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GUIDE FOR DEVELOPING RELEVANT KEY PERFORMANCE INDICATORS FOR PUBLIC SECTOR REPORTING

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The Honourable Bill Barisoff
Speaker of the Legislative Assembly
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Dear Sir:

I have the honour to transmit herewith to the Legislative Assembly of British Columbia my 2010/2011 Report 10: *Guide for Developing Relevant Key Performance Indicators for Public Sector Reporting*.

John Doyle, MBA, CA
Auditor General

Victoria, British Columbia
December 2010

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AUDITOR GENERAL'S COMMENTS



JOHN DOYLE, MBA, CA
Auditor General

In addition to my Office's traditional reports, we are also developing a growing suite of good practice tools to aid public sector entities. This guide was produced to help public sector organizations develop relevant Key Performance Indicators (KPIs). The guidelines will also provide opportunities for my Office to better understand how organizations are doing in this very important area of accountability.

My Office worked closely with the Ministry of Education in developing these guidelines, and would like to extend our gratitude for their contributions.

December 2010

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RESPONSE FROM GOVERNMENT

I would like to thank the Office of the Auditor General for creating the guide for developing relevant key performance indicators. The guide will serve as a useful resource for the Ministry of Education and other public sector organizations as they consider their performance indicators and develop accountability documents.

James Gorman, *Deputy Minister, Ministry of Education*

THE VALUE OF RELEVANT KEY PERFORMANCE INDICATORS TO PUBLIC ACCOUNTABILITY

Relevant Key Performance Indicators (KPIs) form the cornerstone of effective public sector performance reporting and are fundamental to public accountability.

When performance is tracked, measured and reported in annual service plan reports and other performance documents, the public is able to see how well the reporting organization is reaching its goals and how well public services are being delivered.

Relevant KPIs also help a reporting organization make informed management decisions and can promote dialogue and the sharing of good practices within and across jurisdictions. The results of shared good practices in turn help organizations better gauge themselves relative to how well others in their sector are doing attaining similar goals.

A *relevant* KPI, as defined by the Conference Board of Canada, provides information that is: (1) significant and useful to the reporting organization's stakeholders and (2) attributable to its activities.¹ The Crown Agency Resource Office in British Columbia states that KPIs should demonstrate the reporting organization's overall performance² and, as such, should be used to hold the reporting organization accountable.

OUR AIM IN PRODUCING THIS GUIDE

The *Budget Transparency and Accountability Act* requires public sector organizations to report to their stakeholders.

We have produced this guide to help those organizations develop relevant KPIs for that purpose and to supplement the direction already provided by the BC Reporting Principles (see Appendix B of this guide)

and by central government agencies to Ministries and other reporting organizations. We have two primary aims in doing this:

- to help ensure that the performance information being reported is meaningful and useful – that is, relevant – to the reporting organization's key stakeholders; and
- to help bring about greater consistency among government's publicly reporting organizations.

Achieving these ends will lead to greater use of annual service plan reports and other performance documents by the broad public, interest groups and others.

Developing relevant KPIs can be extremely challenging. In our review of literature on this topic, we did not find a single, comprehensive source of guidance written specifically to help public sector organizations develop relevant KPIs. To fill this gap we drew from good practice and guidance documentation on KPI relevance from within the B.C. Provincial Government and audit offices across Canada, the United States, the United Kingdom, Australia and New Zealand, as well as from audit associations, Canadian post-secondary institutions and private sector management companies (see Appendix C).

What makes a KPI relevant?

Relevant KPIs have five main characteristics. They:

1. relate to the organization's purpose and priorities;
2. link with the organization's activities and the outcomes of those activities;
3. influence the organization's decision-making;
4. include widely used benchmarks, where appropriate; and
5. are meaningful and useful to the organization's key internal and external stakeholders.

While it may not be possible for reporting organizations to ensure that every one of their KPIs reflects all of these characteristics, they should capture as many as possible. As well, the suite of KPIs they choose to report should cumulatively reflect all of the characteristics.

1 Conference Board of Canada (2001). "Beginning at the Top: The Board and Performance Management." Ottawa, p. 5.

2 Crown Agency Resource Office, B.C. Ministry of Finance (2009). "2010/11–2012/13 Crown Corporation Service Plan Guidelines." Victoria, p. 33.

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GUIDELINES FOR DEVELOPING RELEVANT KPIs

Determining relevancy

Exhibit 1 shows the interrelationship between the 5-step approach to developing relevant KPIs outlined in this guide and the various perspectives that should be considered when developing KPIs.

