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Accountability in Ontario's Public Colleges

A Discussion Paper

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Prepared for the

Association of Colleges of Applied Arts and Technology of Ontario

By

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Executive Summary:

Accountability, “the extent to which one must answer to higher authority for one’s actions” (Shafritz & Russell, 2000, p. 343), is a critical part of corporate and democratic life. In public institutions, sound accountability processes assure those in executive, governance, audit and ‘elected official’ roles that public resources are being honestly and effectively used for the purpose for which they were intended. Additionally, information available to a broader audience should demonstrate that public institutions are effectively and efficiently managed and successfully perform their mandated roles. Because it is central to the public’s trust in their institutions, accountability continues to be a media, political and public policy issue.

The Association of Colleges of Applied Arts and Technology of Ontario (ACAATO) commissioned this study of the policies and mechanisms through member colleges are answerable to government and to the public. This study summarizes 7 principles of effective accountability practice drawn from a review of the relevant literature. These are:

1. clear lines of answerability,
2. a clear definition of the “responsibilities” for which an organization’s leaders will be held accountable,
3. provisions for the reporting of performance,
4. defining and measuring “outcomes” and widely-recognized “core indicators” which relate ‘results’ to ‘purpose’, recognize the limits of unavoidable costs and available resources and which can be used systematically in decision making,
5. carefully balanced incentives,
6. relevant legal and financial rules and reporting to monitor compliance, and
7. a balance between the processes that hold organizations accountable and the authority needed to respond quickly to a dynamic marketplace.

This paper assesses the current accountability policies governing the operation of Ontario’s Colleges of Applied Arts and Technology (CAATs) against the above “effective practice” criteria. It concludes that the colleges are held to rigid and comprehensive controls over their financial and legal affairs, real estate dealings and entrepreneurial activity. Prior approval, audit, public financial reporting and Board governance practices ensure transparency.

College Boards are gaining somewhat greater authority over their traditional post-secondary programs but are held accountable for their performance. The obligation to measure and report student, graduate and employer satisfaction ratings, graduate job placement statistics and student retention data provides public information that appears to influence students’ choice of college. A multi-year comparison shows rising average provincial key performance indicators (KPI). This suggests that CAAT accountability practices continue to focus the colleges on their core mandate and on improving customer satisfaction, learning/teaching effectiveness, program currency and job relevance.

As a public management tool, accountability can be overemphasized. Peter Drucker states, “...some organizations ... that are obsessed with accountability are inherently less competent

than they might be ...” and “...grow to be outrageously expensive”. (Shafritz & Russell, 2000, p.347) Accountability policies must be balanced with the necessary authority to get work done, the latitude and rewards to encourage continuous improvement and the work climate to attract and grow effective teams. For example, the Auditor General’s call for value for money audits needs to be put into the context of the other public management tools that are in place. For example, the KPI evidence of improving quality and the college funding model that has resulted in a decade long decline in per capita college funding appear to be effective in actually improving the college ‘value for money’ proposition.

This paper concludes that the current CAAT accountability framework, including the accountability requirements imposed by other Ministries and agencies, serves the public well. But weaknesses appear in four areas.

First, the current framework mirrors successful practice by reporting performance in terms of ‘outcomes’. But it is important to inform stakeholders of the link between performance measures and funding needs in order to show the limits imposed by stretched resources. 'Value for money audits' could be one of several approaches that would correct this gap.

Second, while individual colleges have established processes to ensure the quality of their own programs, the absence of a province-wide standard for program quality assurance has been identified as a weakness in the CAAT accountability framework. A methodology for addressing this gap, however, has been drafted by a team of government and college experts and has been unanimously approved in principle by the college Presidents. The proposed practice provides for standards of program quality assurance and an external audit of colleges' program quality assurance processes. So while this gap has existed for almost 35 years, it is expected to be corrected within 12 months.

Third, as individual colleges are permitted to pursue additional mandates, there should be provision in the accountability framework for measuring and publishing outcomes (KPIs) relevant to these new missions.

Four, there are accountability activities that can be streamlined without any loss to the overall value of the process. For example, recent data would show that KPI ratings have tended to stabilize. In this context, there is merit in allowing colleges to “opt out” of the process in alternative years and allow their prior year’s rating to stand. This practice would not distract from the use of KPI by decision makers and potential applicants because, typically, the year-to-year differences are so small. Financial processes can also be streamlined.

1. Introduction:

Accountability is a critical element of complex organizations and is at the core of democracy. Prior to each voting cycle, elected officials are expected to answer to their constituency for their performance in their elected role and within society at large. Professionals, public administrators and corporate leaders operate within operational and regulatory frameworks (organizational, professional, financial and legal) intended to make individuals and corporations answerable for their performance. These accountability processes are an important part of maintaining the public trust in society's institutions.

Accountability can be described as “the extent to which one must answer to higher authority – legal or organizational – for one's actions in society at large or within one's particular organizational position.” (Shafritz & Russell, 2000, p. 343)

This is a discussion paper commissioned by the Association of Colleges of Applied Arts and Technology of Ontario. It identifies the principles that are common to effective accountability practice and applies those to the accountability framework which guides the operations of Ontario's Colleges of Applied Arts and Technology (CAATs). It assesses the degree to which the CAAT accountability framework reflects the principles that are critical to successful practice.

