



SAINT HELENA **AUDIT SERVICE**

'FLITS' AND HIGH LEVEL INDICATORS



VALUE FOR MONEY REPORT

V07 – NOVEMBER 2009

Value for Money audits are conducted by the Audit Service on behalf of the Legislative Council, in order to determine whether St Helena Government resources have been used with proper regard to economy, efficiency and effectiveness.

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Report Distribution: Strategic Planning Coordinator, Chief Secretary, Financial Secretary and Legislative Council.
The executive summary is provided to the Public Accounts Committee and Audit Committee.
It is available to the public through our website (www.audit.gov.sh), in the Public Library and at the Audit Service Offices.

'FLITs' AND HIGH LEVEL INDICATORS

EXECUTIVE SUMMARY

In the Public Accounts Committee's report on their March 2008 meeting, they requested the Chief Auditor to 'examine the appropriateness and reliability of High Level Indicators in measuring value for money, progress and performance in 2007/08 when these are available and report to us on the results of his examination.'

Because of the shift in monitoring activity to the FLITs, there never was a definitive report on the High Level Indicators for 2007/08, so this request was not fulfilled. Instead an audit of 'FLITs' and High Level Indicators was added to the Value For Money (VFM) Audit Plan 2009/10. The purpose of the audit was to assess the accuracy of the data reported against the Front Loading Initial Triggers.

Based upon the work undertaken and the findings detailed in the body of this report, the overall opinion is given below. The range of possible audit opinions given for Value For Money is good, adequate and inadequate. Definitions of the audit opinions can be found at Appendix A to the main report.

'FLITs' AND HIGH LEVEL INDICATORS

ADEQUATE	Management arrangements are generally conducive to achieving Value For Money – but further important enhancements could be made.
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The report made one high level recommendation, which was that SHG should publish a set of targets measuring key aspects of its planned performance in 2010/11 and report to the public on their attainment during 2011. This is planned in any case, but we have included the recommendation in order to facilitate our own monitoring and that of Public Accounts Committee.

In general we found that the actual information reported was accurate, or at least accurately reflected detailed records held at departmental levels, and was comparable with baseline information given. We did however find one area where data was not comparable and so was potentially misleading, as well as two areas where insufficient information had been retained to allow us to verify the data given. We have made recommendations for improvements as a result of these findings.

The assistance given by all SHG staff and third parties is acknowledged with appreciation. A list of those involved is included at Appendix C.

1 FINDINGS AND CONCLUSIONS

Introduction

- 1.1 In the Public Accounts Committee's (PAC's) report on their March 2008 meeting, the Committee requested the Chief Auditor 'to examine the appropriateness and reliability of High Level Indicators in measuring value for money, progress and performance in 2007/08 when these are available and report to us on the results of his examination.'
- 1.2 The 'High level Indicators' referred to were those contained in 'the St Helena Sustainable Development Plan 2007/08 – 2009/10' (the SDP) and in particular those indicators listed in Table 11 of that plan on page 53.
- 1.3 After initial discussions between the Chief Auditor and SHG officials, the Chief Auditor decided not to respond to the PAC's request.
- 1.4 The reason for this was that the focus of monitoring activities within SHG had moved on from the indicators in the SDP to a set of indicators known as the Front Loading Initial Triggers, or FLITs that were in the process of being agreed with the UK's Department for International Development (DFID) for 2008-09. As a result there was no intention to produce a definitive year end report on the SDP Table 11 High Level Indicators.

- 1.5 The Table 11 High Level Indicators were in any case of increasingly doubtful relevance given the delays to the airport tender process and subsequent 'pause.' They covered the three year period from 2007/08 to 2009/10 and are based on the assumption that work on the airport construction site would start in 2008/09. (See SDP page 69.)
- 1.6 The Chief Auditor decided to put an audit of 'FLITs and other High Level Indicators' on the plan for 2009-10.

Public Reporting of Performance Indicators

- 1.7 The lack of reporting by SHG on its performance is an area of concern, not least to those within government itself. It is of concern to the PAC and to the Audit Service who have complementary mandates in examining the economy, efficiency and effectiveness of government operations. The mandates are made much more difficult to fulfill by the absence of systematic reporting by SHG of its performance.
- 1.8 According to the Audit Commission, which audits local authorities in England, "all effective organisations measure their performance in order to know how well they are doing and to identify opportunities for improvement."
- 1.9 There has been, it must be said, much activity within SHG and its departments aimed at setting targets

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and measuring performance against them. This is done at the level of departmental business plans, and also at higher levels as part of various different initiatives such as the 'Key Objective Action Plan' and the 'Strategic Initiatives'. In addition there is much information on performance prepared to satisfy the requirements of particular grant agreements.

