



House of Commons
Scrutiny Unit

Review of Departmental Annual Reports 2009

Contents

Report	<i>Page</i>
Introduction	2
Role of the Scrutiny Unit in the Departmental Report process	2
Review of previous Departmental Reports	2
Review of 2009 Departmental Reports	4
Notes accompanying core tables	4
Linking resources to objectives/targets/outcomes	5
Efficiency reporting	5
Assessments of progress against PSA targets	5
Data quality	6
Explanations for failing to meet targets and discussions of future performance	6
Compliance with other requirements of Treasury guidance	7
Timeliness and accessibility of the report	7

Introduction

1. This is the Scrutiny Unit's fifth annual cross-cutting review of Departmental Reports, looking at those Reports published in 2009.
2. Our first such report, *Review of Departmental Annual Reports 2005*, (November 2005)(<http://www.parliament.uk/documents/upload/CSUdeptReviewReport.doc>), made a number of recommendations aimed at improving the quality of reporting in Departmental Reports.
3. This latest report looks at the progress made towards implementing our recommendations.
4. The 2008 Departmental Reports were the final set of reports to be prepared under the 2004 Spending Review Public Service Agreement (PSA) targets. This is the first year Departments reported primarily on progress against the 2007 Comprehensive Spending Review cross-government PSA targets and Departmental Strategic Objectives (DSOs).

Role of the Scrutiny Unit in the Departmental Report process

5. The Scrutiny Unit forms part of the House of Commons Department of Chamber and Committee Services. Part of the Scrutiny Unit's function is to assist Select Committees in performing financial scrutiny of government. This includes reviewing Departmental Reports and highlighting areas that Select Committees may like to investigate further with the relevant government department.
6. When reviewing Departmental Reports we check for compliance with Treasury guidance, analyse the financial information presented and review the reported performance against PSA targets. We may assist Committee staff in drafting written questions for the departments, briefing MPs for oral evidence sessions or preparing Committee reports.
7. A by-product of this support for each Committee is that we are able to evaluate the quality of Departmental Reports in aggregate – a view not readily discernable for individual Committees or those in departments charged with producing Departmental Reports.

Review of previous Departmental Reports

8. The Scrutiny Unit analysed 21 Departmental Reports in 2005, producing an over-arching report with recommendations for improvements to reporting formats and examples of good practice.
9. We considered the various 2005 Departmental Reports in the light of the guidelines produced for departments by the Treasury and the general usefulness of the Departmental Reports to the reader, and we discussed presentations which either confused or enlightened.

10. The key recommendations from our 2005 report were that Departmental Reports should include:

- ▶ Notes accompanying core financial tables to explain trends and unusual movements;
- ▶ Direct linking of expenditure /resources to targets/outcomes;
- ▶ Comprehensive discussion of progress on the efficiency programme;
- ▶ Consistently expressed assessments which follow logically from the information provided;
- ▶ Full information on the quality of data used to assess targets, clearly setting out any limitations;
- ▶ Full commentary on past performance, with explanation for failures to meet targets and discussion of future initiatives; and
- ▶ Reconciliation of objectives and targets, and presentation of performance over time.

11. This work was followed up with analysis of 17 Departmental Reports in both 2006 and 2007, and 18 Departmental Reports in 2008. We assessed progress against our 2005 recommendations. Our findings are detailed in our reports for 2006, 2007 and 2008.

Review of 2009 Departmental Reports

12. The Scrutiny Unit reviewed 21 Departmental Reports in 2009, again focussing on the recommendations made in 2005 and looking for progress and examples of best practice. We considered the Departmental Reports compliance with revised Treasury Guidance, and also the timeliness of the report and its accessibility to the layperson. Our detailed findings comprise the remainder of this report. In summary:

- ▶ Nearly all of the departments provided a commentary on their core tables, many also included explanations of variances and unusual year-on-year movements;
- ▶ Some departments continued not to link resources to objectives, targets, and outcomes;
- ▶ Again, no Departmental Report fully met the Treasury requirements for reporting efficiencies;
- ▶ In general, departments gave factual assessments of PSA performance consistent with the evidence presented. There were still a few examples of apparently doubtful or inconsistent assessment of PSA performance;
- ▶ The majority of departments included comments on the quality of data systems, although there was still a significant minority of departments that made no reference to this;
- ▶ Five departments produced a joint Departmental Annual Report and Resource Account document for the first time (DCMS, FCO, DfD, DECC, and DfT), in addition to four departments (Treasury, MoD, DBERR, and Cabinet Office) that had previously published such a document;
- ▶ Five departments failed to meet the Treasury deadline for publication;
- ▶ Some departments made their reports significantly easier to read than in previous years, but there were other departments that still exhibited weaknesses we had previously identified; and
- ▶ The readability of graphs is a new concern.

Notes accompanying core tables

13. All but one department provided all the required core tables, with almost all of the reports providing some explanation of the core tables in footnotes. While (as noted previously) many departments explained trends and unusual movements, their explanations varied widely in their depth of analysis. In many cases further information was sought by the Committees.

14. Once again, some departments had expanded the level of analysis they provided from basic footnotes to a commentary that preceded the tables and explained to the reader what the tables were intended to show. However, even where this had been done, there was sometimes insufficient analysis of the actual data shown in the tables.

Linking resources to objectives/targets/outcomes

15. All but one department clearly set out its objectives with explanations given for any changes. However, four departments failed to clearly set out how they would deliver their objectives.