2. Effective Accountability Practice: Guiding Principles Relevant to Higher Education:

The following identifies the principles of effective accountability practice drawn from public administration and corporate management literature. It also refers to relevant practice in higher education policy and administration.

‘Answerability’ is a complex matter to those who hold executive positions in large contemporary organizations. Depending on the matter at hand, the CEO of a government organization or public corporation may be accountable to a Board, legal process, a financial oversight body and, in fact, a government Minister on aspects of the same initiative. Democratically elected officials are answerable to the voters before each election. Board Members are typically aware of their fiduciary obligations and their accountability to exercise their responsibilities with due diligence.

But ultimately, CEOs and Boards often work with overlapping legal frameworks, regulatory restraints, specific responsibilities, shared authorities and reporting requirements. This inevitably creates ambiguity – ambiguity which, in turn, deflects accountability. Strong accountability models require ...

Principle 1: clear lines of answerability.

While elected officials may be held to account for their actions in society at large, leaders of organizations, or departmental units, have a more focused responsibility: “...the obligation to show that responsibilities have been carried out properly and that the desired outcomes have been achieved...” . (Apr. 1, 2003, *Minister's Binding Policy Directive on Governance and Accountability*, p. 2) Effective accountability practices incorporate a ...

Principle 2: clear definition of the “responsibilities” for which an organization's

leaders will be held accountable.

The contemporary accountability movement is a global trend that has demanded tighter reporting by corporations and brought measurement and reporting into the political and public administration main stream. Sunshine Laws, Freedom of Information legislation and enhanced audit practices provide the public and shareholders with more information with which to assess the performance of business and government organizations. The annual reports of corporate auditors and the provincial and federal Auditors General have become important indicators of performance. Driving this movement is a simple fact: “Stakeholders will not readily commit resources to institutions that do not meet their expectations, or appear not to because they do not provide evidence to the contrary.” (Alfred, R., Ewell, P., Hudgins, J., and McClenny, K.,1999, p.4) “ Appropriate, reliable and timely information enables decision makers to accurately assess the economy, efficiency and effectiveness of government programs and activities. Such information provides a critical base for decision makers to decide whether to continue, discontinue or change government programs and activities... . Good administration of public funds depends on good decisions based on good information.”. (Ontario Auditor General, 2000, p.2) As a method of facilitating informed executive decision making and of maintaining the public confidence in its institutions, an effective accountability framework must ...

Principle 3: include provisions for the measurement and reporting of performance.

There is little doubt that effective measurement practice focuses on “outcomes” and “core indicators”. Alfred et al argue that an institution’s “...*outcomes* serve as benchmarks for the .. mission by comparing results with purpose, within the limits of costs and available resources” (1999, p.8) By comparing relevant outcome measures to an institution’s mission and goals, one creates a composite picture of the institution’s effectiveness. (ibid, p.8) The *indicators* which are used to create this composite picture, are those that an institution can “...produce regularly, report publicly and use systematically in decision making”. (ibid, p.8) A “... *core* indicator is a measure that describes a critical, widely recognized outcome of mission ...” (ibid, p.8) An effective accountability framework should ...

Principle 4: define and measure those “outcomes” and critical, widely-recognized “core indicators” which relate ‘results’ to ‘purpose’, recognize the limits of unavoidable costs and available resources and which can be used systematically in decision making.

It is generally accepted that productivity and effectiveness are enhanced by “a system of accountability in which success or failure will be regularly acknowledged” and includes “a way of rewarding effort and accomplishment and penalizing its absence”. (Levine, H.M. & Koski, W.S., 1998, p.12) In fact, monetary rewards have a powerful steering effect on businesses and institutions. R.C. Dickeson states that “the phenomenon of directing the mission toward available resources is synonymous with the history of American higher education”. (1999, p.15) But financial motivators need to be carefully aligned to institutional mission and goals to avoid the proliferation of programs and expectations (ibid, p.15) and unhealthy competition. (ibid, p.12) A review of the literature tends to lead to the conclusion that an effective accountability framework needs to ...

Principle 5: provide carefully balanced incentives -- ones that are significant enough to encourage desirable change but not so large as to incite negative behaviour.

An important case for solid accountability processes is the evidence that “wrongdoing” on the part of politicians and public managers can seriously undermine society’s faith in the tax-supported institutions. In fact, recent high profile cases demonstrate that the same can be said for executives in the corporate sector. Taxpayers and stockholders need to be assured, through regulatory clarity and reporting requirements, that the institutions they support or the corporations in which they invest behave legally and manage resources appropriately. The current ‘shareholder rights’ movement has set its sights on some critical targets: The separation of CEO and Board roles and responsibilities, stock manipulation, executive ethics, corporate plundering, audit practices and reporting. In the public sector, Auditors General Reports have fed media articles about improper political influence and the inadequacy of service contract approvals. This leads to the conclusion that an effective accountability process must ...

Principle 6: incorporate relevant legal and financial rules and reporting to monitor compliance.