1.10 What is lacking however is reporting on performance by SHG, formally to Legislative Council or the public. The accountability of SHG to Legislative Council is necessarily weakened by the absence of such reporting.

1.11 This situation compares unfavourably to local authorities in England for example, who are all required to report on a standard set of just under two hundred performance indicators.

1.12 The SDP recognised the need to monitor performance against the targets it contained. Whilst it did not promise to make reports to Legislative Council or the public, it outlines a policy whereby an SDP Monitoring Committee would meet at least twice a year to ascertain progress made on the realisation of the targets and would submit a report based on its findings to Executive Council. The policy was never implemented.

1.13 There are currently plans to prepare and publish, at the start of 2010/11, a booklet covering SHG policies and targets which would summarise SHG's objectives, the key aims of each department, high level indicators and summary budget information. This would be followed a little over a year later by a report on

actual achievement measured against these targets.

1.14 Given the failure of all previous initiatives aimed at public reporting of performance, a degree of scepticism in relation to these plans is perhaps inevitable, but a significant difference from earlier rounds is the creation of and appointment to a post that has reporting on performance across SHG as a major element.

1.15 The following recommendation is made in the knowledge that it accords with existing plans, but should facilitate follow up of such plans by the Audit Service and the PAC.

1.16 We recommend that SHG publish a set of targets measuring key aspects of its planned performance in 2010/11 and report to the public on their attainment during 2011. (Recommendation 1)

Review of FLITs progress report

1.17 While there is no definitive report on SHG's performance in 2008/09 there is a FLITs progress report at January 2009, which was the nearest there was to a report on SHG's overall performance in the year. This report formed the basis for DFID's assessment of SHG progress against the FLITs and of its decision on how much money to release for infrastructure projects. These FLITs were also used for internal monitoring of progress on a bi-monthly basis by councillors and senior officials.

1.18 The FLITs are a set of targets agreed between DFID and SHG to measure progress on agreed indicators. They are not designed for the purposes of

reporting to the public as a summary of SHG's overall performance. They are also not designed for the purposes of SHG's monitoring of and control over its operations. Accordingly we have not assessed their adequacy for these purposes. We note that a set of indicators designed for these purposes would better serve the interests of accountability to the public and Legislative Council or the interests of SHG's ability to effectively manage its operations.

- 1.19 We did audit the accuracy of the indicators and the extent to which actual information is calculated in a way that is comparable to the baseline information provided.
- 1.20 In general the actual information reported was accurate, or at least accurately reflected detailed records held at departmental levels, and was comparable with baseline information. We did however note some areas for improvement.

Utility Indicators

- 1.21 Most significantly, the actual data reported for water and electricity was not comparable with the baseline information given.
- 1.22 SHG's policy is to reduce untargeted utility subsidies and to measure progress in this area baseline figures were given for terms of percentages of operating costs recovery. These were 56% for water and 69% for electricity.
- 1.23 These baseline figures were calculated by dividing 2007/08 revenue by 2007/08 expenditure for the water and energy budget sections respectively. The information for the baselines were based on estimates of

actual full year revenue and expenditure made before the end of 2007/08 and so do not agree exactly with the actual figures, but are close.

- 1.24 The baseline figures for electricity is calculated quite differently from the baseline and benchmark figures in table 11 of the SDP. These show a 2006/07 baseline of 51% with benchmarks of 54%, 58% and 64% for 2007/08, 2008/09 and 2009/10 respectively. These SDP figures include expenditure on electricity that is not included in the energy budget section, such as expat salaries, depreciation on most but not all generators, and an apportionment of central administration costs.
- 1.25 Milestones for 2008/09 were set to measure progress in meeting the FLIT performance indicator of 'progressive reduction of untargeted utility subsidies.' The 2008/09 milestones for electricity were not quantitative but were: "Electricity tariff model agreed, targeting full cost recovery by 2015 and new tariffs in place. Acceptance of principles by ExCo September 2008." These milestones were met.
- 1.26 The milestone for water was however a quantitative indicator of 91% of operating costs recovered. What was reported as the actual position in January 2009 was "January collection 90% (Water)."
- 1.27 It would appear to a casual reader that the 91% target for water was narrowly missed and that a large improvement had been made compared to the benchmark figure of 56%. However the 'January collection figure' is calculated as actual water division revenue for the first ten months of the financial year divided

by budgeted water division revenue for the first ten months of the year. It is in no sense a measure of operating costs recovered.

1.28 The actual figures for water operating costs, calculated in the same way as the baseline, were 84% for the first ten months of the year which fell to 74% when financial results for the whole of 2008/09 are taken into account. While this does represent a considerable increase in cost recovery from the baseline, it is still considerably less than the milestone figure.

