

Dacorum Borough Council - Internal Audit Final Report

Performance Management

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Key dates:

Date of fieldwork: February 2013

Date of draft report: April 2013

Receipt of responses: April 2013

Date of final report: April 2013

This report has been prepared on the basis of the limitations set out in Appendix C.

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1. Executive summary

1.1. Background

As part of the Internal Audit programme for 2012/13, we have undertaken an audit of the Council's systems of internal control in respect of Performance Management.

The Council uses the Corvu performance management system, where performance measures, service plan objectives, risk registers and corporate projects and programmes are recorded. The system allows for performance data to be updated on the system and reports generated detailing actual performance against targets. Performance management data and progress reports for projects are then reported to management for review at the Assistant Director and Corporate Management team meetings, the monthly performance meetings and the Performance Board.

1.2. Objectives and Scope

The overall objective of this audit was to provide assurance over the adequacy and effectiveness of current controls over Performance Management, and provide guidance on how to improve current the controls going forward.

In summary, the scope covered the following areas; organisational and management requirements, performance of projects and programmes, performance target setting, performance monitoring and performance reporting. Further detail on the scope of the audit is provided in Section 2 of the report.

1.3. Summary assessment

Our audit of DBC's internal controls operating over Performance Management found that weaknesses in the system of internal control design are such as to put the system objectives at risk. There is also evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.

Our assessment in terms of the design of, and compliance with, the system of internal control covered is set out below.

Evaluation Assessment	Testing Assessment
Limited	Substantial

Management should be aware that our internal audit work was performed according to CIPFA's Code of Practice for Internal Audit in Local Government which are different from audits performed in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board.

Similarly, the assessment gradings provided in our internal audit report are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board. The classifications of our audit assessments and priority ratings definitions for our recommendations are set out in more detail in Appendix A, whilst further analysis of the control environment for Performance Management is shown in Section 3.

1.4. Key findings

We have raised one priority 1 recommendation and one priority 2 recommendation where we believe there is scope for improvement within the control environment. These are set out below:

- Performance indicators should be reviewed on an annual basis and justification of the target set should be provided, even where there is no change from the previous year. The target should then be approved by a senior manager.
- Performance data should be input, independently verified and approved prior to the monthly and quarterly reporting deadlines.

In addition, there was a recommendation from the Regeneration Audit that related to updating sub projects on the Corvu system. This has also been included in this audit report.

- Maylands Business Park project DA7 (1) - phase 2 should be entered onto the Corvu project management system.

Full details of the audit findings and recommendations are shown in Section 4 of the report.

1.5. Management Response

We received the management responses in a timely manner and these have been included in the main body of the report.

We would like to take this opportunity to thank all staff involved for their time and co-operation during the course of this visit.

2. Scope of assignment

2.1 Objective

The overall objective of this audit was to provide assurance that the systems of control in respect of Performance Management, with regards the areas set out in section 2.3, are adequate and are being consistently applied.

2.2 Approach and methodology

The following procedures were adopted to identify and assess risks and controls and thus enable us to recommend control improvements:

- discussions with key members of staff to ascertain the nature of the systems in operation;
- evaluation of the current systems of internal control through walk-through and other non statistical sample testing;
- identification of control weaknesses and potential process improvement opportunities;
- discussion of our findings with management and further development of our recommendations; and
- preparation and agreement of a draft report with the process owner

2.3 Areas covered

The audit was carried out to evaluate and test controls over the following areas:

- **Organisational and Management Requirements**

All staff act in compliance with appropriately documented and communicated management requirements which bring priorities together and cascade these through to departments, services and individuals.

- **Performance Management of Projects and Programmes**

Appropriate governance framework is in place to ensure that project/programme targets are identified. Procedures are in place to monitor performance against targets and to report outcomes to the appropriate forum.

- **Performance Target Setting**

Appropriate service performance targets/indicators are agreed annually, communicated and periodically reviewed to allow effective monitoring so as to achieve the authority's strategic and operational objectives.

