



Theme II

Principal Paper

UNITED STATES OF AMERICA

**Performance Assessment Systems Based on Universally Accepted
Key Indicators**

ENGLISH

**Prepared by:
The Supreme Audit Institution of the United States of America
(US Government Accountability Office)**



The author SAI of this Principal Paper is full responsible for its general content, figures, asseverations and conclusions. The Superior Audit Office of Mexico, as host SAI of the XIX INCOSAI, has exclusively edited the Principal Paper's design for editorial purposes.

Should you require further information on the Principal Paper's content, bibliography or conclusions, please contact the author SAI.

LIST OF CONTENTS

	Page
CHAPTER I. INTRODUCTION	2
CHAPTER II. DEFINITIONS OF INDICATORS AND INDICATOR SYSTEMS	3
CHAPTER III. STATUS OF SELECTED KEY INDICATOR SYSTEMS - NATIONAL AND INTERNATIONALLY-COORDINATED EFFORTS	3
III.1. National Key Indicator Systems	3
III.2. Supranational and International Key Indicator Systems	5
CHAPTER IV. SELECTED WAYS IN WHICH INDICATORS CAN AND ARE BEING USED	8
IV.1. Planning, Measurement, and Performance Improvement	8
IV.2. Transparency and Governance	9
IV.3. Position, Progress, and Comparisons	10
CHAPTER V. POTENTIAL ROLES FOR SAIS REGARDING KEY NATIONAL INDICATORS	10
V.1 List of Potential Roles	11
CHAPTER VI. QUESTIONS FOR THE SUPREME AUDIT INSTITUTIONS	13
CHAPTER VII. CONCLUDING REMARKS	14

CHAPTER I. INTRODUCTION

As the pace of change accelerates in every aspect of life, national governments across the world are faced with new and more complex performance and accountability challenges that they alone cannot address. Globalization, emerging scientific and technological changes, public health challenges, and ensuring environmental sustainability are among the forces that will test the relevance and effectiveness of current governmental programs and tools and the government's ability to meet national outcomes. One tool available to help address these challenges and achieve national outcomes is the development of key national indicators to measure progress toward national outcomes, assess conditions and trends, and help communicate complex issues. The development of such indicators can prompt a healthy national dialogue among citizens and government decisionmakers to reach a reasonable degree of agreement on measures of current performance, national progress, and relative position. However, this must be a national, not a strictly government, initiative, because important national outcomes often involve a broad network of national and subnational governments, nonprofit and for-profit organizations, international organizations, and others.

Given their unique roles and responsibilities within national governments in ensuring performance and accountability, Supreme Audit Institutions (SAIs) can also play a role in identifying ways to address key national challenges. A set of key national indicators would be an indispensable tool to help SAIs in this role by providing factual information on government performance. For example, key national indicator systems can inform strategic planning, enhance performance and accountability reporting, and facilitate effective policy analysis and program evaluations. Recognizing the importance of nations developing and using key national indicators, as well as their usefulness to SAIs in carrying out their mandates, the INTOSAI Governing Board decided at its 54th meeting in November 2005 to adopt this as a Congress theme for 2007.

CHAPTER II. DEFINITIONS OF INDICATORS AND INDICATOR SYSTEMS

For the purpose of this paper, the following definitions apply:

- An **indicator** is a quantitative or qualitative measure that describes an economic, environmental, social, cultural, or other condition over time.
- An **indicator system** is an organized effort to assemble and disseminate a group of indicators that together tell a story about the position and progress of a jurisdiction or jurisdictions, such as a city, province, or nation.

CHAPTER III. STATUS OF SELECTED KEY INDICATOR SYSTEMS—NATIONAL AND INTERNATIONALLY-COORDINATED EFFORTS

A number of countries, including Australia, Canada, Singapore, and the United Kingdom (UK), have key indicator systems at the national level. Key indicator systems also exist at the supranational and international levels, such as the European Union's (EU) European Structural Indicators system, Organization for Economic Co-operation and Development's (OECD) Factbook, or the United Nation's (UN) Millennium Development Indicators.

III.1. National Key Indicator Systems

Australia's indicator system—Measures of Australia's Progress—is organized around four dimensions of progress with associated topical areas. System organizers selected a variety of indicators to measure progress in each of the topical areas. The dimensions and associated topical areas for the 2006 report are as follows.¹

¹ The most recent report, *Measures of Australia's Progress 2006*, was issued in May 2006. For more information see [http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/1370.02006%20\(Reissue\)?OpenDocument](http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/1370.02006%20(Reissue)?OpenDocument). Last accessed on July 19, 2006.

- Individuals—health, education and training, and work.
- Economy and economic resources—national income, financial hardship, national wealth, housing, and productivity.
- Environment—the natural landscape, the air and atmosphere, and oceans and estuaries.
- Living together—family, community, and social cohesion; crime; and democracy, governance, and citizenship.

