

INTOSAI



*Key National Indicators:
Guidance for Supreme Audit
Institutions*

INTOSAI WORKING GROUP ON KEY NATIONAL INDICATORS

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PREFACE - OBJECTIVES AND THE STRUCTURE OF THE PAPER

1. Key National Indicators: Guidance for Supreme Audit Institutions (Guidance) was prepared by the INTOSAI Working group on key national indicators (KNI) based on the analysis of international best practices on the development and use of KNI.
2. The INTOSAI Working group on KNI was established according to the resolution¹ of the 19th INTOSAI Congress held in Mexico City in 2007. The Working group operates in accordance with objectives of the INTOSAI Steering Committee on Knowledge Sharing and Knowledge Services (KSC).
3. According to the Congress recommendations the Working group focuses in its activities on the realization of the following goals:
 - Collect and disseminate information related to KNI;
 - Work in close cooperation and coordination with INTOSAI's regional working groups to provide an informed context for developing of global or regional indicators that align with national indicators;
 - Make recommendations to the INTOSAI Professional Standards Committee related to the developing and disseminating of guidances and standards of SAIs' involvement;
 - Develop in conjunction with the INTOSAI Development Initiative related trainings for SAI's staff to share knowledge and to enhance skills and abilities;
 - Establish working relationships with international organizations, for example, the UN, the OECD, the World Bank, regional organizations and civil society organizations, involved in KNI efforts.
4. To achieve objectives mentioned above the Working group prepared the White Paper on KNI², the document that accumulates the analysis of the global experience on the use of KNI as well as recommendations for supreme audit institutions (SAIs). Further, the Working

¹ <http://audit.gov.ru/en/activities/international-activities/intosai-working-group-on-key-national-indicators/documents/decision-on-creation-of-the-working-group.php>

² http://www.ach.gov.ru/en/activities/international-activities/intosai-working-group-on-key-national-indicators/working-papers/White%20Paper_final_edition.pdf

Group made a decision to develop the Guidance. This idea, along with the project proposal was presented and approved at the 6th meeting of the INTOSAI KSC Steering Committee (Cairo, 2014).

5. The main objectives of this document are:
 - to explain what KNI and the KNI systems are;
 - to provide a framework for self-assessment of the preparedness to use KNI systems in SAI`s activities;
 - to describe the role of SAIs in the development and use of KNI.

6. The Guidance focuses primarily on KNI as a necessary tool for the effective evaluation of the national development strategies realization, and the role of SAIs in the development and use of key indicators.

7. The document comprises three parts:

Part 1 provides essential background. It defines KNI as a specific set of indicators that measures economic and social progress in achieving national goals in the respective areas. It also provides the main concepts in the KNI framework.

Part 2 deals with self-assessment process of the level of KNI system preparedness. It proposes various ways of improving KNI systems.

Part 3 describes general principles for the application of KNI by SAIs in view of existing restrictions.

8. **Annex A.** Questionnaire on the countries preparedness to use KNI systems in SAI`s activities.

PART 1. BASIC INFORMATION

9. *KNI* define a core set of information about the progress and position of a nation, selected from a range of possibilities. Progress can be defined as success in attaining or nearing the goals that are established through a political process or other type of civic engagement. Progress is multi-dimensional and typically includes economic, social and environmental factors along with other areas that people see as important to life.
10. The diversity of interpretations of such terms as “progress”, “key national indicators”, and others makes it necessary for SAIs to formulate a common understanding of key terms used by SAIs. In this case, not only definitions and terms, but interpretation and description of the most correct way to use them are important.
11. There is no “right” number of indicators; their simplicity, breadth of coverage and the scale of the system can vary widely. However, *KNI* are generally limited to what society considers the “vital few.” Factors such as the type of economy, the available socio-economic development strategies, system of performance measurement, the activity of civil institutions, national traditions, and international obligations all affect the selection of key indicators. While a set of indicators can include anywhere from a few to dozen, any *KNI* set is not intended to be exhaustive, but rather, to provide a summary picture of those conditions considered to be most important for the progress of a nation. As in the case in defining progress, the process of selecting *KNI* is inherently political, representing the aspirations and values of society.
12. *KNI 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 nation. Indicator systems collect information and package it into products and services for leaders, researchers, planners, and citizens, among others. Ideally, a *KNI* system is an element of an overall strategic management plan.
13. A *KNI* system generally includes social, economic and environmental indicators of a nation to provide an overall picture of country’s progress and well-being. While many countries have indicators in one or another of these areas, a *KNI* system can provide a

comprehensive and balanced view, to help to ensure that one dimension of progress is not advancing at the expense of another. When an audit of KNI reveals weaknesses, a SAI has to present its findings in such a way that creates opportunities to improve the KNI system.