As the exhibit shows, KPIs should provide information on an organization's performance from a variety of perspectives. Therefore, a reporting organization will typically utilize a suite of publically reported KPIs in order to tell a comprehensive story of their performance. This set of performance indicators should include those that:

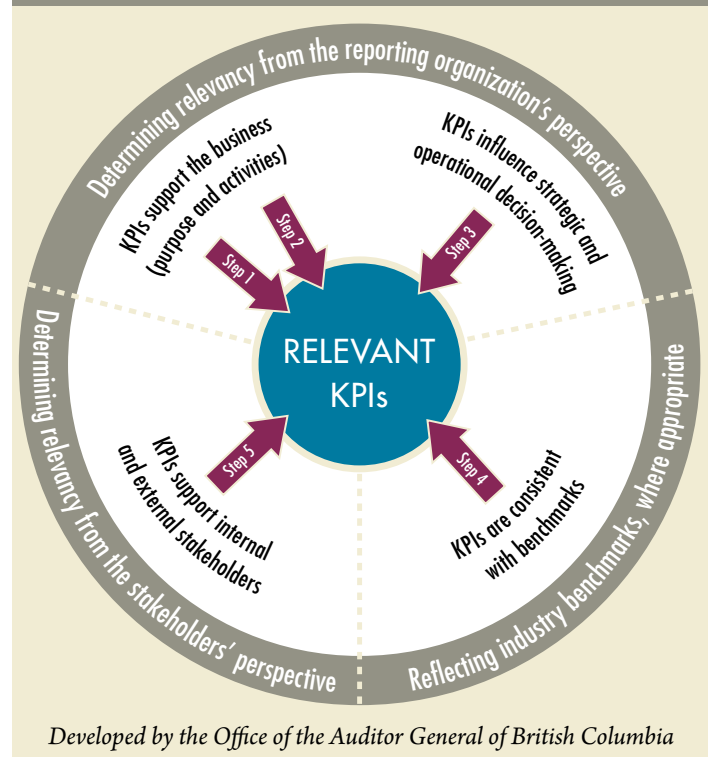
- represent day-to-day business;
- reflect performance aspects important to key stakeholders (see step 5.1); and
- illustrate how well the reporting organization has met its goals and objectives.

The exact nature and number of KPIs publicly reported will vary by organization and depend on the scope of the organization's activities and the information needs of its key stakeholders.

Relevant KPIs work together to create a report-card-like summary that not only enables public sector organizations to demonstrate and describe the level of their performance, but also gives stakeholders the information they need to hold the organization's management accountable for results achieved.

The focus of this guide is on the attributes of individual KPIs to ensure their relevancy. However, as previously mentioned, it is anticipated that reporting organizations will require a set of relevant KPIs.

Exhibit 1: Making KPIs Relevant



Determining relevancy from the reporting organization's perspective

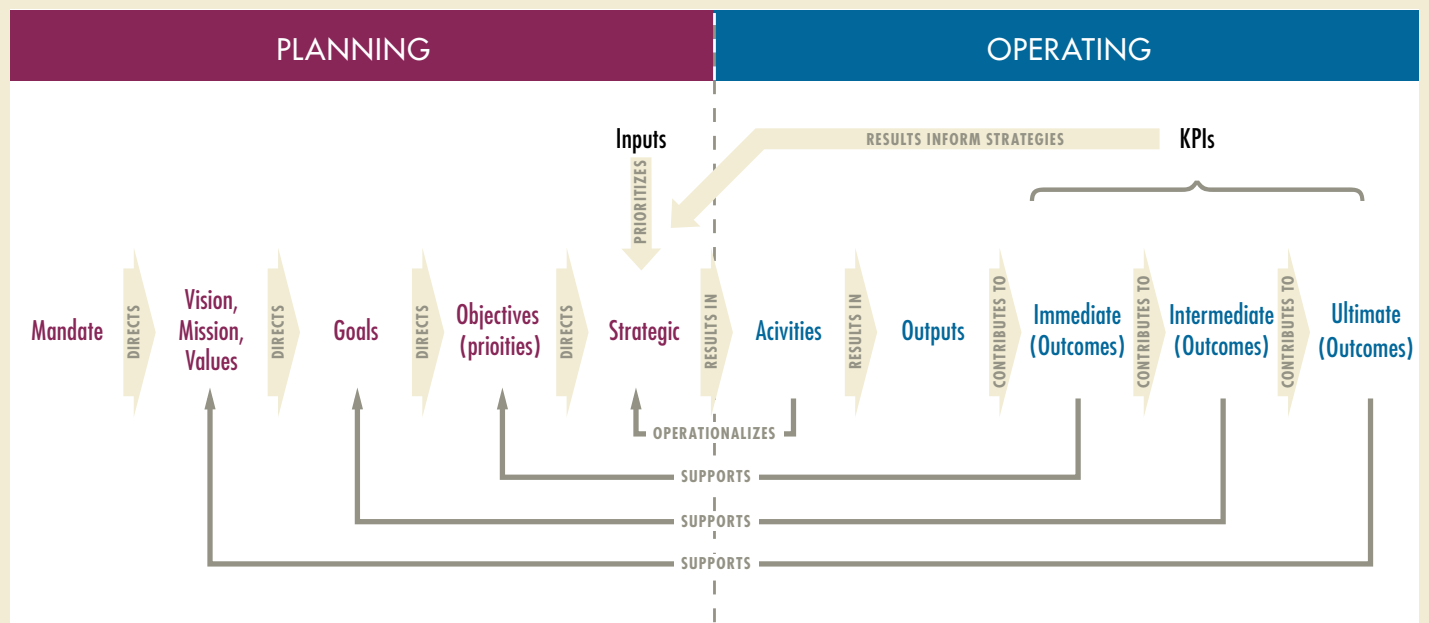
Before a reporting organization can create a suite of relevant KPIs, it must have a solid strategic planning process in place. That means the organization must have described its mandate and identified its goals, strategies and activities.

