



DFID Nepal Rural Access Programme 3 (RAP 3)  
Monitoring, Evaluation and Learning Component

# REVIEW OF THE RAP 3 PERFORMANCE MANAGEMENT AND VERIFICATION (PMV) SYSTEM

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Submitted by Itad

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## Contents

Abbreviations .....	iii
Executive Summary .....	iv
1. Introduction .....	1
2. Background – RAP 3.....	1
3. PMV review methodology .....	2
4. RAP 3 PMV review findings .....	3
4.1 Dimension 1: PMV system design and management .....	4
4.2 Dimension 2: Data collection .....	8
4.3 Dimension 3: Data processing and reporting .....	10
4.4 Dimension 4: Data quality checks .....	13
4.5 Dimension 5: Feedback .....	14
5. Future verification activities .....	16
Annex A: Terms of Reference – RAP 3 PMV Review .....	18
Annex B: Review Methodology .....	20
Annex C: List of interviewees .....	22
Annex D: Examples of documents reviewed .....	23
Annex E: Detailed Assessment Findings.....	24
E.1 PMV System Design and Management.....	24
E.2 Data Collection.....	28
E.3 Data Processing and Reporting.....	31
E.4 Data Quality Checks .....	33
E.5 Feedback .....	37
Annex F: PMV system timeline – key events .....	40
Annex G: Different perspectives of the PMV system .....	41
Annex H: Strengths and areas for improvement identified by interviewees .....	43
Annex I: Source of employment days .....	44
Annex J: Ranges of programme management and verification activities .....	45
Annex K: Sample size options – MEL verification of LRN generated employment days data .....	48

## Abbreviations

CIAP	Continuous Improvement Action Plan, part of the RAP3 internal audit processes
CIM	Continuous Improvement Matrix, an assessment of District Development Committee performance
DC	RAP3 District Coordination
DDC	District Development Committee
DFID	UK Department for International Development
DLI	Disbursement Linked Indicator (used for the Payment by Results mechanism)
DPM	RAP3 Deputy Programme Manager
DTL	RAP3 District Team Leader
LF	Logframe
LFI	Logframe Indicator
GoN	Government of Nepal
LRN	RAP3 Local Roads Network
MEL	Monitoring, Evaluation and Learning Component
PBR	Payment by Results
PM	RAP3 Programme Manager
PMV System	RAP3 Performance Management and Verification System
RAP 3	Rural Access Programme 3
RBG	Road Building Group
RMG	Road Maintenance Group
SC	Supervision Consultant (sub-contracted by RAP3)
SED	RAP3 Social and Economic Development Component
TOC	Theory of Change

## Executive Summary

The Rural Access Programme 3 (RAP 3) performance management and verification (PMV) system review was undertaken in March 2016. The review examined existing policies, systems and processes, identified strengths and areas for improvement and provided recommendations for addressing the more significant areas of improvement.

Overall, the RAP 3 performance management and verification processes and practices meets many of the criteria under each dimension assessed and is robust. There are examples of good practice across each of the dimensions. RAP 3 has put considerable effort into building its management systems and ensuring the quality of delivery as well as staying on target.

However, some issues have been found through this review and addressing them would strengthen the PMV system and stakeholder's confidence in the results reported and management processes being used. Efficiency gains are also expected to result from the implementation of the recommendations. RAP 3 could increase the effectiveness of its PMV by being more strategic and focused in collecting and analysing relevant data for management decision making processes. Firstly, there is the low level of analysis of data collected across the programme to identify trends and patterns. The trends or patterns may relate to performance, assumptions underpinning the theory of change, or risks. Secondly, there appears to be some gaps in information at the immediate and intermediate outcome levels that could provide insights as to the extent that RAP 3 is on the path to achieving its logframe outcome and impact, or learning during implementation. While the PMV system is seen as focusing on the quality and quantity of outputs, attention also needs to be paid to outcomes. The assumption is that these are meaningful measures of RAP performance; and that there is a strong level of certainty that the RAP outputs will deliver impact. The existence of an external MEL team may provide a further incentive for RAP to focus on efficiency and not effectiveness.

Recommendations to strengthen the RAP 3 PMV system are outlined below. The most important recommendation is the first. The implementation of other recommendations is not dependent on the first recommendation being addressed.

1. RAP, MEL and DFID to review the RAP 3 theory of change (TOC), agree key information needs throughout the TOC, responsibilities for collecting, analysing, reporting as well as feedback and learning processes;
2. RAP 3 to update PMV strategy to reflect current purpose and structure by end of 2016 (to reflect any changes relating to the extension);
3. DFID and RAP 3 to agree common interpretation of the word 'control' in relation to risk management;
4. RAP 3 to investigate feasibility and benefits of ongoing professional development for internal audit team;
5. RAP 3 to monitor the implementation of mandatory field visits and the extent that they contribute to improved field oversight and performance improvements;
6. RAP 3 to develop concise clear steps for minimising double-counting / explaining current steps and assumptions; data collection and aggregation steps;
7. RAP 3 to fully implement risk based auditing; including the analysis of documents to identify risks to guide the internal audit schedule (this may also provide a dual purpose of identifying common themes or patterns for other learning purposes, and not solely to drive risk management);

8. RAP 3 to develop and implement ongoing professional development programme for internal auditors;
9. In addition to the planned verification activities by MEL (verifying quality of roads and if they meet technical specification), MEL also undertake data verification of employment day data, assuming that employment days remain a DLI for the expansion phase;
10. RAP3 and DFID to assess alternatives for simplifying reporting and invoicing cycles. This may include:
  - Assessing the feasibility of re-aligning the RAP 3 implementation year to that of DFID's financial year;
  - Moving to monthly invoicing and trimester reporting of actual results. Within a quarter, months 1, 2 and 3 invoices could be based on estimated results (that are agreed in advance to give certainty for RAP 3 and DFID in terms of cash flow) and the month 4 invoice follows a trimester report of actual quarterly results and a calculation and reconciliation of payments for the period.
11. RAP 3 to document its data checking procedures for DLI and LFI data, and then again review the challenges to data quality and the effectiveness of current risk mitigation strategies;
12. As part of its risk based auditing approach, develop a regular data quality check audit based on assessed risk areas or districts;
13. If there are corrections to be made, RAP3 should update the district level monthly reports as well (ensuring that there is one version at the District and Central levels);
14. RAP 3 to ensure that feedback is provided and recorded as part of public and social audits;
15. RAP 3 to record which audit the CIAP decisions are linked to.

## 1. Introduction

The Rural Access Programme 3 (RAP 3) Annual Review was completed by the UK Department for International Development (DFID) in September 2015. The reviewers recommended a monthly external verification of RAP's reported results to be undertaken prior to invoices being paid. DFID tasked Itad, who is the implementing organisation of the independent RAP 3 Monitoring, Evaluation and Learning Component (MEL), to conduct this verification. Following discussions between Itad and DFID, it was agreed that monthly verification before payments was not practical. Itad proposed three activities. These are:

- ◆ A review of internal technical audit reports prepared by RAP 3;
- ◆ A physical verification of key outputs as reported by RAP against logframe targets (twice annually);
- ◆ A review of RAP's Performance Management and Verification (PMV) System to assess its robustness.

This report is the output of the third activity. The specific objectives of the review are:

1. Review existing PMV policies, systems and processes of RAP 3 including results management (e.g. data compilation and analysis), risk based technical auditing and public and social audit guidelines and processes;
2. Recommend whether the existing policies, systems and processes for PMV are adequate and robust enough for accurate results reporting to DFID and for internal risk management;
3. Identify weaknesses and/or gaps in the PMV system and provide recommendations for how it could be strengthened;
4. Suggest options for periodic output verification by MEL under various resourcing scenarios.<sup>1</sup>

This report is structured in a number of sections. These are:

**Section 2** provides a brief background of RAP 3. **Section 3** summarises the methodology (and [Annex A](#) provides a more detailed description of the methodology).

**Section 4** outlines the essential findings of the review including the strengths of the PMV system and areas for improvement. The findings are discussed in accordance to the dimensions for the assessment framework. A rating for each dimension is outlined. [Annex E](#) provides for a detailed list of the findings, along with the significance of areas for improvement.

**Section 5** presents options for future verification options by the RAP 3 Monitoring, Evaluation and Learning (MEL) Component.

## 2. Background – RAP 3

Implementation of Phase 3 of the Rural Access Programme (RAP 3) in Nepal commenced in 2013. RAP 3 aims to boost income and improve quality of life for the residents of some of Nepal's poorest districts through:

- ◆ Labour-based rural transport infrastructure maintenance and construction; and
- ◆ Access to economic opportunities through training, income generation activities, building economic infrastructure, and development of the private sector.

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<sup>1</sup> PMV Review Terms of Reference, 2016. The full TOR is contained in Annex A.

RAP 3 works closely with central and district governments to achieve its aims. This phase also builds on the experiences since the commencement of RAP 1 in 1999.<sup>2</sup>

The UK Department for International Development (DFID) funds RAP. The contract between DFID and the implementing organisation, IMC Worldwide, is based on 100% payment by results (PbR). PbR includes any approach where some payments are made only following the delivery of pre-agreed results (outputs or outcomes). RAP 3 was DFID's first PbR contract and while PbR is still a relatively new contracting model for DFID, DFID is increasing its use with the aim to increase development impact and value for money.<sup>3</sup>

The contract includes disbursement linked indicators (DLIs). DLIs are results indicators<sup>4</sup> and a unit price is attached to the achievement of each result. For instance, one employment day is worth £1.88. RAP 3 counts its results monthly and submits an invoice to DFID based on the results achieved.

### 3. PMV review methodology

This section presents a summary of the methodology used for the review. A more detailed description of the steps undertaken to complete the review is contained in Annex A.

Using the PMV Review Terms of Reference and some programme documents as reference material, a framework for the assessment was developed prior to the in-country mission. The framework is based on five dimensions. The dimensions are:

1. PMV system design and management
2. Data collection
3. Data processing and reporting
4. Data quality checks
5. Feedback

These dimensions were seen to cut across the different components of the PMV system, as outlined in the TOR. Each dimension is underpinned by a number of criteria.

Dimensions and criteria are unweighted. A performance rating scale was also developed to provide an assessment at the dimension level.<sup>5</sup> The draft framework was sent to DFID and RAP 3 prior to the in-country mission for comment. No specific feedback was received.

**Table 1** provides a summary of the assessment framework.

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<sup>2</sup> RAP website [www.rapnepal.com](http://www.rapnepal.com)

<sup>3</sup> DFID (2015). A Smart Guide to payment-by-results contracting including outcome-based, output-based and hybrid contracts.

<sup>4</sup> Some DLIs are the same as the indicators in the logframe. There are however also differences.

<sup>5</sup> This was included based on the RAP 3 Program Manager's request for a score so he could better understand the current level of performance and the desired level of performance.

**Table 1: PMV Review Assessment Framework**

<b>Performance scale →</b>	3 Meets most to all of the criteria for the dimension	2 Meets many of the criteria in the dimension	1 Meets some of the criteria in the dimension	0 Does not meet the criteria in the dimension
<b>Dimension ↓</b>				
PMV system design and management				
Data collection				
Data processing and reporting				
Data quality checking				
Feedback				

A number of documents were reviewed before the in-country mission while significantly more were reviewed during and following the mission. These documents include programme guidelines and templates, monthly internal and external progress reports, quarterly external progress reports, field trip and meeting records, data compilation and analysis sheets, and risk management tools.

More than 20 individual and group interviews were conducted between 29 February – 11 March 2016. Most interviews were conducted in Kathmandu although one district visit was undertaken, within the limited time of the in-country mission. The majority of interviewees were RAP 3 staff although interviews were also undertaken with DFID staff, supervision consultant staff and road maintenance group (RMG) direct beneficiary members.

The data collected was compiled against each dimension and criteria. Strengths and areas for improvement have been documented at the criteria level. The significance of area for improvement has also been assessed according to a scale of low, low—medium, medium, medium-high and high.

The rating of each dimension took into account all the findings at the criteria level as well as the significance of any areas for improvement. Significance refers to the significance of the area for improvement at the criteria level to the efficiency and effectiveness of the overall PMV system.

#### **4. RAP 3 PMV review findings**

It became clear during the initial days of the in-country mission that it would be necessary to look beyond the immediate PMV system in order to get a better sense of RAP’s level of effort around PMV activities. Overall, the RAP 3 performance management and verification processes and practices meets many of the criteria under each dimension and is robust. There are examples of good practice across each of the dimensions.

RAP 3 has put considerable effort into building its management systems and ensuring the quality of delivery as well as staying on target. While some issues have been found through this review, these are considered typical issues that are not individually or in aggregate of critical concern. However, addressing them would strengthen the PMV system and stakeholder’s confidence in the results reported and management processes being used.

**Table 2** provides the rating for each dimension against the four-point rating scale.

**Table 2: PMV Review Assessment**

<b>Scale →</b>	3. Meets most to all of the criteria for the dimension	2. Meets many of the criteria in the dimension	1. Meets some of the criteria in the dimension	0. Does not meet the criteria in the dimension
<b>Dimension ↓</b>				
PMV system design and management				
Data collection				
Data processing and reporting				
Data quality checking				
Feedback				

Overall, RAP 3 could increase the effectiveness of its PMV by being more strategic and focused in collecting and analysing relevant data for management decision making processes. There are two issues that are considered more significant than others. Both are related to the purpose and focus of the performance management and verification activities.

Firstly, there is the low level of analysis of data collected across the programme to identify trends and patterns. The trends or patterns may relate to performance, assumptions underpinning the theory of change, or risks. Secondly, there appears to be some gaps in information at the immediate and intermediate outcome levels that could provide insights as to the extent that RAP 3 is on the path to achieving its LF outcome and impact, or learning during implementation. While the PMV system is seen as focusing on the quality and quantity of outputs, attention also needs to be paid to outcomes. The assumption is that these are meaningful measures of RAP performance; and that there is a strong level of certainty that the RAP outputs will deliver impact. The existence of an external MEL team may provide a further incentive for RAP to focus on efficiency and not effectiveness.

While the overall assessment found the RAP 3 PMV system to be robust, there are a number of smaller improvements that could be undertaken relatively quickly and without notable effort yet create a positive impact. For example, writing and disseminating a clear succinct definition of how different types of employment days are calculated could increase DFID’s understanding of how results are generated, which in turn could contribute to fewer reviews each year enabling RAP 3 managers more time for implementation. Additionally, clear definitions would assist internal auditors to accurately audit DLI data collection and reporting processes and less time would need to be spent on trying to find out what the processes are before audits were planned and undertaken. It could also assist more accurate field-level data quality checks since staff are checking the same things, and it is more cost-effective to have data quality checks in place at the lower levels rather than at the Central level.

Summarised findings against each dimension are outlined below. In order to ensure the main body of this report is concise, only the key findings related to strengths and areas for improvement are highlighted here. Detailed findings at the criteria level are contained in **Annex E**.

