

LiveArgyll
Internal Audit Report
February 2020
Final

Performance Management

Audit Opinion: Substantial

	High	Medium	Low	VFM
Number of Findings	0	1	0	0

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1. Executive Summary

Introduction

1. As part of the 2019/20 internal audit plan, approved by the Audit & Scrutiny Committee in March 2019, we have undertaken an audit of LiveArgyll's system of internal control and governance in relation to Performance Management.
2. The audit was conducted in accordance with the Public Sector Internal Audit Standards (PSIAS) with our conclusions based on discussions with relevant officers and the information available at the time the fieldwork was performed. The findings outlined in this report are only those which have come to our attention during the course of our normal audit work and are not necessarily all the issues which may exist. Appendix 1 to this report includes agreed actions to strengthen internal control however it is the responsibility of management to determine the extent of the internal control system appropriate to the LiveArgyll.
3. The contents of this report have been agreed with the appropriate officers to confirm factual accuracy and appreciation is due for the cooperation and assistance received from all officers over the course of the audit.

Background

4. LiveArgyll was launched in October 2017 and is responsible for services including libraries, leisure facilities, Active Schools, archives, museum, sport development, halls, community centres and community lets. LiveArgyll has been granted charitable status, is a company limited by guarantee and a wholly owned subsidiary of Argyll and Bute Council.
5. Effective performance reporting ensures that LiveArgyll's Board (the Board) and the Business and Performance sub-committee have appropriate information to enable them to effectively scrutinize performance against agreed key priorities and objectives.

Scope

6. The scope of the audit was to assess the adequacy of LiveArgyll performance and reporting arrangements as outlined in the Terms of Reference agreed with the General Manager on 5 February 2020.

Risks

7. The risks considered throughout the audit were:
 - **Audit Risk 1:** Financial and operational performance and reporting arrangements have not been established and embedded
 - **Audit Risk 2:** Performance targets are not aligned to organisational objectives, focused on improvement and subject to periodic review
 - **Audit Risk 3:** Staff performance and development is not aligned to organisational objectives with performance appraisal performed regularly.

Audit Opinion

8. We provide an overall audit opinion for all the audits we conduct. This is based on our judgement on the level of assurance which we can take over the established internal controls, governance and management of risk as evidenced by our audit work. Full details of the five possible categories of audit opinion is provided in Appendix 2 to this report.
9. Our overall audit opinion for this audit is that we can take a substantial level of assurance. This means that internal control, governance and the management of risk is sound. However, there are minor areas of weakness which put some system objectives at risk and specific elements of residual risk that are slightly above an acceptable level and need to be addressed within a reasonable timescale.

Recommendations

10. We have highlighted one medium priority recommendations where we believe there is scope to strengthen the control and governance environment. This is summarised below:
 - existing performance reporting processes should be reviewed to ensure they are efficient, that outcomes are being measured and assessed appropriately and that performance measures are consistent with operational requirements and current working practices
11. Full details of the audit findings, recommendations and management responses can be found in Section 3 of this report and in the action plan at Appendix 1.

2. Objectives and Summary Assessment

12. Exhibit 1 sets out the control objectives identified during the planning phase of the audit and our assessment against each objective.

Exhibit 1 – Summary Assessment of Control Objectives

	Control Objective	Link to Risk	Assessment	Summary Conclusion
C01	There are appropriate arrangements to ensure effective financial and operational performance management	Audit Risk 1	Substantial	LiveArgyll has an overarching and comprehensive business plan covering 2017-2021 and two sub business plans for Leisure and Sport and for Libraries. Collection of the data to report against the performance measures in the plans is labour intensive and potentially subject to human error. Appropriate measures are in place to allow customers to provide feedback on the service provided and for assessing financial performance.
C02	Performance measures and targets are aligned to organisational objectives and focus on	Audit Risk 1 Audit Risk 2	High	Business plans set out a suite of performance measures and targets which are aligned to organisational objectives and priority areas.

	improvement in priority areas			
CO3	There are effective performance management review and reporting arrangements.	Audit Risk 1 Audit Risk 2	Substantial	Performance monitoring reports are regularly considered by the Board and the Business and Performance sub-committee. Some historic performance measures are still referenced in plans but no longer being reported on and similarly, some additional performance measures are included in performance reports which are not in plans.
CO4	There is an effective and well managed approach to staff performance appraisals	Audit Risk 3	High	Annual staff appraisals have been introduced with appropriate guidance established.

