

PAPER F

Accountability: Progress through Performance

Overview

Accountability is a relationship based on the obligation to demonstrate and take responsibility for performance in light of agreed-upon expectations.

Accountability is woven throughout the fabric of public service. The strands of accountability—the way in which organizations and the workers within them must answer to those who pay for and use their services—determine the strength of our public services. When a single strand fails, our faith in the entire structure is put at risk.

This Budget, and every Ontario Budget that has come before it, has had the responsibility of showing the taxpayers and citizens of Ontario what their government will be held accountable for.

Each year, the Budget outlines the resources—the hard-earned taxpayers' dollars—that are entrusted to the government and the services that will be produced with these resources.

Taxpayers, citizens and users of government services expect, in fact demand, that the government deliver quality services in the most efficient and effective manner possible. They expect high-quality services at the lowest possible cost, or stated succinctly, they want and expect to receive value for their money. Not receiving value for money has the direct impact of wasting money that could have been used to improve the quality and quantity of services offered to the public.

Providing a plan is one part of the accountability process. At the end of the year, the government must report on what it accomplished with the resources entrusted to it. It must state whether it met what it set out to do. The release of the Province's Annual Report and audited Financial Statements meets this objective.

Since being elected, this government has taken many important steps to improve both the services that it delivers to the public directly and reporting what it is accountable for (see Improvements in Accountability Practices). The process of improving accountability was started in 1995 with the work of the Ontario Financial Review Commission and continues to this day. But much more can be done to improve accountability to the taxpayer.

Panel on the Role of Government in the 21st Century

The Throne Speech, as part of step 3, announced that “the government will strike a panel to make recommendations on the appropriate role of government in the 21st century: what its business should and shouldn’t be; where it belongs and where it does not.” This is a crucial step towards greater accountability. We must determine what the government should be held accountable for as we move into the 21st century.

Value-for-Money Review

The government must continue to find ways of offering those services that the people of Ontario depend on and find ways to deliver these services in an efficient and effective manner.

The Ministry of Finance will be undertaking a value-for-money review of government activities and services to ensure that they are delivered in the most cost-effective manner possible. This review will support the government’s commitment to apply the principle of zero-based budgeting. The review will rely on private-sector expertise to assure that best practices from other jurisdictions are identified and applied to Ontario’s needs.

The review will have several objectives as it assesses government activities:

- , Is the government’s original policy intent for the activity still valid?
- , Is the activity meeting that policy objective?
- , Is the activity being delivered in the most cost efficient and effective manner?
- , Is the activity a priority of government?
- , Does the activity provide wider economic and social benefits to Ontario?

The outcome of the work of this review will be:

- , improved services to taxpayers;
- , saving taxpayers' money;
- , eliminating unnecessary activities;
- , eliminating waste; and
- , bolstering the economy.

Broader Accountability

While the government has and continues to take steps to improve its own ability to deliver value-for-money services directly to the public, it is dependent on its transfer partners doing the same for the services that are funded with taxpayers' hard-earned dollars.

More than 80 per cent of program and capital spending is in the form of transfer payments, most of which go to our transfer partners in the broader public sector who run our schools, our hospitals, our colleges and universities and other services that are crucial to the well-being of all Ontarians. These organizations, like the government of Ontario, are accountable to the taxpayers of Ontario and to others who fund them for delivering the highest quality of service at the lowest possible price and for reporting back on their performance in light of agreed-upon expectations.

It is for these reasons that the Government of Ontario is announcing today a four-part plan to help public-sector organizations meet their obligation to Ontario taxpayers for the use of their hard-earned dollars.

- , It is proposed that all public-sector organizations will be required to meet **minimum requirements** to ensure they are accountable to the public, their staff, their funders and the end-users of their services.

- , It is proposed that all significant public-sector organizations will be held accountable for operating in a fiscally prudent manner through the preparation and achievement of an annual **balanced budget**.
- , An **Accountability Office** will be set up in the Ministry of Finance to support the continued improvement in accountability practices in the broader public sector and to take action in those circumstances where further improvement is needed.
- , A proposed **Public Sector Accountability Act** will enshrine in legislation the requirement for all significant public-sector organizations to publicly report on their plans to use resources entrusted to them and on their performance against this plan.