#### **4.1 Dimension 1: PMV system design and management**

The PMV system design and management dimension covers the following criteria:

- ◆ The purpose of the PMV system is clearly stated and meets the needs of the programme.
- ◆ The PMV system and its different components of the system is clearly understood by the RAP team, DFID and other key stakeholders.
- ◆ RAP and DFID have common expectations of the PMV system (such as dimensions, criteria and performance standard required and resources required).
- ◆ Within RAP, the overall responsibility for the management of the system is clear.
- ◆ There are staff designated to implement the PMV system and responsibilities are clearly defined e.g. in job descriptions.
- ◆ Relevant staff have been trained in the relevant parts of the PMV system.
- ◆ There are sufficient resources (human, financial etc.) for the efficient and effective implementation of the system.
- ◆ The PMV system provides meaningful, relevant and timely information.
- ◆ There are indications that information generated through the PMV system is used for internal management and learning and decision making.
- ◆ Regular reviews are undertaken of the PMV system and areas of strength and room for improvement identified and addressed.

Overall, the PMV system design and management meets many of the criteria in this dimension. However, there are some criteria where the significance of the improvements noted viewed as medium or medium-high. A summary of strengths and two areas for improvement are outlined below.

Responsibilities for the overall PMV system are clear, with the Deputy Programme Manager, PMV. Individual responsibilities for performance management and verification activities are well captured in RAP 3 staff job descriptions. Staff have been trained in the system either in purpose-built workshop events or for new staff in orientation processes. While no overall review of the PMV system has yet been conducted by RAP 3, adjustments are periodically made in response to changes to the logframe indicators, implementation lessons, and reporting requirements. Changes are communicated to staff, mostly in the form of 'instructions' or 'guidance' and managers responsible for ensuring their direct reports are fully aware of and implement changes.

The most notable areas for improvement in this dimension are:

- ◆ The purpose of the PMV system, how well its components are understood by RAP 3, DFID and other key stakeholders, and the extent to which there are common expectations;
- ◆ The extent to which the PMV system provides meaningful, relevant and timely information that is used for internal management and learning and decision making.

Based on the document and interviews, there is some lack of clarity about what is considered within the PMV system and what is outside in terms of other management systems, and therefore also its purpose. To illustrate this point, a comparison is made between the TOR for this review and the RAP 3 PMV strategy. The review TOR noted that the PMV system of RAP 3 has three broad mandates:

1. Results monitoring against key logical framework targets (and disbursement linked indicators);
2. Technical quality assurance of road construction and maintenance against standard norms and procedures; and
3. Broader risk assessment and mitigation related to the programme.

In comparison, the RAP 3 PMV strategy states 'the primary purpose of Performance Management and Verification is to provide an opportunity for open communication about performance expectations and feedback. PMV tools shall be used to:

- ◆ Supervise, monitor and verify works of all types and levels using different tools;
- ◆ Measure actual performance against expected performance;
- ◆ Ensure accuracy of actual performance through the internal audit system;
- ◆ Provide an opportunity for the employee and the supervisor to exchange ideas and feelings; about job performance, including continued professional development; and
- ◆ Report and disseminate actual performance through various communication means to all stakeholders as appropriate.’

The most notable differences between these two documents is the PMV strategy includes employee performance management and professional development while the TOR does not, and the PMV strategy places importance to external communication while the TOR does not highlight this aspect. Other areas of confusion include the responsibilities of RAP3 M&E versus internal audit. The internal auditors are interested in finding answers to how effective, even with regards to short-term outcomes, and sustainable RAP33 efforts are yet these are normally the remit of programme M&E functions. In reality, it is difficult to segment RAP’s performance management and verification activities into a ‘system’ or unit within the organisational structure because these types of activities are spread more broadly across RAP’s management structure.<sup>6</sup> In part, the lack of clarity may be due to the evolving nature of RAP 3 as a programme and therefore also the management systems that have been established to support its implementation. Key staff turnover within RAP 3 (especially the Management System Team Leader) and DFID are also likely to be a contributing factor.

DFID and RAP 3 both placed a similar emphasis on the reporting of the DLIs, which are the trigger for payments. DFID comes to this from a risk perspective as they want assurance they are paying for ‘real’ results. For RAP 3 managers, this is the key priority since reporting is the basis of invoicing and getting paid and consequently covering costs. The importance of the DLI reporting is clearly understood by RAP 3 staff since most interviewed consider the PMV system to be firstly about monthly reporting to DFID on progress against the quantitative logframe indicators (LFI) and disbursement linked indicators (DLI). Of the purposes described by DFID, risk management is of primary importance while continuous improvement is of secondary importance. For RAP 3 staff, secondary

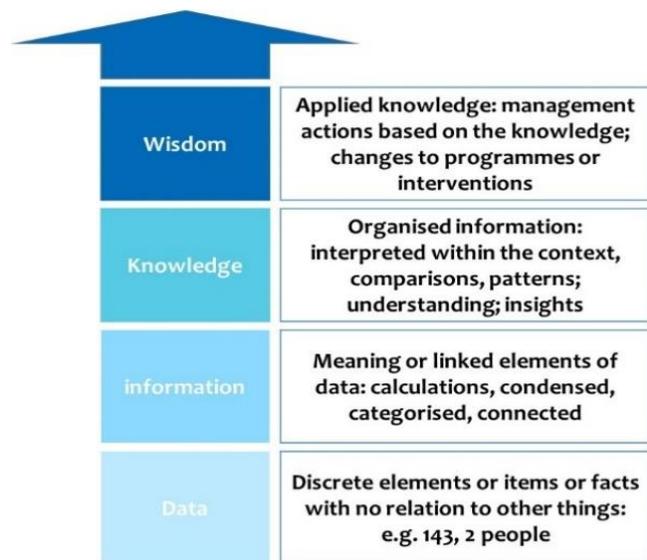


Figure 1: Information hierarchy

importance is given to other types of reporting, such as the trimester report. Refer to **Annex G** for a more complete comparison of PMV system purposes from various information sources.

A key aspect of any information generating activity is to ensure that it generates useable relevant information, which is used. **Figure 1** illustrates the relationship between data, information, knowledge and wisdom or applied knowledge.

Much of the data collected by RAP 3 is not analysed to create information; and predominantly quantitative data is collected with significantly less qualitative data. Many RAP 3 interviewees consider

<sup>6</sup> See **Annex J** for a summary of some key quality assurance activities undertaken by RAP 3 in 2015.

that the data collection and reporting part of the PMV system could be simplified, so that only data that will be used is collected. Analysis of quantitative and qualitative data could bring more insights into programme implementation and management. This issue was raised by several interviewees when asked about areas for improvement.

However, the limited amount of data being analysed may be because it is seen as irrelevant. On one hand, the quantitative indicator or results data generated by the PMV system is highly relevant because RAP 3 is paid on the results data reported. The DLIs were seen to 'keep the programme on its toes'. Nevertheless, some indicators appear less relevant to measure progress, from the implementer's view point. For instance, the logframe includes an indicator on number of kilometres of road completed. This indicator is relevant perhaps as a final output but measuring it during implementation provides few insights into the level of progress to realise completed roads. One interviewee noted that the related DLIs were developed to enable RAP 3 to be paid on a regular basis but did not make sense in terms of measuring road works and other qualitative changes. The LRN team have devised other indicators for internal management reporting that enable them to better monitor progress. As such a parallel monitoring system has been established.

While there are concerns about the meaningfulness of some of the data being collected, the RAP 3 trimester reports include information to better understand the quantitative data that dominates the monthly reports. This information is largely relegated to annexes. For instance, Annex 6 in the trimester report includes corridor monitoring sheets that provide a diagrammatic representation of progress, if not the key issues effecting progress.

Additionally, most of RAP 3 data collection processes are focused on the quality and quantity of outputs. Some focus is given to a few short term outcomes through processes such as the District Development Committee (DDC) Continuous Improvement Matrix (CIM). While DFID and RAP 3 believe that the PMV system should focus on processes to check on whether RAP 3 is 'doing things right', meaningfulness also concerns 'doing the right thing'. The PMV produces little information related to whether RAP 3 is doing the right thing. DFID and RAP both stated that this was the concern of MEL. However, the MEL's impact evaluation is largely focused at the impact level or at least longer term outcomes (as documented in the theory of change). This means that little data is being collected in the 'middle' of the theory of change and therefore little analysis about whether RAP 3 is on the path to success, that is impact. The limited analysis of current data may reflect the understood division of responsibilities between RAP and MEL and where learning about the output-outcome relationships and the extent to which outcomes are being achieved (not just at the impact level) is situated within these two teams.

Some other smaller issues were also found to be possible areas for improvement. These are documented in the detailed findings in **Annex E**. They are not included here so as not to detract from the issues that are considered to be of greater significance to the overall effectiveness of RAP's performance management and verification activities.

The **suggestions for addressing areas for improvement** are:

- ◆ RAP 3, MEL and DFID to review the RAP 3 theory of change, agree key information needs throughout the TOC, responsibilities for collecting, analysing, reporting as well as feedback and learning processes.
- ◆ RAP 3 to update PMV strategy to reflect current purpose and structure by end of 2016 (to reflect any changes relating to the extension).

- ◆ DFID and RAP 3 to agree common interpretation of the word ‘control’ in relation to risk management.
- ◆ RAP 3 to investigate feasibility and benefits of ongoing professional development for internal audit team<sup>7</sup>.
- ◆ RAP 3 to monitor the implementation of mandatory field visits and the extent that they contribute to improved field oversight and performance improvements.

## 4.2 Dimension 2: Data collection

The PMV system data collection dimension covers the following criteria:

- ◆ There are clear and easy to understand procedures for all data collection activities including indicator data collection, technical audits, public audits and social audits.
- ◆ The information collected measures what it is supposed to measure.
- ◆ Information for each indicator is collected using methods that conform to good research practices.
- ◆ The data collection method or tool being used to collect the data is precise enough to register the expected change.
- ◆ For reporting on aggregated numbers there is a standard source document to be used by all districts to record and report data.
- ◆ The data collection processes take into account issues with double counting within a district and across districts.
- ◆ The source documents and reporting forms/tools specified by PMV Manual are consistently used by all reporting levels, across all districts.
- ◆ The RAP risk based approach (and sampling methodology), procedures and profiles are documented.
- ◆ The schedule of technical audits aligns with the risk-based approach or risk profiles developed.
- ◆ Technical audits are carried out according to the schedule.
- ◆ All findings from all technical audits are reported.
- ◆ Social and public audit discussions and participant feedback is recorded in sufficient detail to be easily understood
- ◆ Public and social audits are carried out according to the schedule.
- ◆ All findings from all public and social audits are reported.

Data is collected at various levels within RAP 3. Data relating to risk management and social and public audits is generated through other processes such as field verification reports, field visit reports, annual review meetings with district stakeholders and meetings with road building or maintenance groups (RBGs and RMGS). Most LFI and DLI related data is collected at the field level within the 14 districts and passed through various ‘hands’ to the central Kathmandu office. These ‘hands’ include persons working for sub-contracted organisations such as international NGOs (who in turn use local NGOs to deliver services) and supervision consultants.<sup>8</sup> A district may receive information from several organisations and consolidate it into spreadsheets using standardised templates.

The geographical distance that the collected data has to travel is notable. Even during this review, there was only time to travel to one district, Dailekh, and visit one road maintenance group (RMG). From Kathmandu, it was a one-hour flight and five-hour drive to reach Dailekh and within the time

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<sup>7</sup> Even if the auditors are to be recycled back into the DTL pool after two years, a deeper level of knowledge and skills is likely to have an ongoing positive influence on field-level assurance activities.

<sup>8</sup> International and local NGOs were used under the SED component. Changes to the design of SED activities means that there will be one fewer layer of data collection or compilation.

available it was possible only to visit the nearest RMG, which was a further one and a half hours drive from Dailekh. Dailekh is not considered one of RAP 3's more remote locations. To reach one 'new construction' road in Humla requires a three-day walk. Based on a rapid review of to-date results reported, three indicators drive most of the PBR payments. These are: employment days (DLI Outcome 2b); new construction ongoing (DLI Output 1.1b) and SED supported households (DLI Output 2.1). The greatest number of employment days generated to date (end of January 2016) have been in Kalikot, Humla, Bajura and Parbat. Three of these districts are core construction districts. Overtime, road construction is expected to generate more employment days than maintenance works (although, currently a greater proportion of employment days are generated through maintenance).

Regardless of the notable challenges that this presents to data collection, the PMV system data collection meets many of the criteria in this dimension. A summary of strengths and areas for improvement are outlined below.

In terms of strengths, there are general guidelines for data collection e.g. indicator data. Internal audit procedures are documented as are public and social audits. Data collection processes account for double counting, enables disaggregated data to be collected, and report templates are used consistently.

Two issues of medium significance were identified. Firstly, is the lack of clear definitions of indicators and explanation of data collection processes. This issue is also highlighted in the following dimension of data processing and reporting. Secondly, the risk-based approach to auditing has not yet been implemented.

Among, RAP 3 staff, there are mixed levels of understanding of the definition of some indicators and how some quantitative results are calculated. Indicator definitions are not available nor are there clear explanations of some key data collection processes. The lack of indicator definitions is more problematical where the indicators are not in themselves very clear. For instance, % of Annual Social Audit findings conducted at District level showing satisfactory rating increasing year on year. The target is to increase the % each year. The social audit guidelines do not explain this performance indicator, nor how to hold the meeting to generate the information needed to measure it. One of the four social audit reports reviewed mentioned RMG member satisfaction levels based on a satisfaction study.

The employment days generated indicator is one of the three highest payment generating DLIs. The recent internal audit on DLIs found there was mixed practices regarding data collection and calculations across some districts. Based on interviews at the district and Kathmandu levels, it was understood that RBG employment days are based on actual days worked (that are assumed to work out to an average of 8 hours per day) whereas RMG employment days are based on an estimated number of days (the estimate being derived from a task-volume-day standard that was established 7-8 years ago). However, even after the interviews it is not entirely clear if this understanding is one hundred percent correct. Even though there are not clear specific guidelines on how employment days are calculated, reference to their calculation is made in other programme documents. For instance, the District Communication strategy notes: 'RBGs are paid a variable lump sum, on average once a month, according to the volume of work carried out by the group as a whole since the last payment. From this total, a daily wage rate is calculated by the supervising consultant for each RBG, and members are then paid according to how many days they have worked in the period since the last payment.' Therefore, while several interviews referenced the importance of timesheets these appear important for wage distribution but not for the employment day indicator.

Sometimes understanding of processes or calculations seems limited to one or two people. For instance, the SED Data Analyst was able to explain how double counting of beneficiary numbers was avoided while others in the SED and PMV teams were not. RAP 3 staff turnover is likely a contributing factor.

