

Audit of the Best Value Performance Plan and Performance Indicators

Plymouth City Council

Audit 2004-2005

External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of public services.

Audit in the public sector is underpinned by three fundamental principles:

- auditors are appointed independently from the bodies being audited;
- the scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business; and
- auditors may report aspects of their work widely to the public and other key stakeholders.

The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998 and the Local Government Act 1999 and the Commission's statutory Code of Audit Practice. Under the Code of Audit Practice, appointed auditors are also required to comply with the current professional standards issued by the independent Auditing Practices Board.

Appointed auditors act quite separately from the Commission and in meeting their statutory responsibilities are required to exercise their professional judgement independently of both the Commission and the audited body.

Status of our reports to the Council

Our reports are prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission. Reports are prepared by appointed auditors and addressed to members or officers. They are prepared for the sole use of the audited body, and no responsibility is taken by auditors to any member or officer in their individual capacity, or to any third party.

Copies of this report

If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0845 056 0566.

© Audit Commission 2006

For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 020 7828 1212 Fax: 020 7976 6187 Textphone (minicom): 020 7630 0421

www.audit-commission.gov.uk

Contents

Introduction and objectives	4
Audit approach	4
Findings and recommendations	5
The way forward	7
Acknowledgement	7
Appendix 1 - Summary of BVPI testing	8
Appendix 2 – Action plan	12

Introduction and objectives

- 1 The Local Government Act, 1999 (the Act), requires best value authorities to publish a best value performance plan (BVPP) each year, setting out an assessment of current performance and targets for improvements. The Act requires the external auditors of best value authorities to audit the BVPP and report whether it has been prepared and published in accordance with the Act and statutory guidance.
- 2 Auditors are also required by the Code of Audit Practice (the Code) to review best value authorities' arrangements for the management of performance, and the systems for producing specified performance information.
- 3 Our objective was to consider and report on:
 - whether the best value performance plan content met the minimum statutory requirements; and
 - the adequacy of the systems you have put in place to produce and publish the specified performance information (both to influence our audit opinion on the BVPP and to report on these arrangements to the Audit Commission).
- 4 It should be noted that this report is not the auditor's statutory audit report on the BVPP as required under section seven of the Act, 1999, which will be published later in the year.

Audit approach

Compliance audit

- 5 The extent to which the BVPP complies with legislation and revised statutory guidance was assessed by drawing upon checklists produced by the Audit Commission. This is the 'Best Value performance plan compliance checklist' and the 'Best value performance indicators (BVPI) inclusion checklist'. Copies of the documents were shared with the Council's officers as soon as they were available.

BVPI audit

- 6 To inform our judgement on the arrangements in place to ensure that BVPIs are produced in accordance with the relevant guidance, we have the following.
 - Tested all Audit Commission high-risk indicators and an additional sample of BVPIs. This additional sample has included previously amended or qualified and new indicators.
 - For each PI, obtained explanations for variances from the previous year.
 - Tested each PI to determine whether the correct definitions had been used and whether the PI had been correctly calculated.

- Reviewed the system in place to ensure that the PI was properly prepared.
 - Tested the system to ensure that it was working effectively.
- 7 We have also reviewed the quality assurance arrangements in place to ensure that the PI information supplied by the service departments is accurate.

Findings and recommendations

Compliance audit

- 8 The BVPP as published was broadly in line with the statutory requirement and good practice guidance. A summary of the expected requirements is set out below.

Table 1 BVPP compliance

Expected content	Findings
A summary of the Authority's strategic objectives and priorities for improvement.	The BVPP highlights the key documents that summarise the corporate objectives and corporate targets, namely the Corporate Plan. However, we identified a number of minor improvements that should be adopted to enhance the clarity of the plan. These have been discussed and agreed with the Council's best value officers.
Arrangements for addressing the Authority's improvement priorities.	The BVPP includes a statement regarding improvements between CPA 2002 and 2004 and makes reference to Corporate Improvement Plan. However, the BVPP does not include detail of the opportunities or weaknesses to be addressed and how the Council is going to tackle these. This has been discussed and agreed with the Council's officers.
Details of past, current and planned performance.	All of the specified performance information was included within the BVPP with the exception of BVPI 175 (See findings from BVPI audit for further details). Although not a statutory requirement, the BVPP does not include any local performance indicators. The ODPM and Audit Commission suggest that BVPPs include some local performance indicators (PIs) as they are an important measure of local performance and of the responsiveness of the Authority to meeting local needs.

Expected content	Findings
Brief statement on contracts awarded during the past year, involving a transfer of staff.	The BVPP includes a brief statement on contracts. No major contracts were awarded which involved the transfer of staff.
Has the authority published its BVPP by 30 June?	BVPP was published by 30 June 2005. It is available on the intranet, in libraries and hard copies are available on request.

