

ARGYLL AND BUTE COUNCIL

Internal Audit Section

INTERNAL AUDIT REPORT

CUSTOMER DEPARTMENT	CUSTOMER SERVICES
AUDIT DESCRIPTION	RISK BASED AUDIT
AUDIT TITLE	PERFORMANCE REPORTING ARRANGEMENTS
AUDIT DATE	SEPTEMBER 2017

2017/2018



1. BACKGROUND

This report has been prepared as part of the 2017/18 risk based Internal Audit Plan. The audit was conducted in accordance with relevant auditing standards with the conclusions detailed in this report based on discussions with key personnel and the information available at the time the fieldwork was performed.

It is Argyll and Bute Council's (the Council) statutory duty to "make arrangements to secure Best Value (continuous improvement in performance) as required by the Scotland Act 2003.

Effective performance reporting ensures that elected members and senior management have the appropriate information to facilitate effective scrutiny of the Council's performance against priorities and objectives.

Fundamental to this is the Performance Improvement Framework (PIF) which sets out the Council's approach to performance monitoring.

2. AUDIT SCOPE, CONTROL OBJECTIVES AND RISKS

The scope of the audit was to review:

- the established governance framework
- protocols/guidance in place to monitor performance
- whether performance reporting is complete, accurate and produced in a timely manner to allow for effective monitoring
- whether there is effective review of performance to manage risk and support improvement
- whether appropriate targets have been agreed, communicated and periodically reviewed.

The table below sets out the control objectives and associated risks identified during the planning phase of the audit.

Control Objectives		
O1	Authority	Appropriate Governance arrangements are in place. Roles and delegated responsibilities are clearly defined. Lead officers are aware of their roles and responsibilities.
O2	Occurrence	Sufficient documentation exists to evidence compliance with policies and procedures.

O3	Completeness	Required documentation/recording is accurately and fully maintained.
O4	Measurement	Information and data is complete and supports meaningful analysis.
O5	Timeliness	Performance targets/ measured have been identified and are in place and actively monitored.
O6	Regularity	Documentation/recording is complete, accurate and not excessive and is compliant with the data retention policy. It is stored securely and made available only to appropriate members of staff.
Risks		
Audit Risk	Performance reporting does not reflect the Council's priorities and objectives.	
Audit Risk	Roles and Responsibilities are not clear.	
Audit Risk	Performance targets are not regularly monitored and reviewed.	
Audit Risk	Performance reporting is not timely.	
Audit Risk	Performance reporting is not user friendly.	

3. SUMMARY CONCLUSION

Our assessment against each of the identified control objectives is set out in the table below.

Control Objective	Assessment	Summary Conclusion
O1	Reasonable	PIF outlines governance roles and responsibilities and these were evidenced as operating well in practice. Current guidance could be improved to better reflect system functionality and the need to conduct an annual review of targets. Refer to action plan points 1 and 2.
O2	Substantial	Documentation/evidence is readily available for review and is generally found to be complete and compliant with relevant policy. Some minor weaknesses were identified in relation to incomplete fields.
O3	Substantial	
O4	Substantial	Review of performance measures were found to be relevant to service activities and supported meaningful analysis.
O5	Substantial	It was evidenced that performance targets are subject to review and updated as necessary.

O6	Substantial	Records are held in accordance with data protection policy. Access in respect of updating is controlled and was found to be generally complete and accurate.
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4. AUDIT OPINION

The level of assurance given for this report is substantial

Level of Assurance	Definition
High	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.
Substantial	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.
Reasonable	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.
Limited	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.
No Assurance	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:

Grading	Definition
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. DETAILED FINDINGS

The following findings were generated by the audit:

Governance framework

Governance arrangements are set out within the PIF in regard to performance reporting arrangements. The framework was approved by full Council on 20th April 2017. Current governance arrangements are being reviewed and are subject to change.

A review of the PIF found that appropriate governance arrangements are in place with roles and responsibilities clearly defined. The PIF states that:

- A review of scorecard data is to take place at both service and departmental level by the Chief Executive and departmental directors with accompanying written reports outlining the key successes, challenges and actions. This to be carried out prior to reports being submitted to committees.
- Performance reporting to area committees on a quarterly basis detailing area scorecard data and an extracted suite of success measures showing actual versus target with an associated traffic light risk and accompanying narrative.
- Departmental performance reporting on a quarterly basis to the appropriate service committee detailing scorecard data at departmental level and a list of key successes, key challenges and a list of actions required to address the key challenges.