There are indications (also identified through RAP 3 internal auditing processes, which is encouraging) that different data collection processes are being used across some districts. Earlier audits in March and April 2015, also noted that the paper trail to track employment days was not always possible and the data collection format in the RMG guidelines was not always being used. This situation was linked to poorly performing supervision consultants and RAP 3 noted it would collect data itself to mitigate this problem, although the extent to which RAP 3 is now undertaking this data collection was not examined.

While the risk based audit guidelines have been developed, they have not yet been applied and therefore risk profiles have not been developed. This issue is also highlighted under dimensions 3 and 4.

The **suggestions for addressing areas for improvement** are:

- ◆ RAP 3 to develop concise clear steps for minimising double-counting / explaining current steps and assumptions; data collection and aggregation steps;
- ◆ RAP 3 to fully implement risk based auditing;
- ◆ RAP 3 to develop and implement ongoing professional development programme for internal auditors;
- ◆ In addition to the planned verification activities by MEL (verifying quality of roads and if they meet technical specification), MEL also undertake data verification of employment day data, assuming that employment days remain a DLI for the expansion phase.<sup>9</sup>

The first suggestion is made somewhat cautiously because RAP 3 have a lot of documentation already. It is important to document these processes clearly but it is equally important that they are concise, easy to understand and use and are accessible to staff.

### 4.3 Dimension 3: Data processing and reporting

The PMV system data processing and reporting meets some of the criteria in this dimension. The criteria reviewed under this dimension are:

- ◆ There are clear and easy to understand procedures for all data processing and reporting activities including indicator data collection, technical audits, public audits and social audits.
- ◆ There are indications that the data collation / aggregation / analysis procedures are used consistently.
- ◆ The collation and reporting processes avoids double counting within each district/organisation and across the programme.

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<sup>9</sup> If these verification activities were based on the same sample (road section being built or maintained by a particular road building or maintenance group) it may be possible and useful to also examine the relationship between the number of days of employment generated and the quantity and quality of the road constructed or maintained. Rather than a verification exercise, this is more about testing the assumptions in the theory of change. This analysis would also need to take into account how RMGs are paid, that is on performance rather than days. At least for RMGs, this analysis might be more about comparing the standard norms used to develop the RMG monthly work plans and the actual days taken to achieve the required quantity and quality road. To understand any difference this would then require qualitative data collection. However, this additional work could be undertaken as a MEL learning activity rather than a verification activity.

- ◆ When reported results are due in part to the work of other publicly-funded programmes and private contributions, they are acknowledged in the report.
- ◆ A log sheet exists showing when data was received from each district at the central level.
- ◆ Aggregation form and analysis includes details on who prepared/ approved and dates.
- ◆ Findings from across technical audits are analysed to identify common issues and these are reported.
- ◆ Where relevant, findings from technical audits are compared to types of data.
- ◆ Findings from across social and public audits are analysed to identify common issues and reported.
- ◆ Where relevant, findings from social and public audits are compared to other data.

Several staff noted reporting to be a particular strength of the PMV system and the system is well understood by staff. The monthly and trimester reporting to DFID is well organised and systematic, as is the reporting to the Government of Nepal. Separate reports are required although the GON report mostly focuses on financial data. There are clear (and very tight) timeframes for monthly reporting. Internal reports are submitted mostly in a timely manner, and this has been improving over time, to meet tight monthly reporting timeframes. Regular monthly reporting is a strong aspect of the entire system, and is driven by the DLIs and invoicing.

The two key issues relate to the manual data processing processes and the tight and frequent reporting timeframes.

One interviewee described data management or processing as ‘not user friendly’, since there are a lot of different templates in Excel and a database has not yet been established. The M&E Specialist consistently uses one workbook format and process to aggregate data generated through the monthly reporting processes. This workbook contains a number of tables, some of which have been added over time in response to ad-hoc requests for data from the donor. The SED Data Analyst aggregates the information from the SED activities and provides to the M&E Specialist. The aggregation tables for the SED activities largely do not include district level detailed data but are already a compilation. This data is not linked to other workbooks so it is not readily apparent where the data comes from and is a limitation of using several Excel Workbooks and many sheets. While the SED Data Analyst focuses on the SED data, the M&E Specialist aggregates the LRN data and once the SED data is received both sets. Data is aggregated manually which is time and resource intensive and increases the risks of some human errors and potentially ‘butterfly effect’ data miscalculations. Most data are entered manually, rather than linked to other workbooks etc.

The need to collect, aggregate and report on the DLIs on a monthly basis increases the demands on the programme and presents notable constraints to even basic data processing and reporting processes (as well as data quality checks). Reports are submitted by DTLs by the 25th of the month, or within three days of the end of the reporting period. Between the 26-28th of the month, M&E Specialist/SED team check and consolidate the data. Tables for the monthly report to DFID and GON are provided to the DPM who prepares the rest of the report. DFID's report is submitted monthly on the 5th.

RAP 3 operates under three reporting cycles, which increases the workload. This is the DFID financial year of April-March; the RAP 3 implementation year of February-January; and the GON year of mid-July – mid-July. Data is collected in the field for the period 22nd of the previous month to the 21st of the current month. Therefore, the three different annual cycles are further complicated by having a monthly reporting period that is not based on a calendar month even though much of the source data is collected on templates that follow a calendar month. This requires additional data processing since

those reporting may have to take data from source documents covering the 22<sup>nd</sup> of the preceding month to the end of the month and then add data from the 1<sup>st</sup> – 21<sup>st</sup> of the current month.

New data related requirements are being introduced with the development of value for money (VFM) indicators. While the VFM indicators are based on data that is already collected by RAP 3, processing and reporting will require additional effort.

Two other issues were identified. Although, they are of lesser significance than those outlined above they are worthy of note. Firstly, risk-based auditing approach has not yet been implemented and the analysis of risks is yet to be undertaken. While a lot of data is collected, little is 'processed' or analysed into a useable form (also see the first dimension relating to the meaningfulness of data). Disaggregated data is collected but not used in any substantive way. The current data management arrangements limit how easy it is to do this, without notable additional processes. Findings are not analysed across audits (internal, social or public).

The **suggestions for addressing areas for improvement** are:

- ◆ RAP 3 to develop concise clear steps for minimising double-counting / explaining current steps and assumptions; data aggregation and reporting;
- ◆ RAP 3 to fully implement the risk-based auditing approach including the analysis of documents to identify risks to guide the internal audit schedule (this may also provide a dual purpose of identifying common themes or patterns for other learning purposes, and not solely to drive risk management – however this should be assessed after suggestion 1 under PMV system design and management has been completed).
- ◆ RAP 3 and DFID to assess alternatives for simplifying reporting and invoicing cycles. This may include:
  - Assessing the feasibility of re-aligning the RAP 3 implementation year to that of DFID's financial year;
  - Moving to monthly invoicing and trimester<sup>10</sup> reporting of actual results. Within a quarter, months 1, 2 and 3 invoices could be based on estimated results (that are agreed in advance to give certainty for RAP 3 and DFID in terms of cash flow) and the month 4 invoice follows a trimester report of actual quarterly results and a calculation and reconciliation of payments for the period.<sup>11</sup>

RAP 3 are interested in suggestions regarding the value of developing a database to better manage M&E data. Databases are more flexible and powerful than Excel workbooks and can save notable time when data is coming from several different sources, is being aggregated and reported. RAP 3 is being expanded for another three years so there is an opportunity to reassess management processes and the viability of developing a database, which will require notable resources and effort but contribute to improved efficiencies. However, the usefulness and value of developing the database depends on how soon RAP 3, MEL and DFID can review the RAP 3 theory of change, agree key information needs throughout the TOC, responsibilities for collecting, analysing, reporting as well as feedback and learning processes. This is the critical first step.<sup>12</sup>

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<sup>10</sup> This to align to the trimester narrative reporting that currently being used, rather than creating a quarterly reporting cycle for the payments.

<sup>11</sup> The aim is to create more space and resources for data quality assurance, strategic learning and reflection.

<sup>12</sup> If RAP 3 decide to develop a database, it is also useful to look at software developers that use agile development processes. This means that the database is developed in modules, each over a short timeframe with the intention to get the software into use as soon as possible and then adjust based on practice. This

#### 4.4 Dimension 4: Data quality checks

The PMV system data quality checks meet many of the criteria in this dimension.

- ◆ There are clear and easy to understand procedures for all data checking activities including indicator data collection, technical audits, public audits and social audits.
- ◆ Data quality challenges have been identified and are mechanisms in place to address them.
- ◆ There is independence in key data collection, management, assessment and auditing procedures.
- ◆ The PMV team can demonstrate that regular site visits have been undertaken and that data quality has been reviewed and data quality issues identified.
- ◆ Data in the database/monthly report is traceable to a tally/activity/ collation sheet or register.
- ◆ There are procedures in place to prevent unauthorised changes to data.
- ◆ All source documents and reporting forms relevant for measuring the indicator(s) are available for auditing purposes (including dated print-outs in case of DB).
- ◆ Records exist to show that PMV system problems are reported to the next higher level.
- ◆ If data discrepancies have been uncovered in reports from sub-reporting levels, the relevant staff (e.g. at districts or central) have documented how these inconsistencies have been resolved.
- ◆ Data is checked for plausibility.
- ◆ Risk-based technical and social and public audits.
- ◆ Draft audit reports are reviewed by relevant RAP managers, feedback incorporated and comments provided.

Data quality challenges are generally well-known, although could be better understood if detailed procedures were more consistently understood across RAP 3. Key data quality checking relates to the manual data management processes and the monthly reporting cycle. Across the programme there are processes being implemented to address challenges. For instance:

- ◆ Where data is captured electronically, manual data entry is required in many instances increasing the risk of errors. Mitigation strategies include: some workbooks have built in calculations, links created across sheets, core figures that will be used for aggregation are checked.
- ◆ Monthly reporting data undergoes a basic check, including for plausibility, by the PMV Unit and SED team, although there are not documented procedures to guide this process. However, discrepancies are identified and clarified with responsible persons. These checks are documented.
- ◆ For the CIM self-assessment, RAP 3 staff recognise that the assessments could be biased and to minimise the risk ask probing questions during district review meetings and the annual review workshops.
- ◆ In 2015, internal audits are undertaken on PMV data management and in March 2016 an audit of DLI data, further signifying RAP's recognition of data quality issues and efforts.
- ◆ Other RAP 3 activities, such as training engineers, that aim to improve the quality of works may also have a role in improving data quality since poor data collection has in the past been linked to general poorer performance of supervisor consultants and their staff.
- ◆ The accuracy of internal audit findings are checked. Audit processes include steps to seek feedback from the districts on draft findings.

Collation sheets exist for SED and LRN activities, which are then collated again for the monthly and trimester reporting. It is possible to trace numbers although this is labour intensive given that numbers

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approach to software development is considered more effective in delivering a workable product that meets customer's needs.

are often manually entered and not always drawn from the same workbook or other sheets in the workbook. Based on the findings of this review it is believed that inaccurate data is the result of unclear or misunderstood processes than deliberate manipulation of the data.

There are no specific procedures surrounding authority to make changes to results data. Data quality checks are able to detect changes in sub-totaled numbers to see if they were the same as the last report. Changes to the total aggregated data for DLI and LFI reporting is captured in subsequent monthly reports, with footnotes to explain the change. The source workbooks are not changed, meaning that there could be some discrepancy between source documents and the aggregation sheet used for monthly reporting. However, source documents may then be corrected in the subsequent month so total summed numbers are consistent with any corrections made to the DFID reports.

As highlighted in the previous section on data processing and reporting, tasks are completed within a very tight monthly reporting cycle, where there are notable practical constraints to be able to undertake much more than what is currently being done with the resources allocated. Even if more resources were allocated, there will still be limits to what data quality checks can be completed as part of the monthly reporting cycle.

In 2015, the internal audit function was moved under the responsibility of the Team Leader, Management Systems. The increased independence from implementation functions is positive.

The suggestions for addressing areas for improvement are:

- ◆ RAP 3 to document its data checking procedures for DLI and LFI data, and then again review the challenges to data quality and the effectiveness of current risk mitigation strategies;
- ◆ As part of its risk based auditing approach, develop a regular data quality check audit based on assessed risk areas or districts;
- ◆ If there are corrections to be made, RAP 3 should update the district level monthly reports as well (ensuring that there is one version at the District and Central levels).

#### 4.5 Dimension 5: Feedback

The PMV system feedback meets many of the criteria in this dimension. Overall, there are several feedback loops from data and findings through to management decision making processes and actions.

- ◆ The PMV team/management can demonstrate that all issues identified through field visits are addressed in a timely fashion.
- ◆ CIAP items are traceable back to an audit report or other relevant documentation.
- ◆ Risk matrix items are traceable back to an audit report or other relevant documentation.
- ◆ Feedback is systematically provided to all sub-reporting levels on the quality of their reporting (i.e. accuracy, completeness, and timeliness).
- ◆ Dates of communication on feedback documented.
- ◆ If feedback from managers or DFID requested a change in the data, a record of that change exists.
- ◆ Technical audit reports include a management response/action plan with clear actions, responsibilities, and timeframes.
- ◆ Feedback from technical audits is shared with all levels and relevant stakeholders.
- ◆ Progress reports consistently provide information on the status of management actions arising from audits (that may also cover data quality checks).
- ◆ Social and public audit reports include a management response/action plan with clear actions, responsibilities, and timeframes.

- ◆ Feedback is provided to stakeholders on how issues raised at previous social and public audits have been addressed (how, when, who, the result).
- ◆ Progress reports consistently provide information on the status of management actions arising from social and public audits.

Several interviewees felt that monitoring was a strength within RAP 3 and the central level management knew the issues on the ground and responded to them. Issues that are raised to the SMT level are documented and actions noted in weekly meeting reports. This documents matters arising and responsibilities. Meeting notes include a summary of actions taken since the last meeting. Feedback is provided to District Team Leaders (DTLs) on the quality of reports, and a record is maintained of this feedback.

The internal audit process provides an example of how RAP 3 uses findings to make decisions and take action. Decisions to address audit findings are documented in the Continuous Improvement Action Plan (CIAP). The CIAP, dated 03/02/2016, was reviewed. This contained a list of 39 actions from TMO

meeting in August and September 2015. Of the 39 actions listed, 18 were not yet due; 14 (or 36%) were completed before or by the target date while another 5 (13%) were completed late. A further two actions were recorded as no longer being relevant. There was some slippage against target dates, with new target dates being established. The significance of these delays is not immediately obvious but appear to be a delay of 1-3 months in communicating changes to procedures e.g. sending formats and instructions to DC / DTLs on continuous improvement processes at the district level.

Despite several examples of feedback being provided to staff and stakeholders on progress, issues and management decisions, it is not always possible to trace management decisions. Two examples are provided below: field verification visits; actions from internal audit findings.

Firstly, field verification reports provide little information as to the detail of any issues detected and therefore it is difficult to trace information from these reports through to actions. However, interviewees noted that some issues are resolved by the district teams while the DC is responsible for discussing with DTL and supporting in the resolution of issues where needed.

