



National Audit Office

DATA ASSURANCE SUMMARY REPORTS

HM Treasury

Background and scope

1 In 2012, the government published updated departmental business plans. These focused on coalition priorities and are monitored by a set of input and impact indicators. Departments are expected to publish performance against these indicators quarterly. In addition, the Civil Service Reform Plan, published in June 2012, set out additional requirements for departments in sharing management information on back-office functions such as estates, HR or Finance.

2 The National Audit Office has undertaken to review the input and impact indicators systems of all central government departments and a sample of back-office and operational information. Our first review was carried out in 2011-12, and a summary report was published on each department.¹ This report is our second review on HM Treasury and examines three business plan indicators. We have also chosen this year to examine three broader departmental operational indicators which relate to activities that fall outside the business plan, but in which the HM Treasury board has an interest in monitoring to assess HM Treasury's impact.

¹ Available on the National Audit Office website at: www.nao.org.uk/search/pi_area/data-assurance-summary-reports/type/report

3 In 2011-12, we examined all input and impact indicators included within the 2011–2015 Business Plan. We did not examine any operational data systems as HM Treasury was in the process of revisiting and refining the overall information being reported to its board to support decision-making. In this second tranche, we examined all three of the new impact indicators included in the 2012–2015 Business Plan. The input indicators remain unchanged and therefore we have not undertaken any further review of these. In addition, we examined three operational indicators reported internally in HM Treasury’s quarterly performance report for the HM Treasury board. Many of HM Treasury’s operational indicators are taken directly from external sources such as Bloomberg and are used to assess risks to the outcomes HM Treasury is trying to effect. The three indicators that we have examined were chosen as they covered a range of HM Treasury’s objectives and are sourced from different data systems.

4 This report provides an overview of the results of our assessment. It does not provide a conclusion on the accuracy of the outturn figures included in HM Treasury’s Business Plan updates and performance reports. This is because the existence of sound data systems reduces but does not eliminate the possibility of error in the reported data. We have assigned each indicator a numerical score, based on the extent to which departments have put in place and operated internal controls over the data systems that are effective and proportionate to the risks involved.

Our findings on completeness of information

5 HM Treasury has improved the coverage of some of its business plan indicators since 2011-12. The new indicators have improved reporting against some priorities, for example the new indicator, ‘Overall impact of spending, tax, tax credit and benefit changes on households in 2014-15 as a percentage of 2010-11 net income’ provides some indication of the ‘fair and responsible’ element of the priority to ‘reduce the structural deficit in a fair and responsible way’ whereas the previously existing indicators only provided information on whether the deficit was being reduced.

6 HM Treasury’s business plan indicators still do not cover all aspects of its business plan priorities. Indicators are designed to be illustrative, rather than comprehensive, however, HM Treasury should consider whether the business plan indicators that have been chosen to assess impact provide sufficient coverage of the coalition priorities. The ‘government shareholdings in banks: RBS, Lloyds Banking Group’ is now the only indicator for the priority to ‘reform the regulatory framework for the financial sector to avoid future financial crises’. While we accept that the government’s disposal of its shareholdings in banks might provide some indication of a return to a pre-financial crisis state of financial stability, this indicator alone does not relate to the progress of regulatory reform or provide any indication of whether future financial crises can be avoided. However, we recognise that there are challenges in identifying robust, measurable indicators in these areas.

7 HM Treasury does not use the business plan indicators internally to manage its performance as they were designed to focus on the coalition’s priorities for each department and do not therefore cover all of its activities. HM Treasury has an internal performance reporting framework which is focused on key risks and covers all aspects of its activities. The quarterly performance report is the key performance document that helps inform the review of departmental performance and decision-making. While the business plan indicators are provided to the Executive Management Board for information, this is not the predominant means by which HM Treasury assesses the impact of its performance.

Our findings on information strategy

8 HM Treasury does not have a single information strategy; however the main areas we would expect this to consist of are covered in other documentation at a high level. The central Knowledge and Information Management team produce various internal documentation available to staff. HM Treasury also provides information to the public, by way of its external website. There is, however, no central coordinated document which pulls all this other information together in a single place. The government ICT strategy published by the Cabinet Office in March 2011 required all departments to develop and publish information strategies aligned to the cross-government information strategy principles by March 2012. The objective of the strategies is to allow the government to realise the value of the information it holds and provide a common basis for sharing and providing information between government departments and citizens.

9 At the time our work was undertaken, the Department did not have a board level lead for Information Management. This was due to the previous member who had this role leaving the post. Although one of the Second Permanent Secretaries has now been appointed as Knowledge Management lead, it highlights the importance of ensuring there is key leadership in this area at board level, as this assists in transmitting a good information culture to the rest of the organisation. Through discussions with HM Treasury it was noted that, although data ownership is recorded, more can be done to ensure data owners take responsibility for the data they hold. It is important that data owners are aware of their roles and obligations in this area.

Our assessment of data systems

10 We examined six data systems in our latest review, of which three were business plan indicators and three were operational indicators.

11 HM Treasury has not performed or documented formal risk assessments of the data systems underpinning the indicators reported. Although many of HM Treasury's indicators are derived from externally published data, meaning some assurance can be taken from the nature of the source, it is important that HM Treasury recognises its role in ensuring data quality. Efforts which are proportional to the risk of publishing incorrect data should be made to understand the underlying external data system, as well as any potential risks to data quality.