PART 2. IMPORTANT ASPECTS OF THE KNI SYSTEM DEVELOPMENT AND IMPROVEMENT

14. A review of the existing experience of the use of KNI in the strategic management system and in SAI's activity³ carried out by the INTOSAI Working group on KNI reflects the following aspects that should be taken into account in the development and use of KNI:
- the diversity of approaches to KNI interpretation;
 - the stage of national KNI system development.
15. The INTOSAI Working group on KNI developed a questionnaire in order to establish SAI's readiness to use KNI (Annex A). Questions may be used by SAIs to evaluate the level of the countries' KNI system development at the whole and the role of SAIs in the KNI development and use process.
16. The basic step of self-assessment is to determine if a KNI system is in place or being developed. The KNI system may be an element of an overall strategic management plan and be a part of the government activity, or it may be based on traditional macroeconomic indicators, which development is the responsibility of national statistics services.

Box 1

In **Austria** a set of indicators exists additionally to outcome targets and key indicators in the midterm budget plan and the yearly budget:

- within the European Program "EU 2020";
- in a "Monitoring System of Sustainable Development in Austria";
- within the initiative of the national Statistical office to measure social wellbeing and quality of life as well as social and sustainable progress of a society with a set of indicators on "How is Austria?"⁴.

In **Zambia** a national development planning framework referred to as Vision 2030 is available. The country develops five year period National Development Plans (currently the revised National Development Plan 2012 – 2016) which contains the intentions of Government. KNI are presented clearly in this document. There is also a system of a rolling medium term Expenditure Framework (currently the medium Term Expenditure Framework 2014 – 2016) which has other short term indicators.

³ <http://www.ach.gov.ru/en/activities/international-activities/intosai-working-group-on-key-national-indicators/documents/index.php>

⁴ http://www.statistik.at/web_de/statistiken/initiativen_zur_fortschrittsmessung/index.htm

The national development planning framework in *South Africa* is done in a similar manner as mentioned for Zambia.

Since 2014 the Government of *Pakistan* has «Vision 2025» which comprises the seven pillars/KNI as the key drivers of growth.

17. Development management models and performance measurement methods largely depend on country's existing political, legal and administrative systems. These systems may be both centralized and decentralized. The lack of systems of the strategic management and performance measurement at the national level usually means a lack of audit and monitoring of the socio-economic development strategies. Thus economic, social, and environmental indicators may be used for current monitoring of socio-economic development of the state, but not as an element of strategic management. In some countries, KNI are a part of the strategic planning process and refer to government activity, while in others, the KNI system is based on traditional macroeconomic indicators, which are developed by national statistical services. A review of various countries' experience in using KNI reflects the diversity of approaches to KNI development and application.
18. In many countries, the existence of both a national socio-economic development strategy and an integrated assessment system of the state of the economy and society is assumed. In this context, KNI would reflect the highest public priorities and obligations of the state, helping to enable changes that improve the economy and society while preserving national identity, sovereignty, and unity. Such indicators are topical when there is a perceived need for integrated development management and that the processes of the implementation of national socio-economic development strategies and the development of indicators are interrelated.
19. The stakeholders responsible for the development and use of a KNI system should be identified. When identifying stakeholders, it is necessary to take into account historical, political, institutional and cultural factors specific to the country. The institution responsible for the KNI system development may be a state authority, a research and development institute, an institution engaged in the issues of the accountability of public policy, a statistical institution, or a network of several of the above-mentioned structures

interacting on the basis of a special agreement. The roles and responsibilities of each of the stakeholders need to be clear to all participating government departments. The preferred option is the dialog between citizens and state institutions which lays the foundation for the national indicators' development. Therefore the private sector can be directly involved in the process. If the KNI system doesn't exist in a country special institutions can be established for this purpose.

Box 2

In **Morocco** among the institutions responsible for the creation and development of KNI the private economic environment center that regularly evaluates KNI of Morocco.

In **Moldova** the KNI development, adjustment, analysis and accountability are related to state authorities' functions with periodic involvement of subordinate research institutes (including the Ministerial Committee for Strategic Planning).

In the **USA** a special Committee on KNI was established in March 2010. It was formed by the Congress. Among its functions are integrated control of the newly established indicator systems, the development of recommendations on the KNI system improvement and providing access to the relevant and qualitative databases.