Once those pieces are in place, then KPIs can be developed to evaluate how well the organization is doing in reaching those particular goals, which in turn will reveal how well it is doing in achieving its mandate.

Thus, from the reporting organization's perspective, a relevant KPI is one that is directly connected to specific components of the organization's strategic plan (see Exhibit 2).

GUIDELINES

Exhibit 2: Key Components of Planning and Operating



Developed by the Office of the Auditor General of British Columbia

Reflecting industry benchmarks, where appropriate

Relevant KPIs are often based on industry benchmarks. Industry benchmarks:

- speak to aspects of performance commonly accepted as important within the organization's industry;
- enable management to evaluate the effectiveness of their strategies against the results achieved by their peers; and
- provide stakeholders with a useful context in which to evaluate the effectiveness of management's stewardship of resources.

Determining relevancy from the stakeholders' perspective

An organization's stakeholders have a strong interest in its performance, yet most do not have the same level of information as the reporting organization's management. They must instead rely on performance information provided through publicly reported KPIs contained in annual service plan reports and similar documents.

Furthermore, for those indicators to be relevant and meaningful from the stakeholders' perspective, the organization must provide sufficient and timely contextual information regarding the performance.

By evaluating KPI results, stakeholders can understand whether their expectations of management performance have been met.

FIVE STEPS TO DEVELOPING RELEVANT KPIS

The steps below are designed to give KPI developers guidance in creating a suite of relevant, meaningful and useful performance indicators. Following the specific order of these steps is not necessary. As well, it may not be possible to address each step for every KPI. However, it is recommended that organizations consider as many of these steps as possible to achieve optimal results.

The BC Reporting Principles do not set rules as to the number of KPIs that a publicly reporting organization should create. However, as the third principle recommends (see Appendix B), public reporting should focus on the few, critical aspects of performance.

Step		Appendix A Self-Assessment Questions
1	Create KPIs related to your organization's purpose and priorities	
1.1	Ensure you have a solid strategic framework before creating KPIs	1, 2, 3
1.2	Ensure the KPIs link to goals and objectives	4, 5
2	Create KPIs that link with your organization's activities and the outcomes of those activities	
2.1	Ensure the activities are apparent in the KPIs	6, 7
2.2	Ensure the KPIs reflect the outcomes of the activities	8
3	Create KPIs that will influence your organization's decision-making	
3.1	Ensure the KPIs, targets and results are SMART	9, 10, 11, 12
3.2	Ensure the KPIs are understood and valued within your organization	13, 14, 15
4	Create KPIs that are consistent with widely used benchmarks, where appropriate	
4.1	Ensure the KPIs are consistent with applicable benchmarks, where appropriate	16, 17, 18
5	Create KPIs that are meaningful and useful to key internal and external stakeholders	
5.1	Ensure key stakeholders are clearly identified	19, 20, 21, 22
5.2	Ensure key stakeholders are adequately consulted	23, 24, 25, 26
5.3	Ensure the KPIs reflect aspects considered significant by key stakeholders	27, 28, 29, 30
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GUIDELINES

Step 1: Create KPIs related to your organization's purpose and priorities

1.1 Ensure you have a solid strategic framework before creating KPIs

Why is this important?

