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About this report

This report has been prepared in accordance with the responsibilities set out within the Audit Scotland's *Code of Audit Practice* ("the *Code*").

This report is for the benefit of East Lothian Council ("Council") and is made available to Audit Scotland and the Accounts Commission (together "the beneficiaries"), and has been released to the beneficiaries on the basis that wider disclosure is permitted for information purposes, but that we have not taken account of the wider requirements or circumstances of anyone other than the beneficiaries.

Nothing in this report constitutes an opinion on a valuation or legal advice.

We have not verified the reliability or accuracy of any information obtained in the course of our work, other than in the limited circumstances required to complete the questionnaire.

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This report a is presented in connection with our audit for the year ended 31 March 2014 under the terms of our appointment by the Accounts Commission for Scotland.

This report outlines our findings from a review of East Lothian Council's ("the Council") approach to Statutory Performance Indicators (SPIs).

Background

Under the Local Government Act 1991, local authorities have a statutory duty to ensure appropriate arrangements are in place for collecting, recording and publishing performance information. Auditors have a statutory duty to be satisfied that the council has made adequate arrangements for collecting and recording information, and for publishing it, as are required for the performance of their duties.

The Accounts Commission has a statutory power to define the performance information that local authorities must publish. From 2013-14, performance indicators are no longer specified but criteria is provided to guide local authorities in the performance indicators they should develop and report.

Audit Scotland provides auditors with a pro forma template to review the Council's SPIs. The aim of this template is to assess whether adequate arrangements are in place for collection and publication of accurate and complete information in relation to the SPI categories, and report our findings to Audit Scotland.

Approach

Our audit approach has therefore involved a review of policies and procedures in operation at the Council as well as information gathering in respect of SPI monitoring and reporting. To support reporting to the Accounts Commission, we have included judgements on the effectiveness of performance management arrangements within the Council.

This report is structured to answer the specific questions identified in the stage one pro forma provided by Audit Scotland. This focuses on two key areas:

■ planning arrangements

■ systems assessment

The audit of SPIs is a two stage process. Our findings from the initial stage are outlined within the summary of findings. The results of the second stage, assessing the quality of PPR, will be reported to the Accounts Commission by May 2015.

Statutory Performance Indicators

As part of our review of performance management, Audit Scotland require specific consideration of SPIs. The aim of this work is to assess how authorities are compiling and reporting data and ensuring it is complete and accurate. Local authorities have a statutory duty to ensure appropriate arrangements are in place for collecting, recording and publishing performance information. Auditors have a statutory duty to be satisfied that the council has made adequate arrangements for collecting and recording information, and for publishing it, as are required for the performance of their duties.

1. To ascertain and appraise the council's overall approach to Scottish Local Government Benchmarking Framework indicators and Public Performance Reporting		
Area	**Procedures**	**KPMG comment**
Planning arrangements	Inspect and assess the council's overall plans for collecting performance information.	Each KPI is assigned a responsible officer, or a collator, who is responsible for the collection of data. Each KPI also has a verifier to confirm the data is complete and accurate. The collator is then responsible for uploading the information to Aspireview, or passing it to the policy officer. The KPI data is due to be collected by the end of August, to link with the deadline for reporting the Local Government Benchmarking Framework data. Data is collected from a variety of sources and is maintained in the performance monitoring system, Aspireview. The requirements for quality data, as well as the processes for the collection of data, are outlined in the performance data quality policy.
	Confirm the work the council has done to identify the information its communities want to see and how this has impacted on the council's arrangements.	A survey of residents was last conducted in 2011, where questions were asked to identify the issues that were most important to the community. This informed the planning process and helped to prioritise KPIs. Due to high costs and a low response rate of the surveys, the Council is moving to a citizens' panel approach for consultation of residents. The panel has recently been established and contains approximately 1600 consultees, who have agreed to answer questions sent by the Council on a quarterly basis. The members of the panel have been recruited to be representative of the wider population of East Lothian. However, as this has recently been established, the first consultation has not yet taken place.