As Peter Drucker suggests, “some organizations, most typically governments, that are obsessed with accountability are inherently less competent than they might be”. (Shafritz & Russell, 2000, p.347) As governments attempt to assign accountability to, and measure, everything that they control, “...public management operations grow to be outrageously expensive”. (ibid, p.347) Holding leaders accountable for details can also demand a “rules mindedness” that is not in the public interest. Additionally, excessive constraints increase frustration of staff and may create a climate in which public administrators can only achieve the organization’s mission by “going beyond the proper range of discretion”. (ibid, p. 348)

This leads us to the conclusion that “accountability” is a tool that must be balanced with authority. (MacTaggart and others, 1998, Shafritz and Russell, 2000) In fact, the excessive constraints often placed on public sector leaders and the free-wheeling independence of many private sector CEOs are both criticized as unacceptable poles of a continuum. Within clear mandates, public managers need the flexibility and authority to respond quickly to diverse and changing public needs. Indeed, it “... is patently unfair, administratively unsound, and ethically bankrupt to expect one to assume responsibility ... without concomitant authority”. (Dickeson, R.C., 1999) “The challenge of accountability is to find a balance between completely trusting ...

officials ... and watching them so closely ... that it inhibits their ability to function”. (Shafritz and Russell, 2000, p.343) The public good is best served by accountability policy that can ...

Principle 7: balance the regulatory and reporting frameworks designed to hold organizations accountable and the authority and flexibility needed to be responsive to a dynamic and diverse marketplace.

In summary, a search of the relevant literature has identified 7 critical principles that can be used to describe effective and balanced accountability practice:

1. clear lines of answerability,
2. a clear definition of the “responsibilities” for which an organization’s leaders will be held accountable,
3. provisions for the reporting of performance,
4. defining and measuring “outcomes” and critical, widely-recognized “core indicators” which relate ‘results’ to ‘purpose’, recognize the limits of unavoidable costs and available resources and which can be used systematically in decision making,
5. carefully balanced incentives,
6. relevant legal and financial rules and reporting to monitor compliance, and
7. a balance between the processes that hold organizations accountable and the authority needed to respond quickly to a dynamic marketplace.

3. A Recent History of Accountability in Ontario’s Public Colleges:

Throughout its history, Ontario’s Colleges of Applied Arts and Technology (CAATs) have been held accountable by successive governments using an evolving set of public policy tools and governance structures. During their formative years, the CAATs operated under the scrutiny of the Council of Regents, the Ministry responsible for colleges and universities and the individual Boards of Governors. While the ‘60’s may have been less structured, the Boards, Council and the provincial Ministry soon developed and implemented progressively more rigorous policies, directives, controls, approval processes and monitoring practices.

The ‘70’s and ‘80’s were a period of “fast forward” for career education. Technologies converged, industries migrated, funding declined, fees increased, entire work classifications vanished or emerged, new needs appeared and the global economy restructured. The colleges responded with more efficient deliveries, partnerships, rationalization and program innovation. But, by the early ‘80’s college leaders were complaining that their flexibility, which was so critical to achieving their mandate, was threatened by unnecessary central and overlapping control. Province-wide direction from the Council and the Ministry was becoming more complicated, reporting requirements were growing and program approvals were seen as unnecessarily time consuming. Also, as colleges matured they put in place their own consultation, approval, measurement, reporting and governance processes – some of which were seen to better serve local needs than processes managed from Toronto.

By the 1990’s, governments were agreeing that flexibility and responsiveness to job market demand were critical to the continuing success of the CAATs. If the existing control and

accountability processes were unjustifiably limiting college responsiveness, changes needed to be made.

4. **The CAAT Accountability Framework:**

By 2003, the colleges were seen as having “come of age”. Government implemented a number of changes which they claimed would give the colleges the freedom of action “... to be flexible, entrepreneurial, responsive, and market driven to better meet the needs of students, employers, and communities”. (Minister’s Binding Policy Directive, Finance and Administration, Entrepreneurial Activities, April 1, 2003, p. 1)

First, it streamlined the governance structure by narrowing the role of Council of Regents (COR). COR became the College Compensation and Appointments Council with the responsibility to negotiate collective agreements, but they do so within the framework set by the Presidents who are themselves constrained by the funding commitments of government. Second, it committed to a process whereby Ministry roles for program approval and oversight are being transferred to College Boards and a new provincial self regulating mechanism. Third, it further clarified the framework for financial management and entrepreneurship within which government clearly holds both the responsibility and accountability for the spending of public funds. Fourth, it provided a framework where by individual colleges can ‘stake out’ and obtain approval for unique missions that are consistent with overall mandate of the CAATs and are relevant to local needs. Fifth, planning and reporting requirements were defined. Arguably, these changes allow for unique college missions, clarify responsibilities, shortened some approval processes, remove some structural redundancies, increase the college’s programming flexibility, clarify entrepreneurial latitude and retain tight financial and legal control in the hands of elected officials.

