Management Guide
on the Development of an Effective Accountability Framework
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1. What is accountability?

Accountability is often mentioned in a variety of contexts, but what does it really mean?

Accountability may be described as being obliged to explain or justify one’s actions, and requires reporting both actions and the results of those actions.

The fundamentals of effective accountability require a subordinate to provide to his/her superior, an account of what has been done, the level of success achieved, and justifiable explanations to support results. This process allows the recognition of achievement and timely corrective action, but also requires a commitment from all individuals to undertake their responsibilities and to account to superiors for what they have done.

Features of an Accountability Relationship

Generally, one party (an individual, group, department, organization, government, etc.) is said to be directly or indirectly accountable to another party for some action, process, output or outcome. In an accountability relationship there are two parties, one who allocates the responsibility, and the other who accepts it.

Accountability is called for wherever there are hierarchical relationships, or delegation of duties or responsibilities. With delegation of duties comes discretion as to how responsibility will be exercised, resources deployed, and an obligation to explain specific actions and how the delegated responsibility or duty has been discharged. However, if there is no obligation, either explicitly or implicitly to render an account, then an accountability relationship does not exist.

Explaining specific actions and providing information as to how the responsibility has been discharged, allows those that have delegated this responsibility to assess whether responsibilities have been exercised as intended. This assessment may include a system for rewards and sanctions related to achievement, or lack of achievement, of results.

In the case of a superior/subordination relationship, even though responsibility may have been delegated to a subordinate, the superior cannot relinquish his own accountability. Ultimate accountability remains with the superior who must demonstrate adequate supervision of subordinates, as it is the superior who will ultimately be held responsible for subordinates’ actions.

In addition, accountability also entails a requirement to commit to achieving responsible relationships that consider organizational values and ethics, professional standards, and
legislative and statutory requirements. While research indicates that a good fit between individual and organizational values is generally required to build a strong culture of accountability, stakeholder expectations and values should ultimately drive the formation of an accountability framework.

Accountability is not always easy to accept, as many individuals do not have the proper attitude when it comes to accountability. At the subordinate level, the subordinate must want to be accountable. The Canadian Comprehensive Auditing Foundation (CCAF) has said:

“Being accountable starts with an attitude. Becoming accountable is a nature extension of feeling responsible if you feel that you have to render an account to someone…on the responsibilities conferred, you are in a situation of accountability.”

An individual is truly accountable if he/she has:

- Said what they are going to do, how it will be accomplished, and to what extent;
- Believed in what they said;
- Accomplished what they set out to do; and
- Demonstrated what they have done.

A positive attitude toward accountability is often found in individuals with strong personal ethics and values.

It is evident therefore; that accountability and an accountability framework impact all levels within an organization, and should not be seen as a function or practice of senior management only. A culture of accountability needs commitment from the highest levels of management to ensure that it is developed and nurtured – accountability does not just happen.

**Definition**

The Office of the Auditor General (OAG), in its December 2002 Report – Chapter 9 – Modernizing Accounting in the Public Sector, proposed the following definition for accountability:

“Accountability is a relationship based on obligations to demonstrate, review, and take responsibility for performance, both the results achieved in light of agreed expectations and the means used.”

For the purposes of this Guide, the OAG’s definition will be used. An analysis of the definition notes the following:
• there must be a association between \textit{two parties};

• a requirement to \textit{render an account} on performance;

• an indication that the information provided clearly shows what has or has not been \textit{accomplished};

• the requirement of a review to \textit{learn} from mistakes; and

• that performance must be \textit{linked to expectations} that were defined in advance by both parties, and how results were achieved.

These components, address the significant issues of accountability and clearly link to the features of an accountability relationship described previously.

\textbf{Responsibility and Authority}

There is often confusion between accountability and responsibility and how they are to be viewed. Responsibility is the obligation to act or make a decision, and accountability is the obligation to answer for an action or responsibility conferred and an obligation to report back on the discharge of that responsibility. An individual is responsible for \textit{something}, but accountable to \textit{someone}. In light of this, it is important that accountability be aligned with the responsibility and authority granted. A person can only be expected to be held accountable for those responsibilities expressly delegated, and authorities conferred. If responsibility and authority are not in alignment with accountability, then accountability can only be exacted to the lesser of the responsibility or authority delegated. It is not possible to hold an individual accountable for that which he/she has no responsibility or authority. Further, an accountability relationship is a joint undertaking between the superior and the subordinate. It creates a two-way relationship in which the superior must be able to delegate accountability and hold the subordinate accountable; however, the subordinate must also be willing to be held accountable. This may prove difficult if authority and responsibility are not commensurate with the accountability conferred.

In addition to the alignment of responsibility with accountability, is the alignment of accountability with control. Often an individual may not be able to control certain factors that influence results of an activity for which the individual is responsible. This limitation may ultimately lead to difficulties in accountability. As further explained in Section 2 – The Need for the Establishment of Adequate Accountability Relationships, being accountable suggests that one exercises reasonable actions within available authorities and resource levels to influence the achievement of expected results, regardless of whether or not the individual was in control of all factors. This places the onus on the individual to demonstrate his/her contribution to the result. Lack of control may serve to justify why the result may not have been achieved to its fullest, but
should not prevent the individual from at least demonstrating his/her contribution to the achievement of expected results.

**Results-based Accountability vs. Compliance-based Accountability**

To elaborate further on what constitutes accountability, some discussion on the two types of accountability\(^1\) - results-based accountability and compliance-based accountability should be noted. Results-based accountability requires managers to demonstrate that specific results have been achieved, in other words, that they met their assigned operational objectives. Compliance-based accountability requires managers to demonstrate that they have followed the rules, policies and procedures, etc. Differences between the two types of accountability, as noted in the article are as follows:

“Groups and individuals live within two concentric circles of responsibility. The inner circle represents everything that they have to do or else fail – their baseline. The outside circle marks the limits of their authority, where it ends. In between is their area of discretion, the space in which they have both the freedom and responsibility to initiate action. This space exists for them to fill in.”

It is this space, where the individual has both the freedom and responsibility, that allows for the flexibility the manager needs to be innovative and perform beyond what has been mandated, i.e. performing over and above compliance with rules and regulations. This leap forward can only occur if managers have been given sufficient authority and are held accountable for results achieved rather then being held accountable for just the processes they follow, or compliance.

**Scope of This Guide**

Much has been written on accountability; however, most documentation takes a narrow view, highlighting responsibilities of the audit committee and senior management. The scope of this guide is much broader.

The *Management Guide to an Effective Accountability Framework* seeks to provide direction to management in the establishment and implementation of an effective framework that promotes an environment of accountability; and allows managers, entrusted with overseeing accountability relationships, to conduct an accountability self-assessment of the accountability framework. Guidance includes best practices, lessons learned, and a discussion of the need and detailed processes to follow in conducting a self-assessment. In addition, the guide presents the ways in

which an internal audit function may assist management with respect to the assessment of the accountability framework and practices.

The guide addresses the current environment affecting the assessment of accountability in both the public and private sectors including guidelines for effective accountability published by the OAG and the impact of Sarbanes-Oxley legislation in the US.
2. The Need For and Establishment of Adequate Accountability Relationships

In light of the worldwide impact of the recent business failures of several publicly-traded organizations and questionable spending practices in the Canadian government; governance, accountability, control, risk management, among other management attributes have come under the microscope and have been subjected to increased scrutiny. Reform and sweeping legislation have been enacted in the US to increase corporate responsibility and accountability. Canada has also proposed its own set of reforms to help prevent these collapses in accountability from reoccurring.

The ownership of actions, processes, outputs and outcomes is the main thrust of accountability. If an organization suffers from a lack of accountability, it may have trouble delivering expected results effectively and efficiently.

Significance of Accountability

Stakeholder and public perception have changed – these two groups are more wary and critical, and now tend to view organizations with much skepticism. They want, and demands value for their investment. Organizations\(^1\) can no longer hide as stakeholders refuse to remain silent. Many stakeholders have lost faith and it is now up to the organization to restore public confidence in its ability to manage and govern its resources efficiently and effectively.

The renewed focus on accountability is not isolated to Canada. Many international initiatives have been undertaken in recent years across many jurisdictions, including Australia, the United States, and the United Kingdom. Of particular note, the Public Accounts Committee in the United Kingdom noted in their *Report on the Proper Conduct of Public Business* that a framework which includes effective systems of control and accountability, and above all responsible attitudes on the part of those handling public money, was essential to public management. The paper also notes that it is essential to maintain honesty in the spending of public money and to ensure that traditional public sector values are not neglected in the effort to maximize economy and efficiency.

\(^1\) For the purposes of this document, the term “organization” will be used to refer to all ranges of corporations and entities from publicly traded organizations to federal government departments and agencies.
In the International Federation of Accountants’ Corporate Governance in the Public Sector, the need to develop an accountability framework to assist in ensuring that an appropriate balance exists between the freedom to manage, accountability, and the legitimate interests of the different stakeholders is discussed. Modernizing program delivery requires increased authority at the local level, greater managerial flexibility, and fewer rules and regulations. This must be countered with increased accountability for results. In addition, there is a need to achieve results and be accountable within an ethics and values framework.

Research has indicated that there are additional concepts that are critical to accountability, which include the following:

- The existence of a process to ensure and promote accountability;
- The perception of accountability;
- Transparency to the stakeholder\(^1\);
- The necessary infrastructure, such as existence of a clear mandate, policies, objectives and plans; effective delivery platform; adequate control systems, including risk-based performance measures and independent review capabilities (i.e. audit and evaluation); and
- Willingness to be held accountable (with sanctions for non performance).

Should any of the above be missing, accountability and results may be threatened. Organizations must be acutely aware of the need to communicate accountability expectations, standards, and principles to foster ownership of actions, processes, outputs and outcomes as an efficient and effective way of managing, in order to achieve organizational objectives.

To develop an effective accountability framework, acceptance should begin at the top. Management should clearly communicate the need for accountability and be able to demonstrate effective accountability practices and ongoing assessment of those practices. If this occurs, these practices will often fan out to the rest of the organization and create corporate buy-in. Addressing accountability from an internal perspective helps to ensure good management discipline within the organization.

**Extent to Which a Party Can be Held Accountable**

In the past, accounting for inputs, activities, adherence to procedures, and for outputs was generally what accountability entailed, and in essence what an individual could reasonably control. However, being held accountable for results or outcomes was noticeably absent. Outcomes are not something that can always be controlled and may be influenced by external

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\(^1\) For the purposes of this guide, the term “stakeholders” will be used to refer to the public, the stakeholder of the public sector, and the investor, the stakeholder of the private sector.
factors such as social and economic trends and other programs, leaving management uneasy about being held accountable.

