

Taxpayer Accountability Principles: Strengthening Public Sector Governance and Accountability

June 2014



BRITISH
COLUMBIA

Executive summary

Provincial public sector organizations in B.C. will operate under new taxpayer accountability principles that strengthen accountability, promote cost control, and ensure the corporations operate in the best interest of taxpayers. The new Taxpayer Accountability Principles will be enshrined into the operation of provincial public sector entities:

- cost consciousness
- accountability
- appropriate compensation
- service
- respect
- integrity—including a requirement to establish a strong ethical code of conduct for all employees and executives.

The Crown corporation reviews and core reviews conducted to date have identified opportunities to enhance public sector governance and increase public sector accountability to taxpayers. These principles will be built into the ongoing business of the public sector entities to ensure the decisions they make reflect the priorities and values of government and their shareholders—the citizens of B.C.

The principles recognize that public sector organizations have a higher accountability to the taxpayer—above and beyond the traditional fiduciary duty to the organization.

Key actions that will flow from the new principles include:

- New mandate letter agreed and signed by all board members.
- New accountability requirement to evaluate and report to the minister against the taxpayer accountability principles.
- New deputy minister accountability to develop a strategic engagement plan with the public sector organizations.
- Orientations about the taxpayer accountability principles and expectations for ministers, public sector boards, DMs, CEOs and public sector staff.
- Simplified mandate letters and service plans that clearly align with the taxpayer accountability principles and government's strategic mandate.

Scope and application

The taxpayer accountability principles apply to all provincial public sector organizations, including Crown corporations, health authorities and post-secondary institutions. Policy is being developed and is imminent for other public sector organizations and entities with which the provincial government has a contractual or service-delivery relationship such as BC Ferries and TransLink, even though they are and will remain outside the Government Reporting Entity.

Stronger governance in B.C.'s public sector

The Government of British Columbia is working to strengthen the economy and create more jobs to secure the future for its citizens.

This requires constant focus on maintaining a cost-conscious and principled culture, and the efficient delivery of services that stand the test of public scrutiny and help develop a prosperous economy in an environmentally sustainable manner. The foundation of this work is the government's commitment to controlling spending and balancing the budget.

In 2011, government announced it would review all Crown corporations to ensure taxpayers are protected and the interests of British Columbians are well served. These reviews have generated recommendations that are resulting in more effective governance, greater cost discipline and better alignment to government's strategic plan in the corporations subjected to the reviews. But these reviews also have broader lessons, both for other entities and government itself. These lessons, expressed as principles of public sector governance, will guide governance and operational decisions of British Columbia's public sector.

Through the implementation of taxpayer accountability principles, leadership teams in government organizations can support a change to a cost-conscious government that strengthens cost management capabilities and fosters a principled culture of efficiency and accountability at all levels.

The intention is to align government organizations' decisions and actions with the provision of government services that achieve the public policy objectives established by government on behalf of the citizens of British Columbia.

A principled framework for public sector governance

Government created policy guidelines for Crown corporations that, at the time, were considered to be leading edge in Canada. The *Budget Transparency and Accountability Act* provides the legislated accountability for service plans and annual reports in support of this framework.

Over time, the framework, guidelines and the annual Government Letters of Expectation have become routine in application, cluttered with administrative policy, and lacking in clear and measurable priorities. The original governance effectiveness has been diluted.

This lack of clear direction to guide principled decisions has led to decisions and direction by some public sector entities that appear inconsistent with the values of B.C. citizens and the priorities of government; the desired outcomes are not being delivered in a cost-conscious and principled manner. In some cases, the public has come to believe that some government entities are acting on their own behalf and represent the interests of their executive and management team, which demonstrates a lack of respect for the shareholder: the citizens and taxpayers of British Columbia. Board members and governors of public sector entities need to understand their role as representatives of the shareholder and their fiduciary duty to the citizens and taxpayers of the province.

Government organizations are not independent of scrutiny or unaccountable for the management of taxpayer dollars, particularly executive compensation and changes to public services without adequate consultation. Otherwise, public understanding and satisfaction with the government services deteriorates, affecting the overall shared trust in government.

Results of recent public sector entity reviews have revealed significant inefficiencies and a lack of understanding by the organizations with respect to the shared public trust and the shared public scrutiny between the government and the broader provincial public sector.

The reviews of BC Hydro, TransLink, ICBC and Community Living BC focused on areas where there was a lack of alignment with government's priority of cost containment and service delivery. The reviews revealed issues of significant growth in management, compensation, operating costs and challenges in meeting the need for cost-effective service delivery, in spite of the economic downturn. The reviews recommended that the boards set clear direction to institute a culture of cost consciousness and financial discipline across the organization.

