

Audit Detailed Report

March 2006



# **Best Value Performance Plan and Indicators Report**

**Chorley Borough Council**

**Audit 2005-2006**

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- 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
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# Summary report

## Introduction

- 1 Our Audit and Inspection Plan for 2005/06 outlines the work that we propose to undertake in 2005/06, with the new Code of Audit Practice providing a clearer focus of audit effort on overall financial and performance management arrangements. This report sets out the results of our review of arrangements to ensure:
  - the best value performance plan (BVPP) has been prepared and published in accordance with statutory guidance, as part of our duty to review arrangements to ensure compliance with the general duty of best value; and
  - the data quality of performance information.

## Background

- 2 Best value, along with the comprehensive performance assessment (CPA), forms an integral part of the Government's programme for the modernisation of local government. Both initiatives are inter-linked and provide a framework within which councils can seek to improve local service standards and performance.
- 3 Accurate performance information is the cornerstone for securing improvements in performance. This can only be achieved through the development of robust systems of information production and reporting.

## Audit approach

### Best value performance plan

- 4 Our review of your BVPP includes an assessment of:
  - BVPP compliance with statutory requirements in respect of preparation and publication; and
  - Inclusion of all specified performance information in the BVPP.

### Performance indicator data quality

- 5 We have reviewed arrangements in place to ensure the data quality of performance information, including work undertaken by Internal Audit, focusing on best value performance indicators (BVPIs). To confirm the adequacy of these arrangements, we have used a risk-based approach to test:
  - the accuracy of performance information;
  - compliance with standard BVPI definitions; and
  - the adequacy of the audit trail and supporting evidence.

## **Main conclusions**

- 6 The Council's BVPP complied with statutory guidance. We have not identified any matters to report to the Council and have no recommendations to make on procedures in relation to the plan in our statutory report, which is attached at Appendix 2.
- 7 The quality assurance arrangements on performance data quality is under developed as reflected in 40 per cent of 2005/06 BVPIs being inaccurate, with reservations placed on 5 out of 48 BVPIs. Guidance is available to staff on intranet, but a more proactive and standardised approach is required given the number of errors identified by external and Internal Audit.
- 8 Improvements in the quality assurance framework would allow the Audit Commission to reduce its future level of testing and related fee by placing greater reliance on the Council's own arrangements.

## Detailed report

### Best value performance plan

- 9 The BVPP complied with statutory guidance in all significant areas, although we identified several minor areas of non-compliance.
- 10 Table 1 summarises those areas of non-compliance, together with several other issues.

**Table 1 BVPP compliance**

The BVPP complied with statutory guidance in all significant areas

Area	Issue
<b>Compliance</b>	
Omission of targets	Targets for 2005/06 to 2007/08 had not been set for BV203.
<b>Other</b>	
Misstatement of 2004/05 outturn	2004/05 outturn for the following BVPIs was either misstated or could not be verified: BVPI 156, 183b, 184a, 185, 203, 76c, 199 and 205.
Misstatement of 2004/05 targets	2004/05 targets did not agree to last year's BVPP for six BVPIs subject to audit. However, with the exception of BV157, notes have been included in the BVPP to explain the reason for the variance.
Inconsistency of information	We identified inconsistencies between BVPI information in sections two and four of the BVPP.

*Source: Audit Commission*

## Performance indicator data quality

### Assessment of BVPI accuracy and compliance with standard definitions

- 11 We have used a risk-based approach to select a sample of BVPIs to test:
- the accuracy of performance information;
  - compliance with standard BVPI definitions; and
  - the adequacy of the audit trail and supporting evidence.
- 12 Table 2 summarises the results of our assessment of BVPI accuracy and compliance with standard definitions.

**Table 2 BVPIs**

Forty per cent of BVPIs are inaccurate, with reservations placed on five BVPIs

Category	Accurate		Level of inaccuracy			
	Yes	No	1-5%	5-15%	15%+	Q
Corporate health	8	5	3	1	1	-
Housing	6	6	1	-	2	3
Benefits	2	1	-	1	-	-
Environment	4	1	-	-	-	1
Planning	3	3	-	-	2	1
Environmental health	1	-	-	-	-	-
Cultural services	1	-	-	-	-	-
Community safety	3	3	2	1	-	-
Community legal service	1	-	-	-	-	-
<b>Total</b>	<b>29</b>	<b>19</b>	<b>6</b>	<b>3</b>	<b>5</b>	<b>5</b>

Source: Audit Commission

- 13 Whilst the number of inaccuracies has fallen when compared to 2003/04, the number of BVPIs that were misstated by 15 per cent or more has not improved. The number of BVPIs on which we have placed a reservation has increased from two to five, including BV199 and BV205, which were identified by the Audit Commission for particular attention. Appendix 1 shows those indicators which were amended or on which reservations were placed following our audit.