Canada's Treasury Board maintains an annually updated key indicator system intended to reflect a balance of economic, environmental, and social and cultural conditions.² This system provides a snapshot of where Canada stands in comparison with other countries. The Treasury Board's indicator system complements government departmental reports by giving Canadians a broad perspective on national performance, providing a context for assessing the performance of government programs, and reporting on basic information to support dialogue among Canadians about future directions in public policy.

Singapore's Department of Statistics collects and compiles data for the country's key annual indicators.³ These indicators provide information on demographic, social, and economic conditions, among other things. In addition, the Department of Statistics publishes an annual report, *Singapore in Figures*.⁴ This report highlights Singapore's "top-line" indicators and compares Singapore's performance with that of other nations for select measures.

² The most recent report is *Canada's Performance 2005*. For more information, see http://www.tbs-sct.gc.ca/report/govrev/05/cp-rc_e.asp. Last accessed on July 19, 2006.

³ Singapore's key annual indicators can be viewed at <http://www.singstat.gov.sg/keystats/annual/indicators.html>. Last accessed on July 19, 2006.

⁴ The most recent report, *Singapore in Figures 2006*, can be found at <http://www.singstat.gov.sg/keystats/annual/sif/sif2006.pdf>. Last accessed on July 19, 2006.

Since 1999, the UK's Sustainable Development Indicators system has measured progress toward the government's sustainable development strategy.⁵ In 2005 the government released a new strategy "Securing the future" which highlights four priority areas:

- Sustainable consumption and production
- Climate change and energy
- Protecting natural resources and enhancing the environment, and
- Creating sustainable communities and a fairer world.

A set of 68 national sustainable development indicators support this strategy. The government will assess and report annually on progress against the indicators and use this assessment, together with other evidence from monitoring and evaluation, to determine if the UK is achieving its goals and to take corrective actions if needed. In addition, the government is also establishing measures for international sustainable development to show how the UK compares internationally by (1) setting UK indicators against comparative trends in other countries and (2) reporting on indicators of global and European Union trends.

III.2. Supranational and International Key Indicator Systems

In September 2000, members of the UN passed the Millennium Declaration which called for policies and measures to help developing countries respond to the unique challenges they face in globalization. The UN, along with representatives from the International Monetary Fund, World Bank, and OECD, set forth 8 time-

⁵ For more information on the UK's Sustainable Development Strategy and Indicators see <http://www.sustainable-development.gov.uk/index.asp>. Last accessed on July 19, 2006.

bound goals (known as Millennium Development Goals) and 18 related targets to be achieved by 2015:

- Eradicate extreme poverty and hunger
- Achieve universal primary education
- Promote gender equality and empower women
- Reduce child mortality
- Improve maternal health
- Combat HIV/AIDS, malaria, and other diseases
- Ensure environmental sustainability, and
- Develop a global partnership for development.

To measure progress toward the Millennium Development Goals, a system of 48 indicators was developed.⁶ Each year the Secretary-General of the UN reports on the progress of achieving these goals.

Since 2001, the European Structural Indicators system of the EU has measured progress toward goals for the economic, environmental, and social renewal of all of Europe, which were established in an agreement (the Lisbon Strategy of 2000) that was ratified by member countries.⁷ The impetus for creating the European Structural Indicators system was the need to track the progress of member

⁶ See the Millennium Development Goal Indicators Database for more information: http://millenniumindicators.un.org/unsd/mi/mi_goals.asp. Last accessed on July 19, 2006.

countries in achieving the goals of the Lisbon Strategy and identifying areas that need improvement. The indicators are organized into six key areas: general economic background, employment, innovation and research, economic reform, social cohesion, and the environment. Indicators are presented at the national level to facilitate comparisons among member countries. Data for the indicators are obtained from countries and coordinated by Eurostat, the European Commission's statistical agency. The European Commission is required to report each year to the European Council on progress in meeting the Lisbon Strategy. The progress report based on the structural indicators (and accompanying analyses) has been published every year since 2001 and has focused on 14 headline indicators since 2004.

The OECD, with its 30 member countries, has a long history of collecting and disseminating statistics on a variety of topics. Recognizing that no coordinated worldwide effort to study indicator systems in developed countries existed, OECD organized the first World Forum on Key Indicators, held in November 2004. The Forum brought together various producers and users of indicator information, from statisticians to policymakers to the media, to discuss the uses of key indicators to assess economic, social, and environmental progress and the development of key indicator systems. As an outcome of this Forum, starting in 2005 OECD has published its Factbook⁸ with more than 100 indicators covering a wide range of areas: economy, agriculture, education, energy, environment, foreign aid, health and quality of life, industry, information and communications, population/labor force, trade and investment, taxation, public expenditure and research and development. Data are provided for all OECD member countries, and in some cases, for selected non-member economies.