To be held accountable for the outcome means being able to demonstrate that a difference has been made, that actions and efforts have contributed towards the desired outcome, and that when risks were taken, they were reasonable. However, being accountable for the achievement of results does not mean that results are always achieved. In some cases, when reasonable risks are taken, even with informed decisions, mistakes occur. The issue is not that the risk was taken, but whether the risk was appropriate and managed effectively, whether appropriate changes have been made as a result of the action taken, and whether the individual has learned from that action. Employees need to be empowered and innovative to help ensure an organization’s continued success. If a culture of blame is apparent in the organization and its accountability mechanisms, then risks/opportunities may never be taken and the organization is less likely to learn from mistakes and achieve intended results. Organizations must be prepared to accept risks, and if mistakes are made, the focus should be on lessons learned and not who to blame.

The OAG has suggested that holding to account for results, asks if everything reasonable has been done with available authorities and resources to influence the achievement of expected results.

For an accountability relationship to be effective, expectations need to be realistic and measurable. If the resources available are not balanced against what is expected, then the effectiveness of the relationship is threatened. In addition, commitment may be lacking if expectations are seen as unachievable or unreasonable. Further, if expectations are seen to be easily attainable, then credibility may be damaged. Achieving expectations needs to be balanced among resources; and expected results should entail some stretching so that the outcomes are not met effortlessly. Accountability can best be promoted by clarifying and rationalizing the responsibilities of the individual, and allowing his/her to carry out his/her responsibilities to the best of his/her abilities.

Management Functions and Processes

Management is responsible for maximizing the utilization of an organization’s resources and to determine whether controls are in place to help ensure:

- Funding is used as intended;
- An adequate segregation of duties;
- Assets are safeguarded;
- Policies and procedures have been documented and are being adhered to; and
- The potential for fraud is limited.
Accountability must be exercised by management in order to efficiently and effectively achieve the organization’s objectives.

There are several existing management processes that may be implemented or enhanced to help foster accountability within an organization, which are detailed below.

**Planning, Implementation and Evaluating Results**
Planning allows management to determine what constitutes the maximum utilization of resources, how this is to be achieved, and to decide on the optimum method to implement the stated plans. Once the plans have been developed, management must now supply and deploy the resources needed to carry out its plans and achieve the organization’s objectives. However, management cannot do this unilaterally, and must delegate accountability for various processes and activities with the organization. With the resources deployed and working towards the achievement of stated objectives, management focuses on determining if resources are being utilized effectively and efficiently. Management assesses the performance of those held accountable to determine if stated objectives have been achieved. This is accomplished via feedback by comparing actual results with the plan. Further, continuous monitoring by management of on-going processes will allow prompt action in the removal or reduction of barriers and/or revisions to the plan to meet challenging conditions.

**Controlling**
Embedded within the management functions noted above, are control mechanisms, systems and procedures designed to promote effective and efficient planning, implementation and evaluation in the achievement of the organization’s objectives. Control is not a distinct and separate step in the management process, rather it permeates the process. Management is accountable for control and therefore needs to assess its overall functioning. Individuals are responsible for assessing the effectiveness of control in the activity, team or unit for which they are accountable, and for communicating such assessments to those to whom they are accountable.

**Multi-year Strategic Plan**
A multi-year strategic plan should be developed and implemented which would include a structure for sound governance that deals with the objectives of an organization and the value systems within which it operates. Clear roles and responsibilities for a given activity\(^1\) should be established, including a clear statement of the roles and responsibilities of the parties involved in delivering results. There should be an allocation of resources to expected results and a clear depiction of the logical sequence of resources, activities, outputs, and key results of the activity.

\(^1\) *For the purposes of this guide, the term “activity” will be used to refer to a program, within the public sector, and project, within the private sector.*
Operational Plans
Operational plans should be developed and implemented that clearly link to the strategic plan and illustrate how the strategic plan will be actioned. There should be a clear statement of goals, objectives, performances measures and indicators, and an approved budget.

Staffing
The organization should be staffed with qualified individuals. A performance management system should be in place and functioning to track progress, measure results, support subsequent evaluation results, and improve the activity on an ongoing basis. A performance management system may include the following: organizational charts, position descriptions, other resources required (funding, equipment, etc.), up-to-date operational manuals, formalized communication channels, ongoing performance appraisals, and a determination of workflow and outputs.

Monitoring and Maintaining Direction
There should be a reporting system in place to monitor ongoing achievement of the organization’s objectives and results.

External Review Processes
There should be an external review process, which exists in several forms, to assist in demonstrating an organization’s accountability. Some examples of external review processes are as follows:

- Financial audit by an independent auditor
- Quality assurance to measure the ongoing quality of service delivery
- Complaints and appeals about service levels/delivery addressed in a fair and equitable manner
- Risk management to evaluate and mitigating risks to improve quality and the achievement of the organization’s objectives
- Evaluations to review the outcomes of a particular program or product
- Operational reviews to assess the functioning of a department in relation to economy and efficiency

These processes will enhance the effectiveness of accountability within an organization and also serve as part of the accountability framework. Directing the development of an accountability framework will provide a challenge for management in that deliverables must be met while ensuring attention to cost and efficiency gains.
Impact of Alternative Service Delivery Arrangements on Accountability

Technological advancements, the dynamic nature of the modern global business environment and demands for services to be delivered in a more cost-effective and timely manner, have all impacted the way organizations conduct business. To meet these challenges, many organizations have turned to the creation of strategic alliances to transfer some responsibilities.

In most respects these alliances have taken the form of alternative service delivery (ASD). Under ASD arrangements certain risks and responsibilities are transferred to the provider of the services, however, accountability in some degree remains with the initiating organization. The use of ASD arrangements is discussed in this document, as it is an important service delivery trend which may have a significant impact on accountability. Ultimately many benefits of may be gained from the use of ASD’s such as:

- The initiating organization is able to focus on core business activities. Thus, senior management time spent on non-core activities can be reduced and resources can be freed up to focus on the core activities of the business.
- The service provider may have access to leading edge technology from which the initiating organization can benefit.
- The service provider can help improve service delivery with the initiating organization having access to readily available specialized expertise through the service provider.
- The service provider can provide access to well-defined methodologies and best practice processes.
- Service providers allow for a change in the business without going through the actual process of officially changing the business. This reduces the associated risk.
- Service providers allow initiating organizations to avoid fixed costs and share support/maintenance costs.
- Service providers allow for a more effective allocation of scarce internal resources.

As in any accountability relationship, the achievement of an organization’s objectives through the use of ASD’s will likely depend on how the accountability relationship is managed. As discussed previously, due to the Federal Government’s ultimate accountability to Canadians, it is difficult to transfer this ultimate accountability to any private enterprise. In each of the following four types of ASD arrangements, attaining the degree to which accountability is transferred increases in almost all cases, however, ultimate accountability remains with the government.

Four types of ASD arrangements are as follows:
Joint Delivery
A joint delivery arrangement is one in which both the initiating organization and the service provider share responsibility for the service employing a collaborative approach. In most cases, as a result of the delivery approach, much of the accountability remains with the initiating organization. Examples of this type of arrangement are public-private partnerships (PPP) and joint ventures.

In this type of arrangement, responsibility is divided between the initiating organization and the service provider who are involved in an ongoing relationship in which both organizations contribute to the effective delivery of the service. The initiating organization is still very much involved is often primarily accountable for the results.

Contract-Out
A contract-out arrangement is one in which the initiating organization transfers or delegates responsibility for the service, but not ownership of the assets, to the service provider. Examples of this type of arrangement are: outsourcing agreements and GOCO (government-owned, contractor-operated).

The Contract-out type of arrangement is one of the most common types of ASD arrangements. In this type of arrangement, the responsibility for the service has been transferred to the service provider, but the ownership of the assets remains with the initiating organization. A moderate degree of accountability remains with the initiating organization, even though control of the service shifts to the service provider. The initiating organization is still accountable for the custody of its assets, and the increased level of effort that comes with monitoring the results of this arrangement and has ultimate accountability for the results.

Transfer
A transfer arrangement is one in which the initiating organization transfers the responsibility for the service and ownership of the assets to the service provider. In a transfer arrangement, the service provider continues to be governed by an Act of Parliament. An example of this type of arrangement is: devolution.

In this type of ASD arrangement, both responsibility for the service and the ownership of the assets are transferred to the service provider. The only factor that ties the two organizations together is that the service provider is governed by a law, act, or other legislative requirement and must report back to the initiating organization. The initiating organization is essentially entrusting the service provider to take over the intended service in a manner similar to which the initiating organization would have if the services remained in-house.

As a result, any accountability relationship is minimal even though ultimate accountability for this type of ASD, due to the service provided being governed by an Act of Parliament, remains with the Government.
Privatization
A privatization arrangement is one in which the initiating organization sells or hands-over responsibility for the service and ownership of the assets or business to the service provider. The initiating organization discharges itself as the provider of the service. Once the privatization arrangement is in place, accountability shifts to the service provider. Examples of this type of arrangement are: privatization and sale of a business unit.

In this type of arrangement, the initiating organization sells both the responsibility of the service and the assets to the service provider. After privatization occurs, the initiating organization has no ties to the service provider. The initiating organization no longer exercises control over the service, nor is there a delegation of responsibility, therefore an accountability relationship does not exist. However, this may not be true in all cases. If the privatized service falls within a regulated industry, then ultimate accountability remains with the Government.

As the ASD arrangement moves from a joint delivery arrangement to a private arrangement, accountability of the initiating organization decreases and the accountability arrangement must change. As a result, as outlined earlier, the responsibilities with respect to accountability should be clearly defined in all ASD arrangements.

Issues to Consider in Establishing Accountability Relationships

Generally in an accountability relationship, responsibility is delegated to another party who has been held accountable for inputs, compliance to policies and procedures, and for justification for actions taken. If problems are encountered, those responsible can be held accountable for what they control. The following summarize some of the potential issues that should be considered when establishing an accountability relationship and/or framework:

Shared Accountability (Internal and External)
Sometimes service is delivered through non-hierarchic arrangements, with shared delegation, such as federal government partnerships with provincial and territorial governments. These arrangements may result in new and complex accountability relationships. Service delivery is often shared among equals with no specifically delegated responsibilities, therefore accountability is also said to be shared. Whether accountability is shared or transferred, an accountability framework will assist in ensuring that a system of accountability is in place and can be relied upon. In shared accountability arrangements, the clarification of roles and responsibilities should focus on the details of the management of the arrangement rather than the role each of the parties. Further, if shared accountability is with an organization external to the public sector, it is even more important that the accountability framework clearly describes the
basic operating principles and rules to be followed, including the application of consistent public sector values and ethics.

