

CONFIDENTIAL

INTERNAL AUDIT

FINAL REPORT

ON

PERFORMANCE MANAGEMENT

CHIEF EXECUTIVE'S DIRECTORATE

AUDITOR: Imran Jiffrey
AUDIT REF:
DATE: July 2012

CONTENTS

	PAGE NO.
EXECUTIVE SUMMARY	3
AUDIT OPINION AND DEFINITION OF ASSURANCE LEVELS	5
MANAGEMENT ACTION PLAN	6
CRITERIA FOR PRIORITY OF RECOMMENDATIONS	7
REPORT DISTRIBUTION LIST	8
STATEMENT OF RESPONSIBILITY	9

EXECUTIVE SUMMARY

Outline of Audit

Introduction

The Strategic Plan and accompanying performance measures detail how the Council will contribute to achieving the borough's Community Plan by providing the framework for delivering and measuring the success of the Council's priorities, with focus on the Mayor's priorities and pledges.

To support the Council's and the Mayor's key strategic aims and priorities, a performance management framework has been put in place which includes reports to the Council's Corporate Management Team, Performance Review Group and Members on a quarterly basis.

Services within each directorate develop service or team plans that set out their main activities, milestones and targets. These are linked to the Council's corporate strategic plan.

Audit Objectives

- To provide assurance that the performance management system and its accompanying targets and measures adequately support and promote the achievement of the Council's and the Mayor's strategic priorities and pledges;
- To provide assurance that the Council has sound systems and controls to support performance management and to validate performance outputs; and
- To ensure the performance information system is reliable, accurate and timely and that the data can be used with a measure of confidence.

Scope of Audit

- **Governance** - ensuring that the Council has a formally approved performance management policy, standards and procedures in place with clear governance and reporting arrangements so that poor performance is reported and corrected promptly.
- **Performance standards** - ensuring that appropriate performance standards have been developed and that relevant performance information is produced and the information is used as a tool to ensure improvements in future performance.
- **Performance review** - ensuring that the performance information that is produced is reviewed regularly and a clear process is in place for dealing with underperforming services.
- **Reporting on performance** - ensuring that suitable performance reporting is undertaken to enable senior managers and the CMT and PRG to review the Council's performance over time and relative to other comparable organisations.

Corporate objectives and risks

One Tower Hamlets- Working efficiently and effectively as One Council

Areas of Good Practice Identified during the Audit	
1.	There is a Performance Management and Accountability Framework (PMAF) in place which sets out the Council's performance management approach and supporting arrangements.
2.	The current version of the PMAF was approved by the Performance Review Group in July 2011 and came in to effect from August 2011.
3.	There are clear governance and reporting arrangements in place so that poor performance is reported and corrected promptly.
4.	Appropriate performance standards have been developed and relevant performance information is produced. The information is used as a tool to ensure improvements in future performance.
5.	The PMAF is supplemented by more specific guidance documents. For example, the team planning guidance provides further details on the development process and required content of such plans.
6.	The PMAF is stored on a shared space accessible to all staff involved in the planning and performance management process across the Council while the team planning guidance is available on the staff intranet.
7.	A Performance Review Group (PRG) has been set up to review performance of the Council and its directorates. It conducts reviews of performance at least bi-monthly. The group also reviewed and approved the current version of the PMAF.
8.	The Council has an approved 2011/12 Strategic Plan in place that will be replaced by the plan for 2012/13 once finalised and approved. The 2012/13 plan has been submitted to the PRG for review and will be submitted to the Cabinet for final approval.
9.	Corporate performance information is uploaded on to the Excelsis system (Corporate Performance System) by all directorates. This information is then used by the Corporate performance team to evaluate the performance of the Council as a whole.
10.	Performance reports are produced for the Corporate Management Team (CMT), the PRG, Overview & Scrutiny and Cabinet. These reports present performance against targets and are RAG rated.

Audit Opinion

Our opinion is provided to enable all our stakeholders to assess the control environment within the area subject to audit. In addition, it enables the Chief Internal Auditor to construct an annual opinion on the control environment. The opinion is based on the results of the audit work carried out, the scope of which is defined by the Audit Objective and Scope of Review stated above.

In view of the findings and recommendation made in this report, we have assigned **Substantial Assurance** to this audit.

The key findings contributing to the assurance assigned are:

- Service/team plans are not consistently reviewed and approved by SMTs or DMTs. This results in reduced oversight of their service/team plans and action plans.

Definition of four levels of assurance is as follows:-

Full Assurance - *There is a sound system of control designed to achieve the systems objectives and from our testing the controls are being consistently applied.*

Substantial Assurance - *While there is basically a sound system there are weaknesses which put some of the control objectives at risk and from our testing there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.*

Limited Assurance - *Weaknesses in the system of controls are such as to put the systems objectives at risk and from our testing the level of non-compliance puts the systems objectives at risk.*

Nil Assurance - *Control is generally weak leaving the system open to significant error or abuse and from our testing there were significant non-compliance with basic controls leaves the system open to error or abuse.*

Management Action Plan

Medium Priority Recommendations

Control weaknesses, which management should consider and address in the short term.

REC 1

Risk

Where service / team plans are not approved and monitored by a high level management team (ie SMT or DMT) there is an increased risk that there is insufficient oversight of planning at a Directorate level and objectives are not agreed.

Finding

According to the Performance Management and Accountability Framework it is not mandatory for directorates to develop a directorate plan. They are however required to develop service/team plans.

It was noted that the services / teams within directorates link their service plans directly to the Council's overall strategic plan however it was found that these plans were not consistently reviewed and approved by a senior level Directorate group.

Recommendation

Management should consider standardising the review and approval process of service / team plans in each of the directorates.

Agreed action

All Directorates to agree approval and monitoring process for service / team plans and this be reported to PRG (May 2013)

Corporate team plan review process to sample check compliance and report to PRG (December 2013)

Officers Responsible for Action

Kevin Kewin / Louise Russell

Priorities assigned to recommendations are based on the following criteria:

High – Fundamental control weaknesses, which must be addressed immediately by management.

Medium – Control weaknesses, which management should consider and address in the short term.

Low – Control weaknesses, which management should be aware of and address in the longer term.

Report Distribution List

The following officers have received a copy of the draft report for comment

Name of officer	Title
Kevin Kewin	Strategy, Policy and Performance Service Manager
Louise Russell	Service Head – Corporate Strategy and Equality

The final report will also be copied to:

Name of officer	Title
Isabella Freeman	Assistant Chief Executive (Legal Services)

Statement of Responsibility

Internal Audit is responsible for this report; however, the findings and conclusions that have been reached are on the basis of the following:

- Responsibility for internal controls lies with managers and officers within the services – implementation of the recommendations in this report will improve the service’s control environment. By making these improvements, the level of risk attached to this system or service should reduce and as a result reduce the frequency of our audit visits within the five year strategic audit plan;
- the matters raised in this report are only those which came to our attention during the course of our audit work;
- the scope of the audit work carried out was defined in the terms of reference, which was agreed with the client officer prior to the start of the audit;
- our audit work is carried out with regard to the possibility of fraud or irregularities, however, it should not be considered as a substitute for management controls; and
- the findings and conclusions are based on the results of testing carried out within a limited time period and is stated in the Audit Objectives and Scope of Review.