A review of minutes confirmed that performance reporting appropriate to each committee had been considered and that sufficient documentation existed to evidence compliance with policies and procedures.

Protocols/Guidance

There are no protocols/guidance in place to support performance reporting other than guidance notes of a technical nature regarding the input of data into the performance management system (Pyramid). Areas identified where guidance would be beneficial related to:

- traffic light system
- area reporting on success measures
- actions in relation to key challenges.

These areas are covered within the audit findings outlined below.

Performance Reporting on Scorecards within Pyramid

The Council's Pyramid system provides information on levels of performance across all of the Council's services. Pyramid includes a range of management information including:

- Council and department
- service, team and area scorecards
- strategic and operational risks
- health and safety
- corporate human resources.

A desktop review of scorecard information across all services confirmed that performance data included within Pyramid was generally complete and updated in a timely manner to allow for effective monitoring. The review highlighted that:

- scorecards reflect agreed business outcomes which are aligned to the Corporate Plan and the Local Outcomes Improvement Plan
- business outcomes have associated success measures which contribute to the outcome's delivery

- success measures are taken from the service plan with clear guidance on the setting of success measures provided within the PIF
- success measures were generally found to be in line with SMART Principles (Specific, Measureable, Attainable, Realistic, Timely).
- targets have been set for each success measure and, where appropriate, benchmarking data has been included
- controls are in place to ensure that reminders are issued to officers responsible for data input.

The review also highlighted that some success measures were reported as red with no corresponding comment and a number of comments field included technical descriptions and acronyms without explanation.

Effective review of performance against targets

Revised performance reports are in place for 2017/18 whereby scorecard information is presented to the relevant departmental committee with further scrutiny at strategic committee and area committee level.

A review of reports forwarded to these committees found that Council performance had been measured against targets and that actions had been outlined within the reports to enable management to achieve better performance. In addition it was noted that:

- all committees considered performance reporting with performance management information presented in a timely manner
- reports contained performance data downloaded from Pyramid including pertinent key performance indicators
- reports outlined successes, challenges and actions required to achieve better performance
- performance information was predominantly complete however, in some instances, the comments section had not been completed for activities classified as red
- a number of activities previously reported as red had not been subsequently reported to the Area Committee to enable them to ascertain whether corrective action had been successful.

Annual review of targets

Targets are agreed annually via the service planning process and are discussed annually at workshops attended by service officers. It was noted that the PIF guidance did not reflect this.

Observations

We have also highlighted to management the following observations which have been identified during the review. Although not included in the scope the matters were brought to auditor attention during the audit and either indicates a potential risk exposure and /or could be considered as a matter of good practice and therefore noted for information and completeness:

- The quarter 1 performance report for 2017/18 forwarded to the Policy and Resources Committee states that “*The Council’s Planning and Performance Management Framework sets out the process for presentation of the council’s quarterly performance reports.*” This framework has been superseded by the PIF and the performance report should have referenced the PIF.
- Arrangements for member training in performance review activity are currently being considered with a view to improving member understanding, development and challenge.

6. CONCLUSION

This audit has provided a substantial level of assurance, 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. There were two findings identified as part of the audit and these, together with agreed management actions, are set out in the action plan included at appendix 1. These will be reported to the Audit & Scrutiny Committee and progress implementing the actions will be monitored by Internal Audit and reported to management and the Audit & Scrutiny Committee.

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

APPENDIX 1 ACTION PLAN

Findings	Risk Impact	Rating	Agreed Action	Responsible person agreed implementation date
1. Protocols		High/ Medium		
There was no evidence of Protocols/guidance in place in respect of system input requirement controls.	Failure to have formal protocols/guidance in place may lead to inconsistent reporting and inefficient monitoring of services	Medium	Amend the PIF appendix - Pyramid and Scorecard Guidance to include protocols/guidance	Performance Management and Improvement Officer 31 March 2018
2. Annual Review of Target				
Consideration should be given to include guidance on the annual/regular review of targets to ensure these are realistic/current.	Failure to review targets does not support effective performance management	Medium	Amend the PIF appendices – Service Planning Guidance and Pyramid & Scorecard Guidance to cover the review of targets.	Performance Management and Improvement Officer 31 March 2018



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