**Flexibility of Accountability Arrangements**
Accountability relationships need to be flexible to adapt to changing circumstances. In addition, reviewing performance should be fair and aimed at identifying ways to improve future performance – what works and what doesn’t. This requires discretion, authority, and flexibility for managers who must take responsible risks to innovate. However, an accountability framework with too many parties, or procedures that are not relevant may stifle innovation and may lead to inefficiency, ineffectiveness, and frustration. Finally accountability frameworks that are too complex and ineffective can result in waste and misuse of power and erode the genuine intentions of organizations.

**Shared Values**
Accountability agreements are stronger in cases where all parties share the values of responsibility, ownership, integrity and trust, as well as share common values of professionalism and honesty. Departments practicing effective accountability often actively promote the sharing of these common values and expectations.

**Promote Positive Management Actions**
The greater the number of players and the greater their respective influence, the more complex it becomes to practice and achieve effective accountability. Essentially, measuring whether effective accountability has been achieved involves assessing whether or not the intended objectives and results have been achieved and whether “lessons learned” from previous experience have been identified and have affected change in future operations to improve the success of achieving intended future results.

**Accountability and Control**
The value of accountability is often directly related to the absence of or limited amount of formal controls in existence and the extent to which management has been empowered and assumes responsibility for its actions.

**Increased Need for Transparency**
Under many partnerships in existence, such as special operating agencies, partnerships, and alternate service delivery arrangements, accountability for results and the related reporting of results may be diffused. It is critical that both accountability agreements and performance information be transparent to ensure that appropriate and relevant information on the arrangement and its performance is available to the public.

**Leadership and Communication**
Accountability must be defined, communicated and demonstrated to the organization by senior management. Management must actively monitor the organization’s risk management frameworks, internal controls, policies, procedures and guidelines in the
context of key accountability relationships, organizational values and ethics to satisfy itself that the organization is ‘in control’.

**Accountability for Results**
There may be some resistance to accept responsibility for actual outcomes. This is related to the degree of administrative control and scope of influence by management. The greater the number of players and the greater their respective influence, the more complex it becomes to practice and achieve effective accountability. Essentially, measuring whether effective accountability has been achieved involves assessing whether or not the intended objectives and results have been achieved and whether “lessons learned” from previous experiences have been identified and have affected change in future operations to improve the success of achieving intended future results.

**Accountability in Partnerships**
Accountability in multi-partner arrangements becomes diffused, which creates challenges for all parties involved as they strive to remain accountable to their governing body as well as to the partnership for results to be achieved.

The issues presented above discuss some of the issues to consider when developing an effective accountability framework.

**Risk in Accountability Relationships**

Risk is defined as “that which prevents or threatens the achievement of objectives”. As identified from the analysis of the definition of accountability stated earlier, several components are important to the establishment of an effective accountability relationship. In order to manage risk, it is important that the potential risks of each component be identified. Management should ensure that roles and responsibilities in an accountability relationship are communicated, performance targets and indicators are agreed to by both parties, monitoring of performance is conducted periodically, results are communicated, and corrective action is taken.

A listing of potential risks to an effective accountability relationship can be summarized under the following risk categories:

**Roles and Responsibilities Risk:**
- Accountability frameworks are not well understood making it difficult to “hold” people accountable
- Overlap of responsibilities defuses accountability and creates inefficiencies
- Poorly communicated or unclear roles and responsibilities with respect to accountability
Performance Expectations Risk:

- Inappropriate level of stakeholder understanding/expectations creating expectations gap
- Insufficient control exercised over accountable results, creating an inappropriate level of expectations and accountability
- Lack of clarity over results expected
- Lack of clarity or transparency over personnel performance expectations
- Performance agreements are not implemented at all levels of the organization making it difficult to obtain necessary internal support
- Accountability is diffused through alternative service delivery arrangements
- Lack of balance between expectations and resources available
- Authority and responsibility not linked or balanced against accountability conferred

Performance Measures and Reporting Risk:

- Performance measures are not realistic
- Performance reporting is not timely
- Performance reporting is incomplete or misleading making it difficult for stakeholders to hold organization accountable
- Limited level or functionality of controls making it difficult to measure and monitor accountability

Culture Risks:

- Culture of blame for results not achieved making implementation of accountability framework and continuous learning ineffective
- Inappropriate or inadequate reward and recognition program to promote desired behavior within organizations values and ethics
- Inconsistently applied values and ethics that may create inappropriate mindset of achievement of results at “any cost”
- Poorly motivated staff do not accept roles or related accountability
- Poor mechanisms resulting in accountability relationships that are complicated and burdensome that they discourage acceptance and buy-in
- Lack of organizational openness and transparency in which individuals suppress or resist being held accountable
- Limited specialist support to support implementation and monitoring of accountability framework
Although the above inherent risks may exist, mitigation through an appropriate accountability framework may reduce the risk to an appropriate level. This is discussed later in the Guide.
3. **Accountability in the Public and Private Sectors**

**Accountability in the Public Sector**

Within the public sector, accountability is the process whereby public sector entities, and the individuals within them, are responsible for their decisions and actions, including their stewardship of public funds and all aspects of performance, and submit themselves to appropriate external scrutiny. It is achieved in part by all parties having a clear understanding of those responsibilities, and having clearly defined roles through a robust structure. The idea is to communicate accountability expectations, standards and principles to foster ownership of actions, processes, outputs and outcomes while allowing some flexibility in approaches used to promote this accountability.

In general, the process of public sector accountability can be illustrated in the following diagram:

![The Accountability Chain Diagram](image)

Within the Canadian federal government, Parliament is responsible for sanctioning an overall public sector financial plan or budget and authorizing departments to make expenditures, invest, borrow, and administer programs in accordance with applicable laws. Ministers in turn are responsible for overseeing and monitoring the implementation of the approved budget, and for planning, directing and controlling day-to-day operations and reporting on their administration. This includes directing operations with due regard to economy and efficiency, maintaining adequate system of internal control, ensuring compliance with applicable authorities, selecting and applying appropriate accounting policies, safeguarding assets, measuring the effectiveness of programs and reporting on their performance to those to whom they are accountable. As such, Parliament holds the various departments accountable for the management of its resources and the results achieved. Ultimately, all departments are accountable to the Canadian public...
regarding the use and results of taxpayers’ dollars. An important component of demonstrating accountability is met by departmental reporting on their activities to Parliament to enable activities and results to be scrutinized.

Within the public sector, there are two basic types of accountability: political accountability and managerial accountability. While political accountability within the public sector is often considered to be clear, managerial accountability is usually considered to be more diffused. Public servants, deputy ministers and ministers all play key roles in exercising due diligence and management accountability over the use of public funds. This dispersion of accountability among various players within a department is also challenged by a number of changes within the public environment over the past few years.

Over the last decade the federal government has changed dramatically. Traditional approaches to the management and delivery of public programs have been challenged by a number of factors including; public expectations for quality service delivery resulting in the use of partners, fiscal shortfalls, advances in information technology; globalization of economies, and demand for greater citizen engagement and participation.

The Government of Canada, and governments across leading jurisdictions, responded to these challenges with greater use of alternative service delivery as part of improving its performance that also included downsizing, decentralization, subsidiarity, commercialization, contractualization, and partnerships.

These new arrangements often change the “who” of program management and can further diffuse accountability as they typically involve the delivery of a significant public policy function or activity by partners outside of the direct government department. While these arrangements are potentially innovative, more efficient, and less costly to the federal government, they also present new risks to manage, including a need to clearly define each party’s accountability. Officials quickly realized the need to strike a balance between three factors pulling in different directions: accountability, efficiency and achieving results. That balance, together with the effective management of risks, is the key to managing the opportunities of modern management within the government.

Some of the significant changes in modern governance and management that may impact the application and practice of accountability include:

- The use of alternative service delivery mechanisms may transfer most or all of the service from one party to another, yet ultimate accountability for results may not be transferred. Although accountability should be in alignment with the responsibility and authority transferred, Canadians may ultimately hold the Government accountable for results.
The Government of Canada’s increased focus on results and performance-based management, and an increased need for departments and management to assume greater flexibility and autonomy to effectively achieve their objectives; and

A heightened awareness of the need for transparency in the use of public funds.

There is increasing pressure within the public sector to modernize accountability in response to changes in the manner in which the public sector delivers its various programs and services. The emphasis on accountability in the public sector is shifting from a historical approach which focused more on detecting deficiencies in accountability to one which helps understand performance, agreed upon the results to be achieved, improved performance through continuous feedback and learning, and demonstrates the achievement of results to the public. However, two fundamental principles, ethics and fairness, must not be set aside due to this renewed focus on achievement. Rather it is critical that ethics, fairness and due process exist in the attainment of public sector objectives.

At the core of the pressure to modernize and promote accountability is an emphasis on managing for results. The federal government has commenced a number of initiatives over the past few years to support departments in their efforts to better manage results and improve accountability, including the following:

- Treasury Board’s *Results-Based Management and Accountability Framework* was developed to provide managers in departments, agencies and at the Treasury Board Secretariat (TBS) with a single, comprehensive and reliable instrument to evaluate and report on the performance of this major learning and culture-changing initiative for the Government of Canada. It was developed to help in measuring and reporting on results being achieved through the Modern Comptrollership Initiative;

- Treasury Board’s *Results for Canadians: A Management Framework for the Government of Canada* which requires federal departments to define anticipated results, focus attention towards results achievement, measure performance regularly and objectively, and learn and adjust to improve efficiency and effectiveness;

- *Modernization of Comptrollership* – an initiative which aims to link performance information with financial information to enable efficient and effective management decisions in the achievement of results;

- *Modernizing Accountability Practices in the Public Sector*, which identifies key principles of effective accountability;

- *Financial Information Strategy*, intended to enhance decision-making through the strategic use of financial information;

- *Integrated Risk Management Framework* which provides a comprehensive, overall approach and mechanism to better integrate risk management into strategic decision-
making by creating a means to discuss, compare, and evaluate substantially different risks; and

• Other practical guidelines to preparing Treasury Board submissions which specifically requires departments to state expected outcomes, plans for monitoring and evaluating outcomes, and develop a performance and accountability framework that covers performance measurement, reporting and evaluation.

Each of these requirements should be considered in the development of accountability environment within the public sector. Each focuses on effective measurement and evaluation of performance, accountability and due diligence in the management of public funds, the application of sound risk-management practices and reporting of results. Also identified in these initiatives is the development of an effective internal control system that ensures proper monitoring of activities, programs and operations to enable corrective action to be taken when needed.

In “Reflections on a Decade of Serving Parliament”, the Office of the Auditor General notes that while measuring and managing for results is a commonly accepted concept within the federal government, progress to date in this initiative has been unsatisfactory. In general, departments are focusing reporting results by year making it difficult to demonstrate to the Canadian public the long-term effects of programs, nor is there evidence that lessons learned are being identified and incorporated into future initiatives. As a result, accountability has been weakened.