Secondly, following the completion of an audit report a 'Continual Improvement - Key Observations List' document is prepared. This is normally a categorisation of audit findings. These categorises are called 'subjects'. A further document is prepared, the 'Continual Improvement - Management Response' that records each subject, decisions and actions to be taken (including by whom and the target date). At this level, it is possible to trace across documents because of the 'subject' categorisation. The actions are then compiled into a 'Continuous Improvement Action Plan' or CIAP. In this document, it is not possible to trace the action back to the subject or source of the action (e.g. the findings from a specific or multiple audits) because this information is not captured. The CIAP is grouped according to the date of the TMO meeting that discussed audit findings. The CIAP also records the status of the implementation (e.g. done, behind) notes and remarks. Actions that relate to specific districts are copied and pasted into a District level CIAP. This process was implemented in the latter half of 2015.



Figure 2: Levels of assurance

Additionally, the link between the CIAP and risk register is not entirely clear. The risk register was described as a summary of risks and makes up part of the report to DFID. Linkages to the CIAP were not always obvious to interviewees with some describing the risks captured in the risk register whereas the actions to address risks captured in the CIAP are internal.

There are some instances where it is unclear whether feedback is provided. For instance, actions to address issues raised in social audit reports are not always captured in social audit reports. Additionally, issues raised through the various avenues of internal progress reporting, field visits, social and public audits are not analysed to identify trends or patterns. This is consistent with findings against other dimensions where data is collected but not analysed to support more strategic and learning focused feedback.

Overall, the feedback loops in RAP 3 appear strong. The issues highlighted above are not considered significant. The **suggestions for addressing areas for improvement** are:

- ◆ RAP 3 to ensure that feedback is provided and recorded as part of public and social audits.
- ◆ RAP 3 to record which audit the CIAP decisions are linked to.

Suggestions to address the lack of analysis across information sources has already been covered in other dimensions.

## 5. Future verification activities

This review has been based on interviews and reviewing existing documents. It was not possible in the timeframe available to get to the level of reviewing original source documents at a district level. Therefore, to use a framework that may be more akin to the audit field, this review provides a limited assurance on RAP3’s performance management and verification system. A number of additional verification activities are suggested with the aim to increase the level of assurance to reasonable. See **Figure 2**.

Value for money issues have been considered in developing these suggestions for further verification. However, this has been done without a full picture of the regular and periodic views of RAP 3 in the coming 12 months. It is critical that future verification activities of RAP 3 performance management and verification processes and practices are made within broader context of other planned reviews, such as the DFID annual review. In the twelve months preceding this review of the PMV system, RAP 3 had already had 10 reviews.

In looking at future verification activities to be undertaken by RAP it is important to consider:

- ◆ RAP effectiveness requires a collaborative working relationship between RAP and MEL;
- ◆ To maintain trust between DFID, RAP and MEL, it is important that all parties understand the implications of negative findings from verification activities given that RAP 3 is paid through a payment by results mechanism.
- ◆ Important that MEL responsibility for impact evaluation and lesson learning does not weaken with the additional (and different) verification activities.

**Table 3: Possible future verification activities**

Description of Verification Activity	Key question/s
1. LRN Quality Assurance	

1.a. LRN Quality Assurance: 1) DLI data accuracy; and 2) Technical quality of road construction	How accurate is the data on number of kilometres of road maintained and under construction (2.5, 3.5 and 4.5m)? To what extent, does the quality of the new roads being constructed conform with technical specifications?
1.b. LRN Quality Assurance: Additional DLI data accuracy activity	How accurate is the data on RBG employment days?  How significant are any inaccuracies in relation to payment by results?
<b>2. PMV Review</b>	
2.a PMV Review Follow-up	How has RAP responded to the PMV Review assessment?
2.b. PMV Review: Re-assessment	How effective is RAP's PMV system?
2.c. Documenting good practice	What good practice programme management and verification has RAP demonstrated?
<b>3. Internal Audit Review</b>	
3.a. Review of RAP 3 internal audits (non-financial)	To what extent do internal audits undertaken by RAP meet internal audit good practices?
3.b. Effectiveness of actions taken on audit findings	How effective are the mitigation actions taken by RAP in mitigating the risks identified?

## Annex A: Terms of Reference – RAP 3 PMV Review

### 1. Background

The Rural Access Programme (RAP) is a DFID-funded programme that seeks to contribute to poverty reduction through labour-based infrastructure (roads) works. It is implemented by IMC Worldwide. The project is implemented across 14 Districts in Nepal with a core focus on a cluster of 8 Districts in the mid and far west region which have the lowest road density in the country and low levels of human development. The programme implements a combination of activities aimed at achieving employment generation, a more resilient rural transport network, and improved economic activities.

RAP has in place an internal Performance Management and Verification (PMV) system. The PMV system has three broad mandates: results monitoring against key logical framework targets; technical quality assurance of road construction and maintenance against standard norms and procedures; and broader risk assessment and mitigation related to the programme. The results management unit is mandated to compile, collate and analyse key Logframe targets on a monthly basis. The monthly information received from RAP district teams in a prescribed format is compiled and analysed by the unit for DFID and Government reporting. The reporting from the district to the central M&E unit at RAP follows two different processes for the two major programme activities - Local Road Networks (LRN) and Socio-economic Development (SED) components. The information is managed manually and compiled through an 'offline' system (i.e. data is manually collated). Based on the results and internal verification, RAP invoices to DFID on a monthly basis under a Payment-by-Results mechanism.

Monitoring, Evaluation and Learning (MEL) component is a third party independent component that functions in parallel closely with RAP but independently to it. This component is implemented by Itad. In the 2015 Annual Review, DFID have requested MEL to take up an independent verification role. This means independently verifying RAP's outputs against its indicators. Given RAP's extensive internal verification system, a first step for MEL is to conduct a review of the RAP's PMV system.

### 2. Objectives

The overall goal of this assignment is to conduct an independent review of the existing PMV system of RAP. As there is no standard that is utilised by RAP, the review will not seek to strictly audit the system. The main objective is to assess if RAP's PMV is fit for purpose. The specific objectives of the review are as follows:

- Review existing PMV policies, systems and processes of RAP including results management (e.g. data compilation and analysis), risk based technical auditing and public and social audit guidelines and processes
- Recommend whether the existing policies, systems and processes for PMV are adequate and robust enough for accurate results reporting to DFID and for internal risk management.
- Identify weaknesses and/or gaps in the PMV system and provide recommendations for how it could be strengthened
- Suggest options for quarterly output verification by MEL under various resourcing scenarios

### **3. Scope and Methodology**

The review will be carried out in close collaboration and coordination with IMC and DFID Nepal. The assignment is expected to include a detailed review of existing policies and systems. Extensive discussions with the RAP PMV unit, and the LRN and SED components of the programme will be required to generate insights on existing PMV policies, systems and processes. A large portion of the review will be carried out in Kathmandu, Nepal. In addition, a field visit will be required to assess the efficacy of field-level verification processes such as public hearings and social audits. Participatory processes are expected to be used for the field level discussions.

The review will be carried out by an international consultant from late January 2016. The consultant is expected to have at least 10 years of international experience in review, design and development of M&E systems. The consultant will develop a detailed review methodology and timeline in consultation with the MEL component.

### **4. Recipients**

The main output will be a Review Report. The main recipients of the report will be RAP and DFID.

## Annex B: Review Methodology

Using the PMV Review Terms of Reference as the guiding document, a methodology and assessment framework was drafted prior to the in-country mission. The framework was based on five dimensions, with each dimension underpinned by a number of criteria. A rating scale was also developed to provide an overall assessment of each dimension.<sup>13</sup>

**Table 4: PMV Review Assessment Framework**

<b>Dimension ↓</b>	<b>Scale →</b>	Meets most to all of the criteria for the dimension	Meets many of the criteria in the dimension	Meets some of the criteria in the dimension	Does not meet the criteria in the dimension
PMV system design and management					
Data collection					
Data processing and reporting					
Data quality checking					
Feedback					

The methodology proposed taking a participatory approach to ensure there is buy-in to the process, and to increase the likelihood that findings will be accepted and used. As part of this approach, the methodology and framework were shared with DFID and RAP 3 prior to the in-country mission and feedback sought.

The methodology followed a number of logical steps. These are summarised below.

### 1. Clarifying expectations of the PMV system

The review sought to clarify DFID and RAP 3 expectations of the PMV system (encompassing policies, systems and processes), particularly as it relates to data quality. The issue of expectations was raised during the separate introductory meetings with DFID and RAP 3 and a joint meeting was held on Friday 4 March 2016.

### 2. Finalising the framework for assessing the PMV system

It was intended that the assessment framework review be finalised following the clarification of expectations. However, this did not take place as planned since the relevance of the framework, individual dimensions and specific criteria was only possible after a more in-depth understanding of the PMV was developed. Minor adjustments have been made to the wording of the criteria to reflect actual components e.g. CIAP and not CIM.

<sup>13</sup> This was included based on the RAP3 Program Manager's request for a score so he could better understand the current level of performance and the desired level of performance.

### **3. Data collection and analysis**

Data to assess each criterion was collected through 1) document reviews and 2) semi-structured interviews. Interviews were conducted during the in-country mission (29 February – 11 March 2016).

The document review covered a wide range of programme documentation including policies, guidelines, manuals, data collection forms, data collation/aggregation sheets, audit reports, risk register and continuous improvement action plans.<sup>14</sup> More than 25 interviews were undertaken with RAP 3 staff based in Kathmandu and Dailekh District.<sup>15</sup> The focus of the interviews differed according to the interviewee. The RAP 3 M&E Specialist and MEL Researcher participated in the field trip to Dailekh (5-7 March).

Data was collated to determine to what extent it supported the criteria under each dimension in the assessment framework. Strengths and areas for improvement were also identified.

### **4. Suggestions for addressing areas of improvement**

Based on the areas for improvement identified in the previous step, suggestions for closing the gap were identified. The suggestions were prioritised taking into account the significance of the specific areas of improvement and the gap between expectations and the current status. If time allows, these will be tested through discussions with the DFID and RAP teams during the in-country mission to ensure that they are feasible.

### **5. Options for periodic output verification**

An initial list of options will be discussed with the MEL team during the in-country visit and then a small number of options will be selected for further analysis. Advantages and disadvantages of each option will be reviewed as well as costed (financial and human resources).

### **6. Validating initial findings and finalising the report**

Feedback will be sought on the initial findings and assessment from DFID and, RAP (and MEL on Output Verification) teams at the end of the in-country visit and incorporated into the final draft report. DFID and RAP will have a further opportunity to comment on the full draft report.

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<sup>14</sup> Annex J contains the list of documents reviewed

<sup>15</sup> Annex B contains the list of persons interviewed

## Annex C: List of interviewees

Semi structured individual and group interviews were conducted between 29 February and 10 March 2016. Some RAP3 staff were interviewed more than once to cross-check information.

### **RAP 3 staff - Kathmandu**

1. Michael Green, Programme Manager, RAP 3
2. Arjun Poudel, Deputy Programme Manager, RAP 3
3. Dilli Prakash Situala, Deputy Program Manager, RAP 3
4. James Walton, Team Leader, Management Systems, RAP 3
5. Subasini Chandran, Team Leader, SED Component, RAP 3
6. Bill Seal, Team Leader, LRN Component, RAP 3
7. Gopi Chandra Upreti, M&E Specialists, RAP 3 (also acting DC)
8. Nirmal Gyalang, Economic Development Manager/DC, RAP 3
9. Tulsi Neupane, Internal Technical Auditor, RAP 3
10. Dasarth Moktan, Internal Technical Auditor, RAP 3
11. Tika Maden, Internal Technical Auditor, RAP 3
12. Manoj Krishan Shrestha, LRN Assets Specialist/DC, RAP 3
13. Ram Thapaliya, LRN Team/DC, RAP 3
14. Asim Sharma, Data Analyst, SED Team, RAP 3
15. Jagdish Prasad Gautam, Head of HR and Admin, TMO, RAP 3

### **RAP 3 staff - Dailekh**

16. Dipak Dhakal, DTL, RAP 3

### **Other stakeholders - Dailekh**

17. Numerous Supervision Consultant staff including the Assistant Resident Engineer and Inspector of Works
18. Chairperson, RMG
19. Secretary, RMG

### **DFID**

20. Gareth Weir, Team Leader, DFID Nepal
21. Suman Baidya, PhD, Infrastructure Advisor, DFID Nepal
22. June Shrestha, Programme Manager, DFID Nepal

## Annex D: Examples of documents reviewed

A large number of documents were reviewed as part of this assignment. This included examples of:

- ◆ Monthly reports submitted to DFID;
- ◆ Trimester reports submitted to DFID;
- ◆ District – level monthly PMV reports (excel), including LRN, SED and CB sheets;
- ◆ Compilation workbooks from the SED and PMV teams;
- ◆ PMV unit feedback to DTLs on monthly reporting;
- ◆ Social audits reports;
- ◆ Public audit reports;
- ◆ CIM assessments;
- ◆ Joint Monitoring report with DITCC
- ◆ SMT Monday Meeting notes;
- ◆ DC meeting notes;
- ◆ Field verification reports;
- ◆ Internal Audit reports;
- ◆ Continuous Improvement Action Plan;
- ◆ Job descriptions for management positions at the TMO and selection of district positions;
- ◆ Risk management plans;
- ◆ Annual report briefing papers;
- ◆ Monitoring and verification checklist.

Programme guidance documents included:

- ◆ PMV strategy;
- ◆ Continuous improvement briefing paper;
- ◆ Internal Audit guidelines (draft);
- ◆ Social Audits guidelines;
- ◆ Public audit guidelines;
- ◆ District communication strategy;
- ◆ Risk management plan;
- ◆ Road Maintenance Group guidelines;
- ◆ LRN implementation manual;
- ◆ SED Manual;
- ◆ Risk based audit briefing paper;
- ◆ Summary of field visit reports.

Other documents included:

- ◆ MEL LRN review;
- ◆ MEL VFM indicators report;
- ◆ Learning note on employment days indicator.