Ontario’s colleges now operate within an accountability framework defined by the *Minister’s Binding Policy Directive on Governance and Accountability* (Apr. 1, 2003) but significantly expanded by a number of other reporting obligations. The following summarizes the central themes reflected in the Governance and Accountability policy directive and, also, outlines the more specific financial and regulatory framework in which the colleges actively support the government’s overall accountability for public dollars.

4.1 College Missions and Mandates:

Government policy clearly spells out the role of the CAATs. Ontario’s colleges are expected “...to offer a comprehensive program of career-oriented, postsecondary education and training to assist individuals in finding and keeping employment, to meet the needs of employers and the changing work environment and to support the economic and social needs of their local and diverse communities. In carrying out its objects a college may undertake a range of education- and training-related activities including, but not limited to,

- * offering its courses in French language where the college is authorized to do so by regulation;
- * adult vocational education and training;
- * basic skills and literacy training;
- * apprenticeship in-school training; and

* applied research.” .

(Minister’s Binding Policy Directive on Governance and Accountability, Apr. 2003, p. 1)

During the past decade, a number of jurisdictions (including New Zealand, Australia and Britain) introduced processes whereby colleges could adopt different missions thus diversifying the higher education options available to the marketplace. Ontario followed this well developed policy path in 2003 when each college was required to “... have available to the public at any given point in time, a plan with a minimum three-year focus to provide a multi-year strategic view of where the college is headed.” (Governance and Accountability Framework, Minister’s Binding Policy Directive, p. 4). This policy permits colleges to ‘stake out’ different strategic directions – strategic directions which, once approved by the Minister, can become the formal mandate of the institution.

4.2. Standards of Proper Practice:

4.2 (a) Evolving Accountability and Responsibility for Academic Programming:

To provide the colleges with greater freedom to quickly add, modify and change postsecondary certificate and diploma programs in response to rapidly changing market conditions, a partially deregulated program approval framework was developed. This transfers most responsibility, authority and accountability for diploma and certificate programs to the Boards of Governors, with 4 key provisos:

1. define the credentials that the colleges are authorized to confer,
2. establish a provincial self-regulating mechanism (the Credential Validation Service) to monitor consistency in program outcomes, titles and credentials,
3. establish a self-regulating program quality assurance process, and
4. the Ministry continues to approve program funding. (Provincial Credential Framework Documentation)

The Credential Framework was implemented in 2003 and, subject to funding, the system-wide program standards assurance processes overseen by the Credential Validation Service will be in place by 2005. A proposed Program Quality Assurance Processes has been approved in principle by the Committee of Presidents and implementation planning is under way. These changes give colleges the authority and responsibility needed to respond quickly to emerging workforce development needs while ensuring a level of province-wide program consistency.

But while colleges have the needed and significant latitude to manage their core post-secondary diploma and certificate programs, the “baccalaureate degrees in applied areas of study” operate within a rigorous accountability framework established under the Postsecondary Education Quality Assessment Board. This body has imposed a comprehensive set of regulatory, external review, recording, reporting and oversight requirements that appear to be more rigorous than those currently imposed on undergraduate program approval by some of Ontario’s universities.

Even more stringent requirements govern the college’s financial and real estate resources. This reflects the fact that the “...Government of Ontario is ultimately responsible and accountable for

the management of public money...”. (Minister’s Binding Policy Directive, Finance and Administration, Banking and Investment, p. 1) The following outlines examples of the financial and legal framework within which the CAATs’ support the government’s ultimate accountability for the use of tax revenues.

4.2.(b) Entrepreneurship:

Ontario’s colleges have enjoyed a long and relatively close relationship with professional and trade associations and employers. But, during the ‘90’s, the colleges argued that they needed broader freedoms to pursue potential entrepreneurial initiatives that could be of value to all partners. Government responded with guidelines for entrepreneurial “education- and training-related activities” that would advance “their mandate to offer career-oriented, postsecondary education and training”. (Minister’s Binding Policy Directive, Finance and Administration, Entrepreneurial Activities, April 1, 2003, p. 1)

While some college entrepreneurial activity is facilitated, it is subject to a number of principles and restraints:

- limiting activity to that which “... will promote college programming more closely aligned to the needs of the workplace and more relevant for students” (ibid, p.1) and are consistent with their mandate (ibid, p.2)
- limiting activity that would use public funds or their not-for-profit status to compete unfairly with the private sector (ibid, p.1-2)
- pricing services at “...a minimum of fair market value...” (ibid, p.2)
- providing for community consultation, issues management and communications “... that will maintain community cooperation” (ibid, p.2)
- ensuring transparency of tendering and purchasing activities (ibid, p.2)
- maintaining “the college’s status as a tax-exempt and not-for-profit corporation” (ibid, p.2)
- using entrepreneurial profit to “... support its core ... education and training mandate” (ibid, p.3)
- entering into agreements consistent with applicable legislation and policy (ibid, p.6)
- obtaining expert advice (ibid, p.6)
- consulting with the community in a manner that retains cooperation (ibid, p.6)
- identifying and managing risk so that the “... core business of the college and public funds are protected” (ibid, p.6)
- “... communicating with the ministry regarding the establishment of entrepreneurial and commercial activities” (ibid, p.6)
- constraining the character, use and freedom of any potential “... wholly subsidiary corporation, including a college foundation ...”. (ibid. p.3)

More stringent controls apply to wholly owned college subsidiaries including accountability to the Minister. (ibid, p.13)

It is difficult to avoid the conclusion that CAAT entrepreneurial activity operates within a regulatory and accountability framework that protects both public interests while furthering the educational purposes of the colleges.