According to the Office of the Auditor General, changes needed to modernize accountability in the public sector can be summarized into three objectives:

• Place a priority on results by establishing performance expectations, managing programs by learning from past experience, and in reporting on the achievement of intended results;

• Increase the transparency of accountability arrangements; and

• Increase public sector and public understanding of effective accountability.

Addressing accountability from an internal perspective will help to ensure good financial discipline within the organization, which in turn, fosters the public’s positive perception of organization accountability as well.

Integration of Accountability with Other Federal Initiatives

Accountability is an integral component in establishing effective management practices within any organization. As discussed earlier, accountability practices within the public sector are receiving renewed attention and focus, due to its role in creating a results-based, transparent management culture and in strengthening the relationship between government and its citizens. Recent government-wide initiatives are devolving more authority and responsibility to managers, and in turn, management is expected to provide assurance that they have fully discharged their accountability responsibilities. This renewed focus on accountability within the public sector is evident through a number of recent federal government policies and initiatives, discussed in detail below.
Treasury Board’s Evaluation Policy

Treasury Board’s Evaluation Policy states that managers must be accountable for their performance to higher management, to ministers, to Parliament and to Canadians. In the conduct of evaluations, organizations must consider the complexities of their environment that impact their ability to achieve results, including partnerships, devolution of program delivery to other parties, and other factors.

Evaluation activities are clearly affected by accountability, which is evident from the three fundamental principles, which form the basis of the Evaluation Policy:

- Achieving and accurately reporting on results is a primary responsibility of public service managers
- Rigorous and objective evaluation is an important tool in helping managers to manage for results, and
- Departments with the support of the Treasury Board Secretariat are responsible to ensure that the rigor and discipline of evaluation are sufficiently deployed within their jurisdictions.

The purpose of evaluation as a management tool is to help managers design or improve of policies, programs, and initiatives; and to provide periodic assessments of policy or program effectiveness, and of alternative ways of achieving expected results. Improving the design of polices and providing assessments of effectiveness are part of monitoring performance achieved, leading to better performance results. Evaluation will not only help ensure continuous improvement, but will also serve to assist those who are accountable for results.

Operating in a complex environment that involves partnerships with others, evaluation of the underlying policies has increased in importance due to the varying alternative service delivery arrangements in place. Within this changing environment, evaluation should be built into managing policies, programs, and initiatives to:

- Develop results-based management and accountability frameworks for new or renewed policies, programs, and initiatives;
- Establish ongoing performance monitoring and performance measurement practices;
- Evaluate issues related to the early implementation and administration of policy, program, or initiative, including those that are delivered through partnership arrangements, and
- Evaluate issues related to relevance, results and cost-effectiveness.

Treasury Board’s Policy on Transfer Payments

Treasury Board’s Policy on Transfer Payments addresses the need to not only measure and report on performance, but to develop clear standards against which performance
The objective of the Policy is to ensure sound management of, control over and accountability for transfer payments. As payment of a contribution is conditional on performance and achievement, the recipient of a contribution must meet and continue to meet the specific terms and conditions of the agreement prior to a payment being made. The Policy also formalizes the requirement for submission of a Results-based Management and Accountability Framework (RMAF), to address the evaluation of organizational performance; and a Risk-based Auditing Framework (RBAF) that provides for an internal audit of recipients of contributions. The Policy clearly defines a number of activities for which Departments are accountable for, including the establishment of policies and procedures to address the following:

- Design and implementation of effective financial and program controls;
- The exercise of due diligence in the selection and approval of funding recipients and in the management and administration of the programs;
- Development of efficient and effective finance procedures to ensure compliance with FAA and other regulations;
- A results-based management and accountability framework is prepared which provides for appropriate measuring and reporting of results;
- Departmental capacity exists to effectively deliver and administer the transfer payment programs including monitoring, learning and training; and
- Ensuring written agreements between the department and recipients clearly define recipient accountabilities, such as accounting for use of funds, reporting on results achieved, etc.

The Policy further states that Departments must include in the Departmental Performance Report evidence of results achieved related to results commitments and specific planned results.

The key link between the Policy and the core elements of accountability lies in the fact that all transfer payments are subject to public scrutiny and as such, must be managed in a manner that is open and transparent to the public, with due regard to economy, efficiency and effectiveness. Basic principles of parliamentary control, authority and accountability establish the boundaries within which decisions are made on the use and management of transfer payments.

**Results-based Management and Accountability Framework**

The Results-Based Management and Accountability Framework (RMAF) is intended to help public sector management focus on measuring and reporting outcomes, a key element of accountability. Many of the elements and objectives of the RMAF are directly related to the core elements of accountability, including:
Management Guide on the Development of an Effective Accountability Framework

- Need to describe clear roles and responsibilities for the main partners involved in delivering the policy, program or initiative;
- Results-based logic model must clearly and logically tie resources to expected outcomes (need for balance);
- Appropriate performance measures and a sound performance measurement strategy that allows managers to track progress, measure outcomes, support subsequent evaluation work, learn and, make adjustments to improve on an ongoing basis;
- Identify evaluation work to facilitate continuous improvement efforts; and
- Ensure adequate reporting on outcomes.

The RMAF is a tool that helps achieve effective accountability by enabling a common understanding between all partners on their respective roles and responsibilities, the objectives of the initiative, the results to be achieved, and the methodology to measure and report on achievement of objectives. It also provides a tool to enable better management and learning from performance. Like accountability, performance measurement and evaluation is an iterative process where review and feedback are critical to the process.

Risk-based Audit Framework Guide

The requirements of the Policy on Transfer Payments emphasis the integration of risk concepts into transfer payment management and audit planning procedures. The Risk-based Audit Framework Guide (RBAF) provides managers with step-by-step directions on how to prepare an RBAF document that clearly and concisely demonstrates that all requirements have been met.

The guide also addresses potential gains in efficiency and effectiveness of integrating, or at least coordinating, the RBAF with the RMAF, required by the Policy on Transfer Payments to address performance measurement and evaluation strategies. There are six issues that must be addressed in the completion of an RBAF:

- Roles and responsibilities of management and internal audit
- Program profile detailing the underlying rationale, objectives and need for the program
- Risk assessment and management summary including a risk matrix detailing the criteria, and likelihood and impact of risks identified, risk mitigation actions, and the nature and extent of monitoring
- Details of program monitoring and recipient auditing based on risk
- Internal auditing and the provision of assurance as to the soundness of the risk management strategy and practices, the management control framework
and practices and the information being used for decision making and reporting

• Reporting, including the reports produced for monitoring purposes, internal audit reports to be provided.

**Results for Canadians**

Treasury Board’s *Results for Canadians* is the government of Canada’s management framework that describes the management commitments the government is prepared to make to Canadians and how those commitments will be met. The framework states that “achieving results for Canadians requires delegation to the right level, with a clear framework in place to ensure accountability and due diligence in the management public funds. More generally, a modern approach to comptrollership is required, including effective measurement and evaluation of performance, thorough accounting for the use of public resources, application of sound risk management practices and reporting of results.”

There are clear linkages between the key components of the framework and the five core elements of accountability:

1. **Citizen focus** – Upholding the public interest requires a balance among the following among expectations and capacity, including ensuring the fairness, equity, and reasonableness of treatment to protect the public interest, provision of effective and responsive services to clients, and considering the cost-effectiveness and sound resource stewardship of programs. Departments must increasingly seek out partnerships with other public and private sector entities to provide the most effective and efficient services to Canadians, which changes traditional accountability relationships.

2. **Sound public management** (and accountability) requires management to be guided by four basic sets of values:

   • Respect for democracy – officials are accountable to Parliament and thereby to the public. As a result, accountable public servants provide ministers, Parliament and the public with full and accurate information on the results of its work.
   • Professional values – public servants must be committed to the design, delivery and continuous improvement of programs and services;
   • Ethical values – integrity, trust and honesty are cornerstones of accountability; and
   • People values – respect, civility, responsibility and fairness are among the values required to support learning.
3) **Managing For Results** - there is an enhanced commitment to respond to citizens’ concerns about value received from their tax dollars through the following:

- Focus on results – a clear definition of results must be achieved at the outset through to periodically measuring and evaluating performance and making adjustments to improve effectiveness and efficiency, and reporting understandable and meaningful information to Canadians. This is a key component of strengthening departmental accountability.
- Performance information – the need to provide accurate and timely performance information to demonstrate achievement of results, as well as “what works and what doesn’t work” to enable corrective adjustments and continuous learning.

4) **Responsible Spending** – the Government of Canada is committed to the conduct of continuous examination of expenditures to ensure responsible spending in terms of results and value. As a result, departments must produce information on costs and results required for sound decision-making and link financial and non-financial information with actual or expected results. Rigorous accountability combined with modern comptrollership practices is the cornerstone of effective management in this area.

**Modernization of Comptrollership**

Modern comptrollership requires the effective measurement and evaluation of performance, accountability and due diligence in the management of public funds, the application of sound risk-management practices, and reporting of results. In addition, the delegation of management authorities recommended under modern comptrollership principles requires an effective internal control system that ensures proper monitoring of activities, programs and operations to enable corrective action to be taken when needed.

Principles of modern comptrollership affect both line managers and professional staff. Modern comptrollership requires the adoption of seven key principles: leadership; performance-based standards and frameworks; formal reporting on financial and non-financial performance and the results of comptrollership responsibilities; clearly understanding responsibilities; developing and maintaining professional and managerial capacity that is appropriate with responsibilities and needs; matching authority and responsibility with performance; and, identifying and responding to gaps between actual and expected performance. As modern comptrollership moves to a greater emphasis on transparency and accountability at all levels of government, the ability to assess the extent to which all elements of accountability have been achieved effectively becomes more critical.

The Modernization of Comptrollership initiative requires decision making to be based on and oversight, accountability and public reporting responsibilities to be supported by complete and integrated performance information. It also recognizes that the challenge
of allocating scarce resources and getting better return on spending requires innovative approaches to management and accountability. Comptrollership involves relating information to needs of different decisions and supporting performance reporting responsibilities, key elements of accountability.

**Accountability in the Private Sector**

Within the private sector, accountability has been brought to centre stage by several recent business collapses of large US firms, specifically as a result of poor governance and weak internal controls. As a result, several reforms have been put in place which have formalized and institutionalized best practices.

In 1992, in the United Kingdom, the *Report of the Committee on The Financial Aspects of Corporate Governance* ("The Cadbury Report") published its findings on governance and internal controls due to continuing concerns about standards of financial reporting and accountability, heightened by then recent significant corruption with an international impact. The report was the first statement on corporate governance and a model for sound practice worldwide with its recommendations contained in the *Code of Best Practice* still in use today, and by which organizations in the UK must comply. By adhering to the code, organizations have strengthened both their control over their businesses and their public accountability.

