Services has not convened in several years.

The Select Standing Committee on Public Accounts is an important body because it is responsible for seeing that public monies are applied for the purposes authorized by the Legislative Assembly. It has an interest, as well, in determining whether policy is carried out efficiently, effectively and economically.

Matters most commonly referred to the committee are the Public Accounts of British Columbia, the Auditor General's reports, and applications for the retention and disposal of government documents. The Select Standing Committee on Public Accounts also hears testimony concerning compliance with authorities and value-for-money audits from the Office of the Auditor General and various ministries.

The Select Standing Committee on Public Accounts is a key forum for holding government to account. Given its potential for assessing the performance of the public sector as a whole, we believe MLAs may wish to consider such questions as:

- Are legislative committees effective in holding government to account? (How can MLAs ensure that legislative committees are a useful tool for accountability? Should other legislative committees be regularly convened to consider the performance of the government's ministries, Crown corporations and funded agencies? Would a sectoral, rather than organizational, approach be of value in assessing government performance?)
- Is the coverage of government performance complete? (Does it adequately cover the operations of Crown corporations as well as ministries? Should the performance of all ministries and Crown corporations be assessed? If not, what organizations or sectors should be given priority? Should ministry accountability for funded agencies be actively pursued by a legislative committee?)
- Is government performance assessed in a systematic fashion? (Should the performance of government organizations be systematically scrutinized? To allow a comparison of government intentions and results, should the financial and operational plans, and the annual reports of ministries and Crown corporations, be automatically referred to legislative committees?)
- Is the scope of legislative committees adequate? (Should legislative committees be authorized to review the past, current and committed expenditures of government organizations? Should legislative committees be allowed to review other expenditures

of government, such as transfer payments and tax expenditures? Should the terms of reference of legislative committees be more explicit in this regard?)

- **Is the time available to legislative committees sufficient? (Would accountability be better served if legislative committees could also meet when the Legislative Assembly is not in session? Are there committee activities (such as document retention and disposal, for example) that can be handled in another way?)**

Now may be an opportune time, as government considers what information it requires to manage and report for results, for the Legislative Assembly to consider its accountability needs.

WHERE TO FROM HERE

WHERE TO FROM HERE

As a first step in improving public sector accountability reporting, this report raises the issue of performance management and accountability for performance in British Columbia. We have recommended that a comprehensive accountability framework be developed, and have suggested the basis for such a framework. But, as has been indicated, much more work needs to be done.

We are going to approach this work in two phases. Phase I will see the development of a comprehensive accountability framework—integrated with performance management processes—for ministries and Crown corporations, including government-wide and sectoral activities, together with an action plan for its implementation. Phase II will see the adaptation and implementation of this framework to the accountability relationship between ministries and funded agencies. Through these phases, we will seek the active involvement of those most closely involved in delivering programs and services on behalf of government.

We expect Phase I will be completed by March 31, 1996. At that time, a report will be issued:

- setting out a comprehensive accountability framework for government;
- outlining an action plan, for both the short and long term, for applying the accountability framework in British Columbia. We expect this plan will include, where necessary, a requirement to test aspects of the framework (possibly through pilot studies) before full implementation across government; and
- establishing a process for the conduct of Phase II.

The Auditor General and the Deputy Ministers' Council feel strongly that this initiative is worthwhile and will continue to work together to achieve consensus on the best approach. In addition, because the involvement of legislators is critical to the process of improving accountability between government and the Legislative Assembly, the Auditor General will continue to meet with MLAs. The Select Standing Committee on Public Accounts, or a small all-party committee, may be a good forum for this consultation.