4.2 (c) Sale of College Property:

Colleges have a history of pursuing innovative relationships with educational, corporate and municipal partners. Because their main contribution to those relationships was often their real estate, colleges argued for greater freedom to lease or dispose of property.

The *Corporations Act* now gives non-share corporations, such as the CAATs, freedom to "... sell, improve, manage, develop, exchange, lease, dispose of, turn to account or otherwise deal with the property of the company in the ordinary course of its business...". (*Corporations Act*, section 23 (1) (n)) In the case of Ontario's colleges, however, these powers are limited by Minister's binding policy directives authorized under the *Ontario Colleges of Applied Arts and Technology Act, 2002*.

The critical requirement of current policy involves Ministerial approval of the use of proceeds from the sale of college real estate. This approval ensures that revenue from the sale of public lands is "... reinvested in other capital assets for future public benefit". (Minister's Binding Policy directive, Finance and Administration, Proceeds from Sale or Encumbrance of College Property, p.1) This represents a shift in the role of college Boards of Governors which can, now, approve the sale of wholly owned real estate. The approval rules, however, underline the Minister's accountability for the manner in which the revenue will be spent.

4.2 [d] Finance, Banking and Investments:

With respect to financial accountability, the Ontario colleges operate within a complex and tight regulatory framework. Clearly, the "Government of Ontario is ultimately responsible and accountable for the management of public money". (Minister's Binding Policy Directive, Finance and Administration, Banking and Investment, p. 1) The *Ontario Colleges of Applied Arts and Technology Act, 2002* establishes the colleges as Crown Agencies and authorizes the Minister of Training, Colleges and Universities to issue binding policy. Within these policies "... Boards of Governors of colleges of applied arts and technology are ... accountable to the Minister of Training, Colleges and Universities and to the public for ... prudent use of funds". (ibid, p.1) Under the *Financial Administration Act* (R.S.O. 1990) the Minister of Finance has specific responsibilities and accountabilities. Additionally, the college may manage funds subject to the *Trustee Act*.

Recent changes in the regulatory framework governing the CAAT's financial and administrative affairs have given colleges some increased flexibility with respect to entrepreneurial activity and real estate dealings. But this flexibility is accompanied by clear approval, control and reporting rules which underline the government's ultimate responsibility and accountability for the

management of public money. (Minister's Binding Policy Directive, Finance and Administration, Banking and Investment, p. 1) Other legislation further tightens these controls: For example, Section 28 of the Financial Administration Act appears to require approval of college loans by the provincial Minister of Finance. Enrolment audits ensure that colleges do not claim more per-capita operating funding than can be verified under enrolment audit guidelines. The audit guidelines ensure regulatory compliance while reporting obligations facilitate public scrutiny of each college's financial affairs.

4.3 Clarity of the Desired Outcomes Whereby Success Will be Measured:

During the late '90's the provincial Ministry and the Ontario colleges entered into a process to develop appropriate performance indicators. Ultimately, 5 outcomes, the Key Performance Indicators (KPI), were agreed upon. Statistics describing each college's success in graduate placement, student, graduate and employer satisfaction and retention are measured annually through a relatively consistent process. They are reported to the public through each college's web page. Collectively, they are one indicator of a college's effectiveness.

4.4 Reporting Requirements:

Under the Ministers' s Binding Policy Directives, the colleges are obligated to provide a number of plans and reports " ...in order to assess that responsibilities have been carried out and that desired outcomes have been achieved...". (Governance and Accountability Framework, Minister's Binding Policy Directive, p. 4) The guidelines stress alignment among the reports and public availability.

First, each Ontario college is required to maintain a Strategic Plan " ...with a minimum three-year focus to provide a multi-year strategic view of where the college is headed." (ibid, p. 4)

Second, an annual Business Plan must set out "... specific operational outcomes for the coming year within the context of the strategic plan and the resources allocated for the year". (ibid, p. 4)

Third, the Annual Report must include "... audited financial statements, at the end of each fiscal year to report on achievement of the operational outcomes established in the business plan..." (ibid, p. 4)

Finally, the Minister's Binding Policy Directive requires each college to participate in a province-wide formal program of performance reporting (KPIs).

4.5 To Whom (what audience) are the Colleges Accountable?

According to policy documentation, "...the Board of Governors ... is accountable to the citizens of Ontario for the successful achievement of [the college=s] mandate in view of the financial support provided by the province". (Minister=s Binding Policy Directive on Governance and Accountability, Apr. 2003, p. 1) Each Board A...is accountable to the students, employers, and

communities the college serves for ensuring that it is effectively and appropriately managed to achieve its established mandate and to provide needed services”. (p.2) Colleges are also “... accountable to the broader public and the government, acting as the taxpayer=s agent, for their actions, achievement of goals consistent with government policies, and prudent financial management.≡ (p. 3)

The individual college’s reporting obligations also include: web-posting of summary KPI data, the minutes of public Board meetings and documentation which can be accessed through Freedom of Information legislation. Additionally, there are forums in which senior college officials respond to public concerns: Board Meetings (which are rarely closed to the public), complaints processes, media investigations (including student newspapers) and, in a more targeted academic context, Academic Appeal Processes and Program Advisory Committee meetings.