The process for creating KPIs begins after most of your organization's strategic planning is complete. Such planning establishes a clear relationship between the organization's mandate and its vision, mission, goals and objectives, and creates the framework of activities designed to achieve particular outcomes. It is the results of these activities – that is, the organization's performance – that the KPIs are developed to measure and track.

How is this achieved?

Before beginning the process of creating relevant KPIs, ensure that your organization's mandate reflects the full scope of the responsibilities and public purpose of your organization.

The mandate should in turn inform the development of your organization's vision, mission and values.

From its vision, mission and values, your organization then needs to define what goals it is working towards and what objectives it will set to achieve those goals.

Next, the strategies (actions and activities) for achieving those goals and objectives must be decided.

Self-Assessment Questions

Answering the following questions may assist you in this step. If you answer no to any of them, then your KPIs may not be as relevant as they should be and may need revisiting.

1. Are your organization's goals, objectives and mandate well defined?
2. Is there a clear and logical connection between your organization's goals, objectives and mandate?
3. Will the planned activities achieve the desired goals?

Tip: To evaluate whether your organization has a solid strategic framework in place to develop relevant KPIs, review the [BC Reporting Principles](#). These were developed to assist and support public sector organizations with their strategic planning and reporting (see Appendix B).

1.2 Ensure the KPIs link to goals and objectives

Why is this important?

A KPI that does not reflect a goal or objective of an organization serves little purpose. Clear linkages between the organization's goals, objectives and KPIs ensure meaningful understanding of how performance outcomes relate to the achievement of these goals and objectives.

A relevant KPI is one that helps the organization and its stakeholders understand whether one or more of the organization's goals and objectives are being achieved.

How is this achieved?

Make certain that your KPIs clearly support your organization's goals and objectives.

Self-Assessment Questions

Answering the following questions may assist you in this step. If you answer no to any of them, then your KPIs may not be as relevant as they should be and may need revisiting.

4. Do your KPIs clearly support the organization's goals and objectives?
5. Are your KPIs consistent with the strategic framework used to align your organization's goals, objectives and strategies with its vision, mission, values and mandate?

Tip: Consider using a logic model to clearly outline the relationship between your organization's mandate and its goals, objectives and KPIs.

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Step 2: Create KPIs that link with your organization's activities and the outcomes of those activities

2.1 Ensure the activities are apparent in the KPIs

Why is this important?

Key activities are integral to your organization's achievement of its mandate and vision. By developing KPIs that relate to the results of your key activities, your organization can track its success in reaching its goals and objectives.

How is this achieved?

Ensure that your organization's key activities are adequately defined and that KPIs are developed around the results of those key activities. Also ensure that there is a reasonable causal relationship between the results of the key activities and the KPIs being reported.

Self-Assessment Questions

Answering the following questions may assist you in this step. If you answer no to any of them, then your KPIs may not be as relevant as they should be and may need revisiting.

6. Are your organization's key activities adequately defined?
7. Is there a reasonable causal relationship between your organization's key activities and the results being tracked in your KPIs?

2.2 Ensure the KPIs reflect the outcomes of the activities

Why is this important?

Public sector organization goals and objectives are often focused on achieving broad public outcomes. Outcome measures are highly informative in that they track the overall effect of your organization's operations and the actual results of your organization's activities.

How is this achieved?

Reporting on outcomes goes beyond simply reporting the inputs you used during the reporting period (e.g., resources utilized to serve clients) or the outputs of your activities (e.g., number of clients served). Instead, reporting on outcomes means providing information on how these inputs and outputs have helped your organization fulfill its mandate (e.g., improvements in the quality of life of clients).

Outcomes may be immediate, intermediate or long term.

Self-Assessment Questions

Answering the following questions may assist you in this step. If you answer no to any of them, then your KPIs may not be as relevant as they should be and may need revisiting.

8. Do your KPIs focus on the outcomes that your organization is seeking to achieve rather than just on the inputs used or outputs generated through the organization's activities?

Tip: Consider using a logic model to demonstrate the relationship between your organization's activities, the outcomes of those activities and the KPIs developed to measure and track the effectiveness of those activities.