- **Performance Monitoring**











Independent and effective review and challenge of performance against targets (underpinned by objective evaluation and analysis of evidence) to manage risk, support improvement, take action and help staff achieve better performance during the delivery stage of a service or activity.

- **Performance Management Reporting**

Performance information is completely, accurately, validly and timely produced and secured to allow for effective monitoring, decision making and reporting in line with senior management requirements as part of a comprehensive performance management system.

3. Assessment of Control Environment

The following table sets out in summary the control objectives we have covered as part of this audit, our assessment of risk based on the adequacy of controls in place, the effectiveness of the controls tested and any resultant recommendations.

Control Objectives Assessed	Design of Controls	Operation of Controls	Recommendations Raised
<i>Organisational and Management Requirements</i>			
<i>Performance Management of Projects and Programmes</i>			Recommendation 3 (from the Regeneration Audit)
<i>Performance Target Setting</i>			Recommendation 1
<i>Performance Monitoring</i>			Recommendation 2
<i>Performance Reporting</i>			

The classifications of our assessment of risk for the design and operation of controls are set out in more detail in Appendix A.

4. Observations and Recommendations

Recommendation 1: Review of Performance Indicators (Priority 1)

Recommendation

Performance indicators should be reviewed on an annual basis and justification of the target set should be provided, even where there is no change from the previous year. The target should then be approved by a senior manager.

Observation

Data quality documents are in place for each performance indicator to provide a definition of the performance measure, how it is calculated and the agreed target for the year. Annual review and approval of targets in the data quality documents helps to maintain performance enhancing measures that allow monitoring of service areas as well as encouraging improvements to be made.

We selected a sample of ten targets across different services within the Council. In six of the cases there was no evidence of annual review by the responsible officer; the performance indicator and the data quality documents were the same as the previous year and there was no rationale behind the target set. In one case the target was the same as the previous year but the responsible officer had confirmed that there was to be no change in the target, showing some sign of review. However, there was no explanation provided for why the target had remained the same.

In two cases the target number of days set to deal with customer queries had been reduced following improvements in performance; however this was not detailed on the data quality document.

In one case the target was reduced from 100% to 98% due to not meeting the target the previous year (the outturn was 99%). It is possible that this is an acceptable target although there is a risk that this was set on the basis that it is a percentage the service knows they can achieve, since there is no evidence of approval of targets.

Where targets are not reviewed annually, there is a risk that targets will be irrelevant to the service and will produce meaningless management information.

Responsibility

Assistant Director (Project Governance)

Management response / deadline

Agreed. In 2012/13, a new process was introduced to record service objectives and key progress milestones consistently across the Council. Milestone targets were uploaded to Corvu so that they could be regularly and formally reviewed. Targets were assessed as part of this process to test relevance against service-level objectives but the conclusions were not formally recorded. Thus the formal process for approving targets was replaced with an alternative approach which did not result in controls being weakened. For 2013/14 the formal target setting process is to be reintroduced to strengthen further annual service planning and data quality documents will be signed off. This was agreed at Assistant Directors Group on 9/4/13.

Recommendation 2: Approval of Performance Data (Priority 2)

Recommendation

Performance data should be input into the Corvu system, independently verified and approved prior to the monthly and quarterly reporting deadlines.

Observation

Reported performance data is required to be accurate in order that senior management can make well informed decisions. The accuracy of reported data can be confirmed through independent verification and approval of data prior to it being reported.

We reviewed monthly and quarterly performance reports and confirmed that on the various reports produced throughout the year there were a number of performance indicators where the data for the period had not been approved prior to the report being produced. In addition to this, one of the ten targets sampled identified the Group Manager as both the person entering the data and the approver, which prevents any independent verification of the performance data reported.

Where data is not independently verified and approved prior to reporting to senior management and members, there is a risk that erroneous data may be reported, giving an inaccurate picture of service area performance.