## Annex E: Detailed Assessment Findings

### E.1 PMV System Design and Management

Key dimensions and criteria contributing to a quality PMV system	Review findings and analysis - data that supports the criteria, or otherwise; areas of strength and for improvement	Significance of any areas for improvement
<b>1</b>	<b>PMV System Design and Management</b>	
1.1	<p>The purpose of the PMV system is clearly stated and meets the needs of the programme</p> <p>There is not one common understanding of what the PMV system is across RAP3 interviewees (Most interviewees described the PMV system as a reporting function covering DLI, LFI and field verification visits. Some interviewees included internal audit, while others were not certain), and the strategy document does not reflect what is currently in operation.</p> <p>The PMV strategy (RAP3, Feb 2015) notes that the 'The primary purpose of Performance Management and Verification is to provide an opportunity for open communication about performance expectations and feedback. PMV tools shall be used to:</p> <ul style="list-style-type: none"> <li>• Supervise, monitor and verify works of all types and levels using different tools;</li> <li>• Measure actual performance against expected performance;</li> <li>• Ensure accuracy of actual performance through the internal audit system;</li> <li>• Provide an opportunity for the employee and the supervisor to exchange ideas and feelings; about job performance, including continued professional development; and</li> <li>• Report and disseminate actual performance through various communication means to all stakeholders as appropriate.'</li> </ul> <p>In part, the PMV system meets the needs for the programme. As RAP3's needs change the PMV system is also evolving, which is good practice. The main issue, highlighted, below is the difference between the level of data collected and analysed.</p> <p>The strategy document does not reflect recent changes to the system components (see below)</p>	Low
1.2	<p>The PMV system and its different components of the system is clearly understood by the RAP team, DFID and other key stakeholders</p> <p>See above.</p> <p>Different documents also refer to different management systems as part of the PMV system. For instance, the functions of the PMV Strategy are outlined above. However, the PMV annex in the trimester report covers: quality management (covering technical procedures, field verification and internal audit); financial management; safeguard management (covering topics of environmental protection, health and safety and disaster resilience); monitoring and evaluation; risk management.</p> <p>To some extent, reference to the PMV system detracts attention from the many other management processes that are in place to support the efficient and effective delivery of RAP3.</p>	Low
1.3	<p>RAP and DFID have common expectations of the PMV system (such as dimensions, criteria and performance standard required and resources required</p> <p>No obvious differences of opinion regarding the dimensions and criteria in the framework arose during initial meetings with DFID and RAP3, although a detailed discussion did not take place. DFID and RAP3 expectations of the PMV system appear to be driven by the need to report against the LFI and the DLIs and for RAP3 to be paid based on the DLIs, which underpin the payment by results mechanism. The focus is on the quantity and quality of outputs rather than outcomes. DFID is also concerned with the 'controls' that are in place. This term is interpreted by RAP3 as DFID expecting RAP3 to be able to take actions to 'control' risks, that is to be able to see all possible risks in advance and therefore avoid risks. RAP3 understand risk management to concern proactive and reactive management of risks to mitigate their impact on implementation, but that 'control' is not possible.</p>	Medium

Key dimensions and criteria contributing to a quality PMV system		Review findings and analysis - data that supports the criteria, or otherwise; areas of strength and for improvement	Significance of any areas for improvement
1.4	Within RAP, the overall responsibility for the management of the system is clear	Interviewees identified the Deputy Programme Manager, PMV as responsible for the PMV system as is reflected in the job description for this position. Internal audit has recently moved to the responsibility of the TL Management Systems. Not all interviewees seemed to be aware of this. While no interviewees identified employee performance and professional development as part of the PMV system, which is also under the TL, Management Systems.	Low
1.5	There are staff designated to implement the PMV system and responsibilities are clearly defined e.g. in job descriptions	Individual responsibilities for data collection, progress monitoring, risk management are well captured in RAP3 staff job descriptions. Beyond the DPM-PMV and M&E Specialist, many other staff are involved in PMV. For instance, DTLs complete monthly reports that include numbers against DLI and LFI. Several different types of staff may complete field verification visits, and subsequently reports. The SED Data Analyst is located within the SED team, although carries out several data quality checking tasks that the M&E Specialist does for the LRN component. Quality assurance responsibilities are also documented in other programme documents. For instance, the RAP3 LRN Guidelines (updated October 2015; Procedure 4.2.4) outlines changes in roles of DCs and DTLs to improve technical support and coordination across districts. The documentation of these changes and the reasons for them is good practice.	Low
1.6	Relevant staff have been trained in the relevant parts of the PMV system	Staff training on reporting templates was provided in early 2014. This was also used as an opportunity to seek staff feedback and forms were adjusted based on this process. DTL and staff orientation processes include sessions on data collection and reporting. Updated guidelines or changes in forms are communicated to staff. The M&E Specialist provides regular feedback to district teams to increase understanding of expectations while internal audit findings are shared with districts to address PMV system compliance issues. The internal audit staff commenced in their positions in the last six months and received training (workshop and on-the-job) on auditing and have sought other learning resources. Internal auditors are not certified auditors.	Low-Medium
1.7	There are sufficient resources (human, financial etc.) for the efficient and effective implementation of the system	The PMV system is extensive and resources (human and financial) are allocated from different parts of the RAP3 budget. There appears to be sufficient resources and no interviewees raised this as an issue. However, due to the amount of data collection resources might be better used for other more value-added activities and better value for money – See Item 1.8. The M&E Specialist also currently undertakes the role of DC and only has time to check specific data directly related to the DLI in district-level monthly reports. For example, this includes total employment days but not the sex or caste disaggregated data. There is an internal audit team focusing non-financial audits. This is a function that is not usual for programmes (at least in the reviewer's experience).	Low

Key dimensions and criteria contributing to a quality PMV system	Review findings and analysis - data that supports the criteria, or otherwise; areas of strength and for improvement	Significance of any areas for improvement
1.8 The PMV system provides meaningful, relevant and timely information	<p>Meaningful, relevant and timely information depends on individual perceptions based on their needs. External reporting is completed in a timely manner. This information is also relevant in that it includes data on the DLI and LFI and the DLI's drive the RAP3 invoices. Several interviewees noted that the PMV system was useful for providing monthly information against the DLI/LFI targets and therefore the program knows its 'status'. Descriptive activity related information is presented in the trimester report to support the numbers. Often text also describes management actions to implementation issues. For instance, the July-October 2015 trimester report describes that portable rock drills have been introduced to advance progress and the technical management team has been structured to improve central coordination and field-level engineering management. A number of interviewees highlighted that numbers alone did not provide meaningful information, questioning the relevance of the data collected. Limited amounts of the collected data are analysed, meaning it is not turned into a usable format.</p> <p>The LRN component developed two new indicators to track new construction progress on a weekly basis and DC field visit reports, showing the current indicators don't provide sufficient meaningful information on this particular issue. Adjustments have been made to the PMV monthly reports to capture some of this information while additional reporting templates have been developed for weekly reporting.</p> <p>Little outcome related information, apart from those that relate to the LFI or DLIs, is captured in the monthly or trimester reports or the annual report briefing paper. Where outcome information is included, such as the CIM assessments, little analysis is included. While DFID and RAP believe that the PMV system should focus on processes to check on whether RAP3 is 'doing things right', meaningfulness also concerns 'doing the right thing'. The PMV produces little information related to whether RAP3 is doing the right thing. DFID and RAP both stated that this was the concern of the MEL team. However, the MEL team is looking at the longer term outcomes/impact level of the TOC and there appears to be a gap in information across many of the short-medium term outcomes. The limited analysis of current data may reflect the division of responsibilities between RAP3 and the MEL team and where learning about the output-outcome relationships and the extent to which outcomes are being achieved (not just at the impact level) is situated within these two teams.</p>	Medium-High
1.9 There are indications that information generated through the PMV system is used for internal management and learning and decision making.	<p>Information related to progress, performance and risk management is generated within and outside of the PMV system. There are clear and documented evidence that information is used for internal management, learning and decision making. For example, internal audit reports are discussed with SMT monthly and decisions clearly documented along with responsibilities allocated and their implementation monitored. The Field Reports (that are not part of the PMV system, but generated as a result of DC field trips) are used for LRN Component Lead. Issues raised in these reports are also discussed at SMT meetings. There are other management processes in place to support management, learning and decision making. For instance, weekly SMT-DC meetings are held and several interviewees referenced these as useful since issues were discussed, a range of views shared on solutions and decisions made (and documented).</p> <p>There are many different verification (FV) visit report templates that are tailored to a specific purpose of the visit. The reports are prescriptive and specific to particular types of activities and their usefulness is uncertain. These are read by DCs (who are also technical specialists) and Component Leads and follow-up is carried out by the DC. With the recent guidance for DTLs to conduct two field visits a month and this being set as an individual performance target (as part of human resource processes) the reports seem to be now functioning as an internal performance management tool.</p>	Medium

Key dimensions and criteria contributing to a quality PMV system		Review findings and analysis - data that supports the criteria, or otherwise; areas of strength and for improvement	Significance of any areas for improvement
1.10	Regular reviews are undertaken of the PMV system and areas of strength and room for improvement identified and addressed	<p>The PMV system was developed in late 2013, at the beginning of the implementation phase and its roll-out started in early 2014. The PMV system in its entirety has not been reviewed. However, there are examples that the PMV system has changed over time (and reference was made by one interviewee to the first year of PMV system implementation being a pilot year). Staff were involved in the development of the system and their feedback on draft processes and templates taken into account. Some changes have been due to the LFI and DLIs, feedback from DFID on its reporting requirements, in response to lessons learned. Mostly this has resulted in additional processes or templates that several interviewees saw as adding to the amount of data collected but that little of this was used. Interviewees were able to explain the reasons for changes, such as:</p> <ul style="list-style-type: none"> <li>◆ Internal audit moved from under the responsibility of a manager who is also responsible for implementation, thereby increasing its independence.</li> <li>◆ The new RAP3 staff performance appraisal system includes individual performance indicators and targets such as number of field visits undertaken per month by the District Team Leader, and these are now to be monitored. The use of this indicator was to provide an incentive to DTLs to undertake regular site visits and hence required a minor change in the Field Verification Visit guidance making 2 visits per month mandatory.</li> </ul>	Low
1.11	The PMV system is cost-effective and realistic	<p>It is difficult to ascertain the true cost of the PMV system and therefore to determine its cost effectiveness. This, however, is not unusual with management systems such as the PMV. According to the budget presented in the March 2016 Steering Committee, the cost of the PMV system is modest at only 1.5% of the entire programme budget (or £280,000). This budget line covers internal audit costs (£200,000) and report costs (£80,000). However, there is a much larger hidden cost since implementing the system requires notable staff time (the M&amp;E Specialist spends about 1 week per month to compile the data from district reports; a similar amount of time may be spent by the SED Data Analyst, each DTL spends about 2-3 days per month reporting) that is costed under the TA budget; and social and public audits are under capacity building budget lines. However, there is a perception across the RAP3 team that the PMV system is not efficient and hence there are likely questions about it also being cost-effective.</p>	Low
	<b>Suggestions</b>	<ul style="list-style-type: none"> <li>◆ RAP3, MEL and DFID to review the RAP3 theory of change, agree key information needs throughout the TOC, responsibilities for collecting, analysing, reporting as well as feedback and learning processes.</li> <li>◆ RAP3 to update PMV strategy to reflect current purpose and structure by end of 2016 (to reflect any changes relating to the extension)</li> <li>◆ DFID and RAP3 to agree common interpretation of the word 'control' in relation to risk management</li> <li>◆ RAP3 to investigate feasibility and benefits of ongoing professional development for internal audit team<sup>16</sup></li> <li>◆ RAP3 to monitor the implementation of mandatory field visits and the extent that they contribute to improved field oversight and performance improvements.</li> </ul>	

<sup>16</sup> Even if the auditors are to be recycled back into the DTL pool after two years, a deeper level of knowledge and skills is likely to have an ongoing positive influence on field-level assurance activities.

## E.2 Data Collection

Key dimensions and criteria contributing to a quality PMV system		Review findings and analysis - data that supports the criteria, or otherwise; areas of strength and for improvement	Significance of any areas for improvement
2	<b>Data Collection</b>		
1.7	There are clear and easy to understand procedures for all data collection activities including indicator data collection, technical audits, public audits and social audits)	<p>General guidelines exist for monthly and trimester reporting, public audits and social audits. New guidelines for internal audits have recently been drafted (dated August 2015 and not yet finalised). Detailed LRN procedures are documented in the LRN Guidelines (updated October 2015). These guidelines include detailed business process flow charts for activities that also produce the data needed for LFIs and DLIs. For instance, Section 4.4.2.4 RBG Invoice Procedure Flow Chart documents the tasks, responsibilities and timeframes for measuring works. While reference is made in some RAP3 documents (e.g. Briefing Paper 039 - Continual Improvement) to a PMV Manual, a manual does not appear to exist. A PMV strategy exists (as described above under 1.1) but this does not include detailed process descriptions nor forms. Some workbooks have a sheet that includes some guidance.</p> <p>Indicator definitions are not available. This is more problematic where the indicators are not in themselves very clear. For instance, % of Annual Social Audit findings conducted at District level showing satisfactory rating increasing year on year. Target is to increase % each year. The social audit guidelines do not explain this performance indicator, nor how to hold the meeting to generate the information needed to measure it. One of the four social audit reports reviewed mentioned RMG member satisfaction levels based on a satisfaction study.</p> <p>Detailed explanations of some key data collection do not exist. This includes how employment days are collected. Among managers, there are mixed levels of understanding on how some numbers are calculated. Sometimes understanding of processes are limited to one or two people. The recent Internal Audit on DLI found that there was mixed practices across some districts. Earlier audits in March and April 2015, noted that the paper trail to track employment days was not always possible and the data collection format in the RMG guidelines was not always being used. This situation was linked to poorly performing supervision consultants and RAP3 noted it would collect data itself in response. It is unclear as to the extent this solution has been implemented.</p>	Medium
	<b>Indicators</b>		
2.1	The information collected measures what it is supposed to measure	<p>Mostly, the PMV system is collecting and reporting data on the LFI and DLIs. This information is not complex in nature (e.g. number of kilometres of road completed; number of beneficiaries) although collecting the data has its challenges.</p> <p>Perhaps, employment days generated through RMG and RBGs (about 93% of all employment days to end of January 2016), and to a far lesser degree, SED activities are the most difficult to collect. Of the LRN employment days about 56% have been generated to date through RMGs and the remainder through RBGs. This mix is expected to change over the coming period with RBGs generating more employment days. At this point, four districts (Humla, Bajura, Kalikot, Parbat) generate the most employment days. Three of these four districts are located in Western Nepal and are remote. Employment days are counted monthly, with data originating from numerous remote field locations and moving to Kathmandu in a short space of time. A second challenge is ensuring that a consistent approach is applied across districts, as different organisations (e.g. supervision consultants) collect the primary data. Based on interviews, it was determined that RBG employment days are based on actual days worked (that are assumed to work out to an average of 8 hours per day) whereas RMG employment days are based on an estimated number of days (the estimate being derived from a task-volume-day standard that was established 7-8 years ago). However, even after the interviews it is not entirely clear if this is what is supposed to happen or whether it is consistent with guidance. While there is not clear specific guidance on how employment days are calculated, reference to their calculation is made in other programme documents. For instance, the District Communication strategy notes: 'RBGs are paid a variable lump sum, on average once a month, according to the volume of work carried out by the group as a whole since the last payment. From this total, a daily wage rate is calculated by the supervising consultant for each RBG, and members are then paid according to how many days they have worked in the period since last payment.' Therefore, while several interviews referenced the importance of timesheets these appear important for wage distribution but not for the employment day indicator.</p> <p>PMV data audits in March and April 2015 noted that it was not always possible to trace employment days back to the source document and that the correct data collection forms were not always consistently used. However, it may be that how the employment days is calculated has since</p>	Medium