13. Further details of our conclusions against each control objective can be found in Section 3 of this report.

3. Detailed Findings

There are appropriate arrangements to ensure effective financial and operational performance management

14. LiveArgyll has an overarching and comprehensive business plan covering 2017-2021. It was approved in January 2018 and provides a clear strategic direction of travel. In addition there are two sub business plans, one for Leisure and Sport and one for Libraries. There are appropriate committee structures to manage the performance and business of the company with the roles and responsibilities of committees periodically reviewed by the Board.
15. LiveArgyll have a range of performance monitoring arrangements in place at various reporting levels. Whilst these were found to be adequate in terms of frequency and content, collation of these reports tends to be undertaken on a manual basis and is labour intensive. The collation and reporting methodology of figures may increase the risk of human error.

Action Plan 1

16. There are comprehensive financial and security regulations which detail roles and responsibilities in relation to financial matters, budget monitoring & control and virement between cost centres.
17. LiveArgyll have a complaints procedure which clearly sets out how a customer can raise a complaint about LiveArgyll or the standard of service provided by or on behalf of LiveArgyll. The procedure also establishes the appropriate timescales for each stage of the process.
18. LiveArgyll commissioned an external body to carry out a survey of customers at Helensburgh Leisure Centre which was completed in January 2020. The survey concluded that *“overall customers are extremely satisfied with the service they are receiving at Helensburgh Leisure*

Centre. The main positives being the level of customer service extended to them by front of house staff. The fitness class timetable and swimming lessons programme are also very popular amongst service users.” Surveys on all other facilities have been commissioned and will be conducted in 2020.

19. The LiveArgyll website has a link to a comments page and to Argyll and Bute Council’s (the Council) complaints procedure to allow customers to comment on facilities or service received. In addition comment cards are available in facilities. Complaints/comments are discussed at staff meetings and action taken where appropriate.
20. The agenda and minutes of Board meetings are published on the LiveArgyll website.

Performance measures and targets are aligned to organisational objectives and focus on improvement in priority areas

21. The business plans for Leisure and Sport and for Libraries set out:
- strategic priorities
 - desired outcomes
 - supporting objective
 - performance measures.
22. Each business plan has a performance reporting section that establishes the performance measures that should be reported to the senior management team and the Board. These are aligned to the strategic priorities and outcomes. The performance measures included in the two sub business plans are set out in exhibit 2.

Exhibit 2 – Performance Measures Established by Business Plans

Leisure and Sport	Libraries
<ul style="list-style-type: none"> • leisure memberships split by pool, gym and health suite per facility 	<ul style="list-style-type: none"> • active borrowers as a percentage of population
<ul style="list-style-type: none"> • facility usage split by gym usage, health suite usage, pool usage and fitness class 	<ul style="list-style-type: none"> • number of visits to libraries per 1000 of population
<ul style="list-style-type: none"> • swimming lessons split by number of private lessons, ABC swim scheme and school lessons 	<ul style="list-style-type: none"> • number of lending hours borrowed
<ul style="list-style-type: none"> • attendance at events and functions in halls split by functions, live entertainment, internal and external meeting and sports bookings and fitness classes 	<ul style="list-style-type: none"> • number of times libraries are used by external organisations*
	<ul style="list-style-type: none"> • percentage of published opening hours achieved*
	<ul style="list-style-type: none"> • percentage of requested items satisfied within 30 days*
	<ul style="list-style-type: none"> • percentage of library users satisfied with the service*

There are effective performance management review and reporting arrangements

23. It is a requirement of the service level agreement between LiveArgyll and the Council that, twice a year, LiveArgyll present operational performance information to the Council. A report was presented to the Council’s Community Services Committee entitled ‘LiveArgyll-Monitoring and

Reporting Performance' in September 2019 which concluded 'there are no areas of significant concern.'