⁷ The Structural Indicators Web site can be accessed at http://epp.eurostat.ec.europa.eu/portal/page?_pageid=1133,47800773,1133_47802558&_dad=portal&_sc_hema=PORTAL. Last accessed on July 19, 2006.

⁸ For more information on Factbook 2006, see <http://lysander.sourceoecd.org/vl=15438995/cl=16/nw=1/rpsv/factbook/>. Last accessed on July 19, 2006.

CHAPTER IV. SELECTED WAYS IN WHICH INDICATORS CAN AND ARE BEING USED

The previous section briefly highlighted some ways in which selected national governments and international organizations are using key indicator systems. This section describes how key national indicators can be used to help (1) inform planning, measurement, and performance improvement; (2) ensure transparency and good governance; and (3) assess position and progress, and make comparisons.

IV.1. Planning, Measurement, and Performance Improvement

A system of key national indicators can be used to help measure government and national performance and inform strategic planning. Although many governments measure their performance, many only do so at the government agency level. Key national indicators can help determine the performance of a national government in the aggregate by looking at the contributions of all agencies, along with that of other entities, toward national outcomes. The indicators can inform national and/or governmentwide strategic plans through the development of national performance goals and measuring progress and trends. The indicators could also link to and provide information to support outcome-oriented goals and objectives in agency-level strategic plans, creating a line of sight between individual employees' contributions to their agency's goals and mission, and the agency's contribution to national performance goals. Canada is exploring the development of a governmentwide strategic plan (*Canada's Plans*) to define the government's performance targets and to complement its annual governmentwide performance report (*Canada's Performance*). The strategic plan would link to agency plans and show government and agency-specific contributions to national outcomes.

Additionally, the information gathered by key national indicators can be used to improve national performance. It can help decisionmakers better understand which programs, policies, functions, and activities are working and which are not. Based

on this assessment, key national indicators can help elected officials make sound policy choices, facilitate better targeting of government actions, and ensure long-term fiscal, social, and environmental sustainability as well as the intergenerational equity of existing and proposed government policies and programs.

IV.2. Transparency and Governance

A key national indicator system is an important tool to educate and inform citizens and key decisionmakers. Honest and transparent reporting helps to build public trust and confidence both in government and all sectors of society. Key national indicators also create knowledge that can inform and constrain the exercise of power. The independent, fact-based information gathered and publicly disseminated by indicators helps ensure that no one is above the law and everyone is accountable for results. As such, key national indicators can be a useful tool to fight and prevent corruption, in the public, private, and not-for-profit sectors. For example, recognizing that good governance and anti-corruption are key to its mission, the World Bank collects and disseminates indicator data from 209 countries on 6 dimensions of governance: voice and accountability; political stability and absence of violence; government effectiveness; regulatory quality; rule of law; and control of corruption.

Keeping citizens informed is also essential to enhancing government accountability. Through the development of key national indicators and national performance goals, the government and other stakeholders could identify the organizations responsible for achieving national results. By clarifying responsibilities, national governments (and SAs) know whom to hold accountable for national results that are sometimes complex in nature and usually involve multiple actors. In addition, when stakeholders from all sectors of society are involved in developing an indicator system and national performance goals, they would share responsibility for achieving progress toward national outcomes. This

could help break down institutional barriers and build mutual trust, thereby allowing all parties to collaborate in a more effective and efficient manner.

IV.3. Position, Progress, and Comparisons

When seen in the aggregate and as part of a broader portfolio, a system of key national indicators can provide a fuller, fairer, and more fact-based view of how well a nation is doing—that is, assess national progress. It can show whether, and, if so, how its political leaders are planning for the future. Such information can educate policymakers and the public about the appropriateness, affordability, and sustainability of a nation’s current path.

Although assessing national progress is important in and of itself, further context can be provided by comparing national progress with that of other nations. This helps define the nation’s position by identifying where it is lagging behind or surpassing its peers and can be used to benchmark national performance. In addition, nations can use this information to obtain international assistance to improve performance and address national challenges. Specific national performance goals and a system of indicators to support them can help nations make a more compelling case to receive aid to address problems for which they have developed well-defined and measurable strategies to achieve solutions. The information gathered by the UN’s Millennium Development Indicators and the targets set forth by the Millennium Development Goals are an example of this use at the international level.

