

## INTERNAL AUDIT REPORT

**FROM:** Audit and Risk Manager  
**TO:** Deputy Chief Executive & Legal Client Manager  
**C.C.** Chief Executive  
Head of Financial Services  
Head of Law and Governance (Monitoring Officer)  
Democratic Services Manager and Deputy Monitoring Officer  
Portfolio Holder (Cllr Day)

**SUBJECT:** Performance Management  
**DATE:** 4 February 2022

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### 1 Introduction

- 1.1 In accordance with the Audit Plan for 2021/22, an examination of the above subject area has recently been completed by Nathan Leng, Internal Auditor, and this report presents the findings and conclusions for information and, where appropriate, action.
- 1.2 Wherever possible, findings have been discussed with the staff involved in the procedures examined and their views are incorporated, where appropriate, into the report. My thanks are extended to all concerned for the help and cooperation received during the audit.

### 2 Background

- 2.1 Performance Management is defined as the gathering, analysing, and acting on performance information to improve services and the quality of people's lives. An effective performance management framework should be embedded across the organisation and will require the support of all staff within the organisation.
- 2.2 Performance measures must reflect the organisation's priorities and service activities to ensure that corporate objectives are met.

### 3 Objectives of the Audit and Coverage of Risks

- 3.1 The audit was undertaken to test the management and financial controls in place.
- 3.2 This was achieved through a 'risk-based audit' approach whereby key risks are identified and then processes are assessed to provide assurance that the risks are being managed effectively. This approach has been in place by WDC Internal Audit since the start of this financial year following an external review of the function.

- 3.3 In terms of scope, the audit covered the following risks (see overleaf):
- Performance of Council services may not be being managed appropriately or effectively.
  - Performance data may be insufficient or unsuitable to enable value for money assessments.
  - Performance measures, targets and tolerances may be unrelated to the Council's legal and regulatory obligations.
  - Action may not be being taken to address performance shortcomings resulting in the failure to meet legal and regulatory obligations.
  - The performance measures in the Service Area Plans may not align with the Council's priority objectives.
  - The data provided may be incorrect or may not be being provided promptly to allow for performance to be accurately measured against the objectives.
  - Senior management and/or Councillors may not be aware of performance against agreed measures, preventing them from acting in cases where performance fails to meet set targets.
  - Actions may not be being taken in response to performance failing to meet set targets resulting in the Council not achieving its corporate objectives.
- 3.4 These were drawn from risks identified in discussions with the Democratic Services Manager and Deputy Monitoring Officer.
- 3.5 These risks, if realised, would be detrimental to the Council with regards to the meeting of the following corporate objectives as set out in the Fit for the Future Strategy:
- Green, Clean, Safe – Total carbon emissions within Warwick District are as close to zero as possible by 2030, improved air quality, low levels of crime and ASB.
  - Effective Staff – All staff are properly trained and all staff have the appropriate tools.
  - Maintain or Improve Services – Focusing on our customers' needs, continuously improving our processes.
  - Financial Footing over the Longer Term – full cost accounting, continued cost management and seeking the best value for money.

## 4 Findings

### 4.1 Recommendations from Previous Reports

- 4.1.1 The most recent assessment of the Council's performance management arrangements was a consultancy-based review carried out in 2019 to evaluate and establish good, if not best, practice. The review identified 'Areas for Development' rather than 'Recommendations'.

### 4.2 Financial Risks

- 4.2.1 **Performance of Council services may not be being managed appropriately or effectively.**

The Council's Business Strategy (CBS) (2020-2023) outlines the vision for the district. It describes the challenges the Council faces to meet the needs of local people and how the Council will use its resources to meet those challenges.

The CBS was endorsed by the Executive and approved by Members during the Council meeting on 12 February 2020.

The approval of the CBS included the provision that the programme of actions, necessary for the successful delivery of the CBS's core objectives, be contained in the Council's nine Service Area Plans (SAP).

