



National Audit Office

INFORMATION ASSURANCE SUMMARY REPORTS

Department for International Development

The purpose and scope of this review

1 During the period 1 October 2011 to 27 January 2012, the National Audit Office (NAO) carried out an examination of a sample of DFID's data systems used to report performance against Business Plan indicators and operational data systems. This involved a detailed review of:

- the match between the indicators DFID publishes, the operational data it uses to run itself, and the priorities and key business areas within DFID;
- the processes and controls used to select, collate, process and analyse the data; and
- the reporting of results.

2 At the time of carrying out our review, DFID told us it was in the process of developing its results system, to improve its results information and enhance reporting against its new results framework, both to the public and to senior management at DFID. This would involve broadening the range of indicators to be reported and aggregated and developing the systems used for data collection. As a result, the methodologies for collecting the information used to report against each of the results indicators, including the Business Plan indicators, were being revised.

3 Business Plan input and impact indicators were reported against in the July 2011 Quarterly Data Summary (QDS) for the first time, with updated input indicators in October 2011. In the January 2012 QDS, two further indicators were updated and six indicators now include information within the 'previous' column. For the majority of the indicators there had been no movement, as no new data had been collected. DFID confirmed to us it has the agreement of HM Treasury for some indicators to be reported on an annual basis rather than quarterly, as outlined within its final Departmental Business Plan in May 2011. This means that in some cases there will be no comparatives available to track progress.

4 Our review is based on the DFID indicators at two distinct levels: results indicators (level 2) and organisational effectiveness indicators (level 4),¹ with our conclusions provided as numerical scores. These ratings are based on the extent to which departments have put in place and operated internal controls over the data systems, which are effective and proportionate to the risks involved.

5 In view of the continuing work to finalise methods for data collection to report against results indicators, we carried out a pilot study for the first year of our three-year work plan, based on DFID's draft methodologies for collating information. The data collection methods underlying the organisational effectiveness indicators are more established and therefore we were able to review these methods fully.

6 This review provides an overview of the results of our assessment of these systems. It does not provide a conclusion on the accuracy of the final figures that have or will be reported in DFID's public performance statements. This is because the existence of sound data systems reduces but does not eliminate the possibility of error in the reported data.

7 We are pleased DFID is making efforts to strengthen its indicators and data collection methods, as this will mean that more robust reliable data will be presented to senior management, allowing them to make better informed decisions.

Overview

8 As part of our review we analysed the indicators that DFID is intending to use to monitor its performance. These fall into the following four categories:

- Level 1: Progress on key development outcomes: at this level DFID focuses on progress to achieve the Millennium Development Goals (MDGs).²
- Level 2: DFID results: at this level DFID measures the outputs it funds through both its bilateral and multilateral funding. There are two suites of indicators that fall into the level 2 category; 25³ DFID bilateral indicators and 27 DFID multilateral indicators. DFID's Business Plan impact indicators are a subset of these bilateral indicators. In addition, progress against the 24 results commitments (derived from a number of statements beginning 'we will') – published by DFID in March 2011 within the 'UK aid: Changing lives delivering results' paper – is assessed by DFID using the majority of the bilateral indicators and some of the multilateral indicators.
- Level 3: Operational effectiveness: these indicators are reported to DFID senior management within the Quarterly Management Report. They aim to provide management with a better indication of real-time performance and likely results. These fall under four main headings: Structural Reform, Portfolio Quality, Pipeline Delivery, and Monitoring and Evaluation.

¹ See below for further explanation.

² These are eight goals which form the Millennium Declaration, produced by the UN, that all 191 UN Member States aim to achieve by 2015. The MDGs are derived from this Declaration, and all have specific targets and indicators.

³ Since the time this review was carried out, the number of bilateral indicators has reduced to 24, as DFID has told us it is not possible to collect data for one indicator.

- Level 4: Organisational effectiveness: these indicators relate to the common areas of spend that every department uses to measure how efficiently it is running. These indicators cover each of the main corporate services areas: Human Resources, Finance, Procurement and Estates and Environment.

