ACCOUNTABILITY LEGISLATION: IMPLICATIONS FOR FINANCIAL AND PERFORMANCE REPORTING

Daphne Rixon*

Abstract

The purpose of this case study is to first examine the implications of accountability legislation on the financial and performance reporting of a public sector agency in the Canadian province of Newfoundland and Labrador and secondly, to compare the level of accountability with Stewart's (1984) ladder of accountability. This paper is based on the first phase of a two-phase study. The first phase focuses on the initial impacts of accountability legislation on agencies and the challenges created by the legislation's 'one size fits all' approach. The second phase of this study will examine the impact of the legislation on stakeholders after it has been in operation for five years. The second phase will include interviews with stakeholders to ascertain the level of satisfaction with the new legislation. The first phase of the study is significant since it highlights how governments could consider stakeholder needs when drafting such legislation. This research contributes to the body of literature on stakeholder accountability since there is a paucity of research focused specifically on the impact of accountability legislation on public sector agencies. An important contribution of this paper is the introduction of a framework for legislated accountability reporting. The main theoretical frameworks used to analyze the findings are Stewart's (1984) ladder of accountability in conjunction with Friedman and Miles (2006) ladder of stakeholder management and engagement.

Keywords: Accountability Legislation, Financial Reporting, Performance Reporting

** Department of Accounting, Sobey School of Business, Saint Mary's University, 923 Robie Street, Halifax, NS, Canada, B3H 3C3*
E-mail: daphne.rixon@smu.ca

1 Introduction

As public sector accountability has taken on increased significance, local and federal governments have implemented a wide array of accountability mechanisms and one of the most recent initiatives is the introduction of accountability legislation. One of the key features of accountability legislation is the requirement for strategic planning, multidimensional performance reports along with quarterly and annual financial reports. Such legislation generally extends beyond government departments to include all government agencies. Its application to agencies is important since governments in recent years have devolved various key services to agencies in an effort to improve efficiency, effectiveness and cost control. This devolution of services to agencies is taking place at a time when more than ever, the public is demanding and setting high expectations for governments to be held to a high standard of accountability to stakeholders. These accountability expectations permeate through to public sector agencies.

The purpose of this case study is to first examine the implications of accountability legislation on the financial and performance reporting of a public sector agency in the Canadian province of Newfoundland[1] and Labrador and secondly, to compare the level of accountability with Stewart's (1984) ladder of accountability. In Newfoundland the increased prominence of accountability culminated with the passing of its Transparency and Accountability Act (the Act) which is undoubtedly the single greatest influence on stakeholder reporting in this province. This legislation was introduced as part of the government's ongoing efforts "to enhance the transparency and accountability of the government and government entities to the people of the province" (Transparency and Accountability Act, 2004). The Act and its accompanying guidelines (Transparency and Accountability Office, 2005) are detailed and specific with respect to developing, monitoring and reporting on an organization's strategic plan. This paper is based on the first phase of a two-phase study. The first phase focuses on the initial impacts of accountability legislation on agencies and the challenges created by the legislation's 'one size fits all' approach. The second phase of this study will examine the impact of the legislation on stakeholders after it has been in

[1]Although constitutionally, Newfoundland is known as Newfoundland and Labrador, for simplicity the province will be referred to as Newfoundland

operation for five years. The second phase will include interviews with stakeholders to ascertain the level of satisfaction with the new legislation. The first phase of the study is significant since it highlights how governments could consider stakeholder needs when drafting such legislation.

It is timely to study the impact of legislated accountability since many jurisdictions have introduced similar accountability legislation in recent years. This research contributes to the body of literature on stakeholder accountability since there is a paucity of research focused specifically on the impact of accountability legislation on public sector agencies. An important contribution of this paper is the introduction of a framework for legislated accountability reporting. The main theoretical frameworks used to analyze the findings are Stewart's (1984) ladder of accountability in conjunction with Friedman and Miles (2006) ladder of stakeholder management and engagement.

The paper is organized as follows. The next section reviews the literature on public sector accountability. The research methodology is described in the third section. The fourth section presents the findings and analysis and introduces a framework for legislated accountability. The final section provides a summary of the findings and concluding comments.

2 Accountability and the Public Sector

Accountability is defined by Rosenfield (1974, p. 125) as the "justifiable holding of one to account for personal actions where justifiability is conferred by an authority relationship between the persons involved". The traditional view of accountability is based on the concept of management providing an account to the shareholders, owners and creditors on how the resources of the company have been managed. In contrast, accountability in the public sector is significantly broader in scope than that associated with the private sector. While the private sector focuses on financial results and the creation of shareholder value, the public sector encompasses a diverse group of stakeholders, which often includes most citizens, taxpayers, funders, consumers, elected officials, professional groups and public sector managers, along with myriad of accountability expectations (Brignall and Modell, 2000, Kloot and Martin, 2000, Mayston, 1985).