There needs to be better understanding among provincial public sector entities of their role in achieving public policy, particularly with respect to providing quality service to customers (B.C. citizens) at a price that is cost-conscious. Government has taken a number of actions to address these challenges and revitalize its relationship with public sector entities:

- Implementing a new executive compensation framework for Crown corporations in July 2012, which supports a more consistent and rigorous approach to executive compensation in Crown corporations, aligned with government values.
- Establishing semi-annual Crown board chair meetings with the Minister of Finance to discuss government priorities.
- Holding formally established quarterly meetings between ministers, board chairs, deputy ministers and CEOs to discuss relevant and current corporation business, including reviewing achievement of the goals, objectives, performance measures, financial targets and risk assessments identified in the corporation's service plan.
- Furthering reviews of government organization compensation to address the need for a standardized rigorous approach that aligns with the common public sector principles and a stronger accountability framework for compensation across the public sector.
- Creating a Deputy Ministers Committee on Crown Corporations with a purpose of ensuring that the Crown corporations and other identified agencies are aligned with government priorities and that government's expectations, in its role as shareholder for the Crown corporations, are effectively and consistently communicated and acted upon.

There is still a need to establish stronger and clearer relationships across the whole public sector. This is required to promote strategic collaboration and ensure public funds are spent in a more responsible manner that meets the needs and expectations of their primary shareholder and steward of public resources: the government on behalf of the citizens of British Columbia.

New taxpayer accountability principles

This government intends to further strengthen accountability, improve the management of public funds, and revitalize the relationship between government and public sector organizations.

Increased communication with respect to government direction, accountabilities and alignment with strategic priorities will ensure:

1. Better understanding of the government's mandate, including fiscal responsibility.
2. Actions and decisions that are consistent with government's mandate and priorities.
3. A cultural shift in the broader public sector to drive a principled, cost-conscious approach to efficient public service delivery.
4. Board members act independently from the organization's executive and have the best interests of taxpayers and shareholder as their primary consideration.

The executive level of the public service has a key role in building these relationships, setting the tone and driving a cost-conscious, principled culture from the ministry to the broader provincial public sector.

All public sector organizations will adopt a common principled culture emphasizing cost consciousness and public accountability.

Taxpayer accountability principles

- | | |
|-------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>1 Cost consciousness (Efficiency)</p> | <p>Strengthen cost management capabilities and foster a culture of cost-consciousness at all levels of public sector organizations. Provide public services and programs as efficiently and effectively as possible to “bend the cost curve” and support sustainable public policies and programs as a lasting legacy for generations to come.</p> |
| <p>2 Accountability</p> | <p>Transparently manage responsibilities according to a set of common public sector principles in the best interest of the citizens of the province. By enhancing organizational efficiency and effectiveness in the planning, reporting and decision making, public sector organizations will ensure actions are aligned with government’s strategic mandate.</p> |
| <p>3 Appropriate Compensation</p> | <p>Comply with a rigorous, standardized approach to performance management and employee compensation, which reflects appropriate compensation for work across the public sector that is consistent with government’s taxpayer accountability principles and respectful of the taxpayer.</p> |
| <p>4 Service</p> | <p>Maintain a clear focus on positive outcomes for citizens of British Columbia by delivering cost-efficient, effective, value-for-money public services and programs.</p> |
| <p>5 Respect</p> | <p>Engage in equitable, compassionate, respectful and effective communications that ensure all parties are properly informed or consulted on actions, decisions and public communications in a timely manner. Proactively collaborate in a spirit of partnership that respects the use of taxpayers’ monies.</p> |
| <p>6 Integrity</p> | <p>Make decisions and take actions that are transparent, ethical and free from conflict of interest. Require the establishment of a strong ethical code of conduct for all employees and executives. Serve the citizens of British Columbia by respecting the shared public trust and acting in accordance with the taxpayer accountability principles.</p> |