12 Business plan indicators are not reported on a timely basis. Until July 2012, departments reported progress against their business plan indicators within a framework of Quarterly Data Summaries. Subsequently, the Cabinet Office delegated this to departments, and allowed them to determine the appropriate frequency. HM Treasury now publishes details of its input and impact indicators in a spreadsheet on its website. As at the end of April 2013, these have only been published once, on 28 September 2012, and HM Treasury have informed us that the next update will be published following the March 2013 Budget. HM Treasury's intention is to publish updates following fiscal events (such as the Budget and Autumn Statement) however this is not currently made clear on the website which stated that some indicators would be updated in late 2012.

13 Business plan indicators are not reported in a clear and unambiguous way and insufficient information is provided to allow users to understand the indicator or underlying data systems. We also found weaknesses in the way the data is presented as HM Treasury has not published any detailed information to accompany the indicators such as a specification including a definition of the indicator, a methodology to explain how the data used to calculate the indicator is collected, any limitations or risks associated with the indicator, and an expectation against which progress can be measured. Previously some information was published in the 2011–2015 Business Plan measurement template but this has not been updated for the new indicators in the 2012–2015 Business Plan and is not accessible from the spreadsheet where the indicators are now reported. In addition, the spreadsheet does not identify the period that the latest available data relates to or provide an indication of the unit of measurement for the indicator, for example, for the ‘government shareholding in banks’ indicator it is not clear whether HM Treasury is reporting the number of shares held or the value of the shares.

14 HM Treasury does not have documented procedures relating to the collection, validation, processing and reporting of data for all indicators. For some indicators, we identified that it is not always clear which data sources should be used, what criteria should be used for rejecting or amending poor quality data, or what methodology should be followed for calculating the reported indicator.

15 **Figure 1** summarises our assessment of the data systems underlying the second tranche of six indicators we have examined.

16 Underlying data systems are in place for all indicators reviewed. All six indicators that we looked at have well defined systems in place to collect the information to report against the indicator although we found some weaknesses in the documenting of risk assessments and processes and the reporting of the indicators.

Recommendations

17 HM Treasury should consider the coverage of its business plan indicators to ensure that they sufficiently reflect all aspects of the coalition priorities. We found that some aspects of the priorities are not adequately covered by indicators. For example, we found that the priority to ‘reform the regulatory framework for the financial sector to avoid future financial crises’ does not currently have any indicators relating to reform of the regulatory framework, although we note the challenge in identifying suitably robust, measurable indicators in this area.

18 HM Treasury should improve the timeliness and clarity of its reporting of business plan indicators and apply best practice and publish detailed specifications to allow users to better understand the information. We found that HM Treasury had not (as at the end of April 2013) updated its external reporting of indicators since September 2012. We understand that HM Treasury intends to update these indicators after fiscal events and it has confirmed that it will amend the reference on its external website that suggests it will update the indicators quarterly. Where data is available for some indicators more frequently, we would recommend that these are updated quarterly. The presentation of information could be improved by identifying the units of measurement for each indicator and the period covered by the latest available information. For some indicators, there is little information provided to explain the methodology used for calculating the data, any limitations or weaknesses in the data reported or contextual information to identify HM Treasury’s targets or expected direction of travel.

Figure 1

A summary of the results of our data assurance exercise

Score	Meaning	Indicators we reviewed
		Operational indicator (O) Business plan indicator (B)
4	The indicator's data system is fit for purpose	B1: Overall impact of spending, tax, tax credit and benefit changes on households in 2014-15 as a percentage of 2010-11 net income
3	The indicator's data system is fit for purpose but some improvements could be made	B2: Business investment as a share of GDP B3: Government shareholding in banks: RBS, LBG O1: UK Business surveys O3: Staff in post (core Treasury only) compared to workforce plans
2	The indicator's data system has some weaknesses which the Department is addressing	O2: Spending data
1	The indicator's data system has weaknesses which the Department must address	
0	No system has been established to measure performance against the indicator	

Source: National Audit Office

19 HM Treasury should undertake proportionate risk assessments of the risks to each data system. We found that HM Treasury had not formally documented the risks associated with the data systems used for its indicators such as any possible weaknesses or limitations in the data obtained from external providers. Risk assessments should be proportionate to the risk of publishing inaccurate data and therefore we would expect those for indicators based on data from reliable external providers to be less detailed than those indicators where HM Treasury is responsible for producing or synthesising the data.

20 HM Treasury should ensure that it produces formal documented procedures for the collection, validation, processing and reporting of each indicator. We identified that HM Treasury does not currently have documented procedures and is therefore reliant on the individuals responsible for each indicator to extract and report the correct data. This creates a risk that the indicators will not be reported consistently especially if key staff leave their current roles.

21 HM Treasury should develop and publish a formal information strategy based on the government information principles. HM Treasury currently has documents and policies covering most elements that would be required of an Information Strategy but these are not coordinated and pulled together in a single document. The government's information principles provide a checklist of topic areas which an Information Strategy aligned with the principles would be expected to cover and provides suggestions and examples of what this would include.