The role of accountability in the public sector where there is no profit motive or market mechanism (Pallot, 1992) has been explored by several researchers. This strand of literature focuses on acceptable performance, as demonstrated through efficiency, effectiveness, economy, availability, awareness, extensiveness and acceptability (Clarke, 1984; Hopwood, 1984; Pollitt, 1986). The contrast between the public and private sector definitions of accountability is explored by Stewart (1984) who maintains that the range of public accountability is much broader and has fewer pre-determined standards than commercial accountability, which is expected to compare to market standards. Stewart acknowledges that although public accountability may appear simple, its application, particularly to the various forms of government organizations, is challenging. While public sector agencies should be accountable to citizens, Coy and Pratt (1998) contend that it is the responsibility of government, through politicians, to ensure that those entrusted with public assets are held accountable. In the case of public sector agencies, government has the power to hold these agencies to account. Accountability legislation is a prime example of government using its power to hold agencies and departments to account.

The primary accountability mechanisms of most organizations is the annual report, comprised of financial statements, key performance information and many cases a strategic plan. According to Oakerson (1989) and Kearns (1995), the concept of accountability has expanded well beyond its core sense of being called to answer for one's actions and their consequences. This broadening of accountability has resulted in extending the account beyond written reports. A good segment of the accountability literature explores dialogue as a vital component of accountability. Dialogue with citizens which is described by Roberts (2002, 650) as "a process of mutual understanding that emerges when participants treat each other with equality, not coercion, and when they listen empathically to one another's concerns in order to probe their fundamental assumptions and world views". Indeed, several scholars have pointed out that accountability encompasses responsiveness to the needs of clients and interest groups as well as dialogue and solicitation of input from citizens, customers, stakeholders, and constituents regarding their desired performance information (Shelton and Albee, 2000; Mulgan, 2000; Goddard and Powell, 1994).

Beyond the written reports, another strand of the accountability literature emphasizes peer comparisons. Stakeholders are increasingly demanding comparative benchmark information which they can use to evaluate performance. Ammons (1995 and 1999) contends that peer comparisons through interjurisdictional standards serve as a basis of performance that could capture public interest and inspire improved reporting and accountability. He argues that public interest will increase when the key performance indicators selected are conducive to cross-jurisdictional comparison. Ammons (1999) advocates comparison of performance statistics in one's organization to appropriate external pegs such as professional standards, state or national statistics or the performance targets and results of selected counterparts.

The introduction of accountability legislation is not the first initiative to hold governments accountable for effective and efficient service delivery. There is a considerable body of literature that examines value-for-money, best value, efficiency, effectiveness, economy, performance review and benchmarking (Humphrey et al, 1993; Palmer, 1993; Keenan, 2000; Boyne et al, 2002). In addition, the concept of new public management (NPM) (Guthrie and English, 1997; Guthrie, 1993) which is based on the premise that the public and private sectors should be managed on the same basis, has played a key role in increasing awareness of accountability. NPM focuses more on management than policy making and on accountability for results rather than process; it encompasses decentralization, modernization, increased client focus, increased contracting out and increased attention on efficiency and effectiveness (Hoque and Moll, 2001; Hyndman and Eden, 2000; Mwita, 2000).

One of the most widely-used accountability mechanisms is Kaplan and Norton's (1992) Balanced Scorecard (BSC). The BSC framework organizes strategic objectives into four perspectives: (1) financial – growth, profitability and risk; (2) customers – strategy to create value to customers; (3) internal business processes – create customer and shareholder satisfaction; and (4) learning and growth – climate that supports organizational change, innovation and growth. Talbot (1999) contends that the BSC is a holistic approach to accounting for organizational performance since it encompasses several performance initiatives: Total Quality Management, Just-in-Time, lean production, customer focus, Activity Based Costing, employee empowerment and process re-engineering. The BSC is used increasingly in the public sector; for example, Chan (2004) explored the use of the BSC by municipalities in Canada and the United States while Chow et al (1998) examined its use in the healthcare sector.