16. In 2005, we identified that it was difficult to determine from the Reports how resources could be attributed to departmental performance. There has been vast improvement here, and, in 2009, we found that two thirds of the reports we reviewed had reported expenditure according to objectives. This was generally reported very well.

Efficiency reporting

17. Some departments improved their performance against Treasury guidelines on efficiency reporting from last year, although, as has previously been the case, some Departmental Reports lacked substance and detail.

18. All departments set out their Comprehensive Spending Review Value for Money (VfM) target, with the vast majority giving a figure for VfM gains achieved to date.

19. Nearly all departments included a narrative about how savings have been achieved and where possible, have reported savings by business area or delivery body. Some departments failed to state that all gains are cash releasing, sustained, and are reported net of costs.

20. All departments failed to note that progress towards PSAs and DSOs demonstrated that service quality was improving. We would re-emphasise that it is not enough to assert that service quality has been maintained, or to simply list ways in which it will be monitored. Until they provide evidence, departments risk undermining confidence in claimed achievements and invite further Committee probing.

21. The majority of departments reported on progress against relocation and headcount reductions. Some departments provided descriptions of how and where reductions had been achieved, and how this differed from initial plans. Committees are interested in hearing about the impact of these changes.

22. Only a third of departments reported that an internal audit had been completed to validate VfM gains and only four departments stated that savings would be reviewed by the National Audit Office (NAO). Statements by internal and external auditors provide evidence that savings are genuine; without them confidence in claimed achievements is undermined.

23. Most departments met the requirement to describe the plans that are in progress to deliver further VfM savings over the next six months. However, many lacked details such as examples and forecasts.

Assessments of progress against PSA targets

24. There was a significant improvement with the consistent reporting of joint targets. There was also an improvement in the way assessments of PSA performance were credibly drawn from the evidence presented. However, it was still the case with a

number of departmental reports that there remained enough uncertainty about the progress reported for at least one PSA target for us to raise further questions. The reasons were similar to those we noted in 2008

- ▶ The link between information presented and assessments was unclear;
- ▶ A significant minority of departments failed to report against all indicators.

25. There was a significant improvement when reporting progress against targets, with all departments using standard Treasury terminology for the overall assessment. However, several departments did not give assessments against individual indicators, which in some cases makes it unclear whether or not performance has improved.

26. Although Departmental Reports discussed progress against each target, several departments failed to say how they had gone about achieving the target, nor did they give evidence to show that their work was assisting them to meet the targets.

27. All but two departments gave fair assessments of DSOs and PSAs, including evaluative and factual assessments that were consistent with the information provided.

28. Treasury guidance recommends that where reporting of progress against PSA targets is dispersed throughout the report, a summary table should be included. Three departments failed to do this and where summary tables were given, they were often unclear.

Data quality

29. Six departments made no reference to the quality of the data systems used to measure performance against PSA targets, compared to three the year before. Reference to data quality is a requirement of Treasury guidance because it allows the reader to take account of any limitations in the figures underpinning the indicator when they are scrutinising performance.

Explanations for failing to meet targets and discussions of future performance

30. There has been little improvement in this area since 2006. Again, the tone and presentation of some Departmental Reports continued to show a reluctance to explain inadequate performance against targets.

31. Where performance slips, the immediate questions Committees want answering are: 'Why has this happened, and what is the department doing about it?' Departments should aim to pre-empt such questions and provide a balanced view of performance, not just a list of achievements.

32. Several departments included reasons for 'no progress' in their progress reports, but often these were not clearly flagged by headings, and varied in depth. However, several departments outlined forward looking initiatives that are designed to improve performance.

Compliance with other requirements of Treasury guidance

33. As well as requiring Departmental Reports to cover the themes covered above, Treasury guidance also asks that departments report on:

- ▶ Progress on all outstanding PAC recommendations;
- ▶ Spending on ‘consultancy and staff substitution/interim management’ in departmental reports, including such expenditure by their executive agencies;
- ▶ Information on complaints to the Parliamentary Ombudsman;
- ▶ Better regulation, including examples of how cultural change is being embedded; and
- ▶ Details of public bodies as well as any other information in the public interest.

34. A small number of departments failed to comply with one or more of these requirements. Once again, we found that these requirements had been dealt with most effectively by departments that included this information in separate Annexes to their reports.

Timeliness and accessibility of the report

35. Select Committees often schedule sessions on the Departmental Reports well in advance, based on the publication deadline given in the Treasury guidance, and would ideally send written questions to departments for response ahead of those sessions. Late publication can therefore be inconvenient.

36. Of the fourteen departments that did not meet the publication deadline, most delayed in order to publish their Departmental Annual Report and Resource Accounts alongside each other in a combined document. However, of those Departments that did not publish combined documents, five of these failed to meet the Treasury deadline for publication of stand alone departmental annual reports.

37. An aim of the Treasury’s initiative for departments to combine the Annual Report and the Resource Accounts is to produce a more useful document overall, with less duplication of material and clearer links between performance and financial reporting. Any other departments contemplating producing combined documents in 2010 should consult with their Select Committee.

38. Most Annual Reports were easy to find on departmental websites, with chapters broken down for easy download of relevant sections. Downloadable files of both the full report *and* the report broken into chapters is desirable.

39. The readability of graphs has become an area of concern. One department unhelpfully presented data using indiscernible shades of the same colour.