From our review, we have found that various indicators use the same information and therefore feed into more than one of the categories identified above, generally within levels rather than across levels (for example, information feeding into input or impact indicators may also be used in bilateral or multilateral indicators).

9 The DFID Results Framework and Business Plan indicators do not represent the entirety of DFID's results monitoring. DFID publishes results frameworks for each individual development programme that it funds and for every country office or spending department. The DFID results framework includes only those results indicators which can be aggregated across country offices. There will inevitably, therefore, be important areas of DFID's work not covered in full by one set of central indicators.

10 While it was not a specific requirement of the 2011 Business Plan guidance to align indicators with Structural Reform Priorities (SRPs), we have considered whether there are any significant gaps in coverage.⁴ The indicators included within DFID's Business Plan for 2011 cover each of the SRPs to varying degrees. While departments were limited to the number of indicators they could create at this level, not all SRPs have indicators attached. For example, there is not a specific indicator which covers 'introducing transparency in aid'. The indicators which cover 'strengthening governance and security in fragile and conflict-affected countries' and to 'lead international action to improve the lives of girls and women' are partial. DFID should look at whether its indicator coverage in these areas could be improved to ensure the government priorities are covered.

11 We considered how DFID currently reports on 'strengthening governance and security in fragile and conflict-affected countries'. The Business Plan input and impact indicators relating to DFID spend and success in promoting elections do not include any provisions in respect of targeting fragile and conflict-affected countries. While DFID has included the elections indicator as a proxy for governance, it has not stated that this is a proxy for governance in fragile and conflict-affected countries. DFID's priority countries are predominately fragile and conflict-affected countries so it would be reasonable to state that the indicator coverage of this priority is obtained, but not specifically reported on separately, for these countries. DFID needs to be clearer on this aspect, when it reports, to allow disaggregation between fragile and conflict-affected countries, and non-fragile or non-conflict-affected countries.

12 The DFID Business Plan indicators that most closely relate to the area of 'leading international action to improve the lives of girls and women' are the input and impact indicators on cost and number of births attended by a skilled birth attendant, as well as the indicator on number of children supported in school (disaggregated by sex). These cover a small spectrum of the government's stated aims for this priority. While some results for impact indicators will be disaggregated by sex, DFID could improve coverage of this priority by including further specific indicators targeting improvements in the lives of women and girls.

13 In regard to the Common Area of Spend indicators, these are generic across government departments and provide good coverage of the operational and organisational health of a department.

⁴ The 2012 Business Plan guidance does include a requirement for indicators to be aligned with SRPs.

14 As part of the pilot study, we selected four Business Plan indicators for which we would review the data collection methodology. The indicators to be reviewed were selected from the DFID Business Plan, published in May 2011, and for each we have selected the impact and associated input indicator. Our review of these was based on DFID's draft methodologies for collating information in order to report progress against its indicators. We are aware that changes have occurred subsequent to our review and these will obviously not be reflected within this report.

15 We also reviewed the Common Areas of Spend indicators on estates and workforce, which are published in the QDS and are considered to have more mature data systems underlying their reported performance. DFID classifies these as organisational effectiveness indicators, which fall under level 4 of its results framework.

16 The wider control environment is thought to be a robust reliable one. There is a low risk of management override.

17 **Figure 1** summarises our assessment of the DFID's indicator data systems.

18 Our review of the Business Plan indicators reported in the QDS show there are weaknesses in the proposed methodology for the data collection systems, as follows:

- On timing: DFID's intended regularity of reporting these indicators is to report on an annual basis. This is not in line with the central guidance from HM Treasury to all departments, requiring them to produce quarterly figures for the QDS. However, HM Treasury has agreed that, as outlined in DFID's Business Plan of May 2011, results for most indicators would be reported annually, rather than quarterly. DFID's reasoning for reduced reporting is that DFID uses developing country data systems that rarely report more frequently than annually, making more regular reporting difficult. DFID tells us it made a conscious policy choice to avoid creating parallel reporting processes that could undermine country systems. We have added recommendations to ensure that DFID is clear about how frequently it reports results information, while continuing to review how it can collect information on a more timely basis in future.
- On the use of data from DFID country offices: the accuracy of the results reported against the indicators is dependent upon information being reported from the wide network of country offices. At the time of our review, DFID's Finance, Performance and Impact Department was liaising closely with country offices to develop indicator methodologies (to enable aggregation of data across countries); and a more efficient results collection process to minimise the resources needed to collect and report results.
- On the use of multilateral data: DFID lacks detailed oversight of the data systems of multilaterals that are part funded by DFID. This is an issue inherent to the nature of its working with multilaterals. Due to this, multilateral data may be an area for concern as DFID will not be in control of collecting and disseminating the data and therefore there is the possibility that it may not be reported with sufficient accuracy. DFID has told us that in the last two years teams have actively worked with its multilateral partners to improve the quality of the results processes in place within those organisations.