*The Cadbury Report* sparked reforms around the globe including the US which published its report by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") which developed the COSO framework to assist organizations in developing, maintaining, and assessing their internal control structures related to financial reporting. An effective internal control system will assist management in ensuring accountability to its shareholders due to improved performance targets, reporting, and compliance.

Canada was not without its share of reforms and published a report by the Criteria of Control Board of the CICA ("CoCo") to be used as guidance to help improve control which sets out criteria for effective control in an organization and provides a framework that could be used throughout the organization to develop, assess and change control. Its focus is not simply control with respect to financial reporting but rather has a broader application of overall control. Properly functioning internal controls can help an organization achieve its goals and objectives by developing an accountability framework that addresses the importance of internal controls and ensures that internal controls are in place and functioning as intended. The CoCo framework makes specific reference to accountability within the Commitment control element suggesting that “authority, responsibility and accountability should be clearly defined and consistent with an organization’s objectives so that decisions and actions are taken by the appropriate people”.

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1 “Guidance on Control” pg. 9, B3, CICA
Most recently however, the US Securities and Exchange Commission has initiated additional reforms. Not just a guideline for organizations to follow to ensure internal controls are working well, the Sarbanes-Oxley Act of 2002, has been implemented to help ensure that management of public companies are held accountable to their shareholders and that public accounting firms also be held accountable, to protect the interests of investors and further the public interest in the preparation of informative, accurate, and independent audit reports.

**Differences in Accountability Relationships Between the Two Sectors**

There are some differences between accountability in the public and private sectors. In the private sector, boards are subject to scrutiny but the degree of disclosure of information and the level of scrutiny of these boards is generally less than that required of ministers and public servants. However, boards of publicly traded organizations are subject to considerable shareholders pressure, both direct and indirect, facing daily assessments of their performance in specific and quantifiable terms.

The depth and scope of accountability within the public and private sectors are also different. Information sought in the private sector is largely related to matters directly bearing on the company’s profitability and shareholder’s return on capital. There is less concern about how outputs have been achieved. Although the focus on profitability is a high indicator of accountability, the range of activities for which the private sector managers are publicly held accountable is considerably narrower than that which applies to politicians or senior public servants. Therefore in the public sector it has been argued that “the absence of a clear “bottom-line is more than adequately made up for by a greater variety of accountability mechanisms applied at more points in the decision-making process”.

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4. Key Elements of Effective Accountability

In order to be effective, an accountability framework must involve the entire organization and focus on performance reporting, the requirement for ongoing reviews, appropriate corrective actions and consequences for inadequate outcomes. Specifically, effective accountability may achieve the following:

- Provide control against the abuse of power;
- Provide assurance that activities are carried out as intended; and
- Encourage continuous improvement of activities, etc.

Research Findings of Potential Criteria

The OAG’s Principles of Effective Accountability is a comprehensive set of elements used to establish and assess an accountability framework and was used as the starting point to compare and determine best practices in developing an accountability framework. As leaders in public sector initiatives and good governance, both the UK and Australia’s current practices in the development of accountability frameworks were benchmarked against the OAG’s principles. Not only were the OAG’s principles often quoted and documented, these countries frameworks included many similar elements.

Criteria for Effective Accountability

The five principles developed by the OAG and noted below, reflect practices or characteristics most often associated with effective accountability and can be used to establish an accountability framework and also form the standards by which an existing accountability framework may be assessed or evaluated. The principles are as follows:

1. Clear roles and responsibilities
   The roles and responsibilities of the parties in an accountability relation should be documented, well understood and agreed upon. This includes clearly setting out the specific activities and tasks expected of each party and how the relationship is to be managed. The RMAF refers to this as the “clearing of responsibilities and accountabilities.”

2. Clear performance expectations
   The objectives being pursued, the accomplishments expected, and the constraints to be respected should be explicit, understood and agreed upon. This includes outlining what each party is
expected to contribute to the end result or outcome and what means (service delivery) are appropriate to use. Clear and tangible targets are a good method to ensure that the results expected are apparent and also provide a basis for assessment. Although vague expectations are easier to report against, they are also more difficult to be held accountable. There must be a demonstrated connection between the unit of accountability and the results, including values and ethics, to which the party is being held accountable. The RMAF expresses this as the “extent to which the achievement of financial and operating results is embedded in performance agreements.”

3. Balance Between Expectations and Capacity
Performance expectations should be clearly linked to and balanced with the capacity of each party to deliver. A risk-based approach to building an accountability framework will help ensure that accountability measurement, reporting, and evaluation is focused on key accountability relationships and does not add a level of bureaucracy to the organization. Accountability frameworks must balance the prescription of desired actions, behaviours and results with the need for flexibility, discretion and autonomy in executing those behaviours and actions and delivering those results. The accountability unit must have the requisite resources, knowledge, skills, abilities, authority, and support of senior management in order to be able to demonstrate effective accountability.

4. Performance Measurement and Reporting
Credible and timely information should be reported to demonstrate the performance achieved, whether the means used was appropriate, and what has been learned. This includes identifying how the required information is to be defined, collected, verified, analyzed, by whom, and when. Accountability measures must reflect the activities of central interest to stakeholders and must be balanced against decision usefulness for the accountability unit. The stakeholders desire for information must be reconciled with what management deems useful and relevant for the organization. Emphasis should be placed on accountability techniques, such as performance measures and reporting, which are designed to assist those who are to be held accountable versus stakeholder requirements.

The focus of accountability may dictate different accountability measures and reports for different users ranging from compliance with standards and legislation, to service effort or efficiency, to financial results. The focus of accountability may also dictate the nature of accountability information, both quantitative and qualitative.

Units of accountability are well positioned to contribute to the development and implementation of meaningful accountability measures and reports by informing accountability ‘planners’ about the linkages between their inputs and processes on outputs and outcomes and identifying performance indicators that underplay their productivity and support their decision making process.

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1 “Results-Based Management and Accountability Framework” p. 26, Treasury Board of Canada
Reporting should also be balanced and report not only on achievements but also on weaknesses experienced. Often there are valid reasons for not meeting expectations. To ensure a balanced report, the following should be considered:

- Review and question the expectations and actual results obtained,
- Explain shortcomings and explain lessons learned from them,
- Disclose the basis on which the report has been prepared, and
- Obtain external auditor’s assurance on the fairness and reliability of the reporting information.

In addition, the RBAF also requires the assessment of the “Extent to which Parliamentary, central agency and key stakeholder reporting requirements are met.”

5. **Continuous Improvement**

A fair and informed review with constructive feedback on the performance achieved should be carried out by those responsible for reviewing performance. Accountability frameworks must seek to identify weakness in day-to-day business and decision-making processes, correct them and prevent undesirable actions, critical or tragic events before they happen. Ongoing monitoring of existing risk management frameworks, policies, procedures and guidelines is imperative. In other words, a ladder of accountability must exist within critical accountability units where responsibility to identify and debrief unusual, inconsistent, incomplete or unethical transactions exists at all levels within the organization. The organization must strive for continuous improvement in its accountability framework by consistently incorporating feedback into the framework.

Management must support and encourage the honest identification of weaknesses, errors and omissions without blame or sanction to ensure weaknesses are corrected and negative outcomes are prevented. Open door policies and other mechanisms to bypass the formal chain of command where concerns over accountability and unethical business practices arise may be required.

Management must examine the incentive for organizational members to comply with accountability frameworks, organizational ethics and values and ensure they are consistent with the larger framework of performance incentives and rewards. To the extent management develops incentives to comply with accountability frameworks, they may also choose to develop sanctions for failure to comply. In fact, many believe that there is no real accountability unless the receiver of the information can punish or sanction actions, behaviours or decisions that cannot be justified or explained. The definition of undesirable behaviours and hard accountability information is critical for enforcing accountability sanctions. A clear, intentional

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1 Results-Based Management and Accountability Framework, Treasury Board, pg. 27
violation of the accountability framework must be demonstrated to warrant sanctions and build trust and good faith into the accountability framework.

Although consideration of the above issues do not guarantee an effective and efficient accountability relationship, the greater the presence of practices to take into account these issues within an organization, the greater the likelihood that effective accountability practices are in place.

In summary, overall assessment of the effectiveness of an accountability relationship may include the following:

- The extent to which the expected results were achieved,
- The contribution made by activities and outputs or the program/unit to the outcomes,
- The learning and change that have resulted; and
- The soundness of the means used, i.e. how the service was delivered.

As an entity directs its activities and conducts its actions to the achievement of results against its defined mandate or objectives, accountability is at the core. Effective and efficient management includes many elements, however a culture of accountability is the hub that keeps the organization moving on the road of effective to the achievement of results. Without effective accountability, each of the elements or spokes is weakened. This is illustrated as follows:
Analysis of the Similarities Between the OAG’s Principles and Objective of the RMAF

There are common linkages between the five objectives of an RMAF and the five principles of accountability, as illustrated in the table below. The key difference lies in the level of detail to be considered: accountability is a core element of the RMAF, considered at a fairly high level. When implementing a sound accountability framework, however, the level of detail involved increases and elements of accountability must be considered and incorporated at all levels and areas of the organization.

