

Dacorum Borough Council

Final Internal Audit Report

Performance Management

December 2015

This report has been prepared on the basis of the limitations set out on page 9.

CONFIDENTIAL

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Key Dates:

Date of fieldwork: October/November 2015

Date of draft report: November 2015

Receipt of responses: December 2015

Date of final report: December 2015

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1. Executive Summary

1.1. Background

As part of the Internal Audit Plan for 2015/16, we completed a risk based audit of the processes in place for Performance Management.

1.2. Audit Objective 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 the current controls going forward.

In summary, the scope covered the following areas: Governance, Performance Targets, Performance Monitoring and Performance Reporting.

1.3. Summary Assessment

Our audit of the Council's internal controls operating over Performance Management found that there is a sound system of internal control designed to achieve the system objectives. The controls are being consistently applied.

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
Full	Full

Management should be aware that our internal audit work was performed according to UK Public Sector Internal Audit Standards (PSIAS) which are different from audits performed in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. Similarly, the assurance 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.

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 over Performance Management is shown in Section 3.

1.4. Key Findings

We have raised one priority 3 recommendation and one System Improvement Opportunity where we believe there is scope for improvement within the control environment. These are set out below:

- Performance Indicators should be reviewed during the financial year to ensure that they continue to be appropriate and fit for purpose. (Priority 3)
- Officers who are responsible for under performing indicators within individual service lines should attend a Performance Clinic so that appropriate action can be taken to improve performance. The outcomes of the performance clinic should be recorded. (System Improvement Opportunity).

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 they have been included in the main body of the report.

1.6. **Acknowledgement**

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 to 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:









- **Governance**
The Council has in place a clearly defined Performance Management Framework. Clearly documented guidance enables services to develop action plans to meet their performance targets. Roles and responsibilities associated with performance management have been appropriately designated.
- **Performance Targets**
Appropriate service performance targets/indicators are agreed annually, communicated and regularly reviewed so as to achieve the authority's strategic and operational objectives.
- **Performance Monitoring**
Independent and effective review and challenge of performance against targets takes place. Services have robust measures in place to address any poor performance identified.
- **Performance Reporting**
Performance information is accurately produced and regularly reported to allow for effective monitoring, decision making and reporting in line with senior management requirements.

We selected a sample of 4 Service lines for testing – Property and Place, Customer Services Unit, People and Environmental Services.

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.

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

Control Objectives Assessed	Design of Controls	Operation of Controls	Recommendations Raised
Governance			
Performance Targets			
Performance Monitoring			Recommendations 1 and 2
Performance Reporting			

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: Performance Monitoring – Review of Indicators (Priority 3)

<p>Recommendation</p> <p>Performance Indicators should be reviewed during the financial year to ensure that they continue to be appropriate and fit for purpose.</p>
<p>Observation:</p> <p>In order to help ensure that Performance Indicators are operating effectively they should be reviewed on a regular basis. Where poor performing indicators are identified, appropriate action should be taken to help ensure that performance is improved.</p> <p>Of our sample of 4 Service lines selected for testing, we identified that for Property and Place there was one indicator which was constantly underperforming (PP02). This related to the average cost of repair indicator. It was confirmed by the Group Manager for Property and Place that the figure is an average cost of repairs, and is skewed where larger repairs are included. Therefore as a result the indicator requires review to account for this.</p> <p>Where indicators are not reviewed regularly for reliability and appropriateness there is a risk that they may not give a correct indication of the performance of the service, which in turn could lead to the objectives of the service not being achieved.</p>
<p>Responsibility</p> <p>Robert Smyth – Assistant Director – Performance and Projects</p>
<p>Management response / deadline</p> <p><u>Target Setting</u></p> <p>We have reviewed our existing approach to performance indicators and for 2016/17 we are introducing a new process.</p> <ul style="list-style-type: none"> • This will involve a closer link to the service planning process (and time-frame) and it will build in further ‘critical challenge’ to ensure that we set the correct targets at the beginning. • The Performance team is also publishing more guidance on how to use benchmarking and taking a more outcome focused approach. <p><u>Reviewing Targets in Year</u></p> <ul style="list-style-type: none"> • The Performance team will publish some rules setting out how indicators will be reviewed during the year and the conditions/authorisation required to change them. <p>However it is worth noting that changing targets during the year should only be done in exceptional circumstances. Where performance is below target the primary response is to address issues within the service.</p> <p>January 2016</p>





Recommendation 2: Performance Monitoring – Performance Clinics (System Improvement Opportunity)

<p>Recommendation</p> <p>Management should consider extending the new system of Performance Clinics, so that officers who are responsible for under performing indicators within individual service lines are invited to attend a Performance Clinic, resulting in appropriate action being taken to improve performance. The outcomes of the performance clinic should be recorded.</p>
<p>Observation</p> <p>In order to help improve the performance of under performing indicators, responsible officers should attend Performance clinics at which appropriate actions can be identified to help improve the performance of the indicator.</p> <p>As this is a newly implemented system, only one of the four service lines we selected in our sample had attended a performance clinic in the current financial year. However, we were unable to confirm what the outcome of the meeting was as there was no record of the meeting except for the meeting invite.</p> <p>We also found that poor performance in a number of the indicators in the other 3 service lines for consecutive months had been identified. However, there was no evidence to confirm that the responsible officers for those indicators had attended and/ or been invited to attend performance clinics.</p> <p>Where officers who are responsible for under performance indicators do not attend a performance clinic and the outcomes of which are not documented there is a risk that the opportunity to take remedial action to improve performance may not be taken. This may lead to the objectives of the service not being achieved, which may in turn lead to financial loss and reputational damage for the council.</p>
<p>Responsibility</p> <p>Robert Smyth – Assistant Director – Performance and Projects</p>
<p>Management response / deadline</p> <p>The Performance Clinics were a new innovation recently introduced by the Performance Team. The aim was to discuss issues and receive assurance that poor performance was being addressed.</p> <p>However while the idea has received positive feedback we recognise that it would be beneficial to expand it and to formalise the process.</p> <p>From January we will run these clinics on a bi-monthly basis and we will introduce a feedback form to be completed for every clinic. We will also introduce a feedback form for services whose performance does not warrant attendance at the clinic but needs some initial attention.</p> <p>January 2016</p>

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:

- Robert Smyth Assistant Director for Performance and Projects
- James Wilson Corporate Performance Management Lead Officer
- Fiona Williamson Group Manager – Property and Place
- Matt Rawdon Group Manager - People
- Mark Housden Group Manager – Customer Services Unit
- Craig Thorpe Group Manager – Environmental Services

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

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 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 our 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 us 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. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Our 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 work and to ensure the authenticity of such material. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Mazars Public Sector Internal Audit Limited

London

December 2015

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