While this report sets out the views of the Auditor General and Deputy Ministers' Council, we wish to hear from members of the public

concerned about performance management and accountability in British Columbia. We invite the public to write to:

**The Accountability Project
c/o Office of the Auditor General of British Columbia
8 Bastion Square
Victoria, British Columbia
V8V 1X4**

APPENDIX I:
THE EXPERIENCE OF OTHER JURISDICTIONS

APPENDIX I: THE EXPERIENCE OF OTHER JURISDICTIONS

British Columbia is not alone in facing the challenge of providing for its citizens in an increasingly uncertain environment. Many jurisdictions, including the United States of America (U.S.A.), the United Kingdom, and New Zealand, have faced similar pressures. These countries have all reformed their public sectors in different ways so that the focus is on optimizing performance and accountability for results. We believe a good understanding of the experiences of these jurisdictions can provide the government and the Legislative Assembly with valuable insights as to how British Columbia can meet the challenges confronting it. To aid in this understanding, we describe below features of these reforms that are common to many jurisdictions.

PROVIDING LEADERSHIP

In responding to the economic, social and political pressures facing them, some countries have chosen to re-focus their management efforts on results, while others have dramatically changed the way they govern. In the U.S.A., for example, the federal Government Performance and Results Act, 1993 (Bill S20), provides for a series of pilot projects for performance measuring, performance budgeting, and performance reporting for its programs. During this period, Vice-President Gore also undertook his National Performance Review. The final report, issued in September 1993, suggested that all agencies, whether they are pilots under Bill S20 or not, develop performance measures and that performance objectives and results be made key elements in budget and management reviews.

Similar reforms have been undertaken at the state level in the U.S.A. Oregon and Minnesota, in particular, have, with the involvement of their citizens, defined a long-term vision for their future. Based on its 20-year strategic plan, Oregon Shines, Oregon has defined its interest in three key areas: exceptional people, an outstanding quality of life, and a diverse, robust economy. Similarly, Minnesota Milestones defines that state's desired economic conditions, citizen behavior, and attitudes for the next 30 years. Both states believe that defining a shared vision for the long term, setting objectives, and measuring results will lead to a better future for their citizens.

The United Kingdom took a different approach to reform when it launched its Next Steps initiative in 1988. The aim of this initiative was

to deliver government services more efficiently and effectively within available resources by transferring many of the executive functions of government to specially created Executive Agencies. These agencies were given greater freedom to operate within policy, resources, targets, and accountability guidelines set for them by the responsible minister. In effect, the relationship between the minister and an Executive Agency became one of “management by contract.” As part of this “contract,” agencies are expected to meet agreed targets for quality of service, financial performance, efficiency, and throughput.

Today, over half of the British civil service operates along the lines of the Next Steps initiative. According to a recent review, the initiative “has generated renewed enthusiasm and increased commitment to improving value for money and quality of service.”

In 1991, the United Kingdom government went on to introduce the Citizen’s Charter as a way of raising the standards of public services and making them more responsive to users. The four main themes of the charter, which applies to all public services and privatized utilities, are to improve the quality of public services; provide choice, wherever possible, between competing providers; publish public service standards so that citizens can take action where the service is unacceptable; and ensure that public services give value for money within a tax bill the nation can afford.

Under the charter, public sector organizations may be subject to privatization, wider competition, or the contracting-out of services. Local and national performance targets are published, as well as information on the standards achieved. The charter also provides for tougher, more independent inspectorates and better redress for citizens when things go wrong. By 1994, approximately 38 individual charters had been published, covering such users as patients, passengers, council tenants, and job seekers.

New Zealand, by contrast, has undergone a more radical change to bring about improvement in the performance of its public sector and its economy as a whole. A key aspect of its reform centered on changes to the accountability relationship between government and its administration. Ministers are now said to have a “purchase” interest in the goods and services produced by government departments, as well as an “ownership” interest in the public assets.

As part of the purchase interest, the chief executive of a government department is expected to produce certain outputs as agreed to with the responsible minister. The Minister, in turn, is responsible for the choice

of outputs (based on policy advice) as well as the outcomes that result from these outputs for the community. As the owner, government invests capital so that the departments can continue to produce the goods and services specified.

Chief executives are accountable to the Minister for providing these goods and services within the agreed-upon price, quality, quantity, and timing. In turn, Ministers are held accountable, through debate and questions in Parliament, should they not make progress toward their declared intended outcomes. They may also be required to defend, before Parliamentary select committees, their selection of purchased outputs and the links to outcomes.