Note: Some government organizations do not provide services directly. Rather, they guide and fund agencies that deliver the services on government's behalf. This can create a challenge for those organizations when it comes to identifying relevant KPIs that reflect the reporting organization's activities.

However, the type of outcomes an organization wants to achieve from its activities is still the same even when the organization is not directly providing the service or program. Only the degree of influence, tools and activities used to achieve the goal is different. Therefore, organizations in these situations should still create KPIs to evaluate their performance towards the outcomes they seek to achieve.

GUIDELINES

Step 3: Create KPIs that will influence your organization's decision making

3.1 Ensure the KPIs, targets and results are SMART

Why is this important?

KPIs, their targets and results must be specific, measurable, attainable, reliable and timely/time bound (SMART) if they are to help decision-makers measure progress in achieving goals and objectives. In this way, KPIs provide important data for operational and strategic decision making that can affect the entire organization.

How is this achieved?

Your KPIs should be carefully worded to ensure that the results being monitored are specific enough to allow a meaningful discussion of performance. Furthermore, the performance information underlying these results needs to be sufficiently quantifiable so you can measure and evaluate your achievements. Your KPIs should be quantifiable in both the nature of the results and the time period over which these results are being tracked. In conjunction with this, the information system used to track these results needs to be sufficiently robust for your organization to have confidence around the accuracy of this information.

Each of your KPIs should have a target that is neither too easy nor too difficult to reach. Stretch targets should also be considered to encourage excellent performance.

Typically, KPIs focus on the effectiveness of the organization in achieving its mandate, goals and objectives. However, the value of a KPI to decision-makers and stakeholders can be expanded when it reflects the efficiency of activities (i.e. how much output the organization was able to generate per unit of input consumed), the economy of activities (quality of the output or services produced relative to the resources consumed) or the timeliness of activities (i.e. what results were achieved relative to a defined time period).

Self-Assessment Questions

Answering the following questions may assist you in this step. If you answer no to any of them, then your KPIs may not be as relevant as they should be and may need revisiting.

9. Are your KPIs specific and measurable?
10. Are the targets set for your organization's KPIs attainable?
11. Are your KPI results reliable and timely?

12. Do your KPIs reflect the efficiency (outputs/inputs or outcomes/inputs), economy (quality/inputs) or timeliness (output linked to time) of your organization's activities?

Tip: For additional discussion about the types of KPIs and about SMART analysis, see Appendix B and our Office's publication *How Are We Doing? The Public Reporting of Performance Measures in British Columbia*.

3.2 Ensure the KPIs are understood and valued within your organization

Why is this important?

If management and staff have a clear idea of how their activities directly contribute to desired outcomes, KPIs based on those outcomes will be properly understood and give your organization a valuable way to evaluate the effectiveness of its activities.

How is this achieved?

KPIs are integrated into your organization's day-to-day operations. For example, KPI results should be internally reported as soon as possible, both to inform management's strategic and operational decisions and to help operational staff assess their effectiveness.

Self-Assessment Questions

Answering the following questions may assist you in this step. If you answer no to any of them, then your KPIs may not be as relevant as they should be and may need revisiting.

13. Can staff see how their individual activities contribute to the outcomes monitored through your organization's KPIs?
14. Are operational staff using KPI results to assess the effectiveness of their day-to-day activities?
15. Are KPI results being regularly monitored, internally reported and used to inform management decisions?

Tip: Organizational executives' use of KPIs is an important way of integrating them into your organization's culture.

GUIDELINES

Step 4: Create KPIs that are consistent with widely used benchmarks, where appropriate

4.1 Ensure the KPIs are consistent with applicable benchmarks, where appropriate

Why is this important?

Public sector organizations in different jurisdictions tend to face many of the same challenges and often work to achieve similar goals even though they may have different mandates, service delivery models and scope of operations.

Benchmark indicators commonly used by industry peers can provide a ready source of highly relevant KPIs. These industry standard benchmarks are useful for management and stakeholders alike because they reflect aspects of performance widely recognized as being important. They also provide an opportunity to gauge the reporting organization's performance against results obtained by similar organizations and good practice leaders.

How is this achieved?

Develop KPIs that are consistent with those reported by similar organizations whose structure, mandate, client base and so on are comparable with those of your organization.

Where differences exist, the benchmark KPIs you use may need to be adjusted to factor out the impact of these differences. The nature and rationale of these adjustments should be disclosed, as should any remaining significant unadjusted differences. However, if these adjustments become so extensive that they reduce comparability, your organization may be better off seeking a different benchmark, or not use one at all.