20. While studying the procedure of the KNI selection it is important to determine if formal procedures to develop KNI are established, if specific stages of the KNI system development are identified and who is responsible for each stage.

Box 3

The process of selecting the indicators in **Finland** went through four phases:

1. Survey of national and international sets of indicators and identification of the most common indicators;
2. Consultation with potential users;
3. Consultation with experts;
4. Content production.

21. It is also important to determine if there are legal documents that regulate the KNI use and reporting on them. It may be a federal law or special regulatory documents reflecting the sphere of responsibility of all parties involved in development and use of KNI. It is essential for the document (or documents) to guarantee legitimacy of the activity associated with

KNI. The use of KNI and reporting on them can be regulated by the countries' strategic development documents or by the budget law as a part of budgeting process.

Box 4

The use of KNI in *Indonesia* is regulated by the National Law number 25/2004 about National Development Planning System and Government Regulation number 39/2006 about the Procedures for Controlling and Evaluating the Implementation of Development Plans.

In *Italy* the Eco-budget has been introduced within the framework of the reform law concerning the public accounting №196/2009. The Eco-budget is the accounting document that presents an estimate for activities expenditure or actions aimed at protecting the environment and at the use and management of natural resources.

In 2014 in *Russia* a new approach to the budget development was adopted. Since then the budget has incorporated government programs, whose indicators may be considered as key national indicators.

22. KNI can be used at supranational, national (federal), subnational (regional), local levels.

Box 5

In *Austria* KNI are used at 3 levels of government: the federal state, subnational (9 provinces) and local (2102 communities). The targets are related to midterm budgetary plans. About half of the provinces have launched projects to establish outcome orientation in budgetary planning and - management. The state of Styria has already implemented an outcome oriented budget management system using targets and key indicators according to the new budget regime on federal level.

In *Finland* and *Lithuania* KNI are used only at national level.

23. Since progress is multidimensional, KNI can define the state of the economy (employment, transport, finance, etc.), society (health, housing, education, crime, culture, etc.), environment (natural resources, ecosystem etc.) and other spheres. Moreover KNI reflects social unity, highest public priorities and state obligations, i.e. conditions that help to control the changes preserving national identity, sovereignty and unity of the states.

Box 6

In **Indonesia** the national indicators are grouped in the following way:

- Macro Goals;
- Human and Community Development Goals;
- Prioritized Sector Development Goals;
- Equality Dimension Goals;
- Regional Development Goals;
- Political, Law, Defense and Security Goals.

In **Latvia** the national indicators are developed in such areas as:

- Economics and Finance;
- Population and Social Processes;
- Industry, Trade and Services;
- Transport;
- Agriculture and Forestry;
- Environment and Energy;
- Science and Technology.

In **South Africa** the national indicators are relevant to:

- Society: health, education, housing, crime, social development;
- Economy: employment, transportation, infrastructure, finance, local government;
- Environment: natural resources, quality of life.

24. Unique indicators can be also used along with generally accepted ones.

Box 7

In **South Africa** such unique indicator as “All people in S.A. are free and safe” is used.

25. The number of national development indicators and KNI can vary greatly. In general, given the optimal level of disaggregation, it is preferable to have a small number of indicators of good quality; they address the important issues which can be easily assessed.

Box 8

In **Finland** there are 105 indicators in the Findicator service (there is no separate “key indicator” set).

In **Indonesia** there are 172 indicators divided into 6 groups.

In **Lithuania** there are 31 indicators and all of them can be defined as KNI.

In **Moldova** there are 109 social – economic indicators, 47 of which are considered to be KNI.

26. Variety of international organizations develops and publishes sets of indicators that are similar to or fit the definition of KNI. General composition concepts of such sets, the number of indicators, subject scope, and the frequency of publication can vary substantially. These data are fundamentally significant because they present information in accordance with uniform methodological rules and are comparable both over time and between different countries.

Box 9

- The United Nations Organization developed ***Sustainable Development Indicators***⁵;
- The Organization for Economic Cooperation and Development (OECD)⁶ publishes ***Main Economic Indicators***⁷;
- The International Monetary Fund⁸ developed the Financial Soundness Indicators;
- The World Bank⁹ developed ***a system of the public financial management high-level performance indicators***¹⁰;
- Eurostat (Community Statistical Authority of the European Union)¹¹ has ***the set of sustainable growth measurements***¹².

27. While working out the national KNI system composite indicators of international organizations that reflect the situation in selected areas may be used. Although these indicators have some methodological constraints they reduce numerous aspects of the analyzed issues to a single composite indicator according to which a certain country could be placed in a ranking list.

