



INTERNAL AUDIT

FINAL REPORT

Title: Performance Indicators

Report Distribution

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EXECUTIVE SUMMARY

Introduction

The government white paper, 'Strong and Prosperous Communities' set out 198 National Indicators for Local Authorities and Local Authority Partnerships.

The aim for Local Authorities is to provide the highest standard of service for the best possible value for money. Monitoring is achieved through CAA (Comprehensive Area Assessment), performance indicators and inspections.

In April 2009, the Authority implemented the "Covalent" performance management system. Departmental management are responsible for inputting data to the system for each assigned performance indicator and provide commentary on variances. The Policy and Performance Officer monitors performance and provides strategic performance reporting into the Senior Management Team.

The purpose of the review was to confirm the accuracy of the following National Indicators (NI's):

- NI 155 - Number of affordable homes delivered (gross),
- NI 185 - CO₂ reduction from Local Authority operations (carbon footprint).

The reporting period for both NI's is on an annual basis and the first year of reporting was 2008-2009, which formed the baseline assessment for NI185.

Principal Findings

	High	Medium	Low
Number of recommendations	0	0	3

The detailed findings and associated recommendations are provided in the second part of the report. No medium or high risk recommendations were made in the report.

Assurance Statement

Internal Audit can provide **substantial assurance** with respect to the adequacy of procedures to ensure accurate and complete reporting of NI185.

In addition, subject to implementation of the proposed data collation procedures and the additional recommendations contained within this report, Internal Audit can provide **substantial assurance** with respect to the adequacy of procedures to ensure accurate and complete reporting of NI155.

INTRODUCTION

Objective

The purpose of the audit review was to identify the National Indicators' (NI 155 and 185) definitions, confirm and verify completeness and accuracy, and the recording on the covalent system, ensuring that they are consistent and observe the official and local guidelines.

The control objectives included within the scope of the review are:

- Identify NI definitions.
- Confirm data methodology (collation, calculation and frequencies).
- Identify data sources – confirm adequacy of arrangements and management checks.
- Walk through test – verify completeness and accuracy of calculations.
- Review adequacy of control arrangements – procedures notes for calculation criteria, level and adequacy of management checks, adequacy of audit trail of supporting docs.
- Establish progress against recommendations made by the Audit Commission (NI155) during the 2008-09 spot checks.

This audit report is presented on an exception basis. The detailed findings include only those areas where actions need to be undertaken to ensure accurate figures for the performance indicators.

Acknowledgement

A number of staff gave their time and co-operation during the course of this review. We would like to record our thanks and appreciation to all the individuals concerned.

DETAILED FINDINGS

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 1 - NI 155 Affordable Homes (Completeness & Accuracy) Level of Risk - Low</p>			
<p>PPS3 (Planning Policy Statement 3), sets out the definition for NI 155 as “The Government defines affordable housing as including social-rented and intermediate housing”. This can include pitches on Gypsy and Traveller sites owned and managed by local authorities or registered social landlords.</p> <p>The Audit Commission undertake annual spot checks on the accuracy and completeness of a sample of NI's. During their 2008-09 review, it was reported that NI 155 was not accurately stated. A number of recommendations were made including:</p> <ul style="list-style-type: none"> • The need for better links between planning intentions, development and building control, • Lack of detailed procedure notes, • Incomplete data from Registered Social Landlords (RSL's), and a lack of ability to reconcile homes deemed to be affordable with development or building control records. 	<p>Incomplete and inaccurate reporting of NI155.</p>	<p>The proposed work flow for data collation and supporting management checks will ensure the completeness and accuracy of the NI155 data. However, management will need to monitor this approach to ensure it is being applied correctly and consistently and producing accurate performance information.</p> <p>Action: Stephen Bray – Head of Strategy and Performance</p>	<p>Management Comment: This recommendation is agreed.</p> <p>Planned Corrective Action: The indicator is now being reported on quarterly using an approach that matches the year-end approach as far as is practicable. Though the reasons for this are driven by the need to monitor the economic situation, it also helps with the audit issues raised here.</p> <p>In addition, periodic spot checks of data will be carried out.</p> <p>The Strategic Housing Manager, will take the lead in implementing this recommendation</p> <p>Timescale: With immediate effect.</p>