Recommendations
<i>R1 The Council should ensure that the BVPP contains all required performance information.</i>
<i>R2 Although there is no mandatory requirement, it is recommended that the Council follow good practice to include local indicators to measure and report on local performance.</i>

BVPI audit

- 9 The approach to the audit of performance indicators has changed with only a sample of indicators being checked. The findings from the testing of this sample are then used to inform our judgement over the quality of performance indicators within the BVPP.
- 10 Quality assurance arrangements - we found that quality assurance arrangements developed within the Council support the integrity of the data that underpins the BVPIs and subsequently the reliability and accuracy of the reported BVPIs both in the BVPP and throughout the year.
- 11 Completeness of performance indicators - this year we found that all of the specified information was included with the exception of BVPI 175.
- 12 Accuracy of Best value performance indicators - our findings from the testing of the sample of BVPIs are summarised at Appendix 1. We have reserved our opinion on BVPI 91 and 174 as the indicators were either not fully supported, or had not been calculated in accordance with the direction and newsletters. We have informed the Audit Commission of this and it is likely that they will not include the PIs in their national database of PI comparisons.

- 13 Accuracy of non-BVPIs - the Audit Commission selected a series of non BVPIs for testing in 2004/05. These consisted of public library service (PLS) indicators and housing investment programme (HIP) indicators. We have been unable to gain assurance that a number of these indicators are reliable and accurate. Therefore, we have reserved our opinion on the library indicators PLS 5, 9 and 10 and C12a stock turnover and the housing HIP HSSA return section A6. We have reported our concerns to the Audit Commission. For CPA 2005, a reservation on a non-BVPI will mean that the data is excluded from the assessment framework and therefore will not adversely affect the overall CPA score. All of the non-BVPI errors are detailed in Appendix 1.
- 14 All errors and proposed amendments, and reservations and concerns, were agreed with responsible officers during the audit.

Recommendations
<i>R3 All BVPIs should be reviewed by the Responsible Officer, prior to the start of the audit, to ensure that they are calculated correctly, comply with the direction and newsletters and are adequately supported by detailed working papers.</i>
<i>R4 The Council should ensure that there are robust systems in place to capture and report all non-BVPI performance information.</i>

The way forward

- 15 Where a matter has arisen during the course of our audit, we have included the details in the attached action plans. This will serve to monitor the Authority's actions on the issues raised, aided by the Authority's assignment of a responsible officer and a target date for implementation.
- 16 Progress by the Authority on these will be incorporated into the planning and risk assessment for next years audit plan.

Acknowledgement

- 17 Our thanks are due to all the Authority's staff who have helped us during the audit.

Appendix 1 - Summary of BVPI testing

Table 2 Matters arising from our review of performance indicators

PI reference	Matter arising	Response
BVPI 82a	The indicator calculation agreed with the Responsible Officer differs from that in the BVPP. Therefore, this indicator has been amended from 12.18 per cent to 12.35 per cent.	The required amendment has now been made to the EDC data return. This is a non-material error.
BVPI 82b	The indicator calculation agreed with the Responsible Officer differs from that in the BVPP. Therefore, this indicator has been amended from 3.85 per cent to 3.74 per cent.	The required amendment has now been made to the EDC data return. This is a non-material error.
BVPI 91	We have discussed this indicator with the Responsible Officer. The situation remains unchanged on what was adversely reported last year. Therefore, we will reserve our opinion on this indicator and report our concerns to the Audit Commission.	A reservation has been included on the EDC data return.
BVPI 199	The indicator calculation agreed with the Responsible Officer differs from that in the BVPP. Therefore, this indicator has been amended from 14.25 per cent to 14.72 per cent.	The required amendment has now been made to the EDC data return. This is a non-material error.
BVPI 102	The figure included within the BVPP and the original data return was based on incomplete and inaccurate passenger information supplied by the external travel operators. The Responsible Officer has addressed these weaknesses during the course of the audit and has produced revised passenger figures, which we have now agreed. Therefore, the indicator has been amended from 18,735,580 to 18,600,715.	The required amendment has now been made to the EDC data return. This is a non-material error.

PI reference	Matter arising	Response
BVPI 186a	The indicator has been recalculated following discussions with the Responsible Officer. The indicator has been amended from 23.27 per cent to 11.67 per cent.	The required amendment has now been made to the EDC data return. This is a non-material error.
BVPI 174	<p>A system for monitoring racial incidents has been operating in Life Long Learning throughout the year and extended to the entire Authority from January 2005. The system contains adequate controls to ensure that all incidents and actions taken throughout the Authority are reported and this will continue to develop in the coming months.</p> <p>However, as the system has only been fully in place since the start of the calendar year incidents prior to this may not have been reported.</p> <p>Therefore, we will reserve our opinion on this indicator and report our concerns to the Audit Commission.</p>	A reservation has been included on the EDC data return.
BVPI 175	The performance indicator has not been reported on the electronic data return. We will reserve our opinion on this indicator and report our concerns to the Audit Commission.	<p>A reservation has been included on the EDC data return.</p> <p>This is classified as an omission for BVPP purposes.</p>
BVPI 177	We will reserve our opinion on this indicator and reports our concerns to the Audit Commission.	<p>A reservation has been included on the EDC data return.</p> <p>This is classified as an omission for BVPP purposes</p>