⁵ <https://sustainabledevelopment.un.org/topics/indicators>

⁶ *Main Economic Indicators*, <http://stats.oecd.org/index.aspx>

⁷ <https://data.oecd.org/economy.htm>

⁸ *IMF Data and Statistics*, <http://www.imf.org/external/data.htm#data>

⁹ <http://data.worldbank.org/indicator>

¹⁰ <http://www1.worldbank.org/publicsector/pe/StrengthenedApproach/4PFMIndicators.pdf>

¹¹ <http://epp.eurostat.ec.europa.eu/portal/page/portal/eurostat/home>

¹² <http://ec.europa.eu/eurostat/data/database>

Box 10

Composite indicators of international organizations:

- **Human Development Index**, a composite index of the quality of human resources, published annually by the United Nations Development Program¹³;
- **OECD Better Life Index** includes an interactive tool that allows to visualize well-being outcomes according to established priorities¹⁴;
- **Corruption Perception Index** published annually by Transparency International¹⁵;
- **Doing Business Index** uses a single, composite indicator measuring the ease of starting and carrying out business operations in given countries, published by the World Bank¹⁶;
- **Global Competitiveness Index** and **Business Competitiveness Index**, indexes measuring the level of countries' development, published by the World Economic Forum¹⁷.

28. Sustainable development indicators can also be used as KNI at the national level. In many countries, the concept of sustainable development has become an integral part of policies, strategies and programs at regional, national and local levels. Sustainable development is understood as the development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

Box 11

The new **United Nations** sustainability agenda «Transforming our world: the 2030 Agenda for Sustainable Development» adopted in September 2015 addresses the root causes of poverty and the universal need for development that works for all people. The 17 sustainable goals and 169 targets are the part of the new broad agenda that includes three interconnected core elements – economic growth, social inclusion and environmental protection. The global indicator framework is developed by the Inter Agency and Expert Group on SDG Indicators and agreed on by the UN Statistical Commission in March 2016¹⁸. These indicators are adopted by the Economic and Social Council and the General Assembly.

¹³ <http://hdr.undp.org/en/statistics/>

¹⁴ <http://www.oecdbetterlifeindex.org/>

¹⁵ http://www.transparency.org/policy_research/surveys_indices/cpi/2009

¹⁶ <http://www.doingbusiness.org/economyrankings/>

¹⁷ <http://www.weforum.org/>

¹⁸ <http://unstats.un.org/unsd/statcom/47th-session/documents/2016-2-IAEG-SDGs-Rev1-E.pdf>

According to the *OECD* Sustainable Development Studies «Institutionalising Sustainable Development»¹⁹ working out of a new strategy for sustainable development should not be seen as a new planning process. It is necessary to use the existing background as a foundation for convergence, complementarity and coherence between different planning frameworks and policies. A key point to integrate a national sustainable development strategy into the existing strategic planning system is its incorporation into the budget process.

29. The statistics may be used as basis for the development and selection of KNI. Along with that it is possible to use social surveys, ratings and other sources of information. The cooperation between the stakeholders responsible for the KNI development and statistical institutions is important. Within the framework of cooperation the stakeholders can submit a written request for (classified) information on KNI, namely, information on intermediate results, methodology and analytical findings. Seminars, round tables and consultations can be organized.

Box 12

In *Austria* the basis for the development of the KNI set is the following: statistics, social surveys, OECD ranking etc.;

In *Morocco* - statistics, surveys and censuses.

30. In order to harmonize methods of KNI sets and systems development, it is important to work out metadata for indicators. Metadata for indicators should be supplemented.

Box 13

Metadata for an indicator:

- name of an indicator;
- unit of measurement;
- periodicity of estimation;
- characteristic of an indicator;
- calculation methods;
- source of information;
- level of disaggregation;
- variants of an indicator.

¹⁹ http://www.oecd-ilibrary.org/environment/institutionalising-sustainable-development_9789264019096-en;jsessionid=dkmq7a54ktm6.x-oecd-live-02

- targeted and previously recorded scores;
- responsible body for the indicator;
- availability (with limited availability, available for purchase, classified etc.)

31. Concerning the frequency of the KNI data accumulation, the information can be collected regularly or occasionally, i.e. quarterly, annually, upon request.

Box 14

In *Italy* data accumulation is carried out annually, in *Moldova and South Africa* - quarterly. In *Morocco* surveys are also mandated upon request.

