

ARGYLL & BUTE COUNCIL

Internal Audit Section

INTERNAL AUDIT REPORT

CUSTOMER DEPARTMENT	CUSTOMER SERVICES
AUDIT DESCRIPTION	RISK BASED AUDIT
AUDIT TITLE	PERFORMANCE MANAGEMENT
AUDIT DATE	NOVEMBER 2015

2015/2016



1. BACKGROUND

A review of Performance Management within the Improvement and Organisational Development (IOD) section of the Improvement and HR Service has been planned as part of the 2015/16 Internal Audit programme.

The Council has a Planning and Performance Management Framework (PPMF) which describes how it plans and manages performance. The Framework is designed to enable alignment between the Council's available resources and corporate objectives. The balanced scorecard ensures the focus of the organisation remains firmly fixed on its Strategic Objectives.

Pyramid is the Council's Performance Management System, providing up to date information on levels of performance across the broad range of services that we provide. The system includes Council, Department, Service and Area Scorecards to provide the key management information required at all levels in the organisation. The Corporate, Area and Single Outcome Agreement (SOA) scorecards contain Red, Amber and Green (RAG) indicators to allow management to easily identify areas of concern.

There is a wide range of success measures which are monitored through service scorecards. These are analysed on an ongoing basis to show progress against targets. Quarterly performance reports including council and departmental scorecards are presented to the Performance Review and Scrutiny Committee. The reports outline performance during the period including a review of successes, key challenges and improvement actions for the coming period.

2. AUDIT SCOPE AND OBJECTIVES

To assess performance information in terms of relevance, accuracy and consistency across all services.

The scope of the audit will include:

- Review scorecard hierarchy and test the integrity of roll up of data.
- Review sample of outcomes/asures to assess whether compliant with relevant guidance.
- Review the process for RAG tolerance level setting.
- Review the process in relation to manual override of data provided by other council systems.

Control objectives will include Authority, Occurrence, Completeness, Measurement, Timeliness and Regularity.

3. RISKS CONSIDERED

SRR: Ineffective management of services leading to failure to achieve agreed performance levels and as a result services not contributing fully to Council objectives.

Roles and responsibilities have not been defined leading to inconsistencies within the system resulting in ineffective management.

Performance information is inaccurate and there is a lack of supporting documentation leading to misreporting resulting in internal and external criticism.

4. AUDIT OPINION

The level of assurance given for this report is Substantial.

Level of Assurance	Reason for the level of Assurance given
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.
Substantial	Internal Control, Governance and the Management of Risk have displayed a mixture of little residual risk, but other elements of residual risk that are slightly above an acceptable level and need to be addressed within a reasonable timescale.
Limited	Internal Control, Governance and the Management of Risk are displaying a general trend of unacceptable residual risk and weaknesses must be addressed within a reasonable timescale, with management allocating appropriate resource to the issues.
Very Limited	Internal Control, Governance and the Management of Risk are displaying key weaknesses and extensive residual risk above an acceptable level which must be addressed urgently, with management allocating appropriate resource 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:

SCORECARD HIERARCHY AND ROLL UP OF DATA

The design and accuracy of the 7 outcomes from the Council Scorecard were tested down through the levels to 298 sub-measures. Of these sub-measures, several underwent further investigation to eliminate apparent inconsistencies and errors. This exercise resulted in 15 sub-measures remaining with anomalies or issues to be addressed.

One Service success measure was found to have variations in the base level calculation which resulted in inconsistent roll up of the data. The level of detail and design of the measure did not allow for transparent and clear interpretation.

Where measures show as a percentage, the underlying data is not available in all cases and values have been directly input to the Pyramid system.

It was evidenced that some measures are pulling the base data for their calculation from other areas within Pyramid. These measures have other information showing below them which is not used for their calculation, although it does relate to the measure. It is unclear as to which set of data underpins the calculation and there are no descriptions of where the data is pulled from.

It was evidenced during testing that where data is missing in sub-measures the roll up to higher level scorecards is still taking place and has the potential to provide a misleading value.

There were instances where data had been input for a period when no activity had taken place; in these circumstances agreed practice is for the target to be reduced to zero. There were inconsistencies in the application of this process which resulted in red indicators that would have been green.

During testing it was noted that one of the Governance and Law outcomes rolls up to an outcome within “Education, skills and training maximises opportunities for all” to which it has no direct link and would appear to be more relevant to another area within the scorecard. This anomaly is currently being addressed.

In relation to comments which are linked to particular measures, the information dates back more than 3 years and there is no evidence of data cleansing or housekeeping having taken place.

BENCHMARKING OF OUTCOMES/MEASURES

It was evidenced during testing that where outcomes/measures are required for benchmarking purposes, they are appropriately flagged and details given of the agencies and organisations used. If they are Council specific details are provided of their connection to the objectives of the organisation.

RAG TOLERANCE LEVEL SETTING

The process for the setting of Red, Amber and Green indicators was tested and found to be operating as designed. There is one agreed exception, where an original agreed plan has been revised with new target dates, it is reported as “on track to revised plan” this will show as amber in the higher levels, as the original target has not been met and will only change to green on completion.