The new accountability framework for Ontario must start with the recognition that all publicly funded organizations are accountable to the people of Ontario in three ways: they must answer to taxpayers and others who fund the services they provide; to the clients who rely on those services for their personal health, well-being and security; and to the people of Ontario to whom all broader public-sector institutions ultimately belong. In other words, they must provide the best possible service at a cost that the taxpayer is willing to pay, strive always to improve, and respect the public.

Improvements in Accountability Practices

Since coming into office in 1995, the government has implemented a number of improvements in its accountability practices including the:

- , Creation of the Ontario Financial Review Commission in 1995 with the mandate to review the Province's accounting, reporting and financial management practices;
- , Introduction of ministry business plans that outline their core activities, set performance goals each year and report on results;
- , Adoption of Public Sector Accounting Board recommendations in the preparation of the Budget, Quarterly Finances and the Financial Statements of the Province of Ontario;
- , Introduction of Management Board Directives on Accountability in 1997 and Transfer Payment Accountability in 1998;
- , Introduction in 1998 by the Ministry of Training, Colleges and Universities of key performance indicators to measure and report on key areas, such as graduation and graduate employment rates at all post-secondary institutions, and a requirement that student loan default rates be made public for all OSAP-eligible institutions. As a next step, the government in 2000 began rewarding the performance of colleges and universities in achieving these ministry-stated goals;
- , *Taxpayer Protection Act, 1999* and the *Balanced Budget Act, 1999*;
- , Announcement by the Ministry of Municipal Affairs and Housing in 2000 of the reporting of municipal performance measures in nine core service areas;
- , Reconvening of the Ontario Financial Review Commission in 2000 with the mandate to review options: for improving the financial management, decision-making and reporting practices of the government's key transfer partners; for reporting the government's investment in tangible capital assets; and the government's response to the recommendations made by the previous Commission;
- , Creation of a Task Force on Effective Schools in 2001 to make recommendations on how best to organize schools to improve student achievement and learning, as well as ways to hold school boards accountable for school improvement planning;
- , Various health care initiatives including:
 - Independently produced report cards will be made available to the people of Ontario and will provide a hospital-by-hospital assessment of performance;
 - A Patient Charter will outline the rights and responsibilities that Ontario citizens have within the health system; and
 - Recognition of efficient hospitals through the application of a performance grant.
- , Announcement in the 2001 Throne Speech of the government's intention to amend the *Audit Act* to empower the Provincial Auditor to ensure that institutions funded by Ontario taxpayers use that money prudently, effectively and as intended.

1. Setting Minimum Requirements

All significant public-sector organizations must address minimum accountability requirements. The report of the 2001 Ontario Financial Review Commission, made up of leaders in the financial and business community, was released on April 30 of this year. Their report, entitled *Raising the Bar: Enhanced Accountability to the People of Ontario*, set out what they believe to be the basic building blocks of accountability. These include:

- , proper legal status, strong governance, well-articulated mission and vision, and effective management;
- , well-defined relationships with all stakeholders, including funders, service users, staff and ministry;
- , commitment to proper business planning, performance evaluation and continuous improvement; and
- , a culture of openly and actively sharing financial and performance information with all communities that have an interest in the organization.

In the culture of accountability Ontario wants to create, organizations report about how well they will use the resources entrusted to them and how they will work to improve their performance. They are open to answering questions about how they operate, how they are governed and what they are trying to achieve. They are willing to be measured on their performance and they understand that excellent performance will be recognized, just as poor performance must be remedied. Their energy is focused on providing results, not building arguments for more funding without explaining how they use the resources they already have. Meeting the minimum requirements of accountability as outlined by the 2001 Ontario Financial Review Commission's report is the first step in improving public-sector accountability.

2. Operating in a Fiscally Prudent Manner

With the passage of the *Taxpayer Protection Act, 1999* and the *Balanced Budget Act, 1999* the Government of Ontario now guarantees its accountability to taxpayers by requiring that the government balance its budget or cut the salaries of Cabinet members by 25 per cent for each year of deficit spending and 50 per cent for each consecutive deficit. In doing so, the government has enshrined in legislation its obligation to the taxpayers and citizens of Ontario to carry out its operations in a fiscally prudent manner.