32. Reporting is the compulsory element of KNI systems. It could be provided by government or other responsible institutions. The availability of the information is also very important. These reports should be available to the public and can be published on official web-sites of state institutions.

Box 15

In *Indonesia* there is a report on achieving KNI every three months and on an annual basis. All are available in the website of the Ministry of National Development Planning.

In *Morocco* the KNI are used by several institutions in their reports to evaluate achieving the objectives. The main report on the strategic goals is annually published by the central bank of Morocco.

In *South Africa* reporting on KNI is required on an annual basis in the form of an official publication of individual annual reports by each department and entity. An overall government report is also published annually by the department of performance planning, monitoring and evaluation.

33. In the process of the KNI system development and improvement the existence of the qualified staff and its providing with the sufficient material and technical basis for required activities is very important. Continuous improvement of knowledge and the level of staff training in the sphere of the KNI use is a significant objective.

Box 16

In ***Austria*** the Ministry of Finance in cooperation with the Federal Chancellery delivered a great number of trainings for the ministerial staff who are involved in the implementation of the budget reform (developing and designing outcome targets, indicators etc.). The Federal Chancellery published several handbooks, one on the definition of outcome targets and indicators.

In ***Italy*** there is the qualified staff at central and local level, particularly within the National Institute of Statistics, the local offices of Statistics, the National Council for Economics and Labor, the Ministry of Economy and Finance.

PART 3. POSSIBLE WAYS OF THE KNI USE IN SAI'S ACTIVITY

34. In countries using KNI, SAIs generally avoid involvement in the selection of indicators in order to retain their independence and any possible loss of credibility if the indicators are viewed as inaccurate or inappropriate.
35. The INTOSAI Working group on KNI developed SAI's goals in the process of the use of KNI²⁰:
- To facilitate the enhancement of SAI's role in assessing effectiveness and efficiency of government activity based on the results of the audits carried out with the use of KNI, in particular, performance audit where KNI can be considered as performance audit criteria;
 - To facilitate the development of universal approaches to the use of KNI in SAI's activities in order to improve effectiveness of socio-economic development of the INTOSAI member countries;
 - To facilitate the experience sharing in the sphere of the use of KNI and its dissemination in countries without a KNI system;
 - To facilitate the enhancing of the INTOSAI international authority in the sphere of the use of KNI for progress evaluation.
36. The role of a SAI in this process largely depends on political, legislative and administrative systems of each country and SAI's mandate. In order to avoid possible risks SAIs should follow general principles of the KNI²¹ application:
- *Independence.* SAI should use KNI within the frame of the valid mandate and taking into account maintaining of their independence. Although direct participation in development and selection of KNI affect the principle of SAI's independence, they can participate in these processes as consultants;
 - *Objectivity and impartiality.* A SAI should insure that its activity in the field of the development and use of KNI will not cause a conflict of interests and will not involve managerial functions and powers;

²⁰ <http://audit.gov.ru/en/activities/international-activities/intosai-working-group-on-key-national-indicators/working-papers/index.php>

²¹ http://www.ach.gov.ru/en/activities/international-activities/intosai-working-group-on-key-national-indicators/working-papers/Principles%20for%20SAI%27s%20application%20of%20KNI-tree_files-fl-376.pdf

- *Professionalism.* A mandatory condition of the use of KNI in the frame of audit activity is the requirement that all employees of SAI should have professional knowledge and experience in strategic and methodological issues related to KNI. SAIs can involve external experts if needed;
 - *Transparency and accountability.* SAI should not only assess the adequacy of the methods of KNI audit to ensure transparency of their use, but also assist in establishing transparency of the activities associated with KNI.
37. Defining the ways to increase the effectiveness of SAI's activity in the process of KNI use it is important to know if SAIs participated in the process of the development, approval and (or) improvement of KNI.

Box 17

In **Indonesia** the SAI participates in the improvement of KNI through the performance audit on the implementation of certain programs;

In **Moldova** - through the given recommendations the SAI contributes to the development and improvement of the State progress indicators;

In **Zambia** the SAI is a member of the Governance Sector Advisory Group through which national level plans and indicators are developed. It also monitors and evaluates indicators that are related to its contribution to the national development.

In **Pakistan** the SAI is not formally involved in the development of KNI, and it contributes indirectly through its audit and management reports to the stakeholders on periodic basis.

In **Bulgaria, Finland, Italy, and Republic of South Africa** SAIs are not participating in the process of the development, approval and (or) improvement of KNI.