5. How Sound is the Ontario CAATs’ System of Accountability?

The following attempts to assess the effectiveness of the Accountability Framework governing the Ontario public college system relative to the 7 principles of effective practice drawn from the literature and summarized in section 3 above.

5.1 Clarifying Lines of Answerability:

The answerability of each college’s president to its Board of Governors and, ultimately, to the Minister is well understood, as is each Board member’s legal accountability for exercising due diligence. By phasing out the Council of Regents, and by broadening the responsibility and authority of Governors, the lines of academic program accountability have been clarified and, arguably, streamlined. Thorough financial regulations, audit and reporting requirements define the processes through which colleges’ support government’s authority and responsibility for public moneys.

While each college is held accountable through their CEO to the Board of Governors, there are activities that, in the public interest, demand system-wide action. Answerability for these system-wide actions is typically coordinated through ‘self-regulating mechanisms’ established by government, independent authorities or the Association of Colleges of Applied Arts and Technology of Ontario (ACAATO). An example is found in college human resource management. First, all employees are hired by the college under Board policy and are ultimately answerable to the president. Each college is responsible for the actions of its employees and establishes structures, practices and policies to exercise this obligation. But to ensure the province wide consistency of salaries, benefits and working conditions, successive governments have authorized a central agency to coordinate the negotiation of Collective Agreements and terms and conditions of employment. This second structure provides for the negotiation of system-wide agreements within guidelines coordinated by College Boards and CEOs through a representative oversight committee.

Recent clarification of the CAAT accountability framework also demonstrates its complexity. Strategic planning is a case in point. Boards may approve college real estate sales to provide needed dollars for a strategic initiative but Ministerial approval is required to use those funds. The multi-year financing of major initiatives is constrained by budgeting and financial guidelines which are detailed and carefully monitored by several levels of audit. Boards may pursue loans but Minister of Finance approval may be needed for major loans. Building changes tend to be subject to municipal zoning and planning processes, provincial codes and multi-level appeal structures. The introduction and continuation of degree programming is subject to Postsecondary Education Quality Assessment Board (PEQAB) processes and rules and, ultimately, to Ministerial approval. While most of the certificate and diploma program approval responsibilities have evolved to the Boards of Governors, these decisions must be verified by an emerging self regulating mechanism and funding is subject to Ministry approval. The new entrepreneurial guidelines permit Board approval of initiatives that advance the mandate of the institution but these inevitably involve partner-organization approvals as well. In its strategic planning, colleges account to a range of “higher authorities” making processes complex, time consuming and expensive – a reality they share with others.

The ultimate accountability, responsibility and authority of specific Ministers is at the heart of college financial, regulatory and strategic decision making. Indeed, elected officials must hold the executive reins of each Ministry for democratic governance to work. None-the-less, recent press coverage of a number of high profile cases in the U.S.A., U.K., Israel and Canada, reflect public concern about the accountability of elected officials for their ethics while performing executive roles. It is equally important to note that, with respect to the accountability for Ontario’s colleges, there is no evidence that the preeminent role of the Minister, through successive governments, has been defective or misused.

The accountability obligations of Ontario’s colleges to more than one branch within a Ministry, and sometimes more than one Ministry or agency, complicates the regulatory environment. Some Ministry officials appear to be unaware of the full range of college accountability obligations collectively imposed by government and related agencies. Arguably, the recent reassignment of senior Ministry officials is further complicating the decision making climate. None-the-less, college executives report that lines of answerability, while often complex, are clear with respect to core operations (academic leadership, financial administration, legal compliance, human resource management, strategic planning, operational decision making and mandate-related reporting).

5.2 Defining Responsibilities:

As implied in the prior section, each college’s ‘responsibilities’ are clarified at several levels of the governance structure. The Minister’s Policy Directives (Governance and Accountability, April 1, 2003, p.1) spell out the overall purpose of the Ontario college

system, the range of activities in which each college can engage to further that purpose and the specific authority of the Boards. Directives also frame the educational, planning and policy roles of Boards of Governors in overseeing each college's responsibilities. Sections 5.2 (a), (b) and (c), above, further develop the obligations of each college to support the government's overall accountability for the public purse. In these ways, core college responsibilities would appear to be clearly articulated.

5.3 Measuring and Reporting Outcomes within Recognized Resource Limitations and Critical, Widely-Recognized Core Indicators that Relate to the Mission:

Note: Because practical accountability policies tend to blend principles 2 (reporting) and 3 (measuring outcomes), and to avoid unnecessary duplication, this section concurrently addresses the applicability of two principles of effective accountability practice. (p. 3)

The Minister's Binding Policy on Governance and Accountability (April 1, 2003) refers to 4 reporting mechanisms: (i) Reporting to the Board, (ii) reporting to the Minister, (iii) measuring and reporting outcome indicators (KPI) and (iv) public reporting. First, some college executives state that improved Governor orientation programs have resulted in an increased attention by Boards to their policy role and to the operational reporting that is characteristic of effective oversight.