The government believes that organizations funded with taxpayers' money should also be held accountable to carry out their operations in a fiscally prudent manner. To ensure this, all significant public-sector organizations would be required to prepare and deliver annual balanced budgets under the proposed Public Sector Accountability Act.

Transfer Partners and Accountability

Ensuring the best use of resources becomes more complex when funds are flowed to transfer partners—that is, public-sector organizations that are outside direct control of the elected government.

Transfer partners play a central role in providing public services. The provincial government sets policy directions, establishes legislation and provides funding for services such as health care, education and social programs. In most cases, however, a third party—a transfer partner—actually delivers the service. Transfer partners include hospitals, other health care facilities, homes for the aged, school boards, colleges, universities, municipalities and social agencies.

These bodies often have deep roots in the communities in which they are located. Their boards usually include local people and, often, people who use their services. Transfer partners are in an excellent position to leverage local knowledge and expertise, prompt innovation and tailored solutions, and access additional sources of funding beyond provincial transfer payments. The provincial government and other funders nonetheless care about the financial and organizational efficiency of transfer partners, and how well they provide service compared to their peers.

As with services delivered directly, government has made considerable strides in trying to ensure the accountability of transfer partners. Examples include:

- , Developed a common curriculum for elementary and secondary schools, so that all students work towards the same goals; and
- , Created the Education Quality and Accountability Office to improve the quality of education in Ontario by measuring student performance and reporting on results.

While government and transfer partners continue to work towards greater accountability, much remains to be done.

What More Should Be Done?

The government will continue to work with its transfer partners towards:

- , improving planning and goal-setting and, where appropriate, developing shared goals;
- , giving the public more and better information on performance;
- , strengthening the link between goals and results, and taking action when organizations do not meet their goals; and
- , working to lower the cost of service while maintaining quality through such measures as benchmarking against other providers; common procurement and public tendering processes; better co-ordination of efforts among service providers; and creation of common service bureaus.

3. The Accountability Office

In response to the need to evaluate how well entire sectors, as well as the bodies within them, are performing, the government will create an Accountability Office in the Ministry of Finance.

This office will draw on the expertise within ministries, as well as individuals with in-depth knowledge of the sector and demonstrated objectivity.

The Accountability Office will:

- , evaluate performance throughout a sector, using appropriately designed measures, and report clearly to the public and the relevant minister on findings;
- , champion strongest performers and disseminate best practices;
- , promote the development of common goals and performance measures;
- , promote communication within and among sectors;
- , monitor compliance with the proposed Public Sector Accountability Act; and
- , implement remedies for underperforming organizations.

The key objective of the Accountability Office will be to support continuous improvement in the accountability practices of the broader public sector.

In those situations where organizations consistently fail to meet their performance targets outlined in their business plan or fail to significantly meet their targets in any one year, the Minister of Finance, in consultation with other Ministers, would be able to request an independent review of the financial management, business planning and operating practices of the organization.

4. The Proposed Public Sector Accountability Act

The 1997 Ontario Budget discussed the idea of a Public Sector Accountability Act to require publicly funded organizations to follow best practices in managing their operations. Since that time, the government has sought the advice of leaders in accountability practices. The 2001 Ontario Financial Review Commission recommended that the government should enshrine accountability in legislation. The government agrees with this advice and will introduce a Public Sector Accountability Act in the current session.

The proposed act would apply to all public-sector organizations that receive substantial government or public funding. Specifically, the proposed act would apply to significant Crown agencies and municipalities, school boards, hospitals, universities and colleges and to very large agencies in the social services sector.

The purpose of the proposed act would be to:

1. Initiate best practices in public-sector organizations by measuring their performance against their established goals and by reporting publicly on the progress made.
2. Improve program effectiveness and public accountability by promoting a stronger focus on the results and service quality of public-sector organizations.
3. Improve service delivery by requiring that public-sector organizations prepare a plan to meet identified objectives and to provide information on results and service quality achieved.
4. Improve decision-making in public-sector organizations by ensuring that relevant information about each organization's objectives and about the effectiveness and efficiency of the organization's activities in meeting those objectives is available to the public.
5. Improve fiscal responsibility by requiring public-sector organizations to prepare and deliver a yearly balanced budget.

