

# ARGYLL & BUTE COUNCIL

## Internal Audit Section

### INTERNAL AUDIT REPORT

CUSTOMER DEPARTMENT	CROSS CUTTING
AUDIT DESCRIPTION	RISK BASED AUDIT
AUDIT TITLE	SERVICE PLANNING
AUDIT DATE	MARCH 2017

2016/2017



## 1. BACKGROUND

This report has been prepared as a result of the Internal Audit review of Service Planning as part of the 2016/17 Internal Audit programme.

Service Plans are prepared annually and approved as part of the revenue budget and set out the outcomes that each service should work to deliver over the period of the plan. The requirements for Service Planning are set out in the Council's Planning and Performance Management Framework (PPMF) which details processes for ensuring that the Council's resources are targeted towards delivering on the priorities as set out in the Local Outcome Improvement Plan (LOIP) and the Council's Corporate Plan.

Service Plans have three key purposes:

- They allow Managers to illustrate how their services will contribute to the delivery of the Corporate Plan (CP) and the LOIP.
- They are the key tool for allocating the budget to agreed outcomes.
- They are made public and therefore contribute to our statutory requirements for Public Performance Reporting (PPR).

The main requirements for Service Planning included within the PPMF are:

- Service overview
- Business outcomes contributing to council outcomes
- Revenue budgets allocated by business outcome and thus attributable to council outcomes
- Service measures demonstrating fulfilment of service outcomes

The Corporate Plan sets out our Vision, Values, Strategic Priorities and Corporate Outcomes. The Business Outcomes are the key link between the Corporate Plan and service delivery.

Service delivery is to be monitored via Outcome Success Measures with appropriate Targets, Key Dates, and where possible Benchmarks in order to support a culture of continuous improvement.

The audit focused on whether the agreed service plans for 2017/20 met both PPMF requirements and concurred with guidelines issued.

## 2. AUDIT SCOPE AND OBJECTIVES

The main objective of the audit was to assess whether services plans meet PPMF requirements. The scope was limited to criteria assessment only and does not include any qualitative assessment.

Controls included:

- Authority – Appropriate Governance arrangements are in place. Roles and delegated responsibilities are clearly defined. Lead officers are aware of their roles and responsibilities.
- Occurrence – Sufficient documentation exists to evidence compliance with policies & procedures.
- Completeness – Service plans are complete and include links to relevant outcomes and service delivery models.
- Measurement – Measurement or performance review arrangements are in place and where appropriate are SMART i.e. Specific, Measurable, Achievable, Realistic and Time bound.
- Timeliness – Service Plans are current.

## 3. RISKS CONSIDERED

- Guidance procedures are not in place
- Outcome success measures are not aligned to the outcomes within the LOIP or CP
- Service plans do not cover all priority areas
- Revenue budgets are not aligned to service outcomes
- Benchmarking is not addressed
- Operational risks are not identified

#### 4. AUDIT OPINION

The level of assurance given for this report is High

<b>Level of Assurance</b>	<b>Reason for the level of Assurance given</b>
<b>High</b>	Internal Control, Governance and the Management of Risk are at a high standard with only marginal elements of residual risk, which are either being accepted or dealt with. A sound system of control is in place designed to achieve the system objectives and the controls are being consistently applied.
<b>Substantial</b>	Internal Control, Governance and management of risk is sound, however, there are minor areas of weakness which put some system objectives at risk and where specific elements of residual risk that are slightly above an acceptable level and need to be addressed within a reasonable timescale.
<b>Reasonable</b>	Internal Control, Governance and management of risk are broadly reliable, however although not displaying a general trend there are a number of areas of concern which have been identified where elements of residual risk or weakness with some of the controls may put some of the system objectives at risk.
<b>Limited</b>	Internal Control, Governance and the management of risk are displaying a general trend of unacceptable residual risk above an acceptable level and system objectives are at risk. Weakness must be addressed with a reasonable timescale with management allocating appropriate resources to the issues raised.
<b>No Assurance</b>	Internal Control, Governance and management of risk is poor, significant residual risk exists and/ or significant non-compliance with basic controls leaves the system open to error, loss or abuse. Residual risk must be addressed immediately with management allocating appropriate resources to the issues.

This framework for internal audit ratings has been developed and agreed with Council management for prioritising internal audit findings according to their relative significance depending on their impact to the process. The individual internal audit findings contained in this report have been discussed and rated with management.

A system of grading audit findings, which have resulted in an action, has been adopted in order that the significance of the findings can be ascertained. Each finding is classified as High, Medium or Low. The definitions of each classification are set out below:-

**High** - major observations on high level controls and other important internal controls. Significant matters relating to factors critical to the success of the objectives of the system. The weakness may therefore give rise to loss or error;

**Medium** - observations on less important internal controls, improvements to the efficiency and effectiveness of controls which will assist in meeting the objectives of the system and items which could be significant in the future. The weakness is not necessarily great, but the risk of error would be significantly reduced if it were rectified;

**Low** - minor recommendations to improve the efficiency and effectiveness of controls, one-off items subsequently corrected. The weakness does not appear to affect the ability of the system to meet its objectives in any significant way.

