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# *The Elected Representative's Role in Public Accountability*

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by Henry E. McCandless

*Governments and their agencies need clear achievement objectives and fundamental rules included in their performance standards. But they also need accountability standards for stating their intentions, results and learning. Value-related standards for service are now being developed in most of our governments; the task now is to forge the standards for the performance reporting. At each level of government, use of the best examples of accountability, improvement in ways of making decision rationale publicly visible before the fact and commitment to a set of public reporting standards would go a long way to producing a high standard of public trust in Canadian government institutions.*

**I**n their role of ensuring public accountability, our elected representatives need to agree on what accountability means and the standards reasonable to expect. Accountability is the obligation to answer for the discharge of responsibilities.<sup>1</sup> We can think of public accountability as the obligation to answer publicly for the discharge of responsibilities that affect the public in important ways.

In the reporting example we know best — published financial statements — “affect the public in important ways” means the accounting concept of materiality, or significance of reported information to a reader. If a set of financial statements is wrong, incomplete, or otherwise misleading, would knowing the real situation make a difference to the decisions of an investor using the statements? In the public sector, we need public answering for the discharge of responsibilities when the answering can be expected to make a difference to

people's judgments: legislators, members of other governing bodies, public interest groups, or the public generally. In the public sector, accountability reporting is needed for a wide range of responsibilities, not just financial stewardship.

To hold to account we need to distinguish responsibility from accountability. Responsibility means the obligation to act. Accountability means the obligation to answer for one's actions. The accountability obligation implies overall disclosure standards that include stating the fairness rationale for proposed action, the intended achievement and how it is to be brought about, the results, and the learning gained and applied. Holding to account means getting the answers from those accountable; it does not mean by-passing the answering process and going direct to an investigation of people's performance.

Public trust in the fairness and competence of government institutions is increased by good public accountability, just as poor accountability erodes that trust. Since current public trust in governmental institutions has nowhere to go but up, it is time for elected representatives to agree on the means of producing public accountability to an agreed standard.

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***Each level of government needs to forge standards for its own public accounting and for reporting by its agencies. But to bring about good accountability, elected representatives need to be helped, not dunned.***

### **Five Standards for Public Accountability**

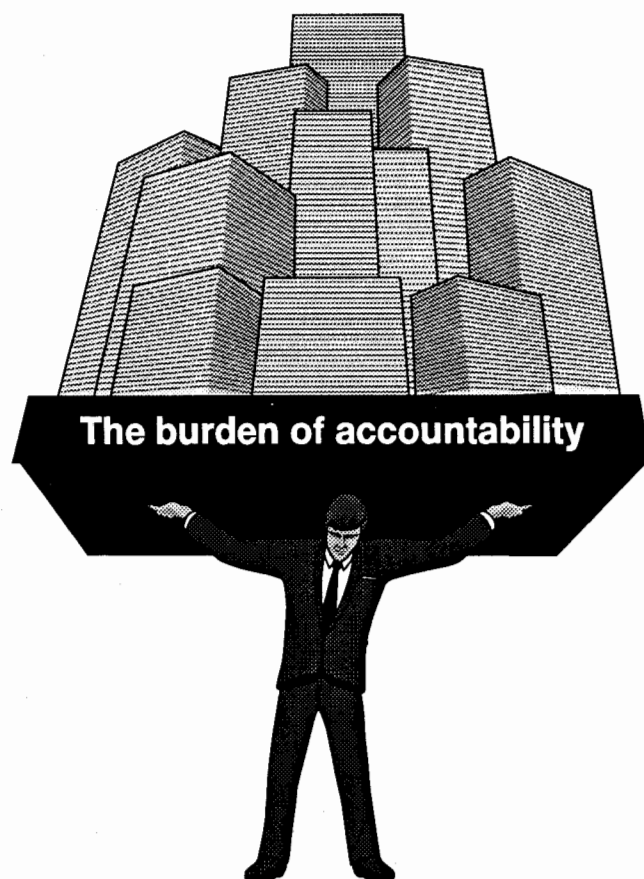
Accountability can mean something solid if we can agree on basic standards for the accounting. We start with the question, "Who is accountable to whom, for what?"<sup>2</sup> Elected representatives — whether municipal, provincial or federal — have the responsibility of deciding, through public consultation, the fairness questions: who is to get what type of benefit provided by government, and who is to bear the cost. They have a duty to explain the rationale before the decisions are taken. Public servants have the responsibility of carrying out those decisions economically, efficiently and effectively — the latter viewed by international government auditing organizations as "administrative effectiveness" as opposed to the fairness of the policy. There are various ways to report on these responsibilities. For example, the Canadian Comprehensive Auditing Foundation combined the "3Es" responsibilities with policy responsiveness to arrive at twelve attributes of reporting on organizational effectiveness.<sup>3</sup> The fairness rationale and performance reporting need to come from the accountable, not auditors or inspectors.