<table>
<thead>
<tr>
<th>Accountability Element</th>
<th>RMAF Component</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clear Roles and Responsibilities</td>
<td>Profile:</td>
<td>Clear statement of roles and responsibilities of the main partners involved</td>
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<tr>
<td></td>
<td>o Delivery Approach</td>
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<td></td>
<td>o Governance Structure</td>
<td>Identification of key stakeholders and their key roles and responsibilities</td>
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<td></td>
<td>Logic Model:</td>
<td></td>
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<td></td>
<td>o Activities</td>
<td>Identify key activities and staff responsible for these activities. Understanding of how these activities contribute to expected outcomes</td>
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<td></td>
<td>o Outputs</td>
<td>Understanding of key outputs that should arise from specific activities</td>
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<tr>
<td>Clear Performance Expectations</td>
<td>Profile:</td>
<td>Clear statement and understanding of objectives and intended outcomes</td>
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<tr>
<td></td>
<td>o Origin</td>
<td></td>
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<td></td>
<td>o Resources</td>
<td>Common understanding and agreement among parties as to what each party will contribute to end result</td>
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<tr>
<td></td>
<td>o Primary Intended Beneficiaries</td>
<td>Target population to whom outcomes will be of benefit</td>
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<td></td>
<td>o Planned Results</td>
<td>Expected benefits to be provided by the department and agreement on expected outcomes</td>
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<tr>
<td>Accountability Element</td>
<td>RMAF Component</td>
<td>Description</td>
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<td></td>
<td>o Final Outcomes</td>
<td>Expected outcomes or benefits to be provided</td>
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<td></td>
<td>Logic Model</td>
<td>Clear understanding of expected short-, medium- and long-term outcomes</td>
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<td></td>
<td>Measurement Strategy</td>
<td>Development of KPIs which clearly link to the objectives being pursued and clearly measure expected outcomes</td>
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<tr>
<td>Balance Between Expectations and Capacities</td>
<td>Profile:</td>
<td>Consideration to be given to available resources and results to be achieved (how can resources best be used to achieve the objectives)</td>
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<tr>
<td></td>
<td>o Resources</td>
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<td></td>
<td>Logic Model:</td>
<td>Identification of key activities required to achieve objectives and resources required to complete activities efficiently and effectively</td>
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<tr>
<td></td>
<td>o Activities and Outputs</td>
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<td></td>
<td>o Measurement Strategy</td>
<td>Consideration of availability of data/sources of data required and the related timing required to capture necessary data (both in terms of critical dates and critical process points).</td>
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<tr>
<td>Performance Measurement and Reporting</td>
<td>Logic Model:</td>
<td>Identification of outcomes to be achieved</td>
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<tr>
<td></td>
<td>o Outcomes</td>
<td></td>
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<tr>
<td></td>
<td>Measurement Strategy</td>
<td>Development of performance indicators that clearly demonstrate achievement of objectives</td>
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<td></td>
<td>o Identification of Performance</td>
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<td></td>
<td>Indicators</td>
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<td></td>
<td>o Measurement</td>
<td>Consideration of availability of</td>
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</tbody>
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<thead>
<tr>
<th>Accountability Element</th>
<th>RMAF Component</th>
<th>Description</th>
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<tbody>
<tr>
<td></td>
<td>Reporting Strategy</td>
<td>Development of reporting strategy that addresses commitments and needs of all potential users, including management, key stakeholders and the general public. Development of reports that meet accountability requirements / commitments and that enable effective accountability for results (i.e. reporting is relevant, accurate and timely to enable appropriate decision-making). Identification of management authorities responsible for reporting performance information and evaluation results that is consistent with accountabilities and roles/responsibilities.</td>
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<tr>
<td>Continuous Improvement</td>
<td>Measurement Strategy</td>
<td>Development of key performance indicators that will serve as early warning signal for processes/practices that need to be modified to improve the ongoing effectiveness of accountability Identification of data sources and development of methodology to provide evaluation of progress toward achievement of objectives / outcomes. Methodology should address both mid-term evaluations and summative evaluations to ensure appropriate time exists to make necessary adjustments to improve</td>
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<td></td>
<td>o Identification of Performance Indicators</td>
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<td></td>
<td>Evaluation Strategy (all sub-components)</td>
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Although the chart illustrates linkages between an RMAF and elements of an effective accountability framework, there are additional considerations in establishing an accountability framework. For example, the accountability framework must consider aspects of organizational structure and management controls that will enable effective accountability such as: ensuring that decision-making authority is located at the right level to achieve results; ensuring that accountability reporting by management is done in a transparent manner with the right things being reported to the governing body at the right time in the appropriate level of detail or aggregation; and, developing, communicating and monitoring a code of values and ethics that sets out expected principles, values and standards of behaviour for all employees. Accountability agreements are stronger in cases where all parties share the values of responsibility, ownership, integrity and trust, as well as share common values of professionalism and honesty. Organizations practicing effective accountability will actively promote the sharing of these common values and expectations.
5. Internal Control

A good system of control is paramount to achieving effective accountability. It is indicated within one of the CoCo control elements (discussed in detail below) “management should periodically assess the effectiveness of control in its organization and communicate the results to those whom it is accountable.”¹ The creation of clear, accurate, understandable and useful reporting and analysis depends on internal controls in place. If controls to track expenditures and revenues and determine whether they are being used for their intended purpose are non-existent, accountability will be difficult to assess. In fact, this may indicate a lack of transparency and the potential to measure results – two fundamental aspects of accountability.

Included in a good system of controls is the need to directly integrate the organization’s approach to control with its overall risk management plan in order to determine and prioritize the organization’s functions and activities that need to be controlled. Management also needs to establish ongoing monitoring of performance to ensure that objectives are being achieved and that control activities are operating effectively. Effective control can only be achieved if an organization is able to control its risk, activities, information and communication, and monitor and review its control arrangements.

The control environment is a reflection of management’s commitment and attitude to ensuring well-controlled business operations that can demonstrate accountability for performance. Internal control can help an organization achieve its performance and profitability targets, and prevent loss of resources. It can help ensure that organizations are in compliance with laws and regulations, avoiding damage to its reputation and other consequences. In summary, internal control can help an organization get to where it wants to go, and avoid the pitfalls along the way.

Elements of Internal Control

Ultimate responsibility and accountability for safeguarding public funds and shareholders’ investments rests with the organization’s management, who are responsible for putting in place effective controls. Such arrangements include sound internal controls and corporate governance regimes. More often, organizations are incorporating audit committees within their corporate structures and strengthening the role of internal audit.

As the overseer of management’s actions, an audit committee can offer a strong control presence and is an important element of good governance. Members should be acutely aware of the

¹ “Guidance on Control”, pg. 9, D6, CICA
organization’s risk management strategy and review their organization’s vulnerability to more widespread problems identified across government or within the industry.

Also included in the control framework, as a key element of control is internal audit. Internal audit should be independent and report to the audit committee. A close relationship between the internal and external auditors helps strengthen the internal audit function by bolstering their independence and providing additional justification for management to take internal audit concerns seriously.

A crucial element of public accountability is the independent, external scrutiny. An external audit strengthens accountability, both upwards to management who provide the resources and outwards to the consumers and users.

**Control Frameworks**

Risk management depends on the existence of effective processes and practices in a supportive environment. A control framework represents a categorization of these processes and practices that are expected to be exercised by an organization’s employees in the conduct of their activities. It is a critical tool to promote efficient operations while providing comfort that the organization is complying with applicable policies, practices and laws.

Several countries have developed internal control frameworks to which organizations can refer to assist them in developing, maintaining and assessing their internal control structures. A control framework provides a way of understanding the important elements of control, including the important relationships between these elements. The premise behind many of these control frameworks is to increase the communication, commitment and capacity of each employee to effectively manage controls and focus less attention on the traditional review and oversight controls. The successful implementation of a control framework is supported by the effective delegation of the responsibility for controls. The concepts of accountability and the principles of effective accountability can be found in the elements of an internal control framework. *Not only is control a key element of an accountability framework, but accountability is a key element of control.* This relationship is clearly illustrated later in this section, in which risks, control elements, and the principles of effective accountability are linked.

**Criteria of Control (CoCo)**

*Guidance on Control* developed by Canadian standard setters as a model of a control framework, provides criteria of control or “CoCo”, which provide guidance on the assessment of controls in the context of achieving objectives. It focuses on the essence of control and sets out four criteria of control: purpose, commitment, capability, and monitoring and learning.

The CoCo framework identifies 20 criteria, which provides a useful framework and context for evaluating accountability relationships. It provides a way of understanding the important
elements of accountability, including the important relationships between them. The four groups of criteria fit a model that is comparable to management cycle models.

The Guidance on Control states the above relationship as follows:

“A person performs a task, guided by an understanding of its purpose (the objective to be achieved) and supported by capability (information, resources, supplies, and skills). The person will need a sense of commitment to perform the task well over time. The person will monitor his/her performance and the eternal environment to learn about how to do the task better and about changes to be made. The same is true of any team or work group. In any organization of people, the essence of control is purpose, commitment, capability, and monitoring and learning.”

The four groups of criteria are detailed below:

**Purpose** - groups criteria that provide a sense of the organization’s direction. The criteria address objectives (including mission, vision and strategy), risks, policies, planning, and performance targets and indicators.

**Commitment** - groups criteria that provide a sense of the organization’s identity and values. The criteria address ethical values including integrity, human resource policies, authority, responsibility, and accountability; and mutual trust.

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1 “Guidance on Control”, pg. 2, CICA
Capability - groups criteria that provide a sense of the organization’s competence. The criteria address: knowledge, skills, tools; communication processes; information; coordination; and control activities.

Monitoring and Learning - groups criteria that provide a sense of the organization’s evolution. The criteria address monitoring internal and external environments, performance, challenging assumptions, reassessing information needs and information systems, follow-up procedures, and assessing the effectiveness of control.

The specific CoCo criteria have been provided to gain an understanding of the relevance of the criterion to an accountability framework. The following chart identifies the criteria under each grouping, with those CoCo elements specifically referencing accountability or its key elements indicated in “italicized” typeface:

<table>
<thead>
<tr>
<th>Purpose:</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Objectives should be established and communicated.</td>
</tr>
<tr>
<td>• The significant internal and external risks faced by an organization in the achievement of its objective should be identified and assessed.</td>
</tr>
<tr>
<td>• Policies designed to support the achievement of an organization’s objectives and the management of its risks should be established, communicated and practiced so that people understand what is expected of them and the scope of their freedom to act.</td>
</tr>
<tr>
<td>• Plans to guide efforts in achieving the organization’s objectives should be established and communicated.</td>
</tr>
<tr>
<td>• <strong>Objectives and related plans should include measurable performance targets and indicators.</strong></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Commitment:</th>
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</thead>
<tbody>
<tr>
<td>• Shared ethical values, including integrity, should be established, communicated and practices throughout the organization.</td>
</tr>
<tr>
<td>• Human resource policies and practices should be consistent, with an organization’s ethical values and with the achievement of its objectives.</td>
</tr>
<tr>
<td>• <strong>Authority, responsibility and accountability should be clearly defined and consistent with an organization’s objectives so that the appropriate people take decisions and actions.</strong></td>
</tr>
<tr>
<td>• An atmosphere of mutual trust should be fostered to support the flow of information between people and their effective performance toward achieving the organization’s objectives.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Capability:</th>
</tr>
</thead>
<tbody>
<tr>
<td>• People should have the necessary knowledge, skills and tools to support the achievement of the organization’s objectives.</td>
</tr>
<tr>
<td>• Communication processes should support the organization’s values and the achievement of its objectives.</td>
</tr>
<tr>
<td>• <strong>Sufficient and relevant information should be identified and communicated in a timely manner to enable</strong></td>
</tr>
</tbody>
</table>
CICA: Criteria of Control

- The decisions and actions of different parts of the organization should be co-ordinated.
- Control activities should be designed as an integral part of the organization, taking into consideration its objectives, the risks to their achievement, and the inter-relatedness of control elements.

Monitoring and Learning:
- External and internal environments should be monitored to obtain information that may signal a need to reevaluate the organization’s objectives or control.
- **Performance should be monitored against the targets and indicators identified in the organization’s objectives and plans.**
- The assumptions behind an organization’s objectives should be periodically challenged.
- Information needs and related information systems should be reassessed as objectives change or actions occur.
- **Follow-up procedures should be established and performed to ensure appropriate change or action occurs.**
- Management should periodically assess the effectiveness of control in its organization and communicate the results to those to whom it is accountable.