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<p>In response to these recommendations a cross Department team have mapped the data collation process and developed a flow chart to ensure data submissions are complete and subject to routine management checks to ensure accuracy.</p>			
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Observation	Risks	Recommendation	Management's Response
<p>Recommendation 2 - NI 155 Affordable Homes (Reporting) Level of Risk - Low</p>			
<p>The Covalent system currently requires quarterly reporting of NI155. At the time of the review no target or actual figures had been entered into Covalent for the financial year 2009-10.</p> <p>Whilst the proposed work flow for data collation can accommodate monthly reporting, it is unclear whether this is actually effective or necessary.</p>	<p>Inefficient data collation.</p>	<p>A review should be conducted to clarify the reporting requirements for NI155 and ensure Covalent targets and reporting is appropriately aligned.</p> <p>Action: Stephen Bray – Head of Strategy and Performance</p>	<p>Management Comment: Agreed in principle, though may need to clarify the detail.</p> <p>Planned Corrective Action: Though the statutory requirement is to report on this indicator annually, as outlined above at present it is being collated in a manner as close as practicable to the statutory requirement each quarter, with the full report in line with statutory definitions being carried out at year end. This practice is likely to continue for the foreseeable future. Quarterly reporting offers the scope to target any remedial work within the authority's powers if performance is declining.</p> <p>With regard to target setting, the current methodology is overly crude and we will amend this for future years, starting 2010/11, so that the target more accurately reflects development on sites know to be coming forward (as identified through the Annual Monitoring Report). This will allow for more reliable tracking of progress against target as those sites are progressed. The development and adoption during 2009/10 of a new</p>

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			<p>Supplementary Planning Document re Affordable Housing will further refine that target setting process, though this can never be fully precise as nothing can predict “windfall” sites coming forward.</p> <p>Lead officers Quarterly reporting – Strategic Housing Manager Target setting – Planning Policy Manager</p> <p>Timescale: Improved targets will be set for 2010/11 and subsequent years.</p>
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Observation	Risks	Recommendation	Management's Response
<p>Recommendation 3 - NI 155 Affordable Homes (Ownership & Accountability) Level of Risk - Low</p>			
<p>The Covalent system allocates the ownership of this NI to the Planning and Environment Department, which as been subsequently assigned to the Development Control Manager.</p> <p>The Building Control section within the Planning and Environment Department currently provide supporting data for calculation of performance, however, the actual analysis and administration of the NI is undertaken by the Housing Strategy team within the Strategy and Performance Department.</p> <p>The Development Control Manager indicated that he has no strategic control over this NI and simply enters figures into Covalent provided to him by the Housing Strategy team.</p>	<p>Potential lack of ownership and accountability, resulting in inaccurate reporting and ineffective monitoring of performance against NI 155.</p>	<p>A review should be conducted to ensure ownership of, and accountability for NI155 is assigned to the most appropriate manger and Department.</p> <p>Action: Stephen Bray – Head of Strategy and Performance</p>	<p>Management Comment: Recommendation agreed.</p> <p>Planned Corrective Action: The experience of the past year shows that a number of sections contribute to the delivery of this activity. But in the light of the comments here, and after discussion with the Head of Planning and Environment, it is proposed that overall responsibility for this indicator is moved to the Strategic Housing section of Strategy and Performance department, and led by the Strategic Housing Manager. However, it remains critical for other sections, in particular Development Control, Building Control and Planning Policy to be fully involved and contribute to delivery and the monitoring of delivery.</p> <p>Timescale: From 1 April 2010</p>

ANNEX A

Risk & Assurance – Standard DefinitionsAudit Recommendations

Audit recommendations are categorised, depending upon the level of associated risk, as follows:

Level	Category	Definition
1	High	Action is essential to manage exposure to fundamental risks.
2	Medium	Action is necessary to manage exposure to significant risks.
3	Low	Action is desirable and should result in enhanced control or better value for money.

Assurance Statement

Each report will provide an opinion on the level of assurance that is provided with respect the risk emanating from the controls reviewed. The categories of assurance are as follows:

Category	Definition
No	The majority of the significant risks relating to the area reviewed are not effectively managed.
Limited	There are a number of significant risks relating to the area reviewed that are not effectively managed.
Substantial	The risks relating to the objectives of the areas reviewed are reasonably managed and are not cause for major concern.

What Happens Now?

The final report is distributed to those involved with discharging the recommended action, the Head of Corporate Services, Audit Commission and, where applicable, the relevant Heads of Service.

A synopsis of the audit report is provided to the authority's Audit Committee. Internal Audit will carry out a follow-up exercise approximately six months after the issue of the final audit report. The on-going progress in implementing each recommendation is reported by Internal Audit to each meeting of the Audit Committee.

Any Questions?

If you have any questions about the audit report or any aspect of the audit process please contact the auditor responsible for the review or Vince Rimmington, Manager of Audit & Risk Services on telephone number 0115 9013850 or via e-mail to vince.rimmington@gedling.gov.uk