These reforms are said to have helped government with its macro-management of the economy. Ministers have a better understanding of what services departments will provide and how these services will affect the government's strategic goals. Consequently, they are able to make decisions with a clearer sense of the impact.

The achievement of results is central to the reforms undertaken by these countries, although the means for bringing this about has varied. The U.S.A. has taken a cautious approach, relaxing the rules and regulations governing program managers. The United Kingdom, in establishing Executive Agencies, has adopted private sector management techniques; it has also empowered its citizens by giving them the means to influence program choices and the delivery of services. New Zealand, by formally distinguishing between outputs and outcomes, has clarified responsibility and accountability for achieving outputs and outcomes. Such reforms have been supported by legislators representing the spectrum of political parties.

SETTING OBJECTIVES AND MEASURING PERFORMANCE

A key aspect of the public sector reforms has been a shift from compliance with rules and control of inputs to setting of clear objectives and measuring of results. In this matter, Oregon is considered to be one of the leading states in the U.S.A. The state legislature began by creating the Oregon Progress Board, a panel of leading citizens, chaired by the Governor, to translate the strategies in Oregon Shines into measurable goals or "benchmarks." The benchmarks are designed to track overall progress toward goals, rather than to measure specific program efforts to achieve those goals. Some benchmarks set targets and measure progress toward specific objectives, such as improving the

readiness of young children for school; other benchmarks measure aspects of Oregon's life that need to be maintained, such as housing affordability. The state's progress in meeting its strategic goals has been reported regularly to the legislature and the Oregon people since 1990.

Performance measures are considered a valuable tool, not only in demonstrating what is being accomplished with tax dollars, but in managing government programs. As many point out, monitoring trends in performance, comparing these measures to established policy targets or other relevant benchmarks, and taking action to alter unfavorable results should be routinely performed by governments. But, as well, given the public's increasing skepticism about the quality and cost-effectiveness of government services, information about results is critical.

REPORTING ON RESULTS

Government has a responsibility to report to the legislature and its citizens as to how well it has achieved the goals it has set out. Both Oregon and Minnesota, in fact, are required by legislation to report regularly on their progress in meeting the performance targets set for them. In the United Kingdom, the key targets of Executive Agencies are published so that Parliament, the public, customers, and staff can determine what each Agency is expected to achieve. Information about each agency's performance, including the achievement of its key performance targets, is available in its annual report. In New Zealand, each department must include a Statement of Objectives and a Statement of Service Performance in its financial statements.

Legislators, in turn, can use performance information such as this to regularly monitor progress against a government's goals. Accountability information can serve as an early warning, not only for the government but for the legislature, when policies or programs are not working. As it was put in Minnesota, "a statewide report card has little value if its only purpose is to track our decline on important indicators." It is crucial for the legislature not only to take an interest in the performance of government, but to ensure that it has the capacity to use the information that is provided to it.

MAKING A LEGISLATIVE COMMITMENT

Many of these jurisdictions have also passed legislation establishing public accountability standards for reporting on the results achieved. Such legislation both signals a legislature's interest in performance and serves to motivate program managers to pursue changes they might

otherwise not pursue. However, many agree that simply passing laws is not enough. If government is not committed to the changes it purports to seek through its legislation, it may not gain the widespread support of its public sector management.

CHANGING THE MANAGEMENT CULTURE

Underlying these public sector reforms was the need to encourage a culture of performance. By setting performance targets, measuring results, and linking consequences to performance, managers have gradually come to think in terms of outcomes rather than inputs and outputs. For example, as part of the Next Steps initiative in the United Kingdom, measurable goals for program performance are part of the employment contract for agency heads; in return for meeting these goals, the agency heads are given greater freedom in how their resources are spent. The Citizen's Charter, with its emphasis on performance standards in the public service, deliberately focuses management's attention on the interests of the customer. Poor performance, as defined by the consumer, has direct consequences for those who do not perform well. Patients, for example, may choose the services of another hospital, given information such as patient waiting lists. In the long run, public sector organizations that lose their market may also lose their funding.