38. While conducting an audit involving the KNI the following issues may be examined:
- Whether the set of KNI is sufficient for measuring the attainment of the development goals and evaluate to which extent there is a risk for not measuring the right issue;
 - Whether KNI system is fit for use for measuring the attainment of the development goals;
 - Whether the expected values of KNI, describing the desired position in future – the policy targets – are well founded and attainable;

- Whether the policy targets expressed in the form of KNI were achieved.

Box 18

In *Kazakhstan* the SAI within the framework of control activity undertakes an evaluation of governmental and sectorial programs and also strategic plans of central government authorities.

In *Russia* SAI functions include monitoring and analysis of the development and use of KNI in the process of the working out and realization of strategic planning documents – state programs.

39. Development goals like progress and well-being are inherently multidimensional. Thus a set of KNI needs to allow the measurement of all the aspects of such goals. Every aspect may be characterized by a number of indicators while each indicator may characterize different aspects of the goal. The number of KNI to be used could be defined based on the specifics of the goals set and should be sufficient for measurement of the goal attainment. If the measurement of a development goal is impossible its reconsideration may be required. When measuring the effects of a government policy, reviewing indicators “one by one” is rarely sufficient. SAls should account for other contributing factors as well, and this requires using appropriate statistical techniques.
40. While auditing SAls should also evaluate «fitness for use». «Fitness for use», often referred to as data quality, includes a number of attributes that contribute to the usefulness of the data from the users perspectives. While assessing an indicator fitness for use several aspects should be examined, such as relevance, accuracy, credibility, continuity, timeliness, accessibility, interpretability, coherence, validity, comparability and methodological soundness:
- *Relevance* refers to the degree to which the data serves to address the purposes for which they are sought. Measuring relevance requires identification of user groups and their needs, both of which can change over time. Relevance may be indirectly assessed by determining whether there are processes in place to determine the views of users and the uses they make of the data.
 - *Accuracy* is the degree to which the data correctly estimate or describe the characteristics that they are designed to measure. It refers to the proximity between the values provided and the (unknown) true values. In general, the

accuracy of the data is measured or described in terms of the error or the potential significance of the error.

- *Credibility* of data refers to the confidence that users place in data products based on their perceptions about the producer of the data. One important aspect is trust in the objectivity of the data, which must be perceived as professionally produced in accordance with appropriate statistical standards, having transparent policies and practices, and free of manipulation or political pressure.
- *Continuity* means that information that helps to determine the evolution of the issue being measured should be available.
- *Timeliness* of data reflects the length of time between their availability and the event or phenomenon they describe, considered in the context of the time period that permits the information to be of value and still acted upon. For output indicators time period can be very limited requiring the data to be provided within several weeks. On the other hand, a delay of several years between the event and data provision may be acceptable for the outcome indicator which change slowly.
- *Accessibility* reflects the ready ability to locate and access data, including the suitability of the form in which the data are available, the media of dissemination, and the availability of metadata and user support services.
- *Interpretability* reflects the ease with which the user may understand and properly use and analyze the data. The degree of interpretability is largely determined by the adequacy and unambiguity of definitions of concepts, target populations, variables, and terminology underlying the data.
- *Coherence* of data reflects the degree to which they are logically connected and mutually consistent. This implies that the same term should not be used for different concepts or data items without explanation and that variations in methodology that might affect data values should likewise not be made without explanation. Moreover the methods used for data processing should also be consistent with indicators definitions, etc.
- *Validity* is the extent to which a measure adequately represents actual performance. Measuring validity requires answers to the questions like:
 - Does the planned change in the indicators value exceed the accuracy of its measurement?
 - Does the time horizon for the goal attainment exceed the natural pace of the

process, i.e. the time generally needed for the indicator to significantly change its value?

- *Comparability* of data reflects the degree to which it can be used both for international comparisons and for long term inference.
- *Methodological soundness* means that the data on each indicator should be as detailed as possible, considering time, geographical, and other constraints.

Communication between SAIs and internal auditors can contribute the ensuring of the data quality. The possible communication can include the exchange of audit reports, access to each other's audit programs and audit documentation, and regular meetings.

Box 19

In **Austria** the SAI assesses the quality of KNI and according to the quality criteria: relevance, consistency, traceability, comparability, ability to be verified.

In **Russia** the indicators of government programs are to be checked against the following criteria:

- adequacy;
- accuracy;
- objectivity;
- comparability;
- unambiguity;
- cost effectiveness;
- credibility;
- timeliness;
- regularity.

In **South Africa** the SAI assesses the quality of KNI against the criteria of relevance, consistency, measurability, timeliness, presentation and credibility.

