



National Audit Office

Measuring regulatory performance - insights from other practices

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What can an auditor add to this debate?

- Different perspective from executive:
 - accountability to legislature & electorate
 - comment on performance
- Main interests:
 - transparency
 - process
 - results - achieving objectives with economy, efficiency and effectiveness

What indicators do we use? - Principles

- Ideally the executive should do this:
 - Clear statement of objectives
 - Understanding of the value chain: inputs, activities, outputs, outcomes
 - Monitoring and evaluation
 - Feedback, learning and revision
 - Application of core management and ROAMEF cycles

Core management cycle

6 Feedback

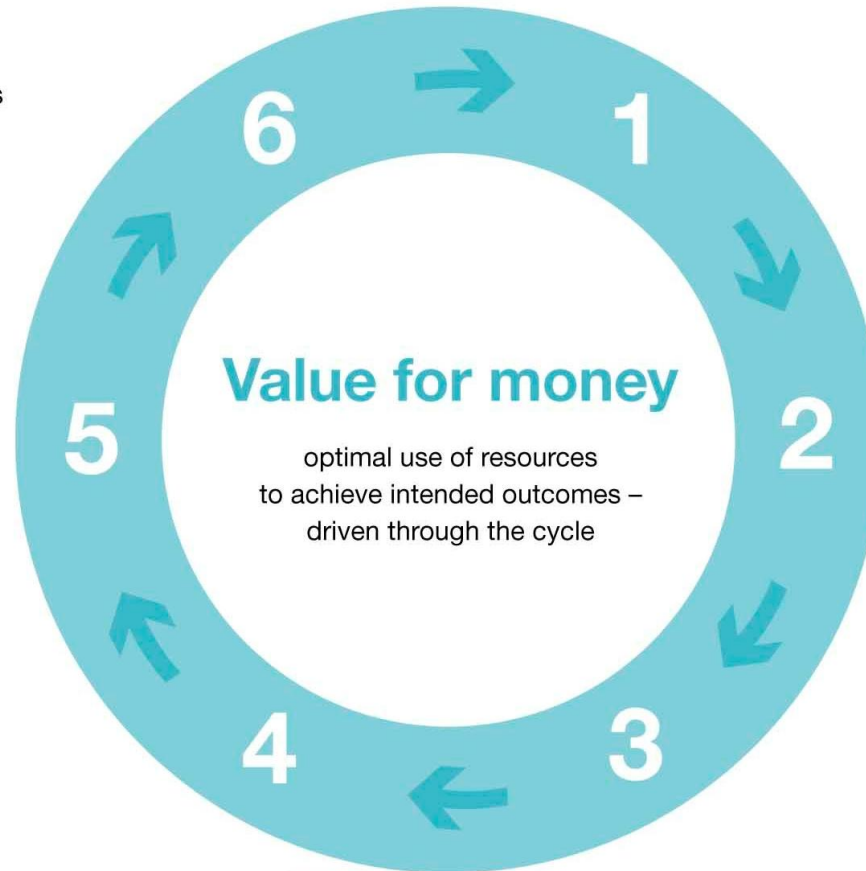
amends priorities and informs future strategy and planning

5 Evaluation

of implementation against strategic goals

4 Measurement

of quality, delivery, costs and user experience against benchmarks and targets



1 Strategy

based on evidence with clear policy goals

2 Planning

with agreed priorities, resources, management information and programme management in place

3 Implementation

with good financial management, risk management, governance and controls in place

What indicators do we use? – NAO practice

- Reviews of regulatory reform
 - Quality of Impact Assessments
 - Burden on business – policy and admin costs
 - Business perceptions
 - Adherence to process
 - Action to review stock
- Reviews of regulators' effectiveness:
 - Use of resources and targeting on risk
 - Incentives for regulatees
 - Information for decision making and monitoring
 - Outcomes achieved (eg prices, trends in regulatees' efficiency)

Impact and incentives

- Clear evidence of incentive effect in some areas – e.g. on administrative burdens
- Variation across government – e.g. stock reviews, red tape challenge
- Some impacts unclear or limited to analysis, not substance – e.g. benefit cost ratio
- Jury still out on latest changes – red tape challenge, OIOO

Gaps and challenges

- Improving all policy making practice
- Common approach to spending, regulation and taxation
- Making space for politics
- Clarity of purpose – what really is the aim?
- Technical challenges in measurement, eg high impact, low probability events, assessing perceptions without a counter-factual, capturing benefits
- Regulation in the public sector

Quality desiderata

- Principles of good performance measurement:
 - Systems need to be: focused, appropriate, balanced, robust, integrated, cost effective (FABRIC)
 - Indicators should be relevant, avoid perverse incentives, attributable, well-defined, timely, reliable, comparable, verifiable
- Specifics:
 - Need to engage with substance as well as process
 - Adaptable to wide range of practice between countries

Further reading

- Reviews of regulatory reform
 - Delivering regulatory reform (2011)
http://www.nao.org.uk/publications/1011/delivering_regulatory_reform.aspx
 - Option appraisal (2011)
http://www.nao.org.uk/publications/1012/option_appraisal.aspx
 - Business perceptions (2010)
http://www.nao.org.uk/publications/1011/business_perceptions.aspx
 - Hampton reviews of inspection and enforcement (2008 & 2009)
http://www.nao.org.uk/areas_of_specialist_expertise/regulation/about_regulation.aspx
- Reviews of regulators' effectiveness:
 - Consumer protection (2011)
http://www.nao.org.uk/publications/1012/protecting_consumers.aspx
 - Office of Rail Regulator (2011)
http://www.nao.org.uk/publications/1011/regulating_network_rail.aspx
 - Ofcom effectiveness (2010) <http://www.nao.org.uk/publications/1011/ofcom.aspx>
- Principles of good performance measurement
 - Choosing the right fabric (2001)
http://www.nao.org.uk/help_for_public_services/idoc.ashx?docid=ee69045d-d30b-4d3c-b3c3-cd45ecb70e38&version=-1