

REPORT TO: Audit and Governance Committee

MEETING DATE: 12 June 2018

BY: Depute Chief Executive (Resources & People Services)

SUBJECT: Internal Audit Report – Performance Indicators

1 PURPOSE

- 1.1 To inform the Audit and Governance Committee of the recently issued audit report on Performance Indicators.

2 RECOMMENDATION

- 2.1 That the Audit and Governance Committee note the contents of the Executive Summary and Action Plan.

3 BACKGROUND

- 3.1 As part of the Audit Plan for 2017/18, a review was undertaken of the systems in place for the preparation and reporting of performance information. Our review has focused on the Local Government Benchmarking Framework (LGBF) indicators for 2016/17.
- 3.2 The main objective of the audit was to ensure that the performance information for East Lothian Council, published in the LGBF National Benchmarking Overview Report 2016/17, was accurate and complete.
- 3.3 The main findings from our audit work are outlined in the attached report.

4 POLICY IMPLICATIONS

- 4.1 None

5 INTEGRATED IMPACT ASSESSMENT

- 5.1 The subject of this report does not affect the wellbeing of the community or have a significant impact on equality, the environment or economy.

6 RESOURCE IMPLICATIONS

- 6.1 Financial - None
6.2 Personnel - None
6.3 Other - None

7 BACKGROUND PAPERS

- 7.1 None

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EAST LOTHIAN COUNCIL – INTERNAL AUDIT PERFORMANCE INDICATORS

1. EXECUTIVE SUMMARY

1.1 Introduction

As part of the Audit Plan for 2017/18, a review was undertaken of the systems in place for the preparation and reporting of performance information. Our review has focused on the Local Government Benchmarking Framework (LGBF) indicators for 2016/17.

We selected three indicators for financial year 2016/17 for review:

- ECON2 – Cost per planning application
- ENV3a – Net cost of street cleaning per 1,000 population
- ENV4a – Cost of maintenance per kilometre of roads

1.2 Areas where Expected Controls were Met

- ECON2 – Cost per planning application. For 2016/17, East Lothian Council's reported figure for the cost per planning application was £2,823 (2015/16 – £2,504). We note that the reported figure was well below the Scottish average of £4,635. We were able to verify the figures used in the calculation for this indicator to supporting documentation.

1.3 Areas with Scope for Improvement

- ENV3a – Net cost of street cleaning per 1,000 population. For 2016/17, East Lothian Council's reported figure for the net cost of street cleaning per 1,000 population was £22,663 (2015/16 – £13,013). We note that the reported figure was the second highest of all local authorities in Scotland and was significantly in excess of the Scottish average of £14,726. We note that for this indicator the reported figure was incorrect. We further note that following publication of the national report, a detailed review of this indicator was undertaken by the service area and Business Finance. The review highlighted that the reported cost of £22,663 was inaccurate – it included costs that did not relate to street cleaning. We are concerned that this error had not been identified prior to the publication of the national report. We further note that service areas are not currently required to check and sign off information, which subsequently forms part of the LGBF indicators. *Risk – performance information may be inaccurate.*
- ENV4a – Cost of maintenance per kilometre of roads. For 2016/17, East Lothian Council's reported cost of maintenance per kilometre of roads was £11,217 (2015/16 – £11,289). We note that the reported figure was higher than the Scottish average of £10,456. For this indicator the costs included both revenue and capital expenditure, however we found that the capital expenditure figure used included items of expenditure that did not relate to roads maintenance. *Risk – performance information may be inaccurate.*

1.4 Summary

Our review of Performance Indicators identified some areas with scope for improvement. Detailed findings and recommendations are contained in our main audit report.

Mala Garden
Internal Audit Manager

June 2018

**EAST LoTHIAN COUNCIL – INTERNAL AUDIT
PERFORMANCE INDICATORS**

ACTION PLAN

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
5.1	Management should ensure that appropriate verification processes are in place – service areas should check and sign off the information used in the calculation of LGBF indicators to ensure accuracy and completeness.	Medium	Service Manager – Business Finance	Agreed		September 2018
5.2	Management should review the classification of capital expenditure used in the calculation of performance indicators.	Medium	Service Manager – Business Finance / Corporate Finance Manager	Agreed		September 2018

Grading of Recommendations

In order to assist Management in using our reports, we categorise our recommendations according to their level of priority as follows:

Level	Definition
High	Recommendations which are fundamental to the system and upon which Management should take immediate action.
Medium	Recommendations which will improve the efficiency and effectiveness of the existing controls.
Low	Recommendations concerning minor issues that are not critical, but which may prevent attainment of best practice and/or operational efficiency.