

Report No. 45 of the Director of Audit — Chapter 6

PERFORMANCE MEASUREMENT AND REPORTING IN THE GOVERNMENT

Summary

1. Performance management supports the Government's drive for managing for results and plays a vital role in accountable and effective government. It ensures that the Government's aims, objectives and priorities, as expressed by the Administration in various key accountability documents, are put into effect. The Controlling Officers' Reports (CORs), which are included in the Estimates, are key accountability documents that report performance.

2. *Controlling Officers' Reports.* Against each programme in the CORs, Controlling Officers (COs) have to set programme aims and performance measures. The CORs set out the performance measures (i.e. targets and indicators) for the coming year and report on performance results for the past and current years. The CORs, as part of the Estimates, form the basis for the Legislative Council to approve the Government's estimates of expenditure for the following financial year and for stakeholders to evaluate the performance of Bureaux and Departments (B/Ds).

3. *Audit review.* The Audit Commission (Audit) has conducted a review of the appropriateness and adequacy of the performance information reported in the CORs. Audit has also examined the reliability of the performance information reported by selected B/Ds. The audit criteria used are based on the guidelines issued by the Financial Services and the Treasury Bureau (the FSTB Guidelines) and the Efficiency Unit (the EU Guide). Reference is also made to the best practices adopted in advanced countries abroad. The audit has identified room for improvement in performance measurement and reporting in the Government.

Adequacy of the performance information in the Controlling Officers' Reports

4. *Need to focus more on setting targets in the CORs.* Audit has noted that, of 3,262 performance measures reported in the 2004-05 CORs, 30% are targets whereas 70% are indicators. There are programmes without any targets, despite the large amounts involved (e.g. programmes with annual spending of \$500 million and \$2,200 million).

Audit has recommended that the Secretary for Financial Services and the Treasury should remind COs to focus more on targets when developing their performance measures for reporting in the CORs.

5. *Need for improvement in the selection and development of performance measures in the CORs.* Audit has found that, on many occasions, the performance information reported in the CORs has not provided stakeholders with a complete and meaningful view of B/Ds' performance. In particular, the performance information in the CORs does not adequately reflect the effectiveness of the B/Ds' operations, due to the following reasons:

- (a) the performance measures reported were not the key ones;
- (b) most B/Ds have still focused on reporting their performance based on workloads and service qualities. The reporting of outcome is still uncommon;
- (c) some performance measures reported were not meaningful because they were either not challenging enough or not too relevant;
- (d) the performance measures reported did not address interdepartmental issues. The reporting of joint targets in the CORs was not common;
- (e) sufficient information was not provided to facilitate proper interpretation of the targets and results; and
- (f) explanation was lacking in the CORs for significant deviations from targets.

6. *Audit has recommended that the Secretary for Financial Services and the Treasury should promote improved performance measurement and reporting within the Government, including urging B/Ds to adhere to the FSTB Guidelines and the EU Guide in preparing the CORs and providing the necessary training and support to help B/Ds articulate performance expectations, measure performance and report results.*

Reliability of the performance information in the Controlling Officers' Reports

7. Audit has found that the reliability of some performance information in the CORs is doubtful. From an examination of a number of programmes in the CORs for selected B/Ds, Audit has found the following anomalies:

- (a) incorrect/misleading performance results were reported;
- (b) clear definitions of performance measures were not always provided;

- (a) proper validation procedures were not always established; and
- (b) proper performance records were not always kept.

8. *Audit has recommended that the Secretary for Financial Services and the Treasury should urge B/Ds to set up some form of internal quality assurance mechanism to validate the performance information in the CORs and remind B/Ds to maintain proper records to support such information.*

Other areas for improvement in the Controlling Officers' Reports

9. *Reporting of more unit cost measures in the CORs.* Although the FSTB has encouraged B/Ds to provide unit cost or productivity measures in the CORs where possible to reflect the efficiency and cost-effectiveness for the results, only modest progress has been made. *Audit has recommended that the Secretary for Financial Services and the Treasury should remind B/Ds to provide unit cost or productivity measures in the CORs where possible.*

10. *A multi-year perspective in performance reporting.* Projects often take a number of years to complete and the outcomes may also take some time to accomplish. Hence, B/Ds should where appropriate report a multi-year perspective of the performance results of projects. While some B/Ds have reported multi-year progress in the CORs, some B/Ds have not done so. *Audit has recommended that the Secretary for Financial Services and the Treasury should encourage B/Ds to report where appropriate the cumulative progress in the CORs.*

Response from the Administration

11. The Secretary for Financial Services and the Treasury generally agrees to the audit recommendations. The Head, Efficiency Unit has also advised that he will provide assistance to B/Ds seeking help in the alignment between policy-level targets and departmental targets.