As with an effective accountability framework, every member in the organization plays a role in the internal control structure. However, ultimate responsibility and accountability for that structure resides with senior management. The CEO must provide the leadership and direction to the senior managers who in turn assign responsibility for the establishment of more specific procedures within each activity area.

**Interrelationship Between Accountability, Risk, and Control**

The following table links the risk categories identified earlier (Section 2 – Risk in Accountability Relationships) to the specific OAG’s elements of effective accountability that they address. The table also serves to link the particular groups of CoCo criteria that may mitigate the risk within a specific element of effective accountability.

<table>
<thead>
<tr>
<th>Interrelationships Between Risk, Effective Accountability and Control</th>
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<tbody>
<tr>
<td><strong>Risk Categories</strong></td>
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<tr>
<td>Roles and Responsibilities</td>
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November 2003
Interrelationships Between Risk, Effective Accountability and Control

<table>
<thead>
<tr>
<th>Risk Categories</th>
<th>OAG’s Elements of Effective Accountability</th>
<th>CoCo Control Elements</th>
</tr>
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<tbody>
<tr>
<td>Performance Expectations</td>
<td>Clear Performance Expectations</td>
<td>Purpose</td>
</tr>
<tr>
<td></td>
<td>Performance Measurement and Reporting</td>
<td>Commitment</td>
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<tr>
<td></td>
<td>Continuous Improvement</td>
<td>Capability</td>
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<tr>
<td></td>
<td></td>
<td>Monitoring and Learning</td>
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<tr>
<td>Performance Measures and</td>
<td>Performance Measurement and Reporting</td>
<td>Capability</td>
</tr>
<tr>
<td>Reporting</td>
<td>Continuous Improvement</td>
<td>Monitoring and Learning</td>
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<tr>
<td>Culture</td>
<td>Continuous Improvement</td>
<td>Purpose</td>
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<td></td>
<td></td>
<td>Commitment</td>
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<td></td>
<td></td>
<td>Capability</td>
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<tr>
<td></td>
<td></td>
<td>Monitoring and Learning</td>
</tr>
</tbody>
</table>

The following provides an example of the interrelationships categorized above.

In the risk category, “Roles and Responsibilities”, a potential risk may include an overlap of responsibilities which may diffuse accountability relationships, rendering them ineffective and inefficient. This risk is adequately addressed in the OAG’s element of “Clear Roles and Responsibilities” which states that roles and responsibilities should be documented, communicated and well understood. To continue, the OAG’s element of “Clear Roles and Responsibilities” is also addressed under the CoCo “Commitment” control group of criteria. The specific element states, “Authority, responsibility, and accountability should be clearly defined and consistent with an organization’s objectives so that appropriate people take decisions and actions”. This element of effective accountability is further addressed under the “Capability” control group of criteria; the specific element stating, “Decisions and actions of different parts of the organization should be co-ordinated”.

The chart and the above example serve to illustrate that each risk identified may be addressed through the OAG’s elements of effective accountability and may be mitigated through a standard control framework, such as CoCo.

**Potential Indicators for Management Action**

Accountability relationships may change over time due to many factors, such as: changes in the responsibilities of the accountable party, changing partners in the provision of the activity, etc. It is important that these factors are monitored to manage any requirements to change the existing...
accountability framework. In general, there are several indicators of a potentially ineffective accountability framework, some of which are noted below:

- Reporting on performance is lacking or inadequate;
- Informed review is lacking;
- Lessons learned are not actioned in that there is a lack of program/unit changes or consequences for responsible individuals; and
- Unknown or ill-defined roles and responsibilities.

In all cases, the risks identified above, could impact and/or indicate an accountability issue.

It should be noted, however, that a purely results-oriented approach, as an indicator of accountability, may promote the inappropriate achievement of desired ends by any means and yet a one-to-one relationship between results and accountability does not exist. Desired ends are more likely to be achieved using desired means, where accountability is socialized by articulating expected behaviours and results in the context of organizational values and ethics. In addition one cannot state, with certainty that because results were not achieved, an organization’s accountability framework and relationships are inefficient or vice versa.

**Conducting a Self-assessment**

The nature and extent of an accountability framework will depend largely on organizational readiness and capacity to execute key accountability relationships and on the related risk. A self-assessment therefore is recommended to gauge the organization’s current capacity to fulfill its accountability relationships and make recommendations for improving capacity. Further, the self-assessment can be used at various stages to assess activities. It is management’s responsibility to develop and operationalize an accountability framework.

To assist senior management in this endeavor, it is recommended that Internal Audit facilitate the self-assessment. While Internal Audit’s primary role is one of assurance, their audit experience and independence gives them valuable insight into the efficiency and effectiveness of governance, internal controls, policies, procedures and guidelines critical to assigning and enforcing accountability.

A key factor in the assessment of an accountability relationship is how well superiors manage accountability. This can be judged by what a reasonable person would have done in similar circumstances. This is called the duty of care and can be described as:

“A requirement that a person act toward others and the public with the watchfulness, attention, caution and prudence that a reasonable person in the circumstances would use.”
In the United States, legislators have developed six minimum steps to demonstrate duty of care. For the purposes of this Guide, these steps have been generalized and provided below to illustrate comparability to the criteria of effective accountability. These steps may be used as a high-level approach to conducting the self-assessment in order to gain a general overview of accountability practices within the organization.

The six steps to demonstrate duty of care are as follows:

1. The development of standards and procedures must be such that they are reasonably capable of ensuring objectives are met.
2. Specific individuals, at a high enough level within the organization must be responsible for reviewing and monitoring the activities to achieve the objectives.
3. Only capable individuals should be delegated significant discretionary authority.
4. The communication of standards and procedures to achieve objectives must be communicated to individuals through training programs and documentation.
5. Compliance must be achieved, and include a reporting system on achievement of results, where individuals are free from blame.
6. Compliance must be enforced.

Undertaking a preliminary, high-level self-assessment should identify those elements of accountability that may warrant further review due to potential significant risks. The following detailed approach can be modified based on the preliminary findings to focus on those issues of significance. The criteria to be used to assess management practices are the five principles of effective accountability.

**Planning:**

1. Identify and define primary organizational accountabilities to stakeholders, Treasury Board, legislators and other regulatory bodies by reviewing applicable policies, standards, legislation and regulations.
2. Clarify and document externally mandated accountability relationships, roles and responsibilities.
3. Clarify and document internally mandated accountability relationships, roles and responsibilities by reviewing delegation of signing authorities, program evaluation, project approval, performance measurement and reporting, evaluation of results against business plans and budgets, response to internal audit findings and annual reports.
4. Document the key criteria that will be used in the self-assessment. It is recommend that the Principles of Effective Accountability be used.
Assessment:
The assessment should begin only when agreement has been reached on the assessment criteria. Suggested questions to be addressed during the self-assessment process include:

Clearly Defined Roles and Responsibilities:

1. Do employee job descriptions clearly define employees’ roles in the organization and the job responsibilities for which they are accountable, responsible and have authority?

2. Are the responsibilities of the employee defined by the beginning of the fiscal year, indicating the particular priorities to focus on and are these priorities linked to the key accountabilities of the organization? How are accountabilities communicated to employees?

3. Are there SMART performance measures (smart, measurable, achievable, relevant and timely), established in advance of evaluation and in place to monitor employee performance and accountability?

4. Assess awareness of key accountabilities:
   a. Are key organizational accountabilities articulated in the organization’s mission statement, goals and objectives and communicated to all organizational members by Senior Management?
   b. Are the goals and objectives of key activities clearly stated?
   c. Are Manager’s aware of the externally and internally mandated accountability relationships, roles and responsibilities?
   d. Are external standards, legislative and regulatory requirements and updates, and internal governance frameworks, policies, procedures, and guidelines easily accessible by Management?
   e. Are organizational accountabilities translated into branch/divisional and individual accountabilities for individual and activity level performance evaluation? Are accountabilities clearly tied to identified roles and responsibilities?
   f. Are performance contracts or other forms of employee evaluation criteria linked to specific objectives and related accountabilities?
   g. Do employees formally acknowledge their acceptance of responsibility and accountability for their related objectives?
   h. Does Senior Management actively promote and monitor execution of accountabilities and report on its own accountability relationships to Treasury Board, the Minister and Parliament or the Audit Committee and/or Board of Directors?
Performance Expectations

1. Are activities evaluated for efficiency and effectiveness on an ongoing basis?
2. Are accountability relationships with external parties understood, agreed to and documented?
3. Does the organization’s risk management framework identify accountability, or the lack of accountability, as a risk and quantifies risks by key accountability relationship? What measures have been taken to mitigate these risks to ensure stakeholder expectations are met and planned results are achieved?

Balanced Expectations and Capacities

1. Is accountability balanced against the responsibility and authority delegated?
2. Are resources sufficient to meet expectations?

Measurement and Reporting of Performance:

1. Are financial and non-financial results reported by the key units of accountability?
2. Do financial and non-financial information support management decision-making and execution of accountabilities?
3. Are financial and non-financial results reported in accordance with applicable policies, standards, legislative and regulatory requirements? How is this demonstrated to, and certified by Senior Management?
4. Do financial and non-financial performance measures clearly relate to key accountability relationships and meet stakeholder expectations for transparency and accountability?
5. Are performance measures accompanied by performance targets and include a specified dated by which the target is to be achieved?
6. Are planned performance measures and targets consistent with reported performance measures?
7. Does the organizational structure assist in clarifying who is accountable for the achievement of specific business and quality objectives?

Continuous Improvement

2. Are financial and non-financial information for key accountability units subject to internal audit or self-assessment?
3. Are key accountability units required to respond to internal audit’s recommendations with detailed action plans on a timely basis? How is follow-up on the implementation of action plans monitored?
4. Are variances from planned performance measures and targets adequately explained? Are the explanations reviewed and approved by Senior Management?

5. How are changes to planned performance measures and targets approved?

6. Are regular forecasts of expected results and reviews of stakeholder expectations undertaken to identify and mitigate risks proactively?

7. Are there reward systems in place (monetary and/or non-monetary) that are used to maintain and promote accountabilities and vice versa? Are there negative consequences as a result of a lack of commitment or accountability on the part of the employee or management?

**Reporting:**

The content of the self-assessment report should be such that only significant issues are noted. Any items of lesser materiality and worthy of reporting, but that are still considered relevant to the audit, should be addressed with management separately.

The self-assessment report should focus on the assessment of the accountability framework against the criteria, noting deficiencies and room for improvement, and those practices that are working well.