DFID often implements its programmes through multilateral organisations, either by DFID country offices funding multilateral-run projects in a country (defined by DFID as bilateral) or through core funding of multilateral organisations with the multilateral acting on its own behalf. As a result, DFID can claim a portion of the multilateral's results based on its share of funding. If bilateral and multilateral results are to be aggregated then this introduces a risk of double-counting within Business Plan indicators. DFID does not yet aggregate results for its bilateral and multilateral programmes, but it is investigating whether it is possible to do this without double-counting. At the time when we performed our review this work had not yet been carried out.

Figure 1

A summary of the results of our validation exercise

Score	Meaning	Indicators we reviewed that received this score
4	The data system is fit for purpose and cost-effectively run	<p>Seven estates and workforce indicators</p> <ul style="list-style-type: none"> Total size of office estate Total cost of office estate Estates cost per full-time equivalent Estates cost per square metre Full-time equivalent staff numbers Average staff costs Contingent labour
3	The data system is adequate but some improvements could be made	No indicators
2	The data system has some weaknesses which the Department is addressing	<p>Four Business Plan indicators</p> <ul style="list-style-type: none"> Sanitation input indicator – Cost per person of providing sustainable access to an improved sanitation facility with DFID support Sanitation impact indicator – Number of people with sustainable access to an improved sanitation facility as a result of DFID support Maternal health input indicator – Cost per birth delivered by a skilled birth attendant with DFID support Maternal health impact indicator – Number of births delivered by a skilled birth attendant with DFID support
1	The data system has some weaknesses which the Department must address	No indicators
0	No system has been established to measure performance against the indicator	No indicators

Source: National Audit Office analysis

Recommendations

19 Our main recommendations are:

- DFID should review its indicator set to check that its coverage is comprehensive and the set of indicators and their relationship is coherent and understandable.
- DFID should make clear that July 2011 publications are based upon old methodologies and therefore it should publish by when it expects data systems to be ready for each of its Business Plan indicators, using new methodologies and recent data. DFID should then also publish this methodology, and its limitations, for each indicator.
- DFID should continue to liaise with its multilateral partners to ensure its data requirements are supplied in a timely manner and appropriate quality.
- DFID should consider whether to aggregate the multilateral and bilateral results data when reporting on indicators, or whether it should keep these results shown separately. We would expect to see a clear rationale for how reporting of results avoids double-counting.
- DFID should clarify the frequency with which it reports data against its Business Plan indicators in its QDS and ensure all stakeholders are aware of this. It should also set out the basis of any Treasury approval for diverging from central government guidance on the expected frequency of reporting.
- We are aware that DFID agreed with HM Treasury that annual reporting would be acceptable for some of its indicators; however using a quarterly reporting framework suggests that progress can be reported quarterly. This needs to take account of the choice between reporting useful (e.g. output based) indicators every six months or annually; and reporting less useful, internally focused indicators quarterly. We understand that DFID already recognises more frequent reporting could be desirable and plans to consider this further following the 2011-12 year end results collection exercise.
- From our review of indicators, we have found that there are three results commitments in the 'Changing lives' document which are not currently covered by indicators within DFID's results framework. We recommend that DFID ensures that it is clear about how it aims to track progress against these statements, to ensure that they are being appropriately monitored. This should be formally documented in subsequent updates on its results framework.
- We recommend that DFID seeks clarification from the Cabinet Office on whether it needs to include overseas data for estate costs when reporting on its Common Areas of Spend indicators.