



Internal Audit Report  
Education and Children's Services  
Public Performance Reporting  
Assignment No. 12-17  
June 2013

## Final Report

Chief Executive's Service  
Finance Division  
Perth & Kinross Council  
2 High Street  
Perth PH1 5PH

## Internal Audit Report

## Background and Introduction

This assignment forms part of the Internal Audit plan for 2012/2013, as approved by the Audit Sub-Committee on 27th March 2012.

In accordance with the Local Government Act 1992 and the Local Government in Scotland Act 2003, the Council is required to collect, record and publish performance information each year on areas of the Council's activity. This allows comparison between local authorities and over time and must be reported within six months of the relevant financial year end.

The Accounts Commission has a statutory power to define the performance information that local authorities must publish and does so in its annual Direction. Since the 2008 Direction, Statutory Performance Indicators (SPIs) have comprised 25 specified performance indicators together with a list of 18 areas of activity for which the Council must provide performance information to demonstrate its achievements in securing Best Value.

The Society of Local Authority Chief Executive (SOLACE) commissioned the Improvement Service to create a group of indicators which could be used to demonstrate improvements in services over time and to enable comparison between Councils with similar demographic and geographic profiles. The Accounts Commission Direction for 2012 requires the SOLACE benchmarking framework indicators (to be referred to as the Local Government Benchmarking Framework) to be used to augment the current regime, and to be reported in addition to the remaining SPIs for 2013/14.

It is the Council's responsibility under the Direction to put in place adequate procedures and controls to ensure that relevant data is available, accurate and is collected in accordance with an agreed timetable. In order to comply with the Direction, the Council produces an Annual Performance Report. The indicators included in the report are approved by Strategic Policy and Resources Committee (SP&R), which has responsibility under the Scheme of Administration for reviewing the performance and effectiveness of all the Council's work and the standards and level of service provided.

The process of data collection and reporting is co-ordinated by the Partnership and Improvement Team in Education & Children's Services.

The audit comprised a review of reports presented to the Council, the Scrutiny Committee and SP&R; the legal framework; procedures and guidelines created to ensure that the Council complied with the legislation interviews with officers responsible for the compilation of indicator information. This scope of this audit was to determine the level of compliance with the Accounts Commission Direction and the provisions in place for future performance reporting requirements.

## Acknowledgements

Internal Audit acknowledges with thanks the co-operation of Performance and Improvement during this audit.

## Control Objectives and Opinions

This section describes the purpose of the audit and summarises the results. A 'control objective' is a management objective that requires the maintenance of adequate and effective internal controls to ensure that it is achieved. Each control objective has been given a rating describing, on the basis of the audit work done, the actual strength of the internal controls found to be in place. Areas of good or poor practice are described where appropriate

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Control Objective: To ensure that the Council is complying with statutory requirements in respect of performance reporting.

### Auditor's Comments:

In compliance with the Accounts Commission Direction, the Council's Annual Performance Report includes specified SPIs together with a number of indicators taken from the current Single Outcome Agreement (including those made available by Community Planning Partners) and the Housing and Community Care Business Management and Improvement Plan which enable the Council to meet its legislative requirements under the Local Government Act 1992 and the Local Government in Scotland Act 2003.

This process is directed, and subject to review, by the Partnership and Improvement Team, which confirms that definitions are adhered to and that performance indicators are reported in June each year, within the required timescale.

In addition to the Council's Annual Performance Report each Service provides further information on its own performance through their Business Management Improvement Plans and the six-monthly updates. Further public reporting is achieved through the Annual Performance Summary and by specific performance related pages on the Council's website.

The Accounts Commission's 2008 Direction detailed a number of changes to the requirements for Public Performance Reporting. These included the reduction in number of specified statutory performance indicators, the inclusion of a range of

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indicators to demonstrate Best Value and the change in emphasis to ensure that Councils had made adequate arrangements to ensure that data is accurate as part of their annual performance reporting. As a result, the Council established a risk-based review process to ensure that Services had robust procedures in place to stand alongside the Corporate Process to ensure the timely reporting of all P Is as required by legislation. This process is ongoing.

For the 2011/12 Annual Performance Report, all those indicators pertaining to educational attainment were reported to be expected later in the calendar year and were reported to the Lifelong Learning Committee on 31 October 2012.

Procedures, which would enable officers to fulfil the requirements of the Direction, were found to be in place for the indicators tested.

To ensure compliance with the responsibility of Councils to provide accurate information the Corporate Procedures detail the role of the checker however, the Service procedures examined were not explicit in the requirements of the role of the checkers.

Strength of Internal Controls:

Moderately Strong

**Control Objective:** To ensure that arrangements are adequate and appropriate to meet the anticipated changes in performance reporting

**Auditor's Comments:** The Accounts Commission Direction 2012 has determined the requirements for reporting for the year 2013/14.

Written procedures to ensure consistency of the data reported were available for all of the indicators which were known as retained or specified indicators.

The Improvement Service issued benchmarking information to enable comparison with other Councils for 2010/11 and 2011/12. Progress was reported to SP&R and Scrutiny Committees in April 2013 (report 13/163 refers). The Committees resolved to note the replacement of SPIs with the Local Government Benchmarking Framework. However, the Direction requires that SPIs which address 18 areas of Council activity will still have to be reported annually, in addition to the benchmarking framework. The Council should make arrangements to ensure the continued reporting on all categories of activity required by the latest Direction.

Strength of Internal Controls:

Moderately Strong

## Management Action and Follow-Up

Responsibility for the maintenance of adequate and effective internal controls rests with management.