Key dimensions and criteria contributing to a quality PMV system		Review findings and analysis - data that supports the criteria, or otherwise; areas of strength and for improvement	Significance of any areas for improvement
		<p>changed (that is moving from a standard 11 days per month to a more flexible 11-13 days). The DLI audit undertaken in March 2016 is expected to provide further insight into this matter and the extent to which an issue exists.</p> <p>It is unclear if DFID understands which DLIs are based on estimations and which ones are based on actual numbers.</p>	
2.2	Information for each indicator is collected using methods that conform to good research practices	<p>There are two sets of indicators for RAP3 - the logframe indicators and the disbursement linked indicators. Most are the same but some are different to enable RAP3 to invoice on a monthly basis. Most indicators are for outputs while some are at the activity level (DLI - number of internal audits) and one considered at an outcome level (DLI - District CIM score) even though this is an indicator of a LF output. Employment days is used as an indicator for the LF outcome even though it could be considered an input into other outputs such as number of kilometres of road completed or an indication that the RBG or RMG is operational. Most of the information collected for reporting against the DLI and LFI is basic in nature and requires basic recording, counting and aggregation. Within this limited range of methods, applicable 'good research practice' is taken to include: allowing for double-counting; quality assurance of data collection and aggregation; and ensuring that the participatory self-assessment process underpinning the CIM produces an assessment of performance is reliable.</p>	Low
2.3	The data collection method or tool being used to collect the data is precise enough to register the expected change	<p>Sex and caste disaggregated data is recorded. One 2015 audit report noted that there was some confusion regarding nomination of caste but this was clarified with the concerned district. Engineers measure the kilometres being worked on.</p> <p>There is one data collection method being used where this criterion may be more relevant and that is the District Development Committee Continuous Improvement Matrix. Performance is given a quantitative score and therefore a change between one year and the next is recorded. A participatory self-assessment process is used and RAP3 staff play a facilitation role asking probing questions as a way to ensure that the method is reliable in assessing changes. However, it has not been determined how much the process is able to differentiate results that are primarily the result of DDC work versus the result of RAP3 staff work. The distinction is important in terms of assessing the likely sustainability of the district RTI planning and management post-RAP3 support.</p>	N/A
2.4	For reporting on aggregated numbers there is a standard source document to be used by all districts to record and report data	<p>There are monthly reporting templates for LRN and SED that are summarised in a monthly PMV report. A reporting package has been providing to supervising consultants regarding maintenance and guidance has been given to each district. Internal audits have reviewed the extent to which the correct forms have been used, and actions have been taken where issues have been found. Many reporting templates are in excel and there are calculations embedded in them to assist with counting.</p>	Low
2.5	The data collection processes take into account issues with double counting within a district and across districts	<p>This relates to SED beneficiaries. The SED team has devised a process for limiting double counting. This is based on estimations of duplication across some target populations supported by various activities. The SED team has a spreadsheet where this is calculated based on the numbers aggregated each month. There is not a clear written explanation of how double counting is to be avoided and why it was decided to take a proportion of the population as overlapping in terms of beneficiaries.</p>	Low

Key dimensions and criteria contributing to a quality PMV system		Review findings and analysis - data that supports the criteria, or otherwise; areas of strength and for improvement	Significance of any areas for improvement
2.6	The source documents and reporting forms/tools specified by PMV Manual are consistently used by all reporting levels, across all districts	The PMV unit was able to provide copies of templates for the various reports. In general, source documents and reporting tools are used across districts. These were developed in early 2014. One interviewee noted that by early 2015 reporting was more strictly enforced. A review at this time found some district staff were providing confusing statements (assumed to indicate a lack of understanding of requirements). Small adjustments were made at the time and since then to improve understanding. A basic quality check of PMV monthly reports is completed each month and clarifications are fed back to the DTLs. A record of this correspondence is maintained by the PMV unit. January 2016 was the first month that all districts managed to submit their reports by the due date. The Field Verification Reports are simple prescriptive templates that require little qualitative information. They do include some rating scales but definitions of these have not been written. There is a risk that there is not a common understanding across RAP3 staff using them and therefore ratings are not reliable. However, this is not considered to be a major issue since there was not a lot of evidence found to suggest that this information was being used.	Low
<b>Risk-based technical audits</b>			
2.7	The RAP risk based approach (and sampling methodology), procedures and profiles are documented	The Internal Audit Guidelines (Draft August 2015) state that the internal audit process was reviewed in September 2014 and a new risk based audit approach developed for the implementation of YR2 onwards. The Guidelines also notes that the PMV component was reviewed based on lessons and new requirements for YR3 developed, including a new approach to continual improvement. The guidelines provide a general overview of the risk based auditing approach including the analysis of risks and development of schedule, while also noting the time/logistical/cost challenges to applying a random sampling approach to auditing. The Guidelines are supplemented by two Briefing Papers - 1) Risk Based Audit (October 2014) and 2) Continual Improvement (March 2015). The second briefing paper is available on the RAP3 website. The Continual Improvement Briefing Paper describes how the audit reports are used by the Strategic Management Team (SMT) and feed into the Continual Improvement Action Plan. The Internal Audit Guidelines do not describe this part of the process. The full-time team were able to describe how the risk based approach to auditing is expected to work. However, the risk review (analysis of risks) has not yet been applied, risk profiles have not been developed and the audit schedule for 2016 is derived from a list of issues rather than an analysis of risks. The Team Leader, Management Systems noted that rather than an annual schedule (as described in the guidelines and that has been developed for 2016) a quarterly schedule will be developed.	Medium
2.8	The schedule of technical audits aligns with the risk-based approach or risk profiles developed	The risk based approach is not yet being applied so it was not possible to assess this criterion.	N/A
2.9	Technical audits are carried out according to the schedule	Audits are being undertaken, although not always exactly according to the initial schedule. In some cases, it appears that audits may occur one or two months later than planned. However, there are also sound reasons for some delays. For instance, following the earthquake in 2015, audits were cancelled in May and then rescheduled from June 2015.	Low
2.10	All findings from all technical audits are reported	Internal audit reports are prepared following an audit visit. Audit reports for three audits undertaken in 2015 were reviewed. Findings are recorded and discussed with the SMT each month, actions identified and then their implementation monitored in terms of being done. The RAP3 PM noted that audit reports are yet to capture the significance of issues identified. Strengthening this aspect of the reports would better enable readers to understand the scale or depth of the issue identified and therefore develop an appropriate management action. Descriptions of issues might use words like 'most' but are not as specific as stating 10 out of 14 to give a sense of the extent of the issue.	Low
<b>Social and public audits</b>			

Key dimensions and criteria contributing to a quality PMV system		Review findings and analysis - data that supports the criteria, or otherwise; areas of strength and for improvement	Significance of any areas for improvement
2.11	Social and public audit discussions and participant feedback is recorded in sufficient detail to be easily understood	Most interviewees do not see social and public audits as part of the PMV system. Public audits are funded through non-PMV budget lines (see Section 6.0 of the Public Audit Guidelines). The PMV strategy notes that reporting and disseminating actual performance through various communication means to all stakeholders as appropriate is part of its activities. The social and public audits in part aid the dissemination of actual performance information. The RAP3 Public Audit Guidelines (April 2015) state that public audits are an important internal control activity to improve accountability and transparency while also allowing management to understand, measure, report and improve the social and ethical approach of the programme. According to the guidelines there is no set schedule for public audits but these events are rather held according to the needs of the district activities. The Public Audit Guidelines note that a record of the Public Audit meeting is to be sent to the TMO.	Low
2.12	Public and social audits are carried out according to the schedule	The RAP3 Public Audit Guidelines (April 2015) state that public audits are rather held according to the needs of the district activities. The Public Audit Guidelines note that a record of the Public Audit meeting is to be sent to the TMO. Social audits occur annually and are tied to the annual review process. The annual review process was cancelled in 2015 due to the earthquake.	N/A
2.13	All findings from all public and social audits are reported	Social and public audit meetings are recorded and distributed to relevant staff. A selection of social audit reports were reviewed. Public audit meetings are recorded. However, these are not in English and therefore were not reviewed.	N/A
	<b>Suggestions</b>	<ul style="list-style-type: none"> <li>◆ RAP3 to develop concise clear steps for minimising double-counting / explaining current steps and assumptions; data collection and aggregation steps;</li> <li>◆ RAP3 to fully implement risk based auditing</li> <li>◆ RAP3 to develop and implement ongoing professional development programme for internal auditors</li> <li>◆ MEL team to undertake data verification of employment day data</li> </ul>	

### E.3 Data Processing and Reporting

Key dimensions and criteria contributing to a quality PMV system		Review findings and analysis - data that supports the criteria, or otherwise; areas of strength and for improvement	Significance of any areas for improvement
3	<b>Data Processing and Reporting</b>		
3.1	There are clear and easy to understand procedures for all data processing and reporting activities including indicator data collection, technical audits, public audits and social audits)	<p>RAP3 uses a monthly reporting cycle and the timeframes are well known to staff. Data is collected in the field for the period 22th of the previous month to the 21st of the current month. Reports are submitted by DTLs by the 25th of the month, or within three days of the end of the reporting period. Between the 26-28th of the month, M&amp;E Specialist/SED team check and consolidate the data. Tables for the monthly report to DFID and GON are provided to the DPM who prepares the rest of the report. DFID's report is submitted monthly on the 5th. These timeframes present notable constraints to even basic quality assurance tasks.</p> <p>Detailed explanations of some key data processing (e.g. aggregation) do not exist.</p> <p>The Internal Audit Guidelines briefly outline the reporting steps. Additionally, templates are provided. The internal audit reports reviewed are consistent in their content.</p> <p>The general guidelines for social and public audit reporting is clear.</p>	Low
	<b>Indicators</b>		

Key dimensions and criteria contributing to a quality PMV system		Review findings and analysis - data that supports the criteria, or otherwise; areas of strength and for improvement	Significance of any areas for improvement
3.2	There are indications that the data collation / aggregation / analysis procedures are used consistently.	The M&E Specialist consistently uses one workbook format and process to aggregate data generated through the monthly reporting processes. This workbook contains a number of tables, some of which have been added over time in response to ad-hoc requests for data from the donor. Most data is entered manually, rather than linked to other workbooks etc. The SED Data Analyst aggregates the information from the SED activities and provides to the M&E Specialist. The aggregation tables for the SED activities largely do not include district level detailed data but are already a compilation. This data is not linked to other workbooks so it is not readily apparent where the data comes from and is a limitation of using several Excel Workbooks and many sheets.	Low
3.3	The collation and reporting processes avoids double counting within each district/organisation and across the programme	Double counting is an issue for the SED beneficiary HH numbers. One family or household may benefit from multiple inputs. The SED team has a process for accounting for double counting and this is applied by the SED Data Analyst. The collation process is not clearly documented so it is easy to follow. The SED Analyst uses a spreadsheet that has abbreviated comments relating to the calculations. The percentage of perceived overlap in beneficiary numbers is outlined in the trimester report (SED Chapter). This is of only low significance currently given the SED component is being redesigned.	Low
3.4	When reported results are due in part to the work of other publicly-funded programmes and private contributions, they are acknowledged in the report.	For LRN district-level activities, this criterion is not appropriate for LRN activities since development partners (RAP3, WB, ADB) have divided up districts to minimise duplication or overlap. A review of this issue in relation to the SED component was not undertaken due to the ongoing redesign of this work. However, the MEL Process Summary Note 1 stated 'It was often difficult to distinguish between SED support provided by RAP and by other programmes. About 90 percent of beneficiaries consulted are also recipients of SED support from non-RAP programmes, most notably, the Poverty Alleviation Fund (PAF) programme, which has been providing SED related support such as goat farming and saving and credit support in the region.' Recognition of others contributions may be more important for an MEL impact assessments and similar activities.	Low
3.5	A log sheet exists showing when data was received from each district at the central level	The PMV unit maintains a list of when PMV reports are received. PMV reports are the primary avenue for sending data from the district level to the TMO. January 2016 represented the first month that all reports were received by the due date.	N/A
3.6	Aggregation form and analysis includes details on who prepared/ approved and dates	The M&E Specialist is responsible for aggregating all LRN data whereas the SED data is aggregated by the SED Data Analyst. The M&E Specialist then aggregates both sets of data. There is no approval process in place for this.	Low
<b>Risk-based technical audits</b>			
3.7	Findings from across technical audits are analysed to identify common	Issues are not analysed across audit reports. One interviewee noted that additional quality assurance processes were established because some problems were reoccurring. However, this does not relate to internal audit but rather from field visit reports (Not field verification visit reports).	Medium

Key dimensions and criteria contributing to a quality PMV system		Review findings and analysis - data that supports the criteria, or otherwise; areas of strength and for improvement	Significance of any areas for improvement
	issues and these are reported		
3.8	Where relevant, findings from technical audits are compared to types of data	This does not currently occur although with the planned implementation of the risk-based auditing approach, information from all data sources should be collated, compared and triangulated to identify key risks.	Medium
	<b>Social and public audits</b>		
3.9	Findings from across social and public audits are analysed to identify common issues and reported	Social and public audit reports are not analysed to identify common themes or issues within districts or across districts. However, the value of doing so should be part of the assessment of information needs and whether an analysis of social and public audit reports would produce relevant data (e.g. to contribute to the risk based auditing approach).	Low-Medium
3.10	Where relevant, findings from social and public audits are compared to other data	There is little analysis of data across the program. The primary focus is on the collection and reporting of data related to the LFI and DLIs. However, the value of doing so should be part of the assessment of information needs and whether an analysis of social and public audit reports would produce relevant data (e.g. to contribute to the risk based auditing approach).	Low-Medium
	<b>Suggestions</b>	<ul style="list-style-type: none"> <li>◆ RAP3 to develop concise clear steps for minimising double-counting / explaining current steps and assumptions; data aggregation and reporting</li> <li>◆ RAP3 to fully implement the risk-based auditing approach including the analysis of documents to identify risks to guide the internal audit schedule (this may also provide a dual purpose of identifying common themes or patterns for other learning purposes, and not solely to drive risk management – however this should be assessed after suggestion 1 under PMV system design and management has been completed)</li> </ul>	

#### E.4 Data Quality Checks

Key dimensions and criteria contributing to a quality PMV system		Review findings and analysis - data that supports the criteria, or otherwise; areas of strength and for improvement	Significance of any areas for improvement
4	<b>Data Quality Checks</b>		