When an obvious benchmark indicator exists but your organization chooses not to use it, you should provide a clear explanation why.

Self-Assessment Questions

Answering the following questions may assist you in this step. If you answer no to any of them, then your KPIs may not be as relevant as they should be and may need revisiting.

16. Do you have KPIs comparable with ones used by similar organizations?
17. Have all significant differences between your KPIs and the benchmark indicators that affect their comparability been adequately disclosed?
18. If your organization does not use any widely accepted benchmarks, have you explained why not?

Tip: If benchmark indicators are unavailable, consider working with your industry peers to develop benchmark KPIs. Independent industry experts can help identify potential benchmark KPIs and any adjustments that need to be made to ensure the comparability of those indicators.



GUIDELINES

Step 5: Create KPIs that are meaningful and useful to key internal and external stakeholders

5.1 Ensure key stakeholders are clearly identified

Why is this important?

Public sector organizations typically have numerous internal and external stakeholders, each with unique concerns and interests in the organization's activities and results.

A formal stakeholder analysis can help a reporting organization clearly identify and understand its key stakeholders. As well, an organization can use an analysis like this to determine what aspects of the organization's performance are of most interest to its key stakeholders.

With this understanding, the organization is then better able to develop a suite of KPIs that communicate relevant performance information to the key stakeholders identified.

How is this achieved?

Consider conducting a formal stakeholder analysis to identify your organization's key stakeholders and their information needs. This process will include listing and evaluating the relative importance of all your stakeholders against some criteria set (i.e., power, influence, interest, etc.) to determine your key stakeholders and the aspects of your performance they are most likely to be interested in.

Revisit this process periodically to ensure your organization maintains an up-to-date record of its key stakeholders and their information needs.

Self-Assessment Questions

Answering the following questions may assist you in this step. If you answer no to any of them, then your KPIs may not be as relevant as they should be and may need revisiting.

19. Has your organization completed a formal stakeholder analysis to identify its key internal and external stakeholders?
20. Does your organization's suite of KPIs report on aspects of performance that are most important to its *internal* stakeholders?
21. Does your organization's suite of KPIs report on aspects of performance that are most important to its *external* stakeholders?
22. Does your organization notify those it considers to be its key stakeholders?

Tip: Once your organization has identified its key stakeholders, consider notifying them to let them know that you may request feedback from them on your KPIs in the future.

5.2 Ensure key stakeholders are adequately consulted

Why is this important?

The activities of a public sector organization have a significant impact on its key stakeholders. Effective, ongoing consultation with those stakeholders is essential if the reporting organization is to understand and meet their information needs. During consultation, stakeholders gain an understanding of the organization's business priorities and timelines and the reporting organization can also learn how its key stakeholders would like to receive performance information.

How is this achieved?

Consult regularly with your organization's key stakeholders using a variety of mechanisms (see tip below for examples). Consider using proxies for consultation periodically as well, such as a panel of independent experts, an internal review process or research into what similar jurisdictions report on to their key stakeholders.

Report back to your key stakeholders after these consultations to confirm your understanding.

Self-Assessment Questions

Answering the following questions may assist you in this step. If you answer no to any of them, then your KPIs may not be as relevant as they should be and may need revisiting.

23. Does your organization regularly confirm its understanding of its key stakeholders information needs?
24. Does your organization regularly consult with its key stakeholders to determine what aspects of performance concern them most?
25. Does your organization periodically consult with its key stakeholders to confirm the ongoing value and usefulness of your KPIs to them?
26. Does your organization periodically consult with key stakeholders to determine how best to report the KPI information to them?

Tip: Consider reading our Office's report *Public Participation: Principles and Best Practices for British Columbia* for guidance in consulting with stakeholders. Given resource constraints, also consider using alternative technologies such as electronic surveys, 1-800 numbers, websites to obtain stakeholder comments, or other communication tools as appropriate (see Appendix B).

GUIDELINES

5.3 Ensure the KPIs reflect aspects considered significant by key stakeholders

Why is this important?

Stakeholders must be able to determine whether their performance expectations of the organization have been met and should be able to hold management accountable for results achieved.

How is this achieved?

Ensure that your organization's KPIs provide performance information that is significant to key stakeholders, and follow the guidance provided by the BC Reporting Principles to facilitate stakeholder's understanding of the context within which results were achieved.

Consider using a variety of mechanisms to consult with your organization's key stakeholders. This will enable them to use this information to hold the organization's management accountable for their performance.