Second, reporting-to-the-Minister requirements have been streamlined. 3 required formal reports outline the college's overall strategic direction, progress, effectiveness and financial status: (i) a Strategic Plan, (ii) an Annual Plan and (iii) an Annual Report including audited financial statements. Colleges typically treat this as one annual report to the Minister, the Board and the community at large.

Third, the Key Performance Indicators (KPI) provide measures of core outcomes directly tied to the central accessibility, workplace-relevant and learning missions of the colleges:

- graduate job placement
- student satisfaction survey results
- graduate satisfaction survey results
- employer satisfaction survey results
- student retention rates

A close review of the 3 KPI survey instruments reveals that they are comprehensive and learning outcomes focused. They are administered through a coordinated process intended (typically successfully) to ensure consistency of data. While these indicators and the methods of their collection are not above criticism, gradually rising multi-year KPI averages suggest that they positively influence mission-related college planning. Also, college liaison officers report that KPI ratings are used by prospective college applicants to inform their choices. Additionally, there is a general feeling that the process is efficiently managed. Based on this information one tends to conclude that Ontario's KPI reporting system is effective.

The scope of the current KPI process does not encompass measures that would be

relevant to the somewhat divergent missions that some colleges are evolving. By identifying, measuring and reporting outcomes specifically related to their new mandates, colleges would enrich the accountability framework without working against the increased diversity of the system.

The importance of framing outcomes within the “limits of costs and available resources” cannot be ignored. (Alfred, Richard, p.8) The accountability literature (Alfred), the Ontario government policy (Minister’s Binding Policy on Governance and Accountability, 2003) and the Ontario colleges argue that accountability measures “should focus on outcomes” (Hanlon, T., February, 2004, ACAATO Conference). But it is not in the public interest to totally divorce financial inputs from outcomes (Alfred). An illustration of the confusion created by overlooking the relationship between “outputs” and “resource inputs” can be found in the 1997 report of the U.S. National Commission on the Cost of Higher Education. That report states that between 1987 and 1996, “...instructional cost per student had increased ... 52 percent for public two-year colleges” and made strong recommendations about controlling college costs. (Dickieson, R., 1999, p. 8) Somewhat cryptically, Dickieson notes that “...some of the disparity between increases in price and increases in cost may be explained by downward shifts in the subsidies that institutions receive...”. (ibid, p. 8) Regardless of the public view that U.S. higher education “... institutions are increasingly greedy...” (ibid), the literature reflects the college movement’s commitment to improved productivity (Groccia and Miller, 1998, Dickieson, 1999, Roueche, Ely and Roueche, 2001) The Ontario Colleges themselves have been recognized for a multi-year 46% gain in productivity during the ‘90’s. Regardless of the demonstrated commitment to productivity, the mathematical reality is that, if unchecked, progressively lower per-capita funding and price controls will ultimately impact negatively on the services provided. The accountability framework for the Ontario CAATs does not appear to provide a reasonable, effective and honest link between outcomes and funding.

While the measurements and reporting of outcomes has been developed well at one level, the Ontario colleges have been cited as an example of a college system that, up to this point, has avoided external expert review of the quality of academic programming (2003, Don Baker) – a process adopted by virtually all universities. Arguably, college KPI survey results and Advisory Committee reviews provide timely external feedback that is used to guide college program planning and resourcing decisions. Many colleges report having adopted cyclical peer and/or external program review practices. Also, the college system, in cooperation with the Ministry, is pursuing the development of a system-wide, external review, program quality assurance audit mechanism.

5.4 Carefully Balancing Incentives:

KPI were introduced with the expectation, by some, that these ratings would ultimately drive a significant part of the provincial operating grant to colleges thus rewarding the most effective institutions. During the implementation year, the rather dramatic

difference in KPI rewards, ranging from “\$0” to “\$1.5 Million per college”, had, it was argued, the affect of starving those institutions that most needed to improve. Over time, however, rising average KPI results suggest that the public reporting of KPIs is having a positive steering affect on the continuous improvement of the colleges. Additionally, the ratings have tended to converge with the affect of distributing related monetary rewards more evenly across the system. It would appear that the CAAT KPI reporting and incentive policy has attained a productive balance. This accountability policy appears to influence mission-related improvement, reward college effectiveness, provide information to support applicant choice and avoid counterproductive competition that can result from an over reliance on financial incentives. The practice also appears to reflect the practical limits of narrowly defined outcomes measures.

5.5 Providing Relevant Legal and Financial Rules and a Streamlined Reporting Framework Within Which to Monitor Compliance:

While the Minister’s Binding Policy on Governance and Accountability includes ‘broad brush’ references to financial controls and reporting, a wide range of additional regulatory, reporting and audit requirements further limit the authority of colleges and Boards over their financial and legal affairs. Section 4 of this report outlines the range of controls that support the provincial government’s responsibility and authority for the spending of Ontario tax dollars. These rules give every evidence of providing for the proper and ethical use of all government funds, ensuring regulatory compliance, identifying problems in a timely manner and targeting corrective action.