41. SAIs assessment of the rationale for KNI values set as policy targets entails the questions like:

- Are the assumptions and prerequisites of achieving the policy targets explicitly outlined?
- Are the assumptions and prerequisites of achieving the policy targets consistent with each other and with other policy targets?
- Are the expected values of indicators mutually coherent?

- Is there a plan of government activities in place that will ensure achieving the goals?

Assessment of achieving the policy targets with the use of KNI includes the usual steps of evaluation the economy, efficiency and effectiveness of government's activities. As in rigorous evaluations, other factors that also affect targets (confounders) must be controlled for.

42. It is also worth learning if a SAI carries out performance audit, including the performance audit of the government programs and strategies, which may include KNI. A legal mandate and authority should be given to the SAI in order to enable it to conduct performance audit. Besides there can be an approved performance audit standard. Within the framework of such activity a SAI can prepare the strategic and annual plan for audit activities based on the national development plan according to which ministries programs are developed.

Box 20

In **Bulgaria** the SAI carries out performance audits since 2000 and it is stipulated in the National Audit Office Act.

In **Kazakhstan** in line with the Budgetary Code the SAI audits performance in the areas of its activity.

In **Moldova** SAI's mandate to carry out performance audit is fixed in the Law of the Court of Accounts, adopted in 2008.

In **Russia** the SAI conduct performance audit and in 2013 this norm is reflected in the Law of the Accounts Chamber.

43. SAIs can publish specific reports on KNI which could be publicly available. If there are no reports on KNI, other reports can contain information related to KNI. This initiative will assist public institutions awareness of and involvement into the programs related to KNI selection.

Box 21

In **South Africa** publicly available SAI's report on KNI may be found at SAI's website.²²

²² <http://www.agsa.co.za/Documents/Auditreports/PFMAgeneralreportsnational.aspx>

CONCLUSION

44. At this stage the Guidance accumulates the basic principles and approaches in the development and use of KNI and primarily it is aimed at the application of provided recommendations by SAIs. The document is intended to optimize SAIs activities and to improve the quality of performance management assessment for ensuring the competitiveness, security and sustainability of development processes.
45. Further on, the Guidance is planned to be the basis for the ISSAI on the use of KNI in SAI's activity where the regarded issues will be examined. In the Standard it is planned to submit recommendations for SAI's use of KNI at the preliminary step and at 4 steps of auditing how the strategies and development programs are implemented. The steps of the audit include the following activity:
- The ***preliminary preparation*** of the auditing includes SAIs activity on review of its own mandate to determine whether it has the authority to conduct audit using KNI. In addition, it is important to develop a clear understanding of KNI and to determine the features of the existing national KNI system;
 - The first step of the main study identifies the relevant problem, including the justification of the audit subject choice; preparation of the relevant economic and methodological feasibility of the audit; and, finally, ***the development of the audit plan***;
 - The second step of the main study includes ***the collection and analysis of audit evidences*** as well as ***assessment of development strategies and programs implementation***. At this step a whole complex of activities for assessing and selecting of KNI is carried out, including: identification of a KNI set on the basis of priorities specified in strategies and development programs; verification of quality of the selected KNI and identification of strong and weak points of each of them; determining the level of disaggregation of the selected KNI and the frequency of submitting reports which reflect the dynamics of the selected KNI; identification of the information sources to be used for submitting data on KNI; refinement of the KNIs set, taking into account the identified limitations and the real data collection plan, etc.;

- The third step of the main study includes ***the preparation and dissemination of the Report*** on the audit results. The most interesting conclusions and proposals of audits should be accessible widely, including the public, the expert community and all stakeholders. The information can be disseminated in various ways: by releasing various printed editions, data publication in the Internet, presentation and discussion of the most important and interesting findings and especially recommendations made by the SAI.
 - The fourth step of the main study, including ***monitoring of the implementation of audit recommendations*** that is also a factor of the ***knowledge accumulation*** on the use of KNI in audit activities. To reach a comprehensive influence on the national economies development and enhance the authority of audit institutions, SAIs should regularly publish special reports on the use of KNI in audit activities.
46. Besides, in order to increase effectiveness of the KNI systems use in the activity of audit institutions, it is necessary to disseminate the existing international and national experience in this sphere, as well as to take into account current trends of global development. This should be done both in the framework of a single country and at the global level.
47. To promote the access to the relevant information about the existing experience and possible ways of the KNI use in SAI's activity and to maintain a continuous knowledge and experience sharing the Working group on KNI is developing a Knowledge base on KNI²³. Developing the Knowledge base the Working group on KNI uses the best practices, including the OECD global platform for sharing information²⁴. The Knowledge base will not incorporate the data array publication but will ensure access of all INTOSAI members to actual projects on progress measurement by providing links to relevant developments of international organizations and national institutions in the sphere. In addition the Knowledge base capabilities will allow online discussions on papers and video conferencing.