It should be noted that these steps represent a preliminary basis for a self-assessment of accountability. Once more knowledge is acquired about the organization and the applicability of the assessment criteria, significant changes may be necessary to the above steps. Also note that these steps may provide an impression that the assessment process is more mechanical in nature. The assessment will require significant judgement and soft assessment skills and should be conducted by an individual with good knowledge of the culture of the organization and its inner workings.
5. **Internal Audit**

Internal audit plays a crucial role with respect to accountability. One of the key reasons for the development of the Management Guide and the Internal Audit Guide on an Effective Accountability Framework is to provide internal auditors with an approach to monitor and assess than e practices of an organization with respect to accountability. The overall migration of internal audit to a consultative/advisory role aimed at managing identified organizational risks, highlights the growing importance of the internal auditor.

With Canadian stakeholders demanding clearer and greater accountability for the way organizations allocate their resources and authority; internal audit has a significant role to play in the development and assessment of an accountability framework. At a minimum, monitoring of accountability is key to most accountability frameworks and the related assessment of the elements of the framework, should all be considered, as potential areas of focus by Internal Audit.

**Role of Internal Audit**

While Internal Audit cannot be relied on to create a culture of accountability on its own, it is well positioned to contribute to the monitoring and assessment of governance and accountability frameworks.

Internal audit typically has a thorough understanding of the organization’s mandate, stakeholders, risks and risk management frameworks. Internal audit has the competence and capacity to review the existing governance structure and make recommendations for moving governance beyond the delegation of authority, responsibility, command and control to include accountability and commitment to organizational values and ethics.

Internal Audit’s role may include the following:

- Perform periodic self-assessments of the accountability framework on behalf on management;
- Monitor compliance with existing risk management frameworks, internal controls, policies, procedure and guidelines, alert management to potential problems and take preventative or remedial action as required;
• Translate the organization’s primary accountability relationships (e.g. clean water, universal health care, safe blood products) into specific behavioural objectives for units of accountability (employees, management, committees, departments etc.);

• Identify and assess the risks associated with the absence of accountability and adjust the organization’s risk management framework accordingly;

• Review existing governance, reporting structures, risk management framework, performance measurement and reporting systems to assess the opportunity and capacity for assigning, promoting and managing accountability;

• Recommend appropriate organizational and departmental accountability frameworks;

• Recommend appropriate accountability criteria, reporting format and frequency for key units of accountability; and

• Periodically assess compliance with accountability frameworks and/or guidelines.

To remain independent, the internal auditor should not develop and then also be responsible for assessing the effectiveness of the accountability framework. However, the internal auditor may be involved in providing consulting services and related recommendations as an advisor with no decision-making authority. In this capacity, the internal auditor would be able to highlight significant control issues, ensure policies and procedures are well documented, ensure framework development does not get derailed or goes off course, and offer suggestions for improvements. Further consulting services may include facilitating workshops on accountability frameworks and providing training on elements of effective accountability.

Internal auditors can play an important role in evaluating the effectiveness of the accountability framework and contributing to its ongoing effectiveness. In a recent interview in the IIA Magazine1, Sir Adrian Cadbury stated: “Monitoring change and making sure the risk management area is kept up to date is… what would make an internal audit function invaluable.”

**Additional Benefits Provided by Internal Audit**

In providing independent assurance services to senior management, Internal Audit undertakes objective examinations of evidence for the purposes of providing independent assessments of the soundness of risk management strategies and practices, management control frameworks and practices, and information used for decision making and reporting. The examination and assessment of the degree of accountability embedded is these strategies, frameworks, practices and activities is a natural extension of Internal Audit’s role as independent assurance provider. Additional benefits of involving Internal Audit in accountability assessments are as follows:

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1 IIA Magazine, February 2003, “Let There be Light”, interview conducted by Christy Chapman, pg.45
• Internal Audit is experienced in working within professional standards and adhering to public service and professional ethics, values and codes of conduct underlying accountability.

• Internal Audit’s breadth of organizational knowledge will facilitate the identification of key accountability relationships and inter-divisional accountability impacts in the context of the overall operations of the organization.

• Internal Audit has previous experience with relevant laws, regulations, policies and standards that may be used to define key accountability relationships.

• Internal Audit reports to an appropriate level in the organization and has a direct relationship with senior management through the Internal Audit Committee. This relationship will help ensure that accountability assessment findings and recommendations are approved and action plans addressing the recommendations made in these reports are implemented on a timely basis.

• Internal Audit is familiar with departmental management control and risk management strategies and practices and is well positioned to incorporate key accountability relationships, risks and containment strategies into these frameworks.
6. Summary of Relevant Case Studies

Several organizations have attempted to develop accountability frameworks with varying degrees of success including Human Resources Development Canada (HRDC), Government of the Province of Alberta, and the Canada Deposit Insurance Corporation (CDIC). These cases are examined briefly to illustrate various approaches to accountability, and have been provided based on publicly available information at the time of writing.

**HRDC**

A few years ago, after months of media coverage of reported grants and contributions overpayments, HRDC overhauled its internal policies, procedures and guidelines and financial controls on HRDC’s grants programs. In addition, Treasury Board issued new directives, including the establishment of senior oversight committees and detailed guidelines outlining the steps that must be followed in the approval and management of projects. While overly bureaucratic accountability frameworks are easily audited and may help organizations justify and explain their actions and behaviours, they may come at a high price. It appears that publicity and politics have necessitated the re-bureaucratization of HRDC to a command/control orientation. In fact, the HRDC affair may be a perfect example of how not to hold an entity accountable and how not to build a culture of accountability.

For months, the staff of a major government department were publicly slandered and demoralized in the media and in the House of Commons. The context of the weaknesses in internal controls was largely ignored including a long history of downsizing and inadequate resources earmarked for financial management. In addition, while no one would argue that improvements weren’t needed, intense pressure to react to public criticism limited an adequate assessment of practical accountability alternatives.

**The Province of Alberta – Health Care System**

Alberta’s health care accountability framework was developed in response to identified inadequacies in both the Federal-Provincial Social Union Framework for Healthcare and Provincial Accountability Legislation. While the Social Union Framework and Accountability Legislation clearly called for increased public accountability and transparency, they did not sufficiently define the roles, responsibilities and accountabilities named in the legislation. In addition, the goals and objectives set out in these documents were too broadly defined and difficult to use in executing day-to-day accountabilities.
Alberta’s health care accountability framework consists of a series of guidelines meant to accompany its accountability legislation including clearly defined health care priorities, accountability expectations and measures, and a description of how the accountability system works. Also included in the guidelines are the governance expectations for the Alberta health authority boards and direction on how to perform an accountability assessment. The guidelines address accountability and performance expectations for both management and the health authority boards. On a going forward basis, it is Alberta’s intention to balance internal and external accountabilities to a broad cross-section of stakeholders. Alberta will also be following New Brunswick’s balanced scorecard approach which will require health care organizations to report on a variety of indicators related to all areas of their work performance.

**CDIC**

In CDIC’s experience, it was determined that failures of member organization were failures on the part of ‘directing minds’ of these organizations, caused by lack of sound management policies and procedures, and/or a failure to follow them. Often the normal checks and balances between senior management and the board were absent. In response to these failures, CDIC focused on applying and assessing governance and accountability standards to the policies and actions of the board of directors and senior management. The CDIC standards focus on an integrated set of general principles of accountability and reflect the reality of a changing business environment with a strong emphasis on good governance and sound risk management within an effective control environment.

The standards set out CDIC’s expectations regarding the business and financial practices of member institutions. They focus on enterprise-wide governance and management processes and define expected roles and responsibilities of the board of directors and management. The standards emphasize board independence and accountability in overseeing the institution’s operations, delegating responsibility to board committees and management, and selecting and evaluating qualified, capable senior management. The standards emphasize a proactive corporate risk management process. To this end, CDIC requires the board to understand and document significant risks to which the institution is exposed, to approve the appropriate risk management policies, and to review them on a regular basis to ensure that they remain adequate. The board of directors must ultimately satisfy themselves, on a regular basis, that an organization is ‘in control’ rather than just “rubber stamping” management decisions.

Management’s primary accountabilities include the identification and assessment of significant risks to which the institution is exposed, the development of appropriate risk management policies for the board’s consideration, management of risk in accordance with approved policies, development, monitoring and ongoing review of effective procedures and controls for management of risks, and to prepare for extraordinary events. Management’s accountability reporting requirements emphasize reports to the board on the management of significant risks.
and the effectiveness of procedures and controls in place to enable the board to assess whether the institution has an ongoing effective risk management program.

In conclusion, the standards are designed to move management and the board beyond financial reporting on what has happened, to what may happen in the future. CDIC’s focus on accountability in assessing member organizations, uses existing governance, policies and procedures to provide early warning signals to its management and Board on problems that may be developing within member organizations.
7. Lessons Learned

While there are potential positive effects of expecting to have to explain or account for one’s behaviour, actions and results; the introduction of accountability frameworks may be met with resistance, particularly where key parties to the accountability relationship have not participated in the development of the accountability framework. Imposing accountability after a decision or judgment is made may result in defensive rationalizations of behaviours, actions and decisions and strengthen commitment to the original decisions or judgments regardless of whether they were appropriate or effective.

The notions of the superior-subordinate relationship and chain of command are entrenched in the concept of accountability in many organizations. To appoint one organizational department, such as Internal Audit, to police, let alone define the actions and behaviours of the accountability relationship is likely to be met with resistance. Accountability assessments and compliance-based reviews may be perceived as a threat to management’s professional judgement, discretion and autonomy. In addition, there is no guarantee that Internal Audit is not suffering from weaknesses in accountability as well. Internal Audit must demonstrate its accountability by ‘walking the accountability talk’ if it is to be perceived as a credible leader and business partner in building accountability within the organization. It may actually be beneficial to promote the organizational accountability exercise using Internal Audit as a pilot accountability unit with subsequent rollout to other organizational units.

Accountability reporting is often not entirely controlled by the organization. Organizations must recognize and anticipate the role of the media, politicians and stakeholder interest groups in interpreting and reporting on accountability performance measures. Since it is often difficult to develop a general-purpose accountability report appropriate for all users, organizations should expect and be prepared to handle criticism. Again, building the accountability framework using a risk-based approach should ensure that major stakeholder needs are addressed.

The single largest contributing factor to building accountability appears to be commitment from senior management. Commitment to not only define and communicate critical accountability relationships, roles and responsibilities, but also commitment to monitor compliance with existing risk management frameworks, internal controls, policies, procedures and guidelines to assist in ensuring governance and accountability become embedded in the culture of the organization. Management may wish to reward the identification of significant risks and weaknesses in existing governance and accountability frameworks and be prepared to sanction failures to comply with these frameworks where warranted. A future-oriented accountability framework will limit unexpected results, critical or tragic events from occurring, and assists in ensuring that the organization fulfills its primary accountabilities.
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