Legislators can reasonably expect governments and their agencies to meet five general standards of public accountability. The logical first standard is: decision-makers must state publicly their rationale for their intended action. To allow public challenge of the fairness of policy proposals, decision-makers need to make clear who is to benefit from the proposed action and to what extent, and who is to bear the costs and what those costs are apt to be. This can be set out in an "equity schedule," made simple and clear enough for public interest groups and citizens to understand what is at stake for whom. Use of the schedule will be discussed later. To those who say that decision-makers should be trusted and left alone, public opinion polls over the past two decades would offer no support.

The second standard is, state the achievement objectives. What we see most in government reporting is descriptions of intended activity for programs and projects. But activity descriptions are not the same thing

as statements of what is to be accomplished, and cannot serve as a basis for holding to account for achievement. Specific achievement objectives constitute the "critical success factors" for the fairness goals. They help prevent process for the sake of process and technology being an end in itself rather than support.

The third standard is, disclose the performance standards. Governments at all levels are now moving to report their standards for service to the public at the transaction (outputs) level, led by the United Kingdom through its Citizen's Charter. Under the Charter, launched by the Prime Minister personally and run from the Cabinet Office rather than through a public service department, each government agency states publicly its service standards and reports how well it has lived up to them. The quickest way to establish how accountable an agency or person plans to be is to ask, "What are your own performance standards for what you are trying to achieve?" In the Canadian federal government, Treasury Board has asked departments to produce service standards for their major service areas and to start reporting their performance against them in 1994-95. However, service standards need to be linked in a cause-effect relationship to the intended policy outcomes.



Performance standards are part of management control, which is the motivation system that brings about the planned results. Control includes "fundamental rules" that are norms of conduct to help ensure honesty and people's compliance with the intent of policy direction and the law. They address performance risks. The trick is to achieve in each organization the fewest necessary rules that do not impede effectiveness and that can be properly renegotiated to allow sound innovation.

The fourth standard is the most familiar: state the performance results, and why they were different from what was planned if the difference is material either way. Again the simplest example is financial statements, with explanations of variances from planned results. In the public sector, a prime concern in achieving good accounting for results is the converse of public trust in institutions. It is the degree to which the accountable trust the fairness and competence of those holding them to account. Public servants and executive city councillors and ministers are cautious about reporting on their performance beyond the usual financial statements. They will not voluntarily report if they think the reporting will be used by legislators, media and the public simply to find fault. For the media, the aim of public blaming can be to sell more newspapers; for individual politicians, to get more "ink." Neither of these public blame-and-punishment behaviours will encourage public servants to take on more risk in decisions to achieve improved service to the public.

The fifth standard is the least discussed: state the learning gained from performance and how it has been applied. Since modern organizations need to become "learning organizations," accountability for innovation and learning can help strengthen the learning effort. Given that public servants are now expected to innovate rather than to simply follow rules, top management's obligation to account for the quality of organizational learning would help those in the organization working for achievement in learning. Unless top management is accountable, employees can trade books and xeroxed articles on learning organizations, go to conferences and talk among themselves, but be unable to get their superiors to understand what needs to be supported.