1.29 For electricity a 'January collection' figure of 91% is quoted. Again it might appear to a casual reader that a large improvement had been made since the benchmark figure of 69%, but this would not be the case as the two figures are not comparable. Comparable figures for operating cost recovery are 60% for the first ten months of the year and 64% for the full year. Despite the steep price increases introduced during the year, the increases in fuel costs meant that the overall percentage of costs recovered was actually lower in 2008/09 than the baseline figure.

1.30 We recommend that where actual figures quoted are not comparable to baseline figures this fact should be explicitly stated, along with a reason for not giving comparable figures. (Recommendation 2.)

1.31 From our review of DFID's assessment of progress it would appear that DFID were not in fact misled by these figures.

Other Areas for Improvement

1.32 FLIT number 8 measures progress in dealing with hypertension (high blood

pressure.) The measure used is "Increase % of patients on the EMIS hypertension register with a blood pressure of 150/90 or below from a baseline of 65%." We found that there were a number of differing ways of calculating this figure, and while all showed appreciable progress in controlling hypertension, we have not been able to find a method of calculation that gives a 2007/08 figure of 65%.

1.33 We recommend that the exact method of calculating performance indicators is recorded at the time that targets are set and baselines calculated, to ensure that actual figures reported are comparable. (Recommendation 3.)

1.34 While we found detailed enrolment records to back up the actual figures given for participation in vocational courses (FLIT 3) we were unable to find similar records to back up the baseline figure.

1.35 With any set of performance indicators, there is a choice to be made as to how much information should be held centrally and how much should be held by reporting agencies (e.g. government departments) and reported in summary only. The 2010/11 FLITs represent an improvement in that responsible individuals and monitoring sources are explicitly named for each indicator. In principle this information together with more information on the exact method of calculating indicators should be sufficient to avoid loss of data, but the Strategic Planning Coordinator could consider keeping a central record of calculations and support evidence in respect of baseline figures. (Recommendation 4)

2 MANAGEMENT RESPONSE AND ACTION PLAN

	RECOMMENDATION	Officer responsible for implementation	Priority	Implementation expected to be complete by: (Month, Year)	Management Comments
1	SHG should publish a set of targets measuring key aspects of its planned performance in 2010/11 and report to the public on their attainment during 2011. (See paragraphs 1.7-1.16.)	SPC	High	April 2010	This is planned for financial year 2010 -11
2	We recommend that where actual figures quoted are not comparable to baseline figures this fact should be explicitly stated, along with a reason for not giving comparable figures. (See 1.21-1.31.)	SPC	Medium	April 2010	Agree
3	We recommend that the exact method of calculating performance indicators is recorded at the time that targets are set and baselines calculated, to ensure that actual figures reported are comparable. (See 1.32 and 1.33.)	SPC	Low	April 2010	Agree
4	The Strategic Planning Coordinator could consider keeping a central record of calculations and supporting evidence in respect of baseline figures. (See 1.34 and 1.35.)	SPC	Low	April 2010	Agree

APPENDIX A

AUDIT OPINION DEFINITIONS

Every Value For Money audit concludes with an overall opinion based upon individual opinions that are applied to each of the review areas identified in the scope of the audit. The range of opinions, together with an explanation of their meanings, is as follows:

<i>Value Form Money Opinions</i>	
GOOD	Management arrangements are conducive to achieving Value For Money and only minor enhancements, if any, can be identified.
ADEQUATE	Management arrangements are generally conducive to achieving Value For Money – but further important enhancements could be made.
INADEQUATE	Management arrangements are not considered to be adequately conducive to achieving maximum Value For Money.

APPENDIX B

SCOPING AND RESOURCING

The purpose of the audit was to assess the accuracy of the data forming reported against the Front Loading Initial Triggers.

This was done by:

- Interviewing the Strategic Planning Coordinator, Mrs Susan O’Bey.
- Reviewing the SDP and various performance indicator sets including the FLITs;
- Reviewing in detail the January 2009 Progress report on the FLITs.
- Seeking assurance on all targets that were reported as met by correspondence with officers responsible and review of supporting documentation.

The audit was undertaken during the period June 2009 to October 2009. The total cost of undertaking the audit was £1,700.

APPENDIX C**LIST OF PERSONS CONSULTED**

The assistance given to the Audit Service by all those listed below during the course of the audit is acknowledged with appreciation.

Names	Title	Department
Sarel Bloem	Chief Medical Officer/Clinical Director	PH&SSD
Wendy Fuller	AVES Admin Officer	Education
Carol George	Chief Administrative Health and Social Service Officer	PH&SSD
Susan O'Bey	Strategic Planning Coordinator	OCS
John Thurlow	AVES Manager	Education
Desmond Wade	Chief Finance Officer	Finance