## 5. FINDINGS

The following findings were generated by the audit:

### Governance, Policies and Procedures

- It was agreed at the Strategic Management Team (SMT) meeting of September 2016 that the Council adopts the following changes to Service Planning namely:
  - From using Service Outcomes written by officers in the Services, to a system of Business Outcomes endorsed by SMT.
  - To a 'two-part' Service Plan comprised of a 'Strategic Plan' and a 'Business Plan'
  - To using a database (Access) to create the Service Plans, replacing the Excel template that has been used in previous years.

Potential benefits accruing from these changes are:

- A simplification of the Service Planning process
- An opportunity to clarify the use of the Service Plans
- The use of Business Outcomes will create a corporate overview that will emphasise the 'common goals' of the organisation and will reduce silo working
- Clearer presentation of the plans' contents
- The publication of a 'Strategic Plan' enables stakeholders to be more focused, and assists high level scrutiny
- The use of a 'Business Plan' will empower Executive Directors, Heads of Service and Third Tier Managers to manage the operations of the organisation more responsively.

- Use of common outcomes may highlight areas of duplication / areas for efficiencies
- The use of an Access database will enable more flexible reporting and better control over formatting

SMT also agreed to proceed with three-year service plans covering the period 2017-20 and a one-year budget for 2017-18.

- It was noted that discussions are ongoing with regards to replacing the PPMF with a Performance Improvement Framework (PIF).
- The Council meeting of February 2017 agreed Service Plans covering the 3 year period from 2017-20 as well as the budget for 2017-18.
- Service Planning Guidance has been forwarded to all service departments. A review of the guidance found that the instructions adequately set out both the requirements of a Service Plan and the roles and responsibilities of service users to complete their respective Service Plans for most areas, however a review of the agreed Service Plans (outlined below) showed that there was an inconsistent approach by services in regard to Key Service Improvements. Consequently, the guidance requires clarity on this area.

The guidance included instructions under the following headings:

- Service purpose
  - A list of all possible Business Outcomes
  - Service Resource i.e. budget allocation to each Business Outcome and a Full Time Equivalent (FTE) for each Council Service
  - Significant challenges
  - Details how Business Outcomes will be measured to assess whether they have been delivered i.e. Outcome Success Measures, Targets, Key Dates and Benchmarks
  - Key Service Improvements
  - An example of a Service Plan layout.
- It was evidenced that a mapping exercise has been carried out that maps Business Outcomes against Corporate Outcomes, Corporate Priorities and Service Outcomes.
  - Governance controls are satisfactory as evidenced above with appropriate authorisation and control at key stages.

Review of Service Plans

- A summary of the number of Business Outcomes, Success Measures and Key Improvements for each service is shown in the table below:

<b>Service</b>	<b>No of Business Outcomes</b>	<b>No. of Success Measures</b>	<b>Key Service Improvements</b>
Community and Culture	7	17	9
Customer and Support Services	5	48	11
Economic Development and Strategic Transportation	4	20	3
Education	8	42	4
Facility Services	2	18	3
Governance and Law	4	23	3
Improvement and Human Resources	7	34	7
Planning and Regulatory Services	8	21	7
Roads and Amenity	4	13	8
Strategic Finance	2	22	8
<b>Total</b>	<b>51</b>	<b>258</b>	<b>63</b>

- Our review noted that 30 of the 32 Business Outcomes are referenced within 2017/18 Service Plans.

- Service Plans were found to be consistent with the requirements of the PPMF and the guidance issued. Specifically the review found:
  - All Service Plans include an outline of the Service purpose.
  - All Service Plans include a revenue budget against each Business Outcome and a Full Time Equivalent (FTE) for each council service.
  - Service Plans include a list of significant challenges.
  - All Service Plans include Business outcomes, Outcome Success Measures, Targets, and Key Dates.
  - Service Plans included Key Service Improvements which relate to Business Outcomes included within the plans.
  - The review further noted that service plans although meeting the requirements of the PPMF do not refer to all areas of key service delivery.
- Services were reviewed in relation to whether success measures were SMART i.e. Specific, Measurable, Achievable, Realistic and Time bound. A review of the success measures found that the majority were consistent with SMART principles.
- It was noted that Operational Risks will be aligned to the Service Challenges detailed within the Service Plans and that this exercise is currently underway.

## **6. CONCLUSION**

This audit has provided a High level of assurance as Internal Control, Governance and the Management of Risk are at a high standard with only marginal elements of residual risk, which are either being accepted or dealt with. A sound system of control is in place designed to achieve the system objectives and the controls are being consistently applied. There are no actions to be reported to the Audit Committee.

Thanks are due to the staff and management of Improvement and Organisational Development for their co-operation and assistance during the Audit and the preparation of the report and action plan.





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