It is important to comment on the connection between Ministry practices that govern public funding of colleges and their growing productivity. For over 15 years funding policy has driven colleges to maintain (or grow) their market share (the percent of provincial enrolment served by any college. By growing enrolment at a faster pace than the college system’s operating grant, the per capita funding level decreased by 46% during the ‘90’s.

Reflective of Auditor General recommendations (Auditor General, 2000, p.2), government has announced a commitment to enhance college accountability through “value for money audits”. (Press Release) This addition is proposed in the context of a college funding system specifically designed to force maximum productivity from each institution and an effectiveness reporting system that facilitates informed student choice. The system’s rising KPI averages and the 46% productivity gain, demonstrate the power of the current accountability and funding processes governing the colleges. Additionally, the Auditors General reports have been stressing value for money for many years (Ontario Auditor General, 2000, p.2) and rarely name Ontario’s colleges as an area of concern. Policy makers should recognize the efficiency and effectiveness gains produced by the current balance of funding practices and effectiveness reporting and exercise prudence when considering changes in the current framework.

5.6 Balancing Accountability for Responsibilities with Sufficient Authority and Flexibility:

Much of the accountability for Ontario's colleges is shared by a number of governance levels and processes. Growing out of the "New Charter Debate", recent operational improvements have significantly clarified roles and authority. The expanded authority of Boards of Governors is balanced by a number of Ministerial reporting and approval requirements. But current policies were established in a spirit of consultation that resulted in an enhanced level of clarity and an appropriate level of understanding that the 'checks and balances' serve the public interest.

6 **Conclusion:**

This review of the Ontario CAAT accountability framework, including the obligations imposed by other government agencies and Ministries other than MTCU, concludes that it meets the generic principles found to reflect effective processes.

The Ontario Auditor General's recommendation to pursue "value for money audits" across all Ministries and agencies (Ontario Auditor General, 2000) appears to have been accepted by government. This is an appropriate policy focus if it successfully links mission related outcomes, authority to act and resources. In principle, value for money audits could provide the information needed to avoid adding controls that constrict college discretion and lead to operations that are "outrageously expensive". (Drucker in Shafritz and Russell, 2000, p.347)

But should new controls be added to the accountability framework governing the CAATs? Arguably, the college's authority to act quickly and the current accountability, regulatory and reporting controls, appear to be in an appropriate balance. The effectiveness of the balance is reflected in a 10 year history of declining college per capita operating funding and rising average performance on the Key Performance Indicators. Taken together, these measures demonstrate productivity gains and improved, mission-related outcomes. Taken together, these measures also suggest that the colleges are delivering progressively higher value for the public dollars invested. But college leaders argue that these gains have been accomplished with a cost – at this time government policy needs to address deferred maintenance, inadequate libraries and the high part-time to full-time faculty ratio rather than add to an already rich accountability framework. It is in the interests of all stakeholders, most specifically college students and provincial tax payers, to carefully and critically assess proposals for additional accountability requirements – to expect evidence that they will actually improve the CAATs' value for money proposition.

But, the current accountability framework can be improved.

First, the current CAAT KPI reporting methodology focuses on outcome measures but omits reference to resource requirements. The public is not well served by omitting the ultimate link between resourcing and the delivery of good quality, affordable public higher education.

Second, the absence of a system-wide external, program quality audit provision would

appear to be the only direct external criticism of the college accountability framework that can be drawn from the literature. (Baker, 2002) But this shortfall is already being addressed. A system-wide response to this omission has been approved in principle by the college system Presidents and is being planned in detail by a joint Ministry / college planning team.

Third, as individual colleges are permitted to pursue additional mandates, there should be provision in the accountability framework for measuring and publishing outcomes (KPIs) relevant to these new missions.

Four, there are accountability activities that can be streamlined without any loss to the overall value of the process. For example, recent data would show that KPI ratings have tended to stabilize. In this context, there is merit in allowing colleges to “opt out” of the process in alternative years and allow their prior year’s rating to stand. This practice would not distract from the use of KPI by decision makers and potential applicants because, typically, the year-to-year differences are so small. Financial processes can also be streamlined.

With these additional enhancements, the Ontario CAAT accountability framework would appear to be an excellent example of a practice that balances controls and authority, that drives efficiency and effectiveness and that enhances the community’s confidence in their public colleges.

“Accountability” is one of a number of tools in the public policy “quiver”. Accountability shines the light of scrutiny on the activities, resource use and decisions of government supported agencies. The public expects tight control and audit rules to limit the potential misuse of their money. The combination of “fiscal controls” and “transparency” encourages honesty and fair dealing by public employees and provides information upon which, if positive, public trust can be built. But there are other public policy tools related to establishing the kind of positive work climate that attracts competent and committed teachers and leaders, that allows employees to grow and improve, that rewards innovation and continuous improvement and that facilitates flexible customer service. Accountability practices must facilitate, and not distract from, this larger objective.

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