PI reference	Matter arising	Response
HIP HSSA section A6 - private sector homes vacant for more than six months	<p>The Council use the council tax system to produce this information. This system does not record empty homes in line with the indicator definition.</p> <p>We will reserve our opinion on this indicator and reports our concerns to the Audit Commission.</p>	<p>We have reported a reservation to the Audit Commission.</p> <p>Note: For CPA 2005, a reservation on a non-BVPI will mean that the data is excluded from the assessment framework and therefore will not adversely affect the overall CPA score.</p>
C12a - Stock turnover	<p>The system operates on a 'live' basis and does not operate retrospectively. Although the system may have used the correct parameters to produce the information required for this indicator it does not retain an audit trail to support the year-end figure and therefore, no further substantive testing has been possible.</p> <p>We will reserve our opinion on this indicator and reports our concerns to the Audit Commission.</p>	<p>We have reported a reservation to the Audit Commission.</p> <p>Note: for CPA 2005, a reservation on a non-BVPI will mean that the data is excluded from the assessment framework and therefore will not adversely affect the overall CPA score.</p>
Public Libraries Service Standards on Stock – PLS 5	<p>The system records reservations on a 'live' basis and does not operate retrospectively. Therefore, although the system may have used the correct parameters to produce the information required for this indicator it does not retain an audit trail to support the year-end figure and therefore no further substantive testing has been possible.</p> <p>We will reserve our opinion on this indicator and reports our concerns to the Audit Commission.</p>	<p>We have reported a reservation to the Audit Commission.</p> <p>Note: For CPA 2005, a reservation on a non-BVPI will mean that the data is excluded from the assessment framework and therefore will not adversely affect the overall CPA score.</p>

PI reference	Matter arising	Response
Public Libraries Service Standards on Stock – PLS 9	<p>The Galaxy system records additions on a 'live' basis and does not operate retrospectively. Although the system may have used the correct parameters to produce the information required for this indicator it does not retain an audit trail to support the year-end figure and therefore no further testing is possible.</p> <p>We will reserve our opinion on this indicator and reports our concerns to the Audit Commission.</p>	<p>We have reported a reservation to the Audit Commission.</p> <p>Note: for CPA 2005, a reservation on a non-BVPI will mean that the data is excluded from the assessment framework and therefore will not adversely affect the overall CPA score.</p>
Public Libraries Service Standards on Stock – PLS 10	<p>The denominator of PLS 10 is PLS 9. A reservation has been placed on PLS 9 - therefore, consistency dictates that this too should be reserved.</p> <p>We will reserve our opinion on this indicator and reports our concerns to the Audit Commission.</p>	<p>We have reported a reservation to the Audit Commission.</p> <p>Note: For CPA 2005, a reservation on a non-BVPI will mean that the data is excluded from the assessment framework and therefore will not adversely affect the overall CPA score.</p>

Appendix 2 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
6	R1 The Council should ensure that the BVPP contains all required performance information.	2	Head of Policy and Performance	Yes	Arrangements are made to ensure that performance information will be included in the 2006/07 BVPP as per the best value performance plan guidance.	March 2006
6	R2 Although there is no mandatory requirement, it is recommended that the Council follow good practice to include local indicators to measure and report on local performance.	2	Head of Policy and Performance	Yes	The Council supplement national indicators with local ones to make sure that local priorities are given appropriate prominence in political and senior management decision-making and monitoring. We report these performance indicators to members and senior officers to show progress towards achieving our local priorities. They will be included in next year's plan.	March 2006

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
7	R3 All BVPIs should be reviewed by the Responsible Officer, prior to the start of the audit, to ensure that they are calculated correctly, comply with the direction and newsletters and are adequately supported by detailed working papers.	3	Head of Policy and Performance	Yes	<p>Officers from the Corporate Performance Unit will carry out checks of all Best value Performance indicators on a risk-based approach (Pre-audit exercise). All indicators will be checked at least once during the year, prior to the Audit Commission’s external audit of the best value performance.</p> <p>Plan Any inaccuracies/discrepancies will be investigated and training given to ensure correct use of methodology and calculation in the future.</p>	February 2006
7	R4 The Council should ensure that there are robust systems in place to capture and report all non-BVPI performance information.	3	Head of Policy and Performance	Yes	Monitoring arrangements have been reinforced and integrated into our performance management framework to identify shortcomings in the collection process. This will lead to action being taken when poor performance is identified and responsibility for making the necessary changes assigned.	January 2006