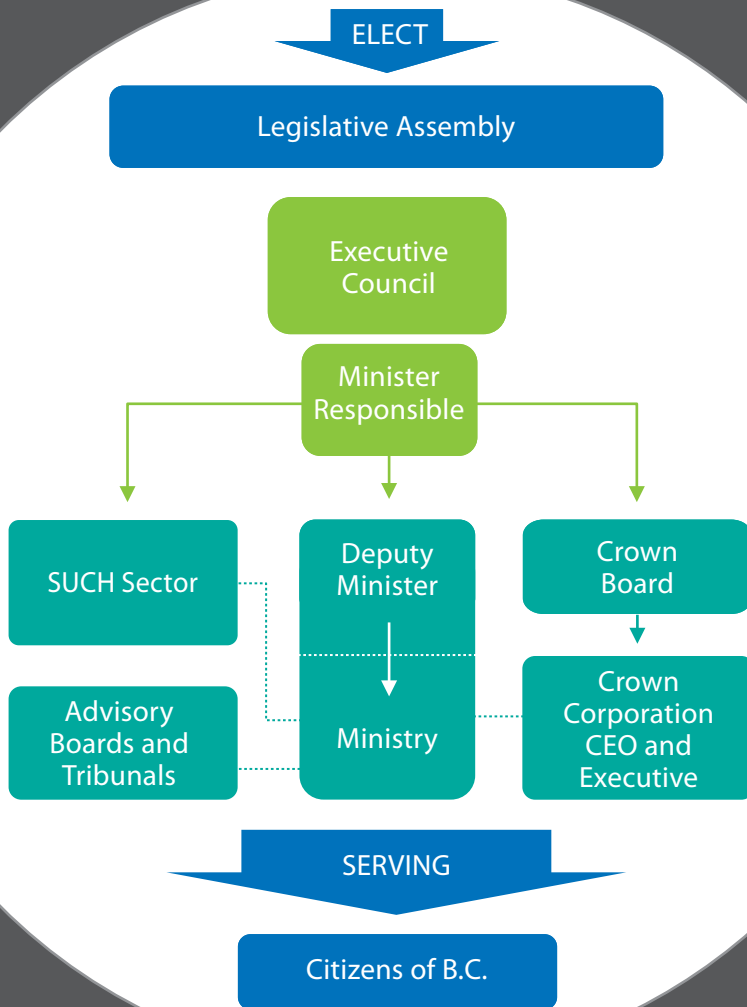
Implementing the common taxpayer accountability principles

Government will implement these common taxpayer accountability principles across the broader public sector. Taxpayers expect the agencies they fund with their tax dollars will adhere to the same standards of fiscal responsibility and transparency as the government they elect.

Action plan	Status
1 Government defines the taxpayer accountability principles that will apply to all public sector organizations. These principles, which will also require an ethical code of conduct, form the basis of an agreement between the government and public sector boards.	Complete and ready for implementation
2 The taxpayer accountability principles form the basis of an orientation about the government strategic mandate for all ministers, public sector board members, deputy ministers and CEOs. The orientation will promote understanding of the principles and will be signed by the participants. This will be an ongoing process and all new appointments will receive the strategic mandate orientation.	Principles will be enshrined in ministerial mandate letters in 2014-15
3 Government will provide guidance to public sector entities on standards of conduct, from which public sector organizations will develop comprehensive codes of conduct that will apply throughout their organization.	To be completed by November 2014
4 All public sector boards will annually receive new mandate letters from their minister responsible. All board members will sign the mandate letter and the letters will be posted publicly, enhancing their accountability to government's strategic mandate.	Transitional letters on the principles 2014-15; new mandate letters finalized for 2015-16
5 An annual Chair/CEO report letter with respect to the organization's performance concerning the mandate letter expectations to be established as a new accountability requirement.	Published with 2015-16 Annual Service Plan Reports
6 Regular meetings will be required between ministers and board chairs, and deputy ministers and CEOs that focus on performance against the taxpayer accountability principles, results and strategic decision making.	Quarterly meetings each fiscal year, starting 2014-15
7 Ministries, in collaboration with the organization, will develop an evaluation plan with specific efficiency and performance measures as determinants of the organization's health and performance, against the taxpayer accountability principles, which could include annual feedback from government.	First report to be published with 2015-16 Annual Service Plan Reports.
8 A new accountability established for deputy ministers to develop a strategic engagement plan with their public sector entities to work more effectively together and to hold the entity accountable for the outcomes and measurements identified by the minister responsible, in consultation with the respective board chair.	Accountability established for 2014-15 fiscal year
9 Public sector entities to undertake more comprehensive and appropriate communication, orientation and training regarding the accountability framework, the taxpayer accountability principles, roles and expectations for their boards and executive.	Execution expected in 2014-15
10 Institutionalize semi-annual board chair/CEO/DM meetings with members of the Executive Council.	Two meetings in 2014-15.
11 Service plans and process to be streamlined and simplified, resulting in stronger accountabilities, efficiency measures and clarified roles, to become a truly useful document that clearly and simply aligns with the taxpayer accountability principles and government's mandate, while maintaining reporting requirements of the BTAA.	To be completed in 2015-16.

Governance and Accountability in the Provincial Public Sector

Citizens of B.C.
(Taxpayers and Shareholders)



6

Taxpayer Accountability Principles

EFFICIENCY | ACCOUNTABILITY | APPROPRIATE COMPENSATION | SERVICE | RESPECT | INTEGRITY

Executive
Compensation
Framework

Approved
Compensation
Plans

Annual
Disclosure

Standards of
Conduct

Organizational Code
of Conduct

Report on How Organization
is Meeting Principles

Two-way
Communication
with Government

Engagement
Plan, Regular
Meetings and
Orientation

Accountability
Mechanisms

Mandate
Letter

Annual
Chair/CEO
Report on
Mandate

Budget
Transparency
and
Accountability
Act

Service Plan
and Annual
Service Plan
Report