Despite the popularity of the BSC framework with its wider lens to evaluate performance, it does not distinguish among the differing needs of stakeholders for a range of accountability information as advanced by Stewart (1984) and does not incorporate stakeholder involvement as advocated by Friedman and Miles (2006). In their ladder of stakeholder management and engagement, Friedman and Miles distinguish stakeholder consultation from stakeholder involvement. They point out that consultation is based on soliciting feedback on issues which have been determined by management. This is a passive approach and consequently, the concerns of stakeholders may be ignored. In contrast, they describe stakeholder involvement as a process whereby stakeholders have a pivotal say in the direction of the organization. Involvement can be achieved through round table meetings where stakeholders can advance their own ideas rather than passively provide feedback on management's plans.

Clearly, governments are striving to improve accountability to stakeholders as evidenced through their many performance evaluation and accountability initiatives. The introduction of best value, value-for-money and increased emphasis on NPM can be viewed as steps on a continuum of greater accountability for improved efficiency and effectiveness. Accountability legislation appears to be yet another step on this continuum. However, there is a lack of research on the implications of such legislation on accountability of agencies and whether it actually improves accountability beyond the level attained by the myriad of previous government accountability initiatives.

3 Methodology

Before outlining the research method, this section provides a brief overview of the focal organization that has been selected for this case study, the workers' compensation agency in the province of Newfoundland and Labrador, Canada. It is operated by a government-appointed Board of Directors comprised of three union representatives, three employer representatives, three public members and the Assistant Deputy Minister of Labour. Its purpose is to provide wage loss, health care, rehabilitation and long-term disability benefits to workers who are injured during the course of their employment. Workers' compensation is mandatory, collective liability system is compulsory for employers and workers and is funded solely through employer premiums based on the risk level of their industry (Rixon, 2010a). The WCB in Newfoundland was chosen for this study because it had a strategic plan and BSC in place several years before the legislation was introduced. The WCB used its BSC to report to stakeholders on its progress in attaining the strategic plan goals and targets. The accountability legislation applies to all government departments and agencies and does not make any distinction in its application to those required to comply with public or private sector accounting standards.

The methodology employed in this case study is comprised of a documentary review of the Newfoundland Transparency and Accountability legislation and accompanying guidelines, the WCB 2005 Annual Reports and BSC reports. A documentary review is an appropriate method for this study since it facilitates a detailed comparison of the requirements of the accountability legislation with the agency's existing stakeholder reporting mechanisms. Since the agency had developed, prior to the introduction of the accountability legislation, a strategic plan and BSC for the period 2002-2006, this provides an ideal basis of comparison to the government's new reporting requirements under the accountability legislation. This study was conducted for 2005, the first year of application of the legislation in order to evaluate the agency's level of existing compliance and to identify the changes required for the agency to fully comply with the legislation. The paper compares the level of accountability achieved by this legislation (Table 1) to Stewart's (1984) ladder of accountability. One aspect of the legislation includes stakeholder feedback. Since Stewart's ladder of accountability does not specifically address feedback, two of the steps of Friedman and Miles' (2006) ladder of stakeholder management and engagement, feedback and involvement, are utilized to analyze the feedback component of the legislation.

Table 1. Ladder of Accountability

Bases of Accountability	Description
1. Probity and legality	Probity – ensures that the funds are used properly and in the manner authorized; fiscal accountability is concerned with whether the funds were expended appropriately. Legality – ensures that the powers given by the law are not exceeded.
2. Process	Encompasses whether the procedures used were adequate in terms of time and effort; considers efficiency to ensure there is no waste in the use of resources and administration to ensure that there is no maladministration
3. Performance	Considers whether the performance achieved meets required standards – output data must be added to financial data
4. Programme	Concerns whether the work carried out met the goals; is the agency achieving its objectives.
5. Policy	There are no set standards used in the formulation of policy; government is ultimately accountable to the electorate for its policies

Source: Stewart (1984: pp. 17 – 18

4 Case Study Findings: Discussion and Analysis

To recognize differences in mandates and operations of government organizations, Newfoundland's accountability legislation classifies government entities according to their complexity and size. As illustrated in Table 2, Category 1 entities, which include large organizations such as school boards and hospitals, are required to prepare strategic plans. The WCB meets the Category 1 criteria since it is a separate legal entity, it has its own administrative structure and it determines its operating budget. The 'moderate to high' public interest in its activities fits with the current environment where there is moderate general public interest, but high interest in the WCB by employers and (potential) injured workers. Category 2 entities are expected to prepare business plans; this category includes research bodies such as the Provincial Advisory Council on the Status of Women. Category 3 entities are typically small, specifically mandated organizations including certification panels and appeal boards; they are expected to prepare activity plans.