The delivery of the CBS is monitored by the Joint Management Team (JMT), this was previously the Senior Management Team (SMT) which was renamed after combining with the senior management team at Stratford on Avon District Council (SDC).

The CBS is scheduled for review at the end of each financial year. The annual review is used to determine whether changes to the Strategy are required.

A review of the CBS was undertaken as part of this audit. It was found that no changes have been made since it was adopted in early 2020. The Deputy Chief Executive (DCE) advised that the first annual review of the CBS for 2021-2022 did not take place due to senior officers focusing on the proposed merger with Stratford District Council (SDC).

Although the DCE acknowledges that the merger process has fundamentally altered the context of the CBS, he advises that when Service Area Plans are updated for 2022/23 the covering report to Cabinet would explain that a new business strategy would be developed which covers both organisations.

The CBS states that its delivery will be monitored against the annual programme of works. This should be conducted monthly by management, with reports detailing progress against the programme presented to Councillors every six months.

The DCE advised that, due to the COVID-19 pandemic, performance information was not shared with Councillors in 2020-2021 or at the time of writing for the period 2021-2022, although the Senior Management Team continued to monitor the measures.

It is acknowledged that the COVID-19 pandemic has required a great deal of time and focus from SMT. However, the performance management reports continue to be generated by the Performance Management Officer (PMO) each quarter and Councillors should therefore be able to review and scrutinise the information.

## **Recommendation**

**Performance management reports to Councillors should be reinstated.**

The DCE advised that a unanimous decision was made by the Chief Executives of both Warwick District Council and Stratford District Council that the 2020-2021 SAPs should be rolled over for 2021-2022. The DCE attributed this to the merger process. It was agreed that new SAPs will be produced for 2022-2023. No doubt, as part of this process, performance measures in Service Area Plans will be reviewed to ensure they remain relevant to the strategic targets contained in the CBS and continue to drive performance.

It was noted in discussion with the Deputy Monitoring Officer (DMO) that a new performance management system called BI portal is being introduced to enable more responsive monitoring and oversight scrutiny for senior management and Councillors. This system should support an agile approach to performance management.

The most recent performance management report (quarter one of 2021-2022) was reviewed to ascertain whether performance measures and their targets are set in accordance with the SMART (Specific, Measurable, Achievable, Relevant and Timebound) framework.

Other performance management reports available on the Council's website were also reviewed for comparison purposes, although, findings focus on the most recent report at the time of writing.

While performance measures included in the report for quarter one 2021-2022 are measurable and timebound, multiple measures do not comply with the other elements of the SMART framework.

The review found that 16% of measures were not specific in that they do not have clearly defined goals. It was also found that 57% of measures do not have achievable goals because the targets are either unrealistic or no targets have been set. For another 16%, it was either unclear how the measure is relevant to performance management or that the performance objectives themselves are not relevant indicators of performance.

It is acknowledged, however, that some of the measures are government measures that the Council replicates. In these circumstances the Council has no control over the efficacy of the measure.

## **Recommendation**

**Notwithstanding that some measures are government-driven ones and that it is for individual services to determine what measures they consider appropriate, performance management measures should be specific to work-related targets and statutory obligations where applicable.**

Looking at the performance measure, *'Percentage of HRA repair requests which were subject to a recall'*, it was found that performance does not exceed 5%. The performance target for this measure is 10%. This was also found to be the case in the other eight quarterly reports available online. This would suggest that the target is disproportionately high. While a target of 0% may be unachievable, a target lower than 10% would be more appropriate.

## Advisory

### **Consideration should be given to reviewing performance targets and tolerances to ensure they are appropriate.**

Some of the performance measures include poorly written explanations or assessments of the data. In some cases, no explanation or context is provided.

This is evident in the measure '*Building Control income measures against annual budget & in comparison to previous years*'. The assessment of this measure states "Building control income has decreased 44 from last quarter and the same for Q1 of last year. It is the highest figure that we have one [sic] record by 17".