Where your organization is not able to report on a KPI that has been identified as significant by its key stakeholders, provide an explanation.

Self-Assessment Questions

Answering the following questions may assist you in this step. If you answer no to any of them, then your KPIs may not be as relevant as they should be and may need revisiting.

27. Do your organization's KPIs report on aspects of performance that key stakeholders have identified as being most significant?
28. Does your organization provide enough information about the KPI results so that key stakeholders can understand the context within which the performance was achieved?
29. Do key stakeholders contact your organization to discuss KPI performance results?
30. When your organization does not report on performance aspects that key stakeholders have identified as significant, does your organization disclose why?

Tip: Maintain ongoing consultation with your organization's key stakeholders to ensure you are reporting on aspects of performance they consider significant.

5.4 Ensure key stakeholders use the KPIs and consider them to be meaningfully presented

Why is this important?

Key stakeholders need to understand the reported KPI results if they are to effectively use the KPIs to evaluate the organization's performance and hold management accountable for results achieved.

How is this achieved?

Ensure your KPI results are clearly worded, timely and presented with enough information for key stakeholders to understand the results.

Communicate your KPI results to key stakeholders through reporting tools that stakeholders find convenient (see the tip below for examples).

Maintain contact with your key stakeholders and give them the opportunity to demonstrate they use, understand and continue to value the KPIs as reasonable measures of your organization's performance.

Self-Assessment Questions

Answering the following questions may assist you in this step. If you answer no to any of them, then your KPIs may not be as relevant as they should be and may need revisiting.

31. Are KPI results clearly worded, timely and presented with enough supporting information for key stakeholders to properly understand results?
32. Are KPI results being communicated to key stakeholders through a reporting tool that key stakeholders find convenient?
33. Do key stakeholders demonstrate they are using, understand and continue to value the KPIs your organization is reporting?

Tip: To report on and discuss KPI results with key stakeholders, consider adopting tools such as social networking sites or focus groups or using proxies such as a panel of experts. Your choice of tool should depend on your organization's objectives for that consultation (see Appendix B).

SELF-ASSESSMENT QUESTIONS

1. Create KPIs related to your organization's purpose and priorities

1.1 Do you have a solid strategic framework?

1. Are your organization's goals, objectives and mandate well defined?
2. Is there a clear and logical connection between your organization's goals, objectives and mandate?
3. Will the planned activities achieve the desired goals?

1.2 Are your KPIs linked to your goals and objectives?

4. Do your KPIs clearly support the organization's goals and objectives?
5. Are your KPIs consistent with the strategic framework used to align your organization's goals, objectives and strategies with its vision, mission, values and mandate?

2. Create KPIs that link with your organization's activities and the outcomes of those activities

2.1 Are your activities apparent in the KPIs?

6. Are your organization's key activities adequately defined?
7. Is there a reasonable causal relationship between your organization's key activities and the results being tracked in your KPIs?

2.2 Do your KPIs reflect the outcomes of the activities?

8. Do your KPIs focus on outcomes your organization is seeking to achieve rather than just on the inputs used or outputs generated through the organization's activities?

3. Create KPIs that will influence your organization's decision making

3.1 Are your KPIs, targets and results specific, measurable, accurate, realistic and timely (SMART)?

9. Are your KPIs specific and measurable?
10. Are the targets set for your organization's KPIs attainable?
11. Are your KPI results reliable and timely?
12. Do your KPIs reflect the efficiency (outputs/inputs or outcomes/inputs), economy (quality/inputs) or timeliness (output linked to time) of your organization's activities?

3.2 Are your KPIs understood and valued within your organization?

13. Can staff see how their individual activities contribute to the outcomes monitored through your organization's KPIs?
14. Are operational staff using KPI results to assess the effectiveness of their day-to-day activities?
15. Are KPI results being regularly monitored, internally reported and used to inform management decisions?

APPENDIX A

4. Create KPIs that are consistent with widely used benchmarks where appropriate

4.1 Are your KPIs consistent with applicable benchmarks, where appropriate?

16. Do you have KPIs comparable with ones used by similar organizations?
17. Have all significant differences between your KPIs and the benchmark indicators that affect their comparability been adequately disclosed?
18. If your organization does not use any widely accepted benchmarks, have you explained why not?