Clear Guidance is provided to management on setting performance target levels within the service planning packs.

FEEDER SYSTEMS

The pyramid team with the assistance of IT and a number of services have developed a process for systems to produce reports which feed directly into Pyramid; this reduces the time taken for input and reduces the potential for human error. It was noted that there are a number of other services not currently utilising feeder systems which may be an inefficient use of resources.

MANUAL OVERRIDE OF DATA

The process for entering data onto pyramid is limited to authorised “inputters” within services. If data is entered incorrectly the data can be changed at any time, however, a previous audit agreed action due to be completed in December 2015 was to “identify an agreed mechanism for data control after period end.” This is currently reported as “on course” for completion with data being locked-out for edit when greater than one year old.

The information uploaded by feeder systems is restricted through the personnel who have access to edit the fields, where the data is queried a re-run of the report and upload is undertaken to ensure accuracy.

It was evidenced that where a service requests changes to the measures that have been agreed through the Service Planning process there are appropriate authorisation controls in place.

6. CONCLUSION

This audit has provided a Substantial level of assurance. There were a number of recommendations for improvement identified as part of the audit and these are set out in Appendix 1 and 2. There were 2 high and 5 medium recommendations set out in Appendix 1 which will be reported to the Audit Committee. There is one low recommendation which is not reported to the Audit Committee. Appendices 1 and 2 set out the action management have agreed to take as a result of the recommendations, the persons responsible for the action and the target date for completion of the action. Progress with implementation of actions will be monitored by Internal Audit and reported to management and the Audit Committee.

Thanks are due to the improvement and organisational development 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. Success Measure Design		High/ Medium or Low		
<p>One service success measure was found to have variations in the base level calculation which resulted in inconsistent roll up of the data. The level of detail and design of the measure did not allow for transparent and clear interpretation.</p>	<p>Inconsistent presentation of data resulting in reduced clarity in reporting of performance information.</p>	<p>Medium</p>	<p>Bring consistency to roll-up of data presentation within Pyramid Performance Management System.</p>	<p>Head of Improvement & HR 31 March 2016</p>
2. Missing Data				High/ Medium or Low
<p>It was evidenced during testing that where data is missing in sub-measures the roll up to higher level scorecards is still taking place and has the potential to provide a misleading value</p>	<p>Missing data leading to roll up of inaccurate calculation resulting in inaccurate reporting.</p>	<p>High</p>	<p>Roll up of data should be disabled when data is missing from a measure that feeds up to a Scorecard.</p>	<p>Head of Improvement & HR 31 December 2015</p>

Findings	Risk Impact	Rating	Agreed Action	Responsible person agreed implementation date
3. Success Measure Design		High/ Medium or Low		
<p>It was evidenced that some measures are pulling the base data for their calculation from other areas within Pyramid. These measures have other information showing below them which is not used for their calculation, although it does relate to the measure. It is unclear as to which set of data underpins the calculation and there are no descriptions of where the data is pulled from.</p>	<p>Inability to recalculate values leading to lack of certainty in accuracy of data.</p>	<p>Medium</p>	<p>Investigate extent of the exercise to update descriptions and devise a plan to take forward following agreement of Customer Services DMT.</p>	<p>Head of Improvement & HR 31 March 2016</p>

Findings	Risk Impact	Rating	Agreed Action	Responsible person agreed implementation date
4. Target Maintenance		High/ Medium or Low		
There were inconsistencies in the application of the resetting of targets to zero, in instances where no activity had taken place to measure.	Incorrect targets leading to roll up of inaccurate data resulting in misreporting.	Medium	Pyramid user guide will be updated and reminder issued to staff who input data to ensure they are fully aware of consequences to scorecard data if guidance is not followed.	Head of Improvement & HR 31 December 2015
5. Base data		High/ Medium or Low		
Where measures show as a percentage, the underlying data is not available in all cases and values have been directly input to the Pyramid system.	Lack of control of source data leading to the potential for errors to occur resulting in misreporting.	Medium	Measures are designed and guidance issued to all services to ensure that base data is entered to allow the system to calculate percentage values.	Head of Improvement & HR 30 June 2016

Findings	Risk Impact	Rating	Agreed Action	Responsible person agreed implementation date
6. Feeder Systems		High/ Medium or Low		
<p>There are opportunities to increase use of feeder systems to improve performance and create efficiencies.</p>	<p>Potential efficiencies are not realised resulting in wasted resources.</p>	Medium	<p>Discussions with IT and services to identify and develop reports which can be used to upload into Pyramid. For example Ctax/NDR (Northgate), HR (Resourcelink), Community Services (CareFirst) etc.</p>	<p>Head of Improvement & HR 31 March 2016</p>
7. Placement within Scorecard		High/ Medium or Low		
<p>It was noted that one of the Governance and Law service outcomes is rolling up to the Council Scorecard, SOA Outcome – Education, skills and training maximises opportunities for all, this would appear to be more relevant to another area within the scorecard.</p>	<p>Potential to skew top level results resulting in misreporting.</p>	Medium	<p>The measure will be reviewed with management and relocated.</p>	<p>Head of Improvement & HR 31 December 2015</p>



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