In Australia and the United Kingdom, experience has shown that greater flexibility in managing seems to increase the likelihood that performance measures will be used. Based on this, the U.S.A. has relaxed central agency constraints in the areas of personnel, budget, and procurement for five of its agencies as part of a two-year project. The expectation is that managers will be more concerned with meeting performance targets than ensuring they comply with a set of strict rules and regulations.

Incentives from the private sector, such as performance-related pay and performance agreements, have also been used to focus management's efforts on the achievement of results. In the United Kingdom, the remuneration of the Chief Executive of an agency is linked to the achievement of key performance targets. In New Zealand, each Chief Executive signs a performance agreement, specifying the personal contribution expected of him or her.

Bringing about a focus on results can take time. The U.S.A. has recognized this and has taken a slow and cautious approach to implementing its Government Performance and Results Act. The Act provides checkpoints so that Congress can review the results of the pilot

projects before authorizing full implementation. As government has pointed out, the “ultimate objective is to change agency and managerial behaviour, not to create another bureaucratic system.” Along with this change, the public must exercise some tolerance for errors as managers learn to adapt to a new way of managing. This tolerance may be difficult to gain, given the high standards of behavior and performance that the public has come to expect. Nonetheless, it is critical if the public sector is to increasingly manage and account for results.

APPENDIX II: PERFORMANCE MANAGEMENT: MANAGING FOR RESULTS

APPENDIX II: PERFORMANCE MANAGEMENT: MANAGING FOR RESULTS

DEFINING AND MEASURING RESULTS

Citizens have a right to know what its government intends to achieve and what it actually does achieve for the range of government activities. To be accountable in this way, governments must clearly define, measure and manage for the results they desire.

This is easier said than done. Governing in the public sector is extremely complex, involving a diverse range of programs. Governments need to balance the often competing goals of effectiveness, efficiency, compliance and probity with policy objectives that range from the delivery of goods and services to the setting of norms of conduct (such as fairness and equity). Unlike profit in the private sector, there is no simple, clear method for governments to define and measure their results.

Generally governments find it easier to measure inputs and outputs since they control how resources are used and the level of activities that are undertaken. Increasingly, however, governments are describing their results in terms of outcomes. Many jurisdictions, where public sector management reform is underway, consider outcomes the ultimate expression of a government's intent. Outcomes, such as providing clean water, are of interest to legislators and the public alike for they are a way of describing the real impact that a government has had on the lives of its citizens.

Defining and measuring outcomes, however, is seldom easy. It requires a clear understanding, at the outset, of the objectives or results expected from a program; although these objectives may be found in statutes, directives, strategic plans or other documents of government, they may not be clearly understood. In fact, government programs may have multiple and conflicting objectives. Is a government's primary objective, for example, to operate programs in a way that promotes efficiency or is it to provide equal access to services to as many citizens as possible? Even across government, the policy objectives of one public sector organization may, in some ways, contradict the objectives of another. Encouraging a healthy timber processing industry, for instance, may conflict with the objective of managing, protecting and enhancing the environment.

Measuring outcomes is critical to knowing how well a government has met its objectives for improving the quality of life of its citizens. Developing outcome measures, though, can be difficult and contentious, in part because the link between program activities and program benefits is sometimes tenuous. Measuring an outcome may require time-consuming and costly processes, such as surveys, and could involve following program beneficiaries long after they have left the program. In light of this, less direct indicators, such as outputs, can serve as an intermediate measure of results. Nonetheless, it is on the basis of results—that is, the outcomes—that legislators and the public ultimately judge the success of government programs.

Output measures are a useful tool in the day-to-day management of programs and, in a results-based management system, would continue to be used. For example, by focusing on the cost, quantity, quality and timeliness of outputs, program managers can begin to identify and balance competing priorities among program goals. Such measures also serve to focus program performance on the intended results. Measures such as quality, for instance, can force managers to think about their programs in terms of customer satisfaction which, in turn, may lead to questions as to who consumes government programs. Understanding program clientele is a fundamental part of defining a program's objectives and its intended results.