²³ <http://kniknowledgebase.org>

²⁴ http://www.wikiprogress.org/index.php/Main_Page

48. Implementation of the Guidance will ensure the consideration of the interests of a SAI in the process of developing the performance indicators system that would ensure transparency, objectivity, and methodologically elaboration of KNI and, in general, will affect the growth of professionalism of SAIs.

49. It is important to note that only by joint efforts of all stakeholders, it is possible to reach one of the main goals of the Working Group on KNI and INTOSAI as a whole-improve the effectiveness of the assessment of national socio-economic development strategies implementation.

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 - Principles for SAI's application of KNI²⁷;
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ANNEX A.

QUESTIONNAIRE ON THE COUNTRIES PREPAREDNESS TO USE KNI SYSTEMS IN SAI'S ACTIVITIES

1. Is there a KNI system in place in your country? If yes, please indicate the regulatory body's (legislative, executive, etc.) decision or other official document which records the establishment of such system or contains a link to the system or a separate KNI.
2. What are the main national development indicators used in your country and how many are there? Which of them are defined (or can be determined) as key national indicators?
3. Which spheres are the (key) national indicators developed in your country relevant to? Please select all the applicable options: (economy: employment, transportation, finance; society: health, housing, education, crime, culture; environment: natural resources, ecosystems; quality of life, etc.)?
4. Is the use of KNI or performance management and reporting legally regulated in your country?
5. At what level are KNIs used in your country? Is it applicable at supranational, national (federal), subnational (regional), local levels?
6. Which body/bodies is/are responsible for the creation, development, selection of the KNIs, their evaluation, etc.? (private/public/private-public partnership, independent/subordinate institution/organization)
7. Which governmental, public and (or) private organizations are involved in the process of creation and selection of KNI (macroeconomic development indicators)?
8. What is the procedure in your country to establish (or select) KNIs (macroeconomic indicators)? Which selection criteria have been used? Please, give a detailed description, if there is such a description.
9. What basis is used when your country develops and determines the set of key national indicators? (Multiple answers are possible: statistics, social surveys, ratings, in the case of other options, indicate the method for determining the indicators)
10. What is the frequency of data accumulation for (key) national indicators? (Possible answers: regularly (quarterly, annually), occasionally upon request, etc.)
11. Is there any reporting required on the achievements against (key) national indicators in your country? In which form? (for example: publication of the annual report, the government report, etc.) Which of the reports are available to the public?
12. To what extent do the KNI adequately reflect the achievement of the objectives, the strategic goals? Are the national indicators a relevant, valid and reliable reflection of the national goals achievement?
13. Are there publicly available initial data on the achievements against KNI (whether published or reported) in your country?
14. Is the KNI national system connected with the budgeting process? Briefly describe the connection.
15. If a KNI system exists in your country, how widely is it used by the legislative and governmental bodies? Since when the KNI system does exist?

16. Is there qualified staff in your country that can participate in the process of developing key national indicators, the relevant systems and the monitoring and evaluation thereof? Is the staff provided with sufficient material and technical basis for the required activities?
17. Does the SAI participate in the process of the creation, the approval and (or) the improvement of the key national (or development) indicators? In what way?
18. Does your SAI have the mandate to carry out performance audits?
19. Has your SAI any functions related to the KNI? What are they?
20. Are there publicly available SAI's reports on the KNI analysis in your country?
21. Are there control systems in place to ensure that the public policy objectives are achieved? Does the SAI participate in that system? In the absence of the KNI system, is it possible to use the elements of the control system for the KNI system development?
22. In which way is the SAI involved in data collection and evaluation in the field of KNI by the national statistical office?
23. Does your SAI assess the quality of KNI and if it does, which criteria does it use for the assessment?
24. Which internal measures does the SAI take to integrate KNI in auditing activities?
25. How does the SAI build up internal capacities on the use of KNI?
26. In which way does the SAI support a broader use of KNI in political decision making procedures?
27. Does your SAI have the option to use outside experts when and if needed?
28. On a three-point scale, how would you rate your SAI's readiness level for using key national indicators in your audit activities (poor/satisfactory/good)?