There is no information as to what a drop of '44' means or whether this being the highest figure on record is positive or negative. There is also nothing in the report exploring the possible cause of this change or how it impacts the Council's objectives.

## Recommendation

### **Notwithstanding that subjective interpretation is no longer required by officers, the explanations accompanying the performance management data should clearly explain what is being assessed, the current position and how this impacts progress towards the strategic objectives.**

The above issue is further compounded by the lack of axis titles in the graph displaying data for this performance measure. Appropriate graph titles are important because they provide the necessary context to aid the interpretation of the data.

## Advisory

### **Albeit a matter of presentation, graphs should include axis titles to clearly define the data points being displayed.**

There are some issues with the types of graphs used to present the data. Some measures use bar graphs while others use line graphs. Although there is no issue with using either chart to display data, a line graph requires multiple data points to display the figures. The line graph showing data for the measure '*Percentage of monitoring sites with pollution levels higher than national air quality standards*' does not display the figure for quarter one in 2021-2022.

The same issue appears for the measure '*Number of people on [sic] swimming lessons*'. In this instance, a false null value was provided for quarter two of 2021-2022. This results in the line graph displaying the quarter one data point while also displaying a false record for quarter two.

The issues above could be resolved by using a bar graph instead of a line

graph.

### **Advisory**

**Again, although it is acknowledged that it is a presentation matter, it is none-the-less felt that the type of graph used to display performance data should be intentional, appropriate and display all relevant data points.**

Several graphs include colour coded target and tolerance markers, however, the colours swap between each graphic. For example, the graph displaying '*Percentage of HRA repair requests completed on time*' uses a green target marker and a red tolerance marker. However, the following graph displaying '*Percentage of HRA repair requests which were subject to a recall*' uses a red target marker and a green tolerance marker. Consistent colouring should be used throughout the report to avoid confusion.

A review of the eight performance management reports available online found that the design and colour scheme of the graphics and report in general vary considerably. The DMO advised that the variations in how the report is presented is due to experimentation.

Overall, there are some concerns that the current style and design do not meet the accessibility standards set by the Council. Graphics should be appropriate, intentional, and consistent to aid comprehension and avoid confusion. The overall presentation of the report should be clear and consistent and conform to professional standards.

### **Advisory**

**The overall style and design of the report should be clear, consistent and conforms to professional standards to ensure it is accessible.**

The Council took a policy decision several years ago not to have targets as it was felt that trying to achieve a particular target can influence behaviours that negate the need for surpassing the target. Instead the Council adopts an approach of continuous improvement and learning from the measures. Some services still include targets, however, meaning there is inconsistency in the Council's approach.

### **Advisory**

**The Council should consider whether it is appropriate for services to include targets when the Council previously resolved that targets should not be used.**

#### **4.2.2 Performance data may be insufficient or unsuitable to enable value for money assessments.**

The quarterly performance management reports contain minimal financial monitoring data. Presenting financial data to senior management and Councillors alongside data showing performance against corporate objectives

would provide more context to senior management and Councillors when scrutinising performance.

The current financial data is insufficient to allow for value for money assessments.

### **Advisory**

**Consideration should be given to including financial monitoring data in performance management reports to enable value for money assessments.**

## **4.3 Legal and Regulatory Risks**

### **4.3.1 Performance measures, targets and tolerances may be unrelated to the Council's legal and regulatory obligations.**

The audit consultancy-based review 2019 highlighted that previous performance management reporting focused too heavily on process-based information and not enough on achieving service standards and delivering wider outcomes.

Several measures featured in the most recent performance management quarterly report (quarter one 2021-2022) continue to focus on the volume of work completed without providing context.

For example, the measure '*Number of Revenues and Benefits calls taken*' provides limited insight as to how the Revenues and Benefits service are performing.

Another example includes the measure '*Percentage of phone calls abandoned*'. This measure contains no context as to how the number of phone calls abandoned impacts service delivery. It's not clear whether calls are abandoned by staff or clients and no reason is given as to why these calls were