Ultimately, however, it is knowing the outcomes of government programs that is of real interest to the public. Governments must find a way to clearly define the objectives they wish to achieve, measure their progress and report to their citizens about how well they have achieved these objectives.

MANAGING FOR RESULTS

Traditionally, parliamentary governments have been predominantly concerned with input controls and, to a lesser extent, with output measures. In effect, programs are largely controlled, administered and reviewed on the basis of resource (financial, human and capital) utilization. The main concern has been to ensure that:

- resources are applied only for purposes authorized;
- amounts allocated are not exceeded; and
- the program is managed according to internal rules and regulations for equity, probity and prudence.

More recently, issues such as economy and efficiency have become part of the management of government programs. Given this, some effort has been taken to measure the direct outputs of some programs. The average unit cost of processing a claim under an entitlement program is one such example. The implicit assumption of this management model is that the resources allocated to programs will produce the intended benefits for the specific target groups, and incidentally for the wider public. Consequently, little effort has been made to assess the overall results of government programs—that is, whether a program is actually having the intended effect. This approach to management is inconsistent with the call for greater accountability. Accountability for results is best served when programs and services are managed for results.

Many jurisdictions agree that the foundation for performance or results based management includes:

- clearly stated, quantifiable and realistic objectives linked to a governments strategic priorities;
- effective strategies to achieve those objectives;
- effective management structures and processes to ensure:
 - the appropriate allocation of resources;
 - the commitment and motivation of program deliverers; and
 - administrative efficiency.
- performance measuring and reporting—a cost-effective means for assessing performance (including inputs, outputs and outcomes) and for reporting on whether the objectives have been achieved; and
- real consequences for the success or failure of those involved in government activity.

Within this framework for performance management are important issues that can complicate the achievement of results. For example, current practices in managing government programs, such as constraints on the use of personnel, materiel and resources, may actively discourage the achievement of results. A program manager who consistently underspends the budget allocation is more often rewarded with a budget reduction than with increased resources and responsibilities. In effect, managers often feel their performance is judged by how well they conform to rules and procedures, rather than how well they achieve the intended outcomes or results of their programs. A key part of understanding why results are

as they are, then, is to understand how the incentives, currently in place, work and how they can be modified for a system geared to results.

MANAGING FOR RESULTS IN BRITISH COLUMBIA

A comprehensive review of the state of program evaluation and performance measurement has not yet been formally undertaken in British Columbia. However, some ministries, Crown corporations and funded agencies are already moving toward managing for results. The following examples illustrate some of the changes under way.

The Ministry of Agriculture, Fisheries and Food has been working with the Canadian Comprehensive Auditing Foundation's (CCAF) Twelve Attributes of Effectiveness framework for the past three years, with the assistance of the Office of the Auditor General. (The framework was developed as a tool for evaluating the effectiveness of an organization and its activities.) For fiscal year 1995/96, the ministry is planning to improve linkages between its business planning, strategic planning, and effectiveness reporting systems. Ultimately, the goal is to implement effectiveness reporting by applying the CCAF framework across the ministry.

Since the beginning of fiscal year 1994/95, the Ministry of Skills, Training and Labour has been implementing a strategic management approach that integrates strategic planning, policy development, research, and evaluation. This approach requires that operational plans be linked to the ministry's strategic plan, and performance measures be identified for use in monitoring the effectiveness of programs, projects and activities. Annual performance agreements are also required between the Deputy Minister and Assistant Deputy Ministers and Managers.

As well, the ministry is working with the public post-secondary education system to improve the assessment of program effectiveness in the institutions. For this purpose it is using an accountability framework that is based on the CCAF model. The framework will be used as a basis for developing systems for reporting on effectiveness (including the measurement of outcomes) in the public post-secondary system. Implementation is currently being pilot tested at three post-secondary education institutions.

The Ministry of Transportation and Highways is implementing a strategic management approach similar to that of the Ministry of Skills, Training and Labour. This approach links the transportation ministry's strategic plan with that of the government, and its operational planning to its strategic planning. The latter is accomplished through a clear

statement of management objectives included in annual performance agreements for senior managers and staff.