24. Performance monitoring reports are considered by the Board and the Business and Performance sub-committee. The reports have a RAG rating (Red Amber Green) which provide an indicator of current performance, i.e. off-track, needing monitored or intervention and on-track. Summary commentary is provided against each performance measure and, where appropriate, details of planned, new or on-going improvement actions.
25. A review of the performance reports taken to the Board highlighted that:
 - performance reporting is occurring and includes appropriate key performance measures
 - in a small number of instances historic performance measures are still referenced in plans although no longer being reported on
 - similarly there are some additional performance measures being reported on which are not referenced in plans.
26. When plans are next reviewed they should be updated to reflect the current agreed suite of performance measures.

Action Plan 1

27. LiveArgyll also report to the Board and the Business and Performance sub-committee on progress against their strategic priorities. The report outlines initiatives that have been introduced, how LiveArgyll will measure whether it has been successful and a commentary is provided that identifies further required action to meet priorities.
28. The Council provides LiveArgyll with monthly financial monitoring reports that compare budget and actual expenditure for all LiveArgyll cost centres. LiveArgyll officers review these reports and, where appropriate, provide explanations for variances.
29. An annual report is prepared and made available on the LiveArgyll website which provides an overview of activity, highlights and achievements during the year and includes the annual financial statements.

There is an effective and well managed approach to staff performance appraisals

30. In May 2019 LiveArgyll introduced an annual 'staff training and review' (STAR) process for all staff. Previously only office based staff received an annual staff appraisal. A guidance note has been prepared which provides a comprehensive overview of the process.
31. Completion of annual appraisals is tracked via a spreadsheet which details when each staff member is due an appraisal and when they received it.
32. A standard appraisal template has been established which includes an action section to improve performance relating to:
 - attendance
 - quality and accuracy of work
 - customer service
 - understanding duties and responsibilities
 - understanding policies and procedures.

Appendix 1 – Action Plan

	No	Finding	Risk	Agreed Action	Responsibility / Due Date
Medium	1	<p>Performance Reporting Arrangements</p> <p>LiveArgyll’s business and sector plans are comprehensive and include a number of supporting performance measures. Collection of the data to report against these performance measures is labour intensive and subject to the risk of human error.</p> <p>There is scope to improve existing processes to ensure all current outcomes are being measured and assessed appropriately. This includes consideration of ways to better automate performance reporting and ensuring the suite of performance measures used are consistent with operational requirements and current working practices.</p>	Processes which require manual reporting and manipulation of data may not be efficient and also increases the risk of human error resulting in to increased risk of inaccuracy.	<p>Management are exploring options in respect of a replacement Leisure Management System which amongst other things will support management reporting by allowing automated reporting which will support consistency, accuracy and timely reporting.</p> <p>Measures no longer being reported on will be removed from reporting schedules and associated documents updated.</p>	Business Support Manager 30 September 2020

In order to assist management in using our reports a system of grading audit findings has been adopted to allow the significance of findings to be ascertained. The definitions of each classification are as follows:

Grading	Definition
High	A major observation on high level controls and other important internal controls or a significant matter relating to the critical success of the objectives of the system. The weakness may therefore give rise to loss or error.
Medium	Observations on less significant internal controls and/or improvements to the efficiency and effectiveness of controls which will assist in meeting the objectives of the system. The weakness is not necessarily substantial however the risk of error would be significantly reduced if corrective action was taken.
Low	Minor recommendations to improve the efficiency and effectiveness of controls or an isolated issue subsequently corrected. The weakness does not appear to significantly affect the ability of the system to meet its objectives.
VFM	An observation which does not highlight an issue relating to internal controls but represents a possible opportunity for the council to achieve better value for money (VFM).

Appendix 2 – Audit Opinion

Level of Assurance	Definition
High	Internal control, governance and the management of risk are at a high standard. Only marginal elements of residual risk have been identified with these either being accepted or dealt with. A sound system of control designed to achieve the system objectives is in place and being applied consistently.
Substantial	Internal control, governance and the management of risk is sound. However, there are minor areas of weakness which put some system objectives at risk and 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 the management of risk are broadly reliable. However, whilst not displaying a general trend, there are areas of concern which have been identified where elements of residual risk or weakness 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 placing 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 the management of risk is poor. Significant residual risk and/or significant non-compliance with basic controls exists leaving the system open to error, loss or abuse. Residual risk must be addressed immediately with management allocating appropriate resources to the issues.