Table 2. Criteria to Classify Public Bodies

Criteria	Category 1	Category 2	Category 3
Established organizational structures	Yes	Varies	No
Distinct administrative supports	Yes	Varies	No
Operating budgets	Yes	Yes	Varies
Going concerns/legal entities	Yes	Yes	Varies
Public interest in activities	Moderate to high	Low to moderate	Low to moderate
Fiscal impacts to province	Moderate to high	Low to moderate	Low

Source: Treasury Board (2000), p. 13

To provide direction in implementing requirements of the Transparency and Accountability Act, the Treasury Board[1] provided guidelines to assist departments and agencies develop strategic plans and BSC's. The guidelines advise public organizations to move beyond providing information on resources, activities and outputs, but to also capture information on effectiveness in achieving goals and objectives (Transparency and Accountability Office, 2005). The guidelines emphasize the importance of strategic plans including: (1) vision, mission and values; (2) review of environmental factors; (3) identification of strategic issues facing the organization; (4) goals and objectives; (5) description of priorities and strategies; and (6) performance measures to evaluate progress in achieving goals and objectives (Transparency and Accountability Office, 2005). The wider accountability created by this legislation and its guidelines are consistent with the findings of

[1] Treasury Board provides consultative services and support to departments and feedback to Cabinet.

Goddard and Powell (1994), Mulgan (2000) and Stewart (1984) who contend the concept of accountability should be broadened to include the information needs of various interest groups. In effect, this Act widens public sector performance reporting for all government organizations.

Government's accountability guidelines for Category 1 entities, which are the focus of this study, are depicted in Table 3, along with an indication of the WCB's compliance. This comparison was based on the Guidelines for Annual Performance Reports (Transparency and Accountability Office, 2005) and the WCB 2005 Annual Report which included its Balanced Scorecard. Table 3 also compares and correlates government's accountability reporting requirements to Stewart's (1984) ladder of accountability.

Table 3. WCB Compliance with Government's Accountability Framework

Government Accountability Guideline	**WCB Compliance**	**Level of Accountability**
Strategic plan • Strategic plan submitted every 3 years • Vision, Mission, Goals • Strategies • Performance objectives • Measures, Targets	Strategic Plan • 5-year strategic plan • Yes • Yes • Yes • Yes	Performance Programme
Annual Performance Report • Executive summary • Summary of approved strategic plan, including goals and objectives • Summary of program strategies used to meet goals and objectives • Summary of financial report • Comparison of actual performance to desired results • Variance explanations	Yes Yes No Yes Yes, but only for categories included in BSC No	Programme
Annual Operational Plan and Budget	Yes (internal distribution only)	Probity and Legality Performance Programme
Quarterly Financial Report • Original budget • Year-to-date balances • Projected revised • Variance explanations	No	Probity and Legality Process
Annual Financial Report • Audited financial statements • Management letter from external auditors • Response to management letter	Yes Yes Yes	Probity and Legality
Feedback	Yes	Programme

Adapted from Transparency and Accountability Office (2005) and Stewart (1984)

The following sections analyze the WCB's compliance with the accountability reporting requirements and identify the extent of existing adherence and changes required to achieve compliance. The paper also examines areas where the legislated reporting conformity creates challenges. Finally, level of accountability attained by the legislation is compared with Stewart's ladder of accountability and concludes with the introduction of a framework for legislated accountability.

Strategic Plan

The WCB complied with the requirement to implement a strategic plan, but its plan covered five years rather than the specified three years. Results of the case study indicate that some WCB strategic plan targets for 2006 had been achieved as early as 2002 and 2003, but they were not revised for the remaining years of the plan. A three-year plan facilitates frequent updates to reflect current experience and might address some of the issues encountered with a five-year plan. Conversely, a five-year plan may better reflect WCB operations and the long-term nature of aspects of its strategic initiatives. For example, an initiative to reduce the number of injured workers receiving long-term disability benefits (LTD) benefits requires a lengthy timeframe since workers receive short-term disability benefits during their medical recovery and would not likely be considered for LTD until at least two years after the injury. Therefore, any benefits derived from programme changes would not likely be realized until three to five years from the time the strategy is introduced. Consequently, there is merit in the legislation allowing agencies to have a choice of three years or five years to implement their strategic plans, but those opting for five-year timeframes would need to include periodic review and revision processes. While the Act's requirement for three-year plan rather than a five-year plan, does not necessarily constrain accountability to government, it might have a negative impact on accountability to stakeholders since a three-year timeframe is not as meaningful for the WCB industry as a five-year plan.

