



**Internal Audit Report**

**DRAFT**

**Review of Statutory Performance Indicators (SPIs) 20010/11**

**August 2011**

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## 1 INTRODUCTION

- 1.1 The Local Government Act 1992 (the Act) requires the Accounts Commission to give directions that require councils, fire & rescue and police authorities to publish information relating to the performance of their activities. This is intended to:
- a. facilitate the making of appropriate comparisons (by reference to the criteria of cost, economy, efficiency and effectiveness and of securing best value in accordance with section 1 of the Local Government in Scotland Act 2003) between:
    - (i) The standards of performance achieved by different relevant bodies in that financial year or other period; and
    - (ii) The standards of performance achieved by such bodies in different financial years or, as the case may be, other periods.
  - B. facilitate the drawing of conclusions about the discharge of those bodies' functions under Part 2 (community planning) of the Local Government in Scotland Act 2003.
- 1.2 The Accounts Commission issued its guidance for the financial year 20010/11, in December 2008. The guidance covers Section 1 (1) of the legislation and does not specifically include community planning functions.
- 1.3 In its guidance the Commission has exercised its powers under Section 1 of the Local Government Act 1992 to place responsibility for meeting their Best Value responsibilities more directly with councils while retaining a small number of specified indicators emphasizing the Commission's commitment to ensuring that councils publish performance information on:
- A range of corporate issues covering best value concerns such as equalities, resource and asset management affecting overall service delivery
  - Revenue and service cost management
  - Front line services and issues directly relating to service user experience.

## **2 AUDIT SCOPE AND OBJECTIVES**

- 2.1 The external auditor's statutory duty in relation to the performance information is set out in section 99 (d) of the Local Government (Scotland) Act 1973 (as inserted by section 3(2) of the Local Government Act 1992).
- 2.2 That duty is to be satisfied that the council has made such arrangements for collecting, recording and publishing performance data as are required to ensure that, so far as practicable, everything published is accurate and complete. Internal Audit checks the accuracy of the indicators on behalf of external audit.
- 2.3 The PI co-ordinators for the selected SPIs were contacted and meetings were arranged with the appropriate officer responsible for collecting and recording the information for each PI.
- 2.4 From the 25 SPIs submitted, a sample of 8 was taken for review. The sample covered those where difficulties had arisen during last year's audit plus some randomly selected indicators. The following aspects were analysed for each SPI selected:
- To ensure that systems and procedures are established enabling the required information to be gathered.
  - To ensure that arrangements are in place to keep all working papers and any other data sources which may be examined are available on request.
  - To ensure that gathered information is, as far as practicable, accurate and complete.
  - To ensure that the data required by the guidance is published in the required form by the Council.

## **3 RISK ASSESSMENT**

As part of the audit process and in conjunction with our Systems Based Auditing, ICQ approach, the risk register was reviewed to identify any areas that needed to be included within the audit.

- SR16 Failure to have a robust internal control process and system

## **4 CORPORATE GOVERNANCE**

There are no Corporate Governance issues to be reported as a result of this audit.

## 5 MAIN FINDINGS

- 5.1 Eight SPIs were reviewed by Internal Audit. Of the 8 checked 3 were correct and the remaining 5 had to be amended after discussion with the staff involved in providing the figures.
- 5.2 The 5 SPIs had either insufficient back up evidence available to Internal Audit to allow them to agree the submitted figures or the evidence provided did not agree with the figures. This resulted in additional time being spent by Internal Audit in order to verify the return.
- 5.3 Last year internal audit had problems with 3 SPIs; SPI 10 Sports Facilities Management, SPI 13 Planning Application and SPI 21 Trading Standards. Of This year all of these had significantly improved their data gathering processes. The services should be commended for their efforts in improving the quality of data submitted.

## 6 RECOMMENDATIONS

3 recommendations were identified as a result of the audit. All 3 were rated as medium priority. The recommendations are shown in the action plan attached at Appendix 2 which has been compiled with the co-operation and agreement of the Supervisor/Manager.

Internal Audit considers that, in an effort to improve the quality of information, monitoring and control, the recommendations should be implemented in accordance with the agreed action plan. Management have set achievable implementation dates and will be required to provide reasons to the Audit Committee for failure to implement within the agreed timescale. Where management decides not to implement recommendations it must evaluate and accept the risks associated with that decision.

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 fundamental, material or minor. 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.

## 7 AUDIT OPINION

Based on the findings we can conclude that for specific SPIs there are better processes in place for gathering the required information necessary for audit purposes.

Recommendations arising from the audit work should be implemented by the nominated responsible officer within the agreed timescale. Recommendations not implemented will require explanation to the Audit Committee. This could lead to findings being reported in the Internal Control Statement produced by the Council in support of the Annual Accounts.

## 8 ACKNOWLEDGEMENTS

Thanks are due to;

- The Performance Manager;
- Relevant SPI Co-ordinators; and
- Relevant Departmental Staff.

For their co-operation and assistance during the Audit and the preparation of the report and action plan.

Argyll & Bute Council's Internal Audit section has prepared this report. Our work was limited to the objectives in section 2. We cannot be held responsible or liable if information material to our task was withheld or concealed from us, or misrepresented to us.

This report is private and confidential for the Council's information only and is solely for use in the provision of an internal audit service to the Council. In any circumstances where anyone other than the Council accesses this report it is on the strict understanding that the Council will accept no liability for any act or omission by any party in consequence of their consideration of this report or any part thereof. The report is not to be copied, quoted or referred to, in whole or in part, without prior written consent.

**APPENDIX 2**

**ACTION PLAN**

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<b>No.</b>	<b>FINDINGS</b>	<b>PRIORITY</b>	<b>RECOMMENDATION</b>	<b>RESPONSIBLE OFFICER</b>	<b>IMPLEMENTATION DATE</b>
<b>1</b>	The auditor found that payments to small businesses not large enough to fall within the scope of VAT had been included within the indicator data. This is incorrect. A sample was taken to ensure the SPI was not skewed by the invoices outside the scope of VAT. The results showed that including the invoices was not material in the context of the P.I.	<i>Medium</i>	The Head of Improvement and HR should require the Head of Customer and Support Services to remove payments to small businesses not large enough to fall within the scope of VAT from the SPI return 2011/12.	Head of Improvement and HR	<b>30 September 2011</b>
<b>2</b>	The Council is understating usage by not including visits to libraries via the internet. This element will increase in significance as the I-books programme becomes active.	<i>Medium</i>	The Head of Improvement and HR should require the Head of Community and Culture to liaise with Customer and Support Services to ensure all online library visits are counted and can be included in the P.I	Head of Improvement and HR	<b>30 September 2011</b>

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3	Yearly totals for library attendance are being arrived at by taking a sample from the quarters and multiplying this by 3.14. This has historically been the way of calculating the total for the P.I. submission but it is our opinion that this method gives an underestimation of the true attendance figures	<i>Medium</i>	The Head of Improvement and HR should require the Head of Community and Culture to review the process for collecting, recording and deriving SPI data with a view to enhancing the accuracy of the data.	Head of Improvement and HR	<b>30 September 2011</b>