5. Create KPIs that are meaningful and useful to key internal and external stakeholders

5.1 Are your key stakeholders clearly identified?

19. Has your organization completed a formal stakeholder analysis to identify its key internal and external stakeholders?
20. Does your organization's suite of KPIs report on aspects of performance that are most important to its *internal* stakeholders?
21. Does your organization's suite of KPIs report on aspects of performance that are most important to its *external* stakeholders?
22. Does your organization notify those it considers to be its key stakeholders?

5.2 Are your key stakeholders being adequately consulted?

23. Does your organization regularly confirm its understanding of its key stakeholders information needs?
24. Does your organization regularly consult with its key stakeholders to determine what aspects of performance concern them most?
25. Does your organization periodically consult with its key stakeholders to confirm the ongoing value and usefulness of your KPIs to them?
26. Does your organization periodically consult with key stakeholders to determine how best to report the KPI information to them?

5.3 Do your organization's KPIs reflect aspects considered significant by key stakeholders?

27. Do your organization's KPIs report on aspects of performance that key stakeholders have identified as being most significant?
28. Does your organization provide enough information about the KPI results so that key stakeholders can understand the context within which the performance was achieved?
29. Do key stakeholders contact your organization to discuss KPI performance results?
30. When your organization does not report on performance aspects that key stakeholders have identified as significant, does your organization disclose why?

5.4 Do your key stakeholders use the KPIs and are they meaningfully presented?

31. Are KPI results clearly worded, timely and presented with enough supporting information for key stakeholders to properly understand results?
32. Are KPI results being communicated to key stakeholders through a reporting tool that key stakeholders find convenient?
33. Do key stakeholders demonstrate they are using, understand and continue to value the KPIs your organization is reporting?

APPENDIX B

TOOLS TO ASSIST IN THE DEVELOPMENT OF RELEVANT KPIS

BC Reporting Principles (Support for Step 1)

The BC Reporting Principles consist of eight principles designed to provide guidance to public sector organizations reporting on their performance. They were endorsed by the Legislative Assembly's Select Standing Committee on Public Accounts in 2003 for use by public sector organizations in British Columbia.

This guide to developing relevant KPIS has been designed to supplement the information already provided by those principles.

For more information, see the [Performance Reporting Principles for the British Columbia Public Sector](#)

A quick reference guide can be found at: www.llbc.leg.bc.ca/public/pubdocs/bcdocs/372475/quick_ref_2004.pdf

B.C. Reporting Principles at a Glance

1	Explain the public purpose served
2	Link goals and results
3	Focus on a few critical aspects of performance
4	Relate results to risk and capacity
5	Link resources, strategies and results
6	Provide comparative information
7	Present credible information, fairly interpreted
8	Disclose the basis for key reporting judgements

Public Reporting of Performance Measures (Support for Step 3)

In December 2009, our office published *How Are We Doing? The Public Reporting of Performance Measures in B.C.* This report provides insight into the nature and scope of the performance information that was being reported by the province's public sector in 2008/09 and outlines recommendations for improving reporting practice. It also identifies trends in performance measurement based on criteria used to assess these performance measures. A criteria assessment tool is included in the report's appendix.

The criteria and discussion about KPI types and making KPIS

SMART are a helpful supplement to the information provided in this guide. The report can be found at: www.bcauditor.com/pubs/2008/report13/public-sector-governance-guide-principles-good-practice-

Board Use of Information (Support for Step 3)

For more information about the importance of relevant KPIS in decision-making, see the following documents produced by our Office in 2009 related to board use of information:

- *Making the Right Decision: Information Use by the Boards of Public Sector Organizations*
- *Guidelines: Information Use by the Boards of Public Sector Organizations*
- *Board Self-Reported Practices: Information Use by the Boards of Public Sector Organizations*

The guidelines noted above confirm that, for information to be used correctly in decision making, it must be high quality and it must be understood. The board members we surveyed during this work identified good practices such as:

- using benchmarks to identify performance levels;
- receiving relevant information;
- receiving the information that is required; and
- receiving information on a timely basis.

For more information on this topic, visit: www.bcauditor.com/pubs/2009/report6/board-use-information

Public Participation (Support for Step 5)

Using public participation for KPI selection has two advantages: it helps reporting organizations understand what the public finds relevant and it helps them gain public support. Our Office developed a model that supports this public participation process by helping organizations: determine the need for public participation; gauge the level of involvement best suited to the decision at hand; and build a successful course of action.

In November 2008, our Office released *Public Participation: Principles and Best Practices for British Columbia*. This report outlined the processes and benefits of including clients and stakeholders in the public participation process. This methodology may be used in the evidence-gathering to determine comprehensive KPIS.

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