### **Adequacy of audit trail and supporting documentation**

- 14 Appendix 1 provides details of any problems with the adequacy of the audit trail and supporting documentation. Despite Corporate and Policy Services Unit provided guidance on website there remains variation on the quality of supporting documentation for the various performance indicators.

### **Internal quality assurance arrangements**

- 15 The Corporate and Policy Services Unit plays a key role in ensuring that the information used to monitor performance can be relied upon. Last year, we recommended that the Council should consider how it satisfies itself that BVPIs are accurately calculated in accordance with standard definitions and that sufficient evidence has been retained. More action is needed in this respect as supported by the number of inaccuracies identified.
- 16 Whilst targets and outturn figures are reviewed centrally by the Corporate and Policy Services Unit, there is no evidence of this process and no centrally co-ordinated approach to service level reviews. This is particularly important since outturn figures are entered directly on the performance management system without authorisation from Heads of Service.
- 17 ODPM guidance on BVPIs, as well as advice on the retention of adequate supporting documentation, is available to staff via the intranet. In addition, the Audit Commission BVPI newsletter, which has not been posted on the intranet, was circulated to Heads of Service. However, the nature of a number of errors identified by external and Internal Audit suggests that this guidance is not being properly considered and followed. There is also evidence from Internal Audit testing that in some cases the newsletter did not reach staff responsible for calculating BVPIs.
- 18 Limited guidance on target setting, which is a crucial component of effective performance management arrangements, has been made available to staff. We identified a number of BVPIs where some or all of the targets for 2005/06 to 2007/08:
- do not reflect 2004/05 outturn;
  - do not promote continuous improvement; or
  - do not fully consider the BVPI definition.
- 19 Whilst there may be justifiable reasons for this in some cases, developing formal guidance on target setting would help to ensure that SMART targets are set.



- 20 Internal Audit acts as the Council's main control mechanism to ensure the accuracy of performance information and the adequacy of supporting systems. However, the risk-based approach used by Internal Audit means that only a proportion of BVPIs are subject to internal scrutiny every year.
- 21 Furthermore, this is a relatively expensive control, as the failings in the rest of the quality assurance process means that Internal Audit have been unable to cover all indicators, despite the audit taking twice as long as was originally planned. By improving data quality, IA could review more BVPIs or reduce their level of testing.
- 22 For 2005/06, we understand that the Council intends to use Internal Audit to review the new quality assurance arrangements to ensure that BVPIs have been correctly calculated. It is important that the Corporate and Policy Service Unit retains ownership of the process of BVPI compilation and ensures that there are adequate quality assurance arrangements in place for all BVPIs.
- 23 Quality assurance arrangements could easily be further improved through the use of analytical review period comparisons of performance and standard proformas. Analytical review techniques can be used to identify:
  - possible errors in the collation of PIs;
  - the 'realism' of targets and the accuracy of reported performance; and
  - significant and/or unexpected variances (to be identified and resolved).
- 24 Improvements in the quality assurance framework would allow us to reduce our level of testing and related fee by placing greater reliance on the Council's own arrangements.

## Appendix 1 – Performance indicators

- 1 Table 3 provides details of those BVPIs which were amended or on which a reservation was placed following our audit or where there were problems with supporting documentation.

**Table 3 Performance Indicators**

Forty per cent of BVPIs are inaccurate, with reservations placed on five BVPIs and two housing performance indicators

BVPI	Description	Value in BVPP	Correct value	Misstatement	Comment
<b>Corporate health</b>					
1b	If a=yes, when will full review be completed? Will it be on time?	Not completed	-	-	Incorrect format used in BVPP.
2b	The duty to promote race equality.	79%	79%	-	Amendment to original figure of 78 per cent made prior to BVPP publication. Error in calculation.
11a	The percentage of top 5 per cent of earners that are women.	20.83	20.83	-	Internal Audit identified that pay rates used were incorrect. However, this has not affected the reported level of performance.
12	The average working days/ shifts lost due to sickness per FTE.	9.67	9.59	-0.83%	Internal Audit identified errors in calculation and problems with system used to calculate performance. No amendment required since error is less than 1 per cent.