Managers' trust tendencies will influence what they disclose as lessons learned. Yet in the public sector learning has to be shared: taxpayers have a right to expect, in value for money, that each of their governments will learn from each other as well as from the private sector. Solving health, education, welfare and other social justice problems with less money is an example of the need to share learning and hold to account for innovation effort to a standard. Environmental

sustainability is another example, linked as it is to social goals.

### Public Challenge of the Rationale for Decisions

Governments or agencies proposing action that affects people in important ways should seek public challenge of its fairness. It does not help if the public suspects the agendas. When government agencies authorize certain people to do something, such as large-scale entrepreneurial development, or invest in people through programs for social justice, it will mean costs to other people. The fairness trade-offs governments have to make are constant. The public needs to know who would be affected by the proposed distribution of benefits and costs, and it is the job of elected representatives to explain this.

A municipal example will illustrate a way to make proposal rationales visible. It is reasonable to expect a property developer, filing an application that will affect a community in important ways, to demonstrate that it is compatible with the official plan for the area and to state, in an "equity schedule," who would benefit, and how, and who would bear what costs. A typical example is an application to re-zone property in a residential neighbourhood to commercial use. If the city is reluctant to ask the developer to state the likely effects — that is, to account — the community association can take the initiative and draft the equity schedule. City staff and the area councillor can then satisfy themselves on the fairness and completeness of the schedule as a basis for discussing the application in a public meeting of residents, councillor, developer and city staff. Councillors' formal decisions on the application, whether in a council planning committee or the full council, can be judged for their fairness by residents and developers alike, working from estimates of benefits and costs that have been subject to public scrutiny.

If the equity schedule is a useful means of structuring fairness rationale, it can be applied at any government level. City and regional staff and councillors correspond to ministries and the legislatures, and developers and community groups correspond to corporations and public interest groups at the provincial and national levels. The key is first to identify **who** benefits, and **who** bears the costs of a proposal.<sup>4</sup> Most of the information for the schedule will be available. An equity schedule could have been a useful means of publicly structuring the rationale for decision-making on the proposed Bamberton project on southern Vancouver Island or the logging in Clayoquot Sound, or for the Prince Edward Island bridge or the Toronto Pearson Airport proposal — or the federal-provincial tobacco tax issue.

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***How many times has each of us wanted the implications of a major public issue to be rendered down for us in a single page in a newspaper?***

The equity schedule should also help debate on expectations in health, education and welfare and its funding at all levels of government, to produce decisions with higher quality and public acceptance. If schizophrenia research is badly underfunded, or our students are not learning well enough, or our economists cannot agree on cause and effect, or our social justice laws and regulations act against individuals becoming more self-reliant, those identified as accountable can be asked to lay out their rationale for the existing state.

### **Legislating Accountability**

Impressive public accountability standards have already been legislated in the United States, through the 1993 U.S. Government Performance and Results Act. The Act requires all U.S. federal agencies, following a three-year experience period involving a sample of federal agencies, to report to the Congress (and therefore to the public) their five-year strategic plans and policy goals, their current-year performance plans, and their actual

performance and corrective action. Here in Canada, the Canadian Comprehensive Auditing Foundation has taken the lead in advocating the legislation of public sector accountability obligations.

The standards for accountability reporting need to be set by elected representatives. Since the obligation to answer publicly is politically neutral, drafting standards should not create partisanship problems. Accountability expectations will get greater attention if the basic standards are legislated government-wide in the appropriate Acts, and then tailored for each program in the specific program enabling legislation. Federally, the Senate could well focus its scrutiny of proposed legislation on the adequacy of accountability reporting provisions.

### **Notes**

1. Henry E. McCandless and David Wright, "Enhancing Public Accountability," *Optimum*, Volume 24-2, (Fall 1993) p. 111.
2. The author is indebted to Donald R. Yeomans, who stressed the importance of this question as chairman of the Society of Management Accountants national committee on Value for Money Management.
3. CCAF, *Effectiveness Reporting and Auditing in the Public Sector*, Ottawa, 1987.
4. Ursula Franklin. *The Real World of Technology*, 1989 Massey Lecture, (Toronto, CBC Enterprises, 1990) p. 124.