1. To ascertain and appraise the council's overall approach to Scottish Local Government Benchmarking Framework indicators and Public Performance Reporting (continued)		
Area	**Procedures**	**KPMG comment**
Planning arrangements (continued)	Confirm the work the council has done to identify the information its communities want to see and how this has impacted on the council's arrangements.	KPIs are developed with feedback from the policy and performance review committee to ensure the key issues are appropriately addressed. This process was last performed in April 2013, but the KPIs are currently in review and will be taken to the policy and performance review committee once they have been redrafted. Elected members are asked for feedback on performance related matters, as they are seen as intrinsically linked to their communities.
	Inspect and assess the alignment of performance measures to key priorities and outcomes.	Performance indicators are developed using the council plan objectives, Single Outcome Agreement outcomes and SPI categories. Each objective, outcome and category is linked to at least one indicator during the development process. This was most recently performed in April 2013, when the most recent indicators were reviewed. A report was presented to the policy and performance review committee on 30 April 2013 showing how these are aligned. This process is currently ongoing as the indicators are being redeveloped for 2014-15. The SPI categories and SOA outcomes have been sent to heads of departments in a spreadsheet format to ensure there is a clear indicator for each one. This is also in response to Audit Scotland feedback that some indicators were not explicitly aligned.
	For the indicators listed in SPI 1 and 2 inspect and assess the council's plans for collection and reporting.	In the 30 April 2013 report to the policy and performance review committee each indicator listed in SPI1 and 2 were linked to at least one KPI. However, some weaknesses were noted by Audit Scotland in this linking, particularly in the area of procurement. A review is currently being performed to ensure each indicator from SPI1 and 2 is explicitly linked to a Council KPI. This is being completed by each service for the KPIs for which they are responsible, and will then go to the policy and performance review committee and the CMT for scrutiny before being implemented. The data is collected in Aspireview and reported in the annual performance report, as well as through updates on the performance website.

1. To ascertain and appraise the council's overall approach to Scottish Local Government Benchmarking Framework indicators and Public Performance Reporting (continued)		
Area	**Procedures**	**KPMG comment**
Planning arrangements (continued)	Confirm the council's plans for internal verification of the indicators listed in SPI 1 and 2.	Each service must fill out a verification sheet for their KPIs. Performance against the KPI is reported by the collator and verified by both the assigned verifier and the head of service. Internal audit also verify a sample of performance indicators, using a risk based approach to. Going forward, this will be performed jointly with Midlothian Council. The councils will work together to indentify the performance indicators that are most important to each council, and test these in both councils. This is due to be completed by September 2014.
	Inspect and assess the council's plans for publishing indicators and performance information.	The East Lothian Council Annual Performance Report is completed on an annual basis and is due to be published October 2014. However, updates against indicators are reported on the performance website more frequently. The website is automatically updated when Aspireview is updated. Some indicators can be measured quarterly. Progress against these reported to the policy and performance review committee on a quarterly basis, and this is published on the website. The quarterly reports focus on areas of challenge and how performance can be improved. The annual report shows both achievements and challenges. The Scottish Local Government Benchmarking Framework indicators are due to be published by December 2014, once the collation exercise is complete. The completion deadline is the end of August and the process is running on schedule. These indicators will be published on the performance website, and also referenced in the annual report. The full SLGBF for all authorities will be published at a later date. Once these results are available, there will be a separate report to the policy and performance review committee and published on the website to show how East Lothian Council's results compare with other local authorities. The majority of comparative data comes from the SLGBF on an annual basis. If there is a comparative available for an indicator, it will be shown on alongside the East Lothian Council position on a graph linked to the indicator on the performance website. The website also shows whether the position of the indicator has increased or decreased since they were last reported. Prior period results are also shown on the graph.

2. To ascertain and appraise the council's systems for Scottish Local Government Benchmarking Framework indicators and Public Performance Reporting		
Area	**Procedures**	**KPMG comment**
Planning arrangements (continued)	Inspect and assess the council's plans for publishing indicators and performance information	The overall reporting contains varying levels of quantitative and qualitative information. There are links in the annual performance report to guide users to the performance website for further information on the indicators.
System Assessment	Inspect the council's progress against their planned timetable for collecting and publishing performance information. Consider the impact of any delays.	The council is on track with the timetable for the Scottish Local Government Benchmarking Framework reporting, due to be completed at the end of August 2014, as the majority of the information required for this has been received. However, the progress has been slower than anticipated on SPI reporting due to a change in process in 2013-14. As the specific indicators are no longer specified, the Council has implemented new indicators in 2013-14 and employees are not used to reporting these. There have also been various staffing changes in the year. However, although the Council is behind in collecting verification sheets, the annual performance report is not due for publication until October and they are still on track for this deadline.
	Confirm the internal verification that has taken place. Review the results and action taken.	Internal verification takes place on the verification checklist completed for each indicator. An example was reviewed and had been verified by the verifier and the head of service. However, not all checklists have been completed to date. Internal audit are also due to perform further verification checks, however as the process is still ongoing, this has not yet taken place.

2. To ascertain and appraise the council's systems for Scottish Local Government Benchmarking Framework indicators and Public Performance Reporting		
Area	**Procedures**	**KPMG comment**
Planning arrangements (continued)	Confirm that arrangements for collection, verification and reporting are communicated to all staff involved and understood.	The arrangements for the collection, verification and reporting of data is outlined in the Performance Data Quality Policy, which is available to all staff. This is followed up with emails from policy officer responsible for the SPI process to the collators. One-to-one meetings are available for staff who may not be clear on the process, however there is no formal training. To update indicators in Aspireview, collators can do this directly and upload their supporting documentation, or pass on the information to the policy officer to upload for them.

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cutting through complexity