One major area of concern with the Act relates to its requirement to submit strategic plans to government for approval. This requirement might appear to weaken agencies' arms length operating status since it gives government more control. Typically, when services are devolved to agencies, they are granted a significant degree of autonomy. The accountability legislation appears to restrict this autonomy by exercising greater control over the strategic planning process. This level of control might be appropriate for departments but not necessarily for agencies and is therefore an example of where the 'one size fits all' approach of the legislation may not enhance accountability. It could be argued that it is sufficient for the Act to require agencies to have a strategic plan that is approved by their Board of Directors (who are government appointees). Overall, the introduction of accountability legislation places government in the position of an intermediary for the public in ensuring that agencies and departments fulfill their obligations. In the case of the WCB, the legislation enables government to hold the agency to account to ensure the needs of funders (employers) and beneficiaries (injured workers) are met.

Another limitation of the accountability legislation is the lack of a requirement for agencies to provide comparisons to similar organizations. Increasingly, public sector agencies are expected to compare their results with other government organizations, and the importance of such comparisons in demonstrating accountability cannot be underestimated. Ultimately, comparability plays a central role demonstrating accountability as it creates pressure for public sector entities (such as hospitals and workers' compensation agencies) to explain their results relative to their respective counterparts. Interjurisdictional comparisons would be beneficial to stakeholders in evaluating performance through the establishment of realistic benchmarks which could heighten awareness and improve the quality of the benchmarks (Ammons, 1995 and 1999). For example, if an organization's targets are significantly lower or higher than its counterparts in other jurisdictions, this could indicate they might not be sufficiently challenging or may be too stringent. Conversely, it could be argued that if comparative interjurisdictional benchmarks are critically important, this should be reflected in the strategic plan targets. Moreover, if the organization's strategic plan does not strive to achieve performance at a level of other jurisdictions, this could mean they have differing strategic objectives.

The WCB strategic plan correlates with the process, performance and programme rungs of Stewart's ladder of accountability. These three rungs all play a pivotal role in the agency's demonstration of accountability. The strategic plan includes measures that are used to evaluate efficiency, effectiveness and economy (Pollitt, 1986) as well as acceptability of service. These measures are highly relevant since governments devolve services to agencies to attain the efficiency, effectiveness and economy associated with commercial enterprises. Wider performance outcome information in the form of a strategic plan and BSC (Kaplan and Norton, 1992) reflect the programme step on Stewart's ladder. However, merely having a strategic plan does not guarantee improved accountability, particularly in situations where the targets are not sufficiently stringent and when meaningful interjurisdictional comparative benchmarks are not provided.

Annual Performance Report

The accountability guidelines require an annual performance report that includes a summary of program strategies used to meet the organization's goals and objectives. As illustrated in Table 3, the WCB met most of the criteria, but did not include a comparison of budget to actual performance. After Board approval of the strategic plan, management develops the budget to aid in achieving the plan. Consequently, it could be argued that the focus should be on the strategic targets rather than the one-year operationalization of the overall plan. In addition, the discussion of its program strategies and variance explanations were limited. Perhaps the legislation and related guidelines are too prescriptive. The comparison of actual to budget results was provided for senior management and the Board of Directors, but was not publicly reported. More detailed discussion of program strategies and variance explanations of budget to actual performance would give stakeholders a better understanding of why certain strategies are pursued and how various programs are designed to support the strategy. Overall, the legislation's requirement for an annual performance report meets the performance and programme rungs of the ladder of accountability (Stewart, 1984) since it requires reporting on achievement of the strategic plan, goals and targets; summary of program strategy; and comparison of actual performance to desired results. The content of the annual performance report is an area where the legislation is too prescriptive for an agency. Such detailed guidelines would likely be better suited to a line government department or a category 2 or 3 organization.

Annual Operational Plan and Budget

The Act specifies that departments and agencies publish annual operational plans and budgets. As depicted in Table 3, the WCB prepared operational plans and budgets, but did not disseminate them to stakeholders or to government. Despite the lack of dissemination, this practice could nevertheless be viewed as demonstrating stakeholder accountability indirectly to the public since Board members were comprised of individuals selected to represent the interests of employers, workers, government and the public at large. That being said, there is merit in releasing the annual operational plan since it provides stakeholders with more detailed information on how the agency intends to achieve its longer-term goals. Prior to the introduction of the Act, annual budgets and operational plans were not a legislated requirement. Rather, budgets were developed by management to support the annual operational plans and were approved by the Board of Directors. Therefore, it is feasible for the agency to release its annual operational plan and budget, since the information is already available for use internally. As noted in the previous section, this requirement of the Act is somewhat prescriptive and is becoming too involved in the day-to-day operations. The budget and operational plans are developed by management to ensure the agency achieves its five-year plan. Perhaps a more effective accountability that government could impose would be the requirement to have a board-approved strategic plan and leave the decisions to the Board and the agency CEO as to how to achieve the plan.