Key dimensions and criteria contributing to a quality PMV system		Review findings and analysis - data that supports the criteria, or otherwise; areas of strength and for improvement	Significance of any areas for improvement
4.1	There are clear and easy to understand procedures for all data checking activities including indicator data collection, technical audits, public audits and social audits)	<p>The M&amp;E Specialist checks the main summed figures that are the basis for aggregating data to report against DLI and LFI. Checks include ensuring that the numbers are the same or higher than the previous month. Where issues are identified, the M&amp;E Specialist contacts the DTL to clarify. A record is kept of the issues raised and resolution. The SED team check the SED part of the reports and clarifies as necessary. Detailed steps for checking the accuracy of the data do not exist. Numbers underpinning the summed numbers are not reviewed due to the tight reporting timeframes.</p> <p>The internal audit process includes steps that allow for auditees to respond. Firstly, a closing meeting is held at the end of the audit visit and initial findings and conclusions are presented by the internal auditors. Secondly, the draft report is shared with district teams and they have an opportunity to respond or clarify.</p> <p>The SED manual and LRN manual also includes some processes related to monitoring visits, that may include checking the accuracy of data that is used for DLIs and LFIs. The frequency of visits are also outlined.</p> <p>The public and social audits are not audits as such. They are not processes to check data as such and are therefore not relevant for this criterion.</p>	Medium
4.2	Data quality challenges have been identified and are mechanisms in place to address them	<p>Challenges are generally well-known and processes are put in place to address this. For instance, there are significant challenges to collecting the data at the field level and passing it through several hands (Supervising Consultant - DTL - TMO LRN Team/M&amp;E Specialist; LINGO-INGO-SEDO-TMO SED Team - M&amp;E Specialist). Data collection is mostly done through manual processes. Where data is captured in electronically, manual data entry is required in many instances increasing the risk of errors. Mitigation strategies include: some workbooks have built in calculations, links created across sheets, core figures that will be used for aggregation are checked. For the CIM self-assessment, RAP3 staff recognise that the assessments could be biased and to minimise the risk ask probing questions during district review meetings and the annual review workshops. In 2015, internal audits are undertaken on PMV data management and in March 2016 an audit of DLI data, signifying RAP3's recognition of data quality issues. Other RAP3 activities, such as training engineers, that aim to improve the quality of works may also have a role in improving data quality since poor data collection has in the past been linked to general poorer performance of supervisor consultants and their staff.</p>	Low- Medium
4.3	There is independence in key data collection, management, assessment and auditing procedures	<p>The criterion of independence primarily relates to the internal audit functions. The internal audit function has recently been transferred from the PMV unit (since the DPM responsible is involved in implementation) to the Management Systems team. Data is collected at the district level sent to the PMV unit who could be considered the data manager.</p>	N/A
4.4	The PMV team can demonstrate that regular site visits have been undertaken and that data quality has been reviewed and data quality issues identified	<p>Immediately prior to the review visit, the internal audit team had visited a small number of districts to review data collection for DLIs. The draft report was not yet ready by the end of the in-country visit. Two PMV data management internal audits were conducted in 2015 (Jhapa, March 2015 and Kalikot, April 2015). A further audit on labour management and wage payments (Parbat, February 2015) also examined processes around contractor employment day measurement and record keeping.</p>	N/A
	<b>Indicators</b>		
4.5	Data in the database/monthly report is traceable to a	<p>Collation sheets exist for SED and LRN activities, which are then collated again for the monthly and trimester reporting. It is possible to trace numbers although is labour intensive given that numbers are often manually entered and not always drawn from the same workbook or other sheets in the workbook.</p>	Medium

Key dimensions and criteria contributing to a quality PMV system		Review findings and analysis - data that supports the criteria, or otherwise; areas of strength and for improvement	Significance of any areas for improvement
	tally/activity/ collation sheet or register		
4.6	There are procedures in place to prevent unauthorised changes to data	No particular processes were found. Data quality checks are able to detect changes in sub-totalled numbers to see if they were the same as the last report. Changes to the total aggregated data for DLI and LFI reporting is captured in subsequent monthly reports, with footnotes to explain the change. The source workbooks are not changed, meaning that there could be some discrepancy between source documents and the aggregation sheet used for monthly reporting.	Low
4.7	All source documents and reporting forms relevant for measuring the indicator(s) are available for auditing purposes (including dated print-outs in case of DB)	The TMO provided electronic copies of all documents requested. These were RAP3 generated documents. A review of supervisory consultant documents was not undertaken, although at the meeting in Dailekh the supervision consultant found the physical files and forms when he was asked specific data collection and reporting questions. An internal audit in 2015 noted that source documents were not available at the district level and actions were requested to address this matter.	Low
4.8	Records exists to show that PMV system problems are reported to the next higher level	There is documentary evidence that issues with the PMV system are reported to the higher levels of management. Documentary evidence reviewed relates to PMV data management audit reports.	N/A
4.9	If data discrepancies have been uncovered in reports from sub-reporting levels, the relevant staff (e.g., at districts or central) have documented how these inconsistencies have been resolved.	<p>The M&amp;E specialist maintains a list of issues identified in reports submitted by districts (as they relate to the PMV summary and LRN sheets) as well as correspondence relating to seeking clarification and responses. Several interviewees noted that the monthly reporting timeframe presents some challenges in terms of accurate monthly reporting. It may take some days for district teams to respond to questions and the PMV unit does not always have time to make corrections before the tables for the monthly/trimester reports are sent to the DPM.</p> <p>If clarifications result in changes adjustments are made to the aggregated numbers in the subsequent month (e.g. the to date figure is adjusted and therefore may differ from the cumulative figure presented in the previous month) and a footnote added to explain the variation. The M&amp;E specialist maintains a note of this in the compilation workbook as a reminder. The district level reports may not be adjusted and therefore there could be a difference between all of the source data and the aggregated number. It is good practice to ensure that the district level reports are also corrected (and that district level teams have the correct version if the adjustment is made at the TMO).</p> <p>This probably has little effect under the current arrangements (where aggregating numbers for the LFI and DLI have primary importance) because much of the data collected at the district level is not analysed. However, if this situation were to change the significance of this issue would increase.</p>	Low-Medium
4.10	Data is checked for plausibility	Data is checked by the M&E Specialist for plausibility e.g. are numbers reported this period at least the same as the previous etc. Due to time limitations, the M&E Specialist focuses attention on the sub-total and totalled figures presented in the monthly reports, and does not check the numbers underpinning these figures. The District Coordinators, who has a deeper understanding of activities within each district, undertake a quick review of the reports. It is unclear as to the extent that they check the numbers in detail. However, RAP3 staff who have a deeper understanding of the district level activities are more likely to be able to assess plausibility.	Low-Medium
<b>Risk-based technical and social and public audits</b>			

Key dimensions and criteria contributing to a quality PMV system		Review findings and analysis - data that supports the criteria, or otherwise; areas of strength and for improvement	Significance of any areas for improvement
4.11	Draft audit reports are reviewed by relevant RAP managers, feedback incorporated and comments provided	Interviewees noted that draft reports were provided to RAP3 managers and feedback incorporated. These steps are outlined in the Internal Audit Guidelines (2015).	N/A
	<b>Suggestions</b>	<ul style="list-style-type: none"> <li>◆ RAP3 to document its data checking procedures for DLI and LFI data, and then again review the challenges to data quality and the effectiveness of current risk mitigation strategies;</li> <li>◆ As part of its risk based auditing approach, develop a regular data quality check audit based on assessed risk areas or districts;</li> <li>◆ If there are corrections to be made, RAP3 should update the district level monthly reports as well (ensuring that there is one version at the District and Central levels).</li> </ul>	

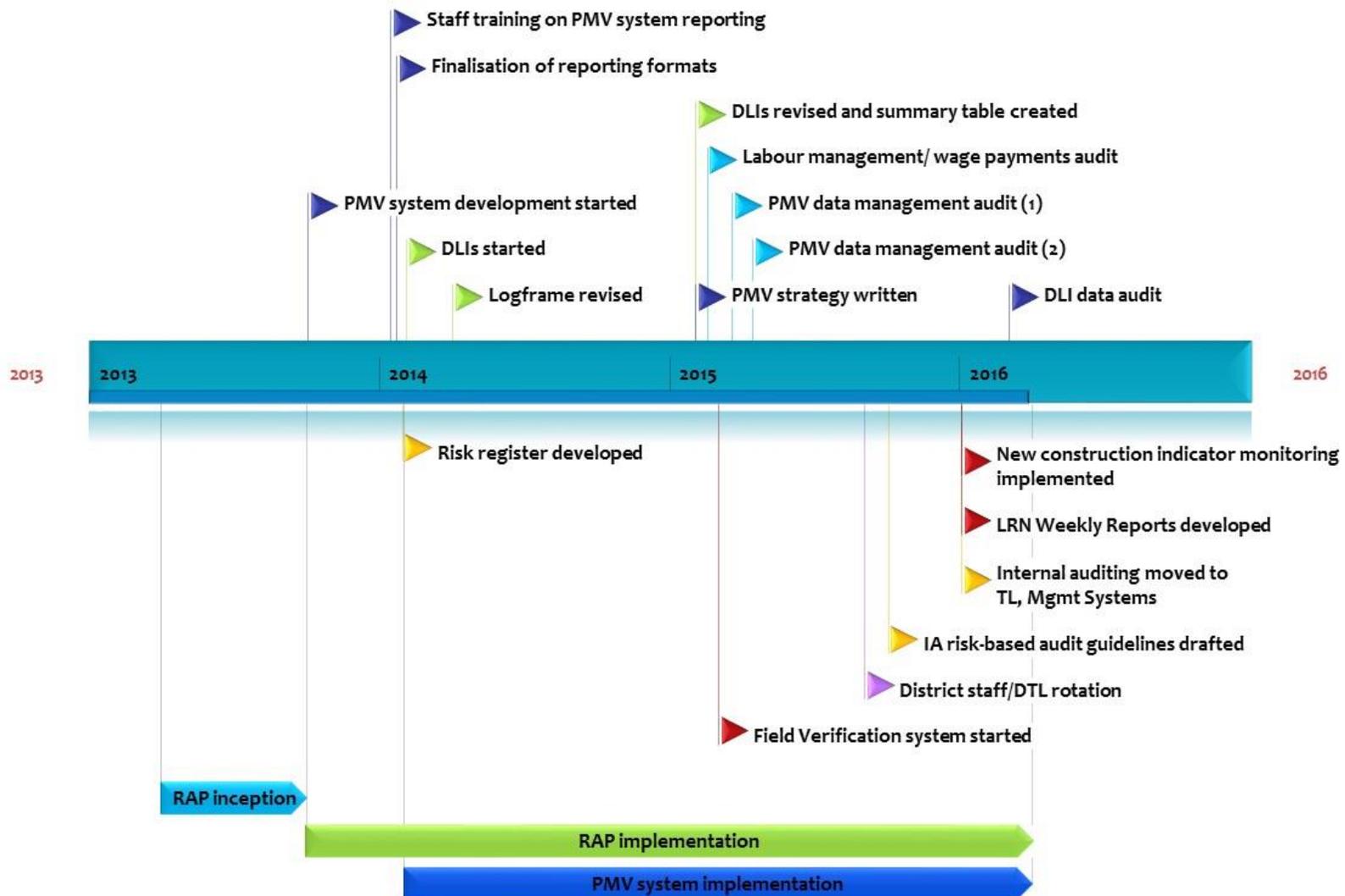
## E.5 Feedback

Key dimensions and criteria contributing to a quality PMV system		Review findings and analysis - data that supports the criteria, or otherwise; areas of strength and for improvement	Significance of any areas for improvement
5	<b>Feedback</b>		
5.1	The PMV team/management can demonstrate that all issues identified through field visits are addressed in a timely fashion	<p>The CIAP (03/02/2016) was reviewed. This contained a list of 39 actions from TMO meeting in August and September 2015. Of the 39 actions listed, 18 were not yet due; 14 (or 36%) were completed before or by the target date while another 5 (13%) were completed late. A further two actions were recorded as no longer being relevant. There was some slippage against target dates, with new target dates being established. The significance of these delays is not immediately obvious but appear to be a delay of 1-3 months in communicating changes to procedures e.g. sending formats and instructions to DC / DTLs on continuous improvement processes at the district level.</p> <p>Field verification reports provide little information as to the detail of any issues detected and therefore it is difficult to trace information from these reports through to actions. Some issues are resolved by the district teams. The DC is responsible for discussing with DTL and supporting in the resolution of issues where needed.</p> <p>Issues that are raised to the SMT level are documented and actions noted in weekly meeting reports. This documents matters arising and responsibilities. Meeting notes include a summary of actions taken since the last meeting.</p>	Low
5.2	CIAP items are traceable back to an audit report or other relevant documentation	Following the completion of an audit report a 'Continual Improvement - Key Observations List' document is prepared. This is normally a categorisation of audit findings. These categorises are called 'subjects'. A further document is prepared, the 'Continual Improvement - Management Response' that records each subject, decisions and actions to be taken (including by whom and the target date). At this level, it is possible to trace across documents because of the 'subject' categorisation. The actions are then compiled into a 'Continuous Improvement Action Plan' or CIAP. In this document, it is not possible to trace the action back to the subject or source of the action (e.g. the findings from a specific or multiple audits) because this information is not captured. The CIAP is grouped according to the date of the TMO meeting that discussed audit findings. The CIAP also records the status of the implementation (e.g. done, behind) notes and remarks. Actions that relate to specific districts are copied and pasted into a District level CIAP. This process was implemented in the latter half of 2015.	Low
5.3	Risk matrix items are traceable back to an audit report or other relevant documentation	The risk register was described as a summary of risks and makes up part of the report to DFID. Linkages to the CIAP were not always obvious to interviewees with some describing the risks captured in the risk register whereas the actions to address risks captured in the CIAP are internal.	Low
	<b>Indicators</b>		
5.4	Feedback is systematically provided to all sub-reporting levels on the quality of their reporting (i.e., accuracy, completeness, and timeliness).	The M&E Specialist provides general feedback to Districts on the quality, accuracy and timeliness of the monthly PMV reports (this is in addition to the individual correspondence relating to clarifying issues with specific District reports).	N/A
5.5	Dates of communication on feedback documented	The M&E Specialist asks DTLs for clarification on reports submitted. The dates for this communication are documented.	N/A