Responsibility

Performance, Improvement and Transformation Team Leader
Assistant Director (Project Governance)

Management response / deadline

Agreed. The system is designed to provide a separation of duties between compiling indicators and approving indicators and this should be enforced. At times unplanned staff absences will result in a failure of this principle but updaters and approvers can nominate an alternative officer in cases of planned absence so such incidents should be minimal. The approval process will be monitored throughout 2013/14 to test and ensure compliance. Further, the Performance Indicator suite and the reporting process are subject to review in 2013/14 in the light of the Council's transformation programme and the development of the corporate plan and annual report. This may reduce and simplify reporting and approval processes, thus reducing the risk of incidents of non compliance. A formal timetable for completing this review has not yet been set but the annual report, including corporate key performance indicator information, is planned to be published along with the 2012/13 accounts in the autumn.

Recommendation 3: Updating projects on the Corvu system (Priority 2)

Recommendation

Maylands Business Park project DA7 (1) - phase 2 should be entered onto the Corvu project management system.

Observation

The Council uses the Corvu project management system in order to monitor the performance against key milestones for projects undertaken in order to have a centralised record of a projects progress.

It was identified that the Maylands Business Park, Project DA7 (1) phase 2 has not been entered onto the Corvu project management system therefore performance of this project is unable to be monitored.

If projects are not entered onto the Corvu project management system and progress against milestones completed, there is a lack of transparency, and performance of the project is unable to be monitored effectively.

Responsibility

Strategic Planning & Regeneration Officer





Management response / deadline

Agreed – However the Maylands PID is now completed and removed from Corvu. Going forward the new Economic Wellbeing project will be put onto Corvu and monitored – once the new replacement PID is agreed and signed off by appropriate officers.

Appendix A – Reporting definitions

Audit assessment

In order to provide management with an assessment of the adequacy and effectiveness of their systems of internal control, the following definitions are used:

Level	Symbol	Evaluation Assessment	Testing Assessment
Full		There is a sound system of internal control designed to achieve the system objectives.	The controls are being consistently applied.
Substantial		Whilst there is a basically sound system of internal control design, there are weaknesses in design which may place some of the system objectives at risk.	There is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
Limited		Weaknesses in the system of internal control design are such as to put the system objectives at risk.	The level of non-compliance puts the system objectives at risk.
Nil		Control is generally weak leaving the system open to significant error or abuse.	Significant non-compliance with basic controls leaves the system open to error or abuse.

The assessment gradings provided here are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board and as such the grading of 'Full' does not imply that there are no risks to the stated control objectives.

Grading of recommendations

In order to assist management in using our reports, we categorise our recommendations according to their level of priority as follows:

Level	Definition
Priority 1	Recommendations which are fundamental to the system and upon which the organisation should take immediate action.
Priority 2	Recommendations which, although not fundamental to the system, provide scope for improvements to be made.
Priority 3	Recommendations concerning issues which are considered to be of a minor nature, but which nevertheless need to be addressed.
System Improvement Opportunity	Issues concerning potential opportunities for management to improve the operational efficiency and/or effectiveness of the system.

Appendix B – Staff interviewed

The following personnel were consulted:

Heather Price – Performance, Improvement and Transformation Team Leader

John Gordon – Performance and Systems Lead

Louise Miller – Corporate Director (Performance, Improvement and Transformation)

We would like to thank the staff involved for their co-operation during the audit.

Appendix C - Statement of responsibility

Statement of Responsibility

We take responsibility for this report which is prepared on the basis of the limitations set out below.

The matters raised in this report are only those which came to our attention during the course of our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of internal audit work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Auditors, in conducting their work, are required to have regards to the possibility of fraud or irregularities. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our audit work and to ensure the authenticity of these documents. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system. The assurance level awarded in our internal audit report is not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board.

Deloitte & Touche Public Sector Internal Audit Limited

London

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