Information concerning operational plans and budgets reflect the probity, performance and programme rungs of Stewart's (1984) ladder of accountability since it demonstrated that funds were used appropriately and in the manner authorized. It also reflected performance and programme steps on the ladder of accountability since it represented elements of the five-year plan that had been cascaded down to departments to be achieved in one-year timeframes.

Quarterly Financial Report

The accountability guidelines require quarterly financial reporting of actual results with comparisons to the original budget along with year-to-date balances, projected revenues and variance explanations. As shown in Table 3, the WCB's quarterly financial report was prepared on a cash basis rather than on an accrual basis. It was used for internal purposes only and was not made available to the public. This internal quarterly financial report focused on budgeted and actual performance for administration and capital expenditures as well as benefit payments to injured workers. Benefits paid to injured workers were reported on a cash basis since liabilities for claimant benefits were calculated on annual basis by external actuaries. Although the agency did not publicly release quarterly financial reports, this was partially mitigated through its provision of a quarterly BSC which included information regarding the number of injuries, number of weeks duration, wage levels, investment income and premium revenue levied from employers.

The requirement for quarterly financial statements is an area where the reporting rules associated with this legislation do not benefit all government organizations. In the case of the WCB, quarterly accrual financial statements would require the calculation of the benefit liabilities for future claimant expenditures on a quarterly basis. This would not likely produce meaningful information since there are fluctuations in injuries and claims processing times from one quarter to another. At the end of each fiscal year, the WCB can only estimate how many workers injured in the current year will eventually be entitled to long-term disability benefits along with estimates of the age and wage levels of potential recipients. This is somewhat unique in comparison to other government entities such as pension plans that calculate liabilities with a reasonable degree of certainty since the age and wage levels of recipients are known. Similarly, the reporting of premium revenue on a quarterly basis, especially in the first quarter would not be particularly meaningful since many industries are seasonally-based; this includes the fishery and construction industries. Revenue is levied as a function of payroll and is consequently impacted by the limited numbers of fishery and construction workers hired during the winter and spring periods. On the surface, it would seem that quarterly accrual financial statements should be a standard element of reporting, but in the case of the WCB, it could present major issues. This is an area where government in developing its transparency and accountability reporting guidelines did not consider the unique needs of agencies such as the WCB.

The requirement for quarterly financial reporting correlates with the probity and process rungs of Stewart's (1984) ladder of accountability. Quarterly reports play an important role in evaluating an organization's progress in achieving its annual operational plan and budget since it provides stakeholders with timely information rather than waiting until year-end. However, results of the case study found that quarterly reporting that includes accrual financial statements may not necessarily provide meaningful information. Consequently, it may be prudent to report quarterly on certain but not all aspects of operations. Such flexibility in the legislation would enhance accountability since it would enable agencies to report information that would be meaningful for stakeholders.

Annual Financial Report

The WCB's annual report included audited financial statements, management discussion and analysis, statistical data and an actuarial report. As depicted in Table 3, the WCB's financial statements provided two-year comparative actual results, but did not include budget comparisons. It could be argued that comparison of one year's actual results to budget is not that meaningful in the WCB context due to the long-term time horizons associated with some strategic plan objectives which may take three-to-five years to achieve. Rather, comparison of actual to budgets over a longer timeframe might be more beneficial. Budget information is readily available and could be publicly released. In addition, the expanded narrative of the programme strategy as discussed earlier could include information on the budget and timeframe for the plan. The requirement of the accountability guidelines to issue annual financial reports reflects primarily the lower probity and legality rungs of the ladder of accountability (Stewart, 1984).

Feedback

Stakeholder feedback is a core component of the Act. The WCB met this requirement through its semi-annual round table meetings with seventeen employer associations and fifteen trade unions. These meetings formed the basis of the agency's main communication vehicle with its stakeholders and fostered an environment of dialogue among stakeholders groups and agency management. The WCB started round table meetings at a time when the agency faced a severe financial crisis. This is similar to Roberts' (2002) finding regarding Minnesota's dialogue on public education which was employed largely to solve a major problem. According to Rixon (2010b) although the WCB did not utilize a formal feedback process in developing its strategic plan, there was limited opportunity for those stakeholder groups who were invited to participate in the round table meetings to comment on the plan. During these meetings, agency executives presented the results of the strategic plan along with variance explanations and participants had an opportunity to ask questions (Rixon, 2010b). These round table meetings were fairly passive since the strategic plan results were presented to stakeholders rather than actively inviting stakeholders to submit their own strategic proposals (Friedman and Miles, 2006).