CHAPTER V. POTENTIAL ROLES FOR SAIS REGARDING KEY NATIONAL INDICATORS

Although every nation has its own approach to ensuring accountability at various levels and in different sectors, a set of meaningful and reliable key national indicators can be

indispensable to that effort. Timely, useful, reliable, and transparent information is the single most important and powerful tool nations have to facilitate strategic planning, assess progress, inform decision-making and strengthen accountability. SAIs can play a special role in developing, using, and assessing this information. SAIs can use the information produced by a set of meaningful key national indicators to help ensure accountability through various oversight, insight, and foresight activities.

- **Oversight** refers to ensuring that (1) government entities are doing what they are supposed to do, (2) funds are being spent for the intended purpose, and (3) government entities are complying with applicable laws and regulations.
- **Insight** involves (1) evaluating what programs and policies work, (2) sharing best practices and benchmarking information, and (3) looking across organizational boundaries and between levels of government.
- **Foresight** includes (1) recognizing the long-term implications of current decisions and performance and (2) identifying key trends and emerging challenges before they reach crisis proportions.

As independent organizations that rely on factual information, many SAIs are well positioned to encourage the development of such systems and suggest ways to ensure the reasonableness and reliability of the related processes and resulting information. Below is a list and brief description of roles that SAIs could play in relation to the development, use, and assessment of key national indicators. Please note that although these roles are listed separately, they are not necessarily mutually exclusive and SAIs could engage in multiple roles. At the same time, SAIs need to consider relevant authority, competence, and independence issues in connection with related efforts.

V.1 List of Potential Roles

- A. *Identifying the need for key national indicators* – Given their various oversight, insight, foresight activities, and their ability to bring together interested parties, SAIs can make a compelling case for the importance of developing and using such indicators and systems to assess the nation’s position and progress in a particular area or overall.
- B. *Contributing to the design and implementation of the indicators and/or systems* – As independent organizations, SAIs can play a particularly important role in helping encourage the design and implementation of key national indicators and systems. Achieving success in developing key national indicators and systems requires the combined efforts of many parties over an extended period of time. As nonpartisan, non-ideological and unbiased actors, SAIs can help bring together a variety of organizations and individuals and encourage them to stay focused on the important long-term project of developing key national indicators and systems.
- C. *Assessing the indicators and/or systems* – SAIs can also audit the process used to develop the indicators and/or systems. By looking at the organizations and individuals involved in the development process and their particular roles, the SAI can help ensure that the process was balanced, provided appropriate opportunities for citizen engagement, and that the resulting indicators and/or system are useful. In addition, the SAI can assess how the indicator information is being reported and how accessible that information is to citizens and decisionmakers.
- D. *Auditing the quality, validity, and reliability of the indicator information* – In this role, the SAI assesses the quality, validity, and reliability of the indicator information—in essence, by auditing the reasonableness and/or reliability of data produced by an indicator or system of indicators. In doing so, the SAI is able to provide reasonable assurance to policy makers that the information can be used to support decisions.

E. *Using indicators to assess and report on national progress* – SAIs can use the indicator and other relevant information to provide a “report card” of the nation’s position and progress, in a particular area or overall. The SAI can synthesize and summarize indicator information to provide an overview of the nation’s performance, its trends over time, and how it compares to those of other nations. In addition, the SAI can use the indicator information to pinpoint opportunities for detailed program evaluations that seek to improve the nation’s performance in a given area.

CHAPTER VI. QUESTIONS FOR THE SUPREME AUDIT INSTITUTIONS

1. *Which of the roles listed above, if any, have you fulfilled?*
2. *Are there other ways you have contributed to the development and/or use of key national indicators that are not covered in the continuum above? Please provide specific examples.*
3. *How do you think SAIs can effectively fill any of the roles that you believe are appropriate? Please include any specific examples of your relevant experience to date.*
4. *What implications, if any, does each role have for the capabilities of the SAI, particularly in regards to needed knowledge, skills, and abilities?*
5. *In general, what are the opportunities, risks, and challenges for an SAI in contributing to the development and/or use of key national indicators?*
6. *How could an SAI leverage these opportunities, manage the risk, and address these challenges?*
7. *What indicators does your SAI use to measure its own performance and how, if at all, can your internal experiences be used to inform broader efforts?*
8. *How can SAIs best work together and with other organizations to share knowledge, experiences, and lessons learned on issues associated with key national indicators?*

9. What role, if any, should INTOSAI as an organization have in the development and use of indicator sets that allow for comparisons across nations?

CHAPTER VII. CONCLUDING REMARKS

When developing Country Papers, respondents are encouraged to address the questions set forth above in this paper. However, this paper should not constrain responses or the debate. The questions are an attempt to focus the issues but should not limit the SAI's response to a particular issue. Country Paper responses should not exceed six double-spaced pages and should be in a generally recognized format and type face. These responses will subsequently be synthesized and summarized into the final Theme Paper to support the discussion and deliberations of this theme at the XIX INCOSAI in Mexico City.