The proposed act would provide a broad framework in which public-sector organizations can work towards improved accountability and performance. It would require organizations to:

- , prepare and publicly disclose a business plan and monitor performance against this business plan; and
- , identify to whom they are accountable, identify who is accountable and for what they are accountable.

A public-sector organization's **business plan** would be required to contain information with respect to the current fiscal year on:

- , its governance and management structure;
- , a comprehensive mission statement;
- , a description of the major activities of the organization;
- , the goals and objectives to be achieved for each of the major activities;
- , the actions to be taken to achieve those goals and objectives;
- , an estimate of how much these services/activities will cost in terms of human, financial, technological and other resources needed to achieve those goals;
- , the performance targets and indicators to be used in measuring or assessing the relevant inputs, outputs and outcomes of the major activities of the organization and, to the extent practical, be expressed in an objective and measurable form;
- , external factors outside the control of the organization that are likely to affect the achievement of those goals and objectives; and
- , a description of actions taken to validate and verify the plan, and the actions taken to review the organization's success in achieving its goals and objectives.

Public-sector organizations would be required to consider the views of people and entities outside the organization who may have an interest in its activities and to have their business plan approved by their governing body.

Private-sector delivery alternatives should be examined to improve service and reduce costs. The results of these reviews should be reported in the organization's annual report.

Each organization would be required to prepare and make public an annual report that contained:

- , a business plan for the previous fiscal year and the current fiscal year;
- , a description of the extent to which the organization achieved its goals and objectives for the previous fiscal year, as set out in the business plan for that fiscal year;
- , if any of the goals and objectives were not achieved, a description of the reasons and of the steps the organization plans to take to achieve them;
- , a statement that the organization's books and records are complete and accurate;
- , a statement indicating whether the organization's systems and practices can reasonably be relied upon to have ensured the organization protected its assets, spent money only as authorized and managed its resources efficiently and economically; and
- , audited financial statements of the organization prepared in accordance with generally accepted accounting principles or as would be prescribed in regulation.

A proposed Accountability Act by itself cannot improve accountability and effectiveness—it can set the framework in which organizations work towards improved accountability and effectiveness. Actions taken by all parties will ultimately lead towards these goals. The proposed Accountability Act's ultimate success will depend on the willingness of all parties to work towards improved accountability and effectiveness and to report publicly on results.

Property Assessment Corporation and Accountability

The Ontario Property Assessment Corporation (OPAC) is not a transfer partner, but because of its legislative relationship with the government, it too should be held accountable to the public and the agencies that it serves. It is essential that OPAC, like other public service providers, strives to deliver efficient and effective programs and high-quality services and is responsive to the needs of its customers.

OPAC was created to deliver property assessment services. Operational responsibility for assessment service delivery was transferred to the municipal sector on December 31, 1998.

As announced on December 12, 2000, the government recently conducted a review of the structure and operations of OPAC to confirm that the needs of Ontario property owners and municipalities are being met. Analysis of this review identified the need to enhance OPAC's accountability and customer service capacity.

To meet these objectives, the government intends to introduce legislation to improve OPAC's accountability to its stakeholders through a series of initiatives, including the following:

, **Quality Service Commissioner**

To ensure that OPAC is providing consistently high standards of service, the government intends to introduce amendments to the *Ontario Property Assessment Corporation Act, 1997*, which would require the appointment of a Quality Service Commissioner.

The Commissioner, who would oversee quality service and customer relations, would be required to implement quality service benchmarks similar to those instituted by the provincial government.

, **Board of Directors**

OPAC is governed by a 14-member Board of Directors, which is composed of 12 municipal representatives and two provincial appointees.

To ensure that the interests of property taxpayers are represented at OPAC, the government intends to introduce amendments to the *Ontario Property Assessment Corporation Act, 1997*, that would change the composition of the Board of Directors. The proposed new board would comprise eight municipal representatives, five taxpayer representatives, and two provincial appointees.

The proposed new board structure would balance the interests of all of OPAC's customers.

, **Renaming OPAC**

The government proposes to change the name of OPAC to the Municipal Property Assessment Corporation.

Over the coming months, the government will continue to consult on the portion of the review that relates to Ontario Regulation 282/98, which determines how properties are classified for property-tax purposes.