A key aspect of accountability includes solicitation of input from citizens and stakeholders (Shelton and Albee, 2000; Mulgan, 2000). Although the legislation included stakeholder feedback, it did not specify the approach advocated by Freidman and Miles (2006) which would facilitate stakeholders' submission of proposals rather than passively responding to plans developed by management and the Board of Directors. Stakeholder feedback is an area where both the legislation and the WCB's approach could be strengthened by ensuring active stakeholder involvement rather than the existing passive consultation.

While Stewart's ladder of accountability is beneficial in evaluating a public sector agency's accountability mechanisms, the framework lacks a stakeholder engagement component. Consequently, Friedman and Miles' (2006) ladder of stakeholder management and engagement has been used to analyze the feedback aspect of the legislation. Dialogue is vital in determining stakeholder needs and expectations regarding programs and services offered by government and its agencies. Since the WCB already had a stakeholder dialogue process in place, it would be feasible to improve on processes and increase stakeholder involvement by expanding its meetings to include increased two-way dialogue and an opportunity for stakeholders to present their own proposals.

Framework for Legislated Accountability

The Transparency and Accountability Act correlates with all levels of Stewart's (1984) ladder of accountability. This is important since some stakeholders might be interested in only lower level information such as probity as reflected by provision of the financial statements while others would be interested in the higher levels such as performance and programme information provided in the BSC. The wider performance outcome information required by this legislation reflects the mandate of departments and agencies to provide information beyond financial reports in order to demonstrate accountability to stakeholders. Despite the correlation of the legislation with Stewart's ladder of accountability, this case study identified a number of concerns with the Act and its accompanying guidelines including the requirement for quarterly reporting on an accrual basis, lack of interjurisdictional comparisons and minimal stakeholder involvement. It could be argued that when applying the Act to agencies, particularly those that are classified as a category 1, it should be less prescriptive and more strategic in nature.

Figure 1 presents an expanded framework which enables governments to hold their departments and agencies to account, but is sufficiently flexible in providing meaningful stakeholder accountability reports. As depicted in Figure 1, the framework for legislated accountability incorporates Stewart's (1984) ladder of accountability in conjunction with expanded stakeholder involvement as advocated by Friedman and Miles (2006), and an extension of Newfoundland's entity classification scheme. Increased stakeholder involvement in developing an agency's strategic plan will help to ensure their needs are adequately considered. The extension involves adding a new category (reflected as 1 (b) in Figure 1) to accommodate those agencies whose operations necessitates a different type of reporting than other government organizations. This additional category reflects this study's findings that to be effective, accountability legislation needs to be flexible and provide reporting alternatives to reflect the unique operations of certain government organizations. The proposed framework recognizes that certain agencies have specialized industry reporting needs and that there is merit in comparing agencies to their peers on an interjurisdictional basis (Ammons, 1995 and 1999). Finally, the proposed framework for legislated accountability includes an option to use either a five-year or a three-year planning cycle, depending on which timeframe best meets organizational operating requirements.

Figure 1. Framework for Legislated Accountability

Stakeholder Involvement

Level of Accountability	Entity Category	Accountability Report	Focus of Accountability
Probity/Legality	All public sector entities	Audited financial statements; compliance with applicable legislation	Funds used appropriately; adhere to laws
Process	Category 3	Activity Plans	Compliance with procedures; no maladministration
Performance	Category 2	Business Plans	Output data added to financial data
Programme	Category 1 (a)	Strategic plan and balanced scorecard; annual performance reports and budgets	Work meets goals and objectives of organization
	Category 1 (b) GBE's and entities with industry specific standards	Industry comparisons; Industry specific reports; Quarterly reports for relevant items	
Policy	Government	Accountability legislation; specific legislation governing agencies	Accountability to citizens for service delivery

Source: adapted from Transparency and Accountability Guidelines (2005); Stewart (1984); Friedman and Miles (2006)

As depicted in Figure 1 there are several mechanisms which public sector agencies may utilize at each level of accountability. For example, it is expected that probity would be satisfied through audited financial statements, while legality would be addressed through a legislative compliance audit. All government organizations irrespective of their category are expected to provide audited financial statements and adhere to any applicable legislation governing their operations (probity and legality). Organizations classified as Category 3 are required to prepare activity plans and therefore are primarily interested in process, adherence to procedures and ensuring there is no maladministration. Category 2 entities are focused on performance outcomes and they are expected to prepare business plans that add output data to financial data. Category 1 entities are among the most complex and their focus is on programme delivery. At the programme level, the emphasis is on demonstrating that the organizations' work meets their respective goals and objectives. Reporting at the programme rung is comprehensive and includes a strategic plan and a BSC. At the programme level, the account must provide information on objectives and how well they are met. The policy level of Stewart's ladder of accountability is considered to be the responsibility of government rather than agencies and may be achieved through accountability legislation to ensure agencies are held to account.