<b>BVPI</b>	<b>Description</b>	<b>Value in BVPP</b>	<b>Correct value</b>	<b>Misstatement</b>	<b>Comment</b>
14	Early retirements as a percentage of total workforce.	1.3	1.3	-	Amendment to original figure of 1.55 per cent made prior to BVPP publication, following work by Internal Audit.
15	Ill-health retirements as a percentage of total workforce.	0.22%	0.22%	-	Errors in calculation identified by Internal Audit, although this has not affected the reported level of performance.
16a	Percentage of LA employees declaring they are disabled per Disability Discrimination Act.	3.52%	3.52%	-	Amendment to original figure of 3.44 per cent made prior to BVPP publication, following work by Internal Audit.
17a	Percentage of LA employees from minority ethnic communities.	1.37%	1.37%	-	Amendment to original figure of 1.45 per cent made prior to BVPP publication, following work by Internal Audit.
156	Authority building open to the public accessible by disabled.	78%	76.47%	-1.96%	Internal Audit identified that a building from which the Council does not provide a service has been included in calculation, although it has not been possible to agree an amendment.

BVPI	Description	Value in BVPP	Correct value	Misstatement	Comment
<b>Housing</b>					
63	Average SAP energy efficiency rating of LA owned dwellings.	69	69	-	A number of dwellings that were demolished during the year were incorrectly included in the original calculation. Amendment to original figure of 70 made prior to BVPP publication.
183b	Average length of stay in hostel accommodation.	13	-	-	We have concerns over the integrity of the database from which performance is calculated and the accuracy of the information held on the database. As a result, a reservation has been placed on BV183b.
184a	Proportion of LA homes that were non-decent at 1 April 2004.	5.69%	11.22%	97.19%	Performance has been based on the non-decent homes at the end of year rather than the beginning of the year.
184b	Percentage change in proportion of non-decent homes 2004 to 2005.	51.53%	51.29	-0.47%	Minor error in calculation due to error in BV184a. No amendment required since error is less than 1 per cent.

BVPI	Description	Value in BVPP	Correct value	Misstatement	Comment
185	Percentage of appointments made and kept for responsive repairs.	78.56	-	-	There is an assumption that appointments are kept for all jobs where an appointment is made. A reservation has been placed on BV185 due to a lack of evidence to support this assumption.
202	Number of people sleeping rough on a single night within the area of the local authority.	6	6	-	Amendment to original figure of zero made prior to BVPP publication, following work by Internal Audit.
203	Percentage change in average number of families in temporary accommodation.	63.64%	-	-	Prime documentation has not been retained to support the calculation. A reservation has been placed on BV203, following work by Internal Audit.
HIP BPSA section E3	Re-let times.	39.44%	-	-	<i>Non-compliance with definition. As a result, a reservation has been placed on HIP BPSA section E3.</i>
HIP HSSA sections A1 and A6	Private sector homes vacant for more than six months.	705	-	-	<i>System inadequate. As a result, a reservation has been placed on HIP HSSA sections A1 and A6.</i>

BVPI	Description	Value in BVPP	Correct value	Misstatement	Comment
<b>Housing benefit and council tax benefit</b>					
76c	Number of fraud investigations per 1,000 caseload.	47	41.52	-11.66%	Performance was based on information that was subsequently found to be inaccurate in quarters one and two.
<b>Environment</b>					
199	The proportion of relevant land having combined deposits of litter and detritus.	14%	-	-	The Council has not complied with requirement to survey a minimum of 300 sites and at least 30 sites in across the ten standard land use categories in each of the three seasonal periods. As a result, a reservation has been placed on BV199.
<b>Planning</b>					
106	Percentage of new homes built on previously developed land.	37.2%	37.2%	-	Amendment to original figure of 29.6 per cent made prior to BVPP publication. Initial work was undertaken by Internal Audit.
204	Percentage of appeals against an authorities decision to refuse planning applications.	18%	18%	-	Amendment to original figure of 15 per cent made prior to BVPP publication. Initial work was undertaken by Internal Audit.

BVPI	Description	Value in BVPP	Correct value	Misstatement	Comment
205	Quality of service checklist	55.55%	-	-	Prime documentation has not been retained to support the calculation. As a result, a reservation has been placed on BV205.
<b>Culture and related services</b>					
170a	Visits to/use of museums per 1,000 population.	268	268	-	Working papers, which were originally requested on the 16 June, were slow to materialise.
170b	Visits that were in person per 1,000 population.	247	247	-	As BV170a.
170c	The number of pupils visiting museums and galleries in organised school groups.	2,311	2,311	-	As BV170a.
<b>Community safety</b>					
126	Domestic burglaries per 1,000 households.	7.68	7.68	-	Amendment to original figure of 8.45 made prior to BVPP publication. Documentation provided did not support the number of burglaries originally reported. Initial work was undertaken by Internal Audit.