During 1994/95, the Ministry of Forests completed a number of audits using a value-for-money approach that takes into account the CCAF framework. In addition, a Forest Practices Board (reporting to the public) has been established to audit the ministry's and licensees' compliance with the new Forest Practices Code.

The Ministry of Government Services has begun an evaluation process and is completing a program inventory based on the program logic model approach. This inventory will identify critical success factors, as well as the intended—and unintended—effects of the ministry's programs. These effects will be measured to assess program performance.

The Ministry of Housing, Recreation and Consumer Services is setting up an evaluation system and establishing evaluation and monitoring frameworks for new programs. The goal will be to put in place a system of continuous monitoring of program results.

The Ministry of Environment, Lands and Parks is instituting an operational planning process that links its operational objectives to its strategic plan. Branch operating plans also identify intended outcomes and performance indicators. The Parks Services Branch is developing a management report on program effectiveness based on the Twelve Attributes of Effectiveness framework. The ministry is considering the report as a pilot for public reporting of program performance as opposed to traditional internal management reports.

The Office of the Public Guardian and Trustee has been working with the Office of the Auditor General to apply the CCAF effectiveness framework to its operations. In addition, significant new legislation assented to in 1993 (the Public Guardian and Trustee Act) requires the annual production of a three-year service delivery plan (to include details of performance targets and other measures by which performance may be assessed) and an annual report of the extent to which the Office has met the performance targets and other objectives established in the service delivery plan. The legislation requires the Auditor General to report annually on the Public Guardian and Trustee's annual performance report. It should be noted, however, that these accountability provisions have not yet been proclaimed.

The Crown Corporation Secretariat is working with Crown corporations to institute more effective strategic and business planning

and performance measurement and reporting. It is currently in the process of assessing the state of each Crown corporation's planning and performance measurement system, helping the corporations develop high level indicators, and identifying work required to develop or improve current systems. British Columbia Hydro and Power Authority, the Insurance Corporation of British Columbia, and the British Columbia Railway Company are farthest along in managing for results. The Secretariat has also developed guidelines for the corporations to follow in planning major projects based on the Multiple Account Evaluation methodology. This methodology goes beyond traditional economic benefit/cost analysis to include consideration of the financial, customer service, social, environmental and regional impacts.

The Provincial Treasury Division of the Ministry of Finance and Corporate Relations monitors and reports on its performance regarding its debt management, investments, banking and cash management, loan administration and risk management responsibilities. For example, Investments Branch assesses its performance by comparing the risk and returns of its investments with those of recognized industry asset class indices, private sector managers and fund specific targets. The branch performance reports comply with reporting standards for the investment industry. Investments Branch also compares its fund management fees and costs with those of other pension fund managers.

Reviewing debt management performance is also a priority of the Provincial Treasury Division. Performance of its "active" debt management strategy is measured against a benchmark strategy developed by an international investment bank as a low-risk "passive" strategy. Performance is measured in terms of cash costs and changes in market value of the actual portfolio against the same for the benchmark portfolio. The 1994/95 results will be reported in the government's new Debt Management Program Report in conjunction with the 1994/95 Public Accounts.

The Ministry of Social Services has a clearly established program evaluation policy that calls for the development of an annual evaluation plan which is both part of the annual business planning cycle and closely linked to the Ministry strategic plan. As a basis for evaluation planning, each division responsible for direct program delivery prepares a Program Inventory and Evaluation Framework to guide the ongoing review of how well programs meet their objectives. Elements included in the Program Inventory and Evaluation Framework are program description and scope, goals and objectives, output and outcome indicators and the

status of monitoring and evaluation activities. The evaluation plan is updated annually and identifies specific evaluation activities planned for the coming year. Such activities include updating a program's goals and objectives, identifying new monitoring tools and performance measures to be used, and evaluating the effectiveness of a program or component in meeting its objectives. The plan also includes monitoring and evaluation strategies for contracted services delivery to ensure compliance with the terms of the contract and program standards.