Where the audit has identified areas where a response by management is required, these are listed in Appendix 1, along with an indication of the importance of each 'action point'. Appendix 2 describes these action points in more detail, and records the action plan that has been developed by management in response to each point.

It is management's responsibility to ensure that the action plan presented in this report is achievable and appropriate to the circumstances. Where a decision is taken not to act in response to this report, it is the responsibility of management to assess and accept the risks arising from non-implementation.

Achievement of the action plan is monitored through Internal Audit's 'follow up' arrangements.

Management should ensure that the relevant risk profiles are reviewed and updated where necessary to take account of the contents of Internal Audit reports. The completeness of risk profiles will be examined as part of Internal Audit's normal planned work.

## Feedback

Internal Audit welcomes feedback from management, in connection with this audit or with the Internal Audit service in general.

## Distribution

This report has been distributed to:

B Malone, Chief Executive

J Fyffe, Executive Director (Education & Children's Services)

B. Renton, Depute Director (Environment)

P Graham, Corporate Organisational Development Manager

M. Cochlan, Acting Partnership and Improvement Manager

G Taylor, Head of Democratic Services

P Dickson, Complaints & Governance Officer

External Audit

## Authorisation

The auditor for this assignment was A Gallacher. The supervising auditor was D Farquhar.

This report is authorised for issue:

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Jacqueline Clark  
Chief Internal Auditor  
Date: 4 June 2013

## Internal Audit Report

Appendix 1: Summary of Action Points

No.	Action Point	Risk/Importance
1	<a href="#">Reporting Requirements</a>	Low
2	<a href="#">Role of the Checker in ensuring Accuracy</a>	Low
3	<a href="#">Preparedness for the 2012 Direction</a>	Medium

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## Appendix 2: Action Plan

### Action Point 1 - Reporting Requirements

The requirements of the 2010 Direction are that the period for which information must be published is the financial year ending 31<sup>st</sup> March 2012 and it must be presented within 6 months of that date i.e. by the end of September 2012.

In the Annual Performance Report 2011/12, for the Education of Children attainment indicators, no information was presented for the financial year 2011/12, although a note was made that results from the academic year would be available in September 2012. Results from examinations awarded within the financial year 2011/12, were presented in the report as pertaining to the financial year 2010/11.

Whilst the Direction requires publication of results for the end of the financial year, it is noted that the Council's approach is consistent with other councils.

### Management Action Plan

To ensure consistency between the attainment results presented in the Council's Annual Performance Report and the Annual Attainment Report, the results are presented in both reports for the same academic year. A footnote will be added to the Council's Annual Performance Report to make this clear.

Importance:	Low
Responsible Officer:	Michelle Cochlan
Lead Service:	Education & Children's Services
Date for Completion (Month / Year):	June 2013
Required Evidence of Completion:	Annual Performance Report 2012/13

### Auditor's Comments

Satisfactory

## Action Point 2 - Role of the Checker in ensuring Accuracy

The role of the performance indicator checker forms part of the process to ensure the adequacy, accuracy and reliability of performance information. The Corporate Guidance states that “The PI checker must conduct the necessary checks against working papers (written procedures and Audit Scotland Guidance for SPIs) to ensure that the information submitted by the PI Collator is correct and calculated properly”. The Corporate Guidance describes how the checker should fulfil their role to comply with the Direction, including the retention of working papers, confirming calculations.

Service Procedures for 5 PIs were examined to confirm that the role of the checker in ensuring the accuracy of the information reported. Of those checked it was found that the specific role of the checker in confirming accuracy of data was not made explicit in all of the indicators e.g. agreeing to supporting reports, recalculation etc.

### Management Action Plan

The Corporate Guidance includes clear instruction on the role of the checker. Written procedures are reviewed annually to ensure that roles and responsibilities are clearly set out. Services will be reminded to be as explicit as possible about the roles of all responsible officers, including the checker.

Importance:	Low
Responsible Officer:	Michelle Cochlan
Lead Service:	Education & Children’s Services
Date for Completion (Month / Year):	April 2014
Required Evidence of Completion:	Minute of annual meeting with responsible officers.

### Auditor’s Comments

Satisfactory

### Action Point 3 - Preparedness for the 2012 Direction

The 2012 Accounts Commission Direction sets out the requirements for reporting performance for 2013/14. The SPIs required are described in three groups covering corporate management, service performance and the Local Government Benchmarking Framework.

At their meetings in April 2013 SP&R and Scrutiny Committees resolved to note “the replacement of Audit Scotland SPIs with the local benchmarking framework” (report 13/163 refers). However, the auditor noted that SPIs 1 & 2 (which cover eighteen areas of Council activity) are still required by the 2012 Direction.

There is a risk that, in applying this position, the Council will not report on the eighteen areas of activity which are still required by the Accounts Commission Direction.

### Management Action Plan

The Council’s response to the 2010 Direction was approved by SP&R Committee on 21 April 2010. This included a list of indicators which cover the eighteen areas of Council activity specified by SPIs 1 & 2. To ensure that the Council continues to comply with the 2012 Direction, the Annual Performance Report 2013/14 will continue to report on the indicators identified in April 2010 or an acceptable substitute where applicable.

Importance:	Medium
Responsible Officer:	Michelle Cochlan
Lead Service:	Education & Children’s Services
Date for Completion (Month / Year):	June 2014
Required Evidence of Completion:	Annual Performance Report 2013/14

### Auditor’s Comments

Satisfactory