<b>BVPI</b>	<b>Description</b>	<b>Value in BVPP</b>	<b>Correct value</b>	<b>Misstatement</b>	<b>Comment</b>
127a	Violent offences by a stranger per 1,000 population.	7.56	7.56	-	Amendment to original figure of 7.85 made prior to BVPP publication. Documentation provided did not support the number of violent offences originally reported.
127b	Violent offences in a public place per 1,000 population.	13.47	13.47	-	Amendment to original figure of 7.85 made prior to BVPP publication. Same reason as for BV127a.
127c	Violent offences in connection with licensed premises per 1,000 population.	2.59	2.59	-	Amendment to original figure of 2.66 made prior to BVPP publication. Same reason as for BV127a.
127d	Violent offences committed under the influence per 1,000 population.	7.74	7.74	-	Amendment to original figure of 7.89 made prior to BVPP publication. Same reason as for BV127a.
128	Vehicle crimes per 1,000 population.	9.46	9.46	-	Amendment to original figure of 9.605 made prior to BVPP publication. Documentation provided did not support the number of vehicle crimes originally reported.

Source: Chorley Borough Council



## **Appendix 2 – Auditor’s statutory report on the best value performance plan**

### **Auditor’s report to Chorley Borough Council on its best value performance plan**

#### **Authority’s responsibilities**

- 1** The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to regularly review the adequacy and effectiveness of these arrangements. Under the Local Government Act 1999 (the Act), the Council is required to prepare and publish a best value performance plan summarising the Council’s assessments of its performance and position in relation to its statutory duty to make arrangements to secure continuous improvement to the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 2** The Council is responsible for the preparation of the plan and for the information and assessments set out within it. The Council is also responsible for establishing appropriate corporate performance management and financial management arrangements from which the information and assessments in its plan are derived. The form and content of the best value performance plan are prescribed in section 6 of the Act and statutory guidance issued by the Government.

#### **Auditors' responsibilities**

- 3** I am required by section 7 of the Local Government Act 1999 and the Audit Commission’s statutory Code of Audit Practice to carry out an audit of the council’s best value performance plan, certify that I have done so, and report:
  - any matters that prevent me from concluding that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and
  - where appropriate, making any recommendations under section 7 of the Local Government Act 1999.

#### **Report and recommendations**

- 4** I certify that we have audited the Council’s best value performance plan in accordance with section 7 of the Local Government Act 1999 and the Audit Commission’s statutory Code of Audit Practice.

- 5 In preparing my report I am not required to form a view on the completeness or accuracy of the information or the realism and achievability of the assessments published by the Council. My work, therefore, comprised a review and assessment of the plan and, where appropriate, examination on a test basis of relevant evidence, sufficient to satisfy me that the plan includes those matters prescribed in legislation and statutory guidance and that the arrangements for publishing the plan complied with the requirements of the legislation and statutory guidance.
- 6 I have not identified any matters to report to the Authority.
- 7 I have no recommendations to make on procedures in relation to the plan.

Mike Thomas  
12 December 2005

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## Appendix 3 – Action plan

Recommendations	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
<b>BV performance indicator quality assurance and target setting</b>					
R1 Introduce standardised proformas and procedures to improve the overall BVPI quality assurance arrangements.	3	Corporate and Policy Services (JR)	Yes	Proformas to be introduced for all BVPIs, KPIs and LAA PIs. Form to record data, collection details, targets, variance analysis and authorisation.	1 April 2006
R2 Introduce analytical review techniques to obtain greater assurance on the accuracy of BVPIs, especially those not tested by Internal Audit.	3	Corporate and Policy Services (JR)	Yes	Proforma to include variance analysis. Performance Plus software to be used independently to identify and verify variances.	1 April 2006
R3 Ensure all BVPIs with reservations are fully investigated and rectified to avoid future qualifications.	3	Corporate and Policy Services (JR)	Yes	Corporate and Policy Services to meet with relevant Service Heads to discuss reservations and identify appropriate action. Internal Audit to provide advice and guidance as needed.	28 February 2006

Recommendations	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
R4 Develop formal guidance on target setting to include: <ul style="list-style-type: none"> <li>• protocols on target-setting;</li> <li>• details of targets that have been nationally set;</li> <li>• details of targets set in other statutory plans; and</li> <li>• the need for action plans showing how targets are to be met.</li> </ul>	3/2	Corporate and Policy Services (JR)	Yes	Guidance to be produced.	31 March 2006