As illustrated through this research, accountability is not necessarily enhanced through standardized rules-based reporting. According to Kassel (2008), many scholars have long argued that compliance with rules is not the best way to achieve accountability since it focuses on regulation and procedures rather than performance. This argument is further advanced by Osborne and Gaebler (1992) who contend that government organizations need to be freed from regulations, procedures and line-item budgets. Many of the arguments for and against rules-based accountability are also applicable to the accountability legislation. While the rules accompanying the legislation play an important role in enhancing accountability, it may, at the same time, constrain accountability. As this research found, the legislation is too prescriptive in certain aspects such as its three-year timeframe, annual budgets and requirement for accrual based financial statements on a quarterly rather than on an annual basis. In the case of agencies, it could be argued that accountability legislation should be balanced against the autonomy that is inherent with agencies. Perhaps it is sufficient for the legislation to mandate strategic planning that involves stakeholders, but grant the board and management the authority to implement and operationalize the strategic plan.

5 Conclusions

The objective of this paper was to first examine the implications for a public sector agency of legislated performance reporting associated with transparency and accountability legislation and secondly, to compare the level of accountability required by the Act to Stewart's (1984) ladder of accountability. The study showed that while the Act promoted wider performance outcome reports, there were also certain aspects that did not enhance accountability. The legislation and guidelines included requirements that were not flexible and did not take into consideration the specialized needs of certain agencies such as the WCB. The research illustrates the challenges and complexities associated with standardized rules-based accountability reporting. In other respects the accountability guidelines did not go far enough since they did not include comparative interjurisdictional benchmarks and more in-depth stakeholder involvement in strategic plan development. Clearly, as illustrated through this study, the current 'one size fits all' approach of rules-based accountability legislation does not address the needs of all government organizations and their stakeholders.

This research study makes two important contributions: firstly, the development of a framework for legislated accountability embracing financial statements together with wider performance information and secondly, the linkage of Stewart's (1984) ladder of accountability with Friedman and Miles' (1997) ladder of stakeholder management and engagement. This paper's framework for legislated accountability (Figure 1) contributes to the body of literature on legislated accountability reporting, with a particular focus on agencies. While it makes sense for accountability legislation to provide detailed guidance on operational matters for category 2 and 3 organizations, it may constrain the very independence and autonomy sought by government when devolving key public services to agencies. Although accountability legislation is beneficial to provide overall guidance for departments and agencies, it could be improved by allowing a degree of flexibility to meet the unique needs of certain government organizations as reflected in the proposed framework (Figure 1). Furthermore, such legislation would likely be just as effective by focusing on ensuring that category 1 agencies such as WCBs have strategic plans which are developed with the involvement of their stakeholders and is reported on regularly. Surely, the operational aspects of the strategic plan could be left to the agencies to manage.

This research provides insight into the implications of employing accountability legislation to demonstrate stakeholder accountability. Since there is a paucity of research in the area of accountability legislation, this study contributes toward an understanding of the issues. This is particularly timely in the context of increasing use of accountability legislation. The proposed framework for legislated accountability is not only relevant for the Newfoundland WCB, but with some modification for industry specific performance indicators and context, may be used in the wider public sector for government departments and agencies such as health care boards and school boards. As more governments introduce accountability legislation, it is timely that such a framework for legislated accountability be available for adoption.

Since this case study was based on one agency, it would beneficial to conduct research on other agencies, in other jurisdictions in order to examine whether accountability legislation enhances or constrains accountability in other settings that have enacted similar legislation. This documentary review of the legislated reporting requirements in comparison to the agency's existing reporting approach provides a foundation to conduct further research into stakeholders' perceptions of the impact of such legislation. Therefore, in the second phase of this study will WCB stakeholders will be interviewed to compare their views on an organization's demonstration of accountability before and after the introduction of accountability legislation to discern if the legislation actually made a difference in influencing the behavior of the accountees. This second phase will also examine how the legislation may have been adapted over its first five years and how the agency may have changed its accountability reporting to comply with the legislation.

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