Key dimensions and criteria contributing to a quality PMV system		Review findings and analysis - data that supports the criteria, or otherwise; areas of strength and for improvement	Significance of any areas for improvement
5.6	If feedback from managers or DFID requested a change in the data, a record of that change exists	Little feedback appears to be given the PMV Unit on the LFIs and DLIs. Rather the data that is produced through the system is accepted by the RAP3 Managers and used for reporting purposes. This is understandable since the summary tables are only provided to the RAP3 managers and few may have the time or inclination to understand the details, particularly when they are captured in very detailed workbooks. Changes are recorded in the monthly reports submitted to DFID with an explanation of the reasons for that change.	Low
<b>Risk-based technical audits</b>			
5.7	Technical audit reports include a management response/action plan with clear actions, responsibilities, timeframes	The management responses/actions are captured in the Continuous Improvement Action Matrix (CIAP) maintained by the Internal Audi team. This has clear actions, responsibilities and timeframes that are monitored.	N/A
5.8	Feedback from technical audits is shared with all levels and relevant stakeholders	According to the internal audit guidelines, initial findings are shared with the relevant district teams at the closing meeting and the draft audit report is also shared.	N/A
	Progress reports consistently provide information on the status of management actions arising from audits (that may also cover data quality checks)	Monthly progress reports are very brief. However, the number of audits are reported and risks arising from audits. The risk management table also lists reportable events and risk events that occurred during the month, actions taken and actions to be taken. In 2016 the format of this table was changed so that it now shows the impact on the risk levels before and after mitigation (including residual risk).	N/A
<b>Social and public audits</b>			
5.9	Social and public audit reports include a management response/action plan with clear actions, responsibilities, timeframes	Only three examples of social audits were reviewed. In one case the management responses were outlined in the report. In the other two cases the reports noted the issues raised but not actions were outlined. Similarly, only 3 public audit reports were reviewed. In two cases, the report captured the responses to questions or issues raised.	Medium
5.10	Feedback is provided to stakeholders on how issues raised at previous social and public audits have been addressed (how, when, who, the result)	There was no evidence of this from the small number of social audit reports reviewed.	Medium

Key dimensions and criteria contributing to a quality PMV system		Review findings and analysis - data that supports the criteria, or otherwise; areas of strength and for improvement	Significance of any areas for improvement
5.11	Progress reports consistently provide information on the status of management actions arising from social and public audits	This information may be captured in progress reports and the likely place would be as a risk. Issues arising at social and public audit meetings are not analysed to identify trends etc.	Low
	<b>Suggestions</b>	<ul style="list-style-type: none"> <li>◆ RAP3 to ensure that feedback is provided and recorded as part of public and social audits.</li> <li>◆ RAP3 to record which audit the CIAP decisions are linked to</li> </ul>	

## Annex F: PMV system timeline – key events



## Annex G: Different perspectives of the PMV system

Separate introductory meetings with DFID and RAP 3 and the joint DFID-RAP 3 meeting on 4 March 2016 aimed to make clear the degree of common understanding of the objective of the PMV system and the level of robustness required. These discussions were relatively brief (an hour each) and the aim was only partially fulfilled.

Based on these discussions, DFID and RAP 3 agree that the PMV system is about assisting RAP 3 to ‘do things right’. Neither party see that the PMV system concerns ‘doing the right thing’. Rather, both expressed views that this was the MEL team’s concern.

**Table 5** below highlights the common areas across selected documents, from the meetings described above and with other interviewees. The left hand column ‘purposes mentioned’ were derived from the various information sources. The other columns illustrate which sources mentioned each purpose (represented by a ✓, with additional comments noting particular emphases) and which did not (✗). This highlights areas of common views. Even where there were common views, such as in ‘supervising, monitoring and ensuring the quality of works’ there was sometimes different emphasis placed on particular aspects of the purpose. The table does not highlight which purpose was considered most important by the different information sources.

While there are a range of purposes illustrated, DFID and RAP 3 placed a similar emphasis on the reporting of the DLIs, which are the trigger for payments. DFID comes to this from a risk perspective in that they want to be assured that they are paying for ‘real’ quality and quantity of results. Reporting against the DLIs is also RAP 3 managers’ key priority since this is the basis of invoicing. Of the purposes described by DFID, risk management is of primary importance and continuous improvement of secondary importance.

**Table 5: What are the elements of the RAP3 PMV system?**

Source →	Based on document review		Based on discussions in Kathmandu, 29 Feb – 4 March 2016		Based on other interviews
	Outlined in RAP3 PMV Strategy	PMV Review TOR and objectives	DFID	RAP3	
Supervising, monitoring and ensuring quality of works	✓	✓ specifically, technical quality assurance of road construction and maintenance against standard norms and procedures	✓ as part of assuring the accuracy of results reported	✓	✓ including internal audit
Measure actual performance against expected performance	✓	✓ specifically, results monitoring against key logical framework targets	✗	✓ specifically, monitoring	✓ specifically, measuring against DLIs and LFI
Report and disseminate actual performance	✓	✗	✗	✓ specifically reporting	✓ specifically reporting

Assurance of results reported	✓ specifically internal audits role in this	✗	✓	✗	✗
Job performance, and professional development	✓	✗	✗	✗	✗
Continuous improvement - learning	✗	✗	✓	✗	✗
Risks	✗	✓ Specifically, broader risk assessment and mitigation related to the programme	✓ Specifically assurance of risk management	✗	✓ as it relates to the risk register
Continuous Improvement Matrix	✗	✗	✗	✗	✓
Public audits	✗	✓	✗	✗	✗
Social audits	✗	✓	✗	✗	✗

## Annex H: Strengths and areas for improvement identified by interviewees

The RAP 3 staff interviewed were asked what they thought the strengths of the current system were, along with the areas for improvement and the issues that the PMV system review should take into consideration. A summary is presented below.

### H.1 Key areas of strengths

- ◆ Regular reporting and communication;
- ◆ Strong monitoring so that central level management knows the issues;
- ◆ Programme is more focused because of the DLIs.

### H.2 Areas for improvement

- ◆ Improving data management and making it more user friendly, using automated processes;
- ◆ Reducing the amount of data collected to only that which is needed and will be analysed and used;
- ◆ Lack of qualitative data to bring meaning to the quantitative data collected;
- ◆ Simplify the data collection and reporting templates;
- ◆ Improve district teams understanding of their responsibilities regarding verification.

### H.3 Issues to consider in the PMV review

Interviewees raised a number of issues related to the PMV system. These are:

- ◆ What key questions relating to programme performance does RAP 3 and DFID want to answer?
- ◆ What information is needed to answer these questions?
- ◆ How can RAP 3 link the M&E data and financial data to reduce burden of collecting, analysing and reporting against the new value for money indicators?
- ◆ What data is needed to answer these questions?
- ◆ What data can RAP 3 stop collecting?
- ◆ How much standardised data needs to be collected?
- ◆ How do we reduce the reporting burden to DFID?
- ◆ How often does RAP 3 need to collect, analyse and report what data?
- ◆ What data collection methods are most appropriate? How can case studies be used?
- ◆ How can RAP 3 do more on capturing lessons learned?
- ◆ What is the difference between monitoring and evaluation and auditing, and the teams responsible for these functions?

## Annex I: Source of employment days

RAP 3 were not able to provide a breakdown of the number of expected employment days per district for the entire programme implementation period.

As such this analysis has been completed based on to-date figures recorded in the PMV system.

LRN activities are the largest contributor (or 93%) to employment day generation and 66% of these are generated from the core districts. Of all LRN-employment generating activities to date, 56% are generated from maintenance activities rather than new construction. Currently, four districts have generated the most employment days. These are Parbat (non-core) and Kalikot, Bajura and Humla (all core construction districts). The proportion of days being generated from road building activities is expected to increase over the coming year.

**Table 6: Significance of Employment Generating Activities (January 2016)**

<b>Employment Day Generating Activities</b>	<b>Jan-16</b>	<b>% of total</b>
New Construction	115,137	85%
LRN	133,216	98%
SED	2,201	2%
Total	135,447	100%

**Table 7: Significance of Employment Generating Activities (2013 - January 2016)**

<b>Employment Day Generating Activities</b>	<b>to end of January 2016</b>	<b>From 2013 - Jan 2016</b>
New Construction	843,317	41%
Maintenance	1,077,999	52%
LRN – Sub-total	1,922,432	93%
SED	133,788	7%
Total	2,056,220	100%

## Annex J: Ranges of programme management and verification activities

Based on a rapid review of to-date results reported, three indicators drive most of the payment by results payments. These are: employment days (DLI Outcome 2b); new construction ongoing (DLI Output 1.1b) and SED supported households (DLI Output 2.1). The greatest number of employment days generated to date (end of January 2016) have been in Kalikot, Humla, Bajura and Parbat. Three of these districts are core construction districts. Overtime, road construction is expected to generate more employment days than maintenance works (although, currently a greater proportion of employment days are generated through maintenance).

A range of programme management activities to ensure the achievement of quality and timely targeted number of outputs are undertaken by RAP 3 staff (**Table 8**). For instance, in 2015, 198 verification visits were completed. The mean number of visits is 12 per district, or about one per month. The highest number of visits for a district was 22 while the lowest was six. The majority (68%) of visits conducted related to the LRN component; although for Core Districts half or more of the visits related to SED activities. Nearly, half of the visits were undertaken by the DTL. See **Table 9**.

Twelve out of 14 districts were covered in at least one internal audit. Three districts were covered by more than one audit, and two of these districts had completed an above average number of field verification visits (22 and 21). The two districts, Humla and Parbat, were not covered by an audit and undertook fewer than average field verification visits. Humla and Parbat are among the four districts (see shaded rows in Table 7) that generate some of the largest number of employment days. One of the other four districts, Kalikot, was included in the PMV data management audit in early 2015.

A number of other verification-related activities are not captured in this table. These include regular DC visits; field visits by technical specialists; internal financial audits, and field visits by component leads. RAP 3 data management means that it is not easy to determine what issues arose from each of these different events to determine if issues found were resolved or if there were ongoing issues.

**Table 8: Number of Field Verification Visits in 2015 by component**

Core Districts		Field Verification Visits 2015					Internal audits Feb 2015 - Jan 2016				
		CB	SED	LRN	Total	% completed by DTL	PMV Data	Duty of Care	District Reviews and Capacity Building	Auditing of planning and handover by RAP3 DTLs	District Programme Coordination
1	Dailekh		6	7	13	46%		Jun-15			
2	Jumla		10	12	22	55%	Mar/Apr 15				
3	<b>Kalikot</b>		0	11	12	58%	Mar/Apr 15				
4	Mugu		13	13	26	50%					Jan-16
5	<b>Humla</b>		1	9	10	60%					

6	<b>Bajura</b>		4	8	12	58%					Jan-16
7	Achham		16	6	22	14%			Aug/Sep 15	Dec-15	
8	Doti		14	7	21	33%			Aug/Sep 15	Dec-15	
<b>Sub-total</b>			64	73	138	47%					
Non-core Districts											
1	Jhapa			11	11	100%	Mar/Apr 15				
2	Morang			12	12	100%	Mar/Apr 15				
3	San'sava			9	9	100%			Aug/Sep 15		
4	Sin'chowk			6	6	100%		Jun-15			
5	<b>Parbat</b>			11	11	100%					
6	Dad'dhura			12	12	100%			Aug/Sep 15		Jan-16
<b>Sub-total</b>		1	0	61	61		4	2	4		
<b>Grand total</b>			64	134	198						

Within the LRN component, 28% of the verification visits are related to RMG maintenance, 19% to RBG works and 13% to contractors' work. The remaining visits are spread across a range of other focus areas that are listed below in Table 9. The list of focus areas was taken from the list of 2015 field visit reports published by RAP3.

**Table 9: Focus of LRN Field Visits, 2015**

<b>LRN Field Visit Focus</b>	<b>Number</b>
RMG road maintenance	37
RBG works	26
Contractors work	18
Specific maintenance	9
Specific improvement	9
Worksite and Safety	8
Procurement of goods/works	8
Quality control and works	5
ARAMP	4

Public Audit	3
Emergency maintenance	3
Environment standards	3
Safeguards (unspecified)	1
<b>TOTAL</b>	<b>134</b>

## Annex K: Sample size options – MEL verification of LRN generated employment days data

Two options for the sample size of employment data were examined. The first (Option 1) is based on the number of RBGs / RMGs in each district. With a 90% confidence level and 10% error rate this means that data from 133 RBG/RMGs would be examined. Option 2 takes a sample based on the total number of RBGs/RMGs across these districts and then proportions this sample size to the proportion of RBGs/RMGs in each district.

Option 1 will take considerably more resources and time to complete the verification option. Therefore, Option 2 is considered more cost effective. Within each district, the actual RBGs/RMGs would need to be selected. This could be on a random basis although if different supervision consultants are being used it would be valuable to establish a sample that is spread across these sub-contractors. Additionally, also across roads (as opposed to only looking at RBGs working on one particular road). However, all of these factors will add to the cost of undertaking the exercise. Decreasing the confidence level or increasing the margin of error is one way to decrease the sample size required.

**Table 10: Sampling Options**

									Sample Size - 90% confidence/10% margin of error			Equivalent sample size - 90% confidence / 15% error rate	
	District Name	Employment days generated to 30 January 2016			% of LRN Employment days total	% of Employment days	Number of RBG/-RMG	% of Total number of RMG/-RMG for 4 districts	Option 1: Number of the RBGs/RMGs to sample in each district (based on number of RBG/RMG in each district)	Option 2: Number of RBGs / RMG to sample in each district (based on total number of RBG/RMG)		Option 3: Select 10% of RBGs/RMGs along each road corridor for new construction districts + sample from Parbat so in total there are 27 RBG/RMG in total sample	
		LRN	SED	Total					District Level	Total		For shortest road corridor	For longest road corridor
3	Kalikot	233,972	2,184	236,156	11%	11%	69	27%	35		14	2	5
5	Humla	252,414	4,588	257,002	12%	12%	74	29%	36		16	3	4
6	Bajura	282,991	24,772	307,763	14%	14%	71	28%	35		15	2	6
5	Parbat	272,640	NA	272,640	13%	12%	43	17%	27		9	TBD	TBD
	<b>TOTAL</b>						<b>257</b>		<b>133</b>	<b>54</b>	<b>54</b>	<b>7</b>	<b>15</b>

Sample Size - 90% confidence/10% margin of error													
District Name	Employment days generated to 30 January 2016			% of LRN Employment days total	% of Employment days	Number of RBG/RMG	% of Total number of RMG/RMG for 4 districts	Option 1: Number of the RBGs/RMGs to sample in each district (based on number of RBG/RMG in each district)	Option 2: Number of RBGs / RMG to sample in each district (based on total number of RBG/RMG)	Option 3: Select one road corridor in targeted districts then select 10% of RBGs/RMGs along the corridor (based on 3 RMG per km)			
	LRN	SED	Total					District Level	Total		If shortest road corridor was selected	If longest road corridor was selected	
3	Kalikot	233,972	2,184	236,156	11%	11%	69	27%	35	14	5	9	
5	Humla	252,414	4,588	257,002	12%	12%	74	29%	36	16	7	9	
6	Bajura	282,991	24,772	307,763	14%	14%	71	28%	35	15	3	11	
5	Parbat	272,640	NA	272,640	13%	12%	43	17%	27	9	TBD	TBD	
							257		133	54	54	15	29

Verification would require travel to the districts to verify the data collected. This would either be actual attendance days or estimated attendance days. Where actual days need to be verified this would require travel to district HQ and to field sites to review RBG/RMG timesheets. The verification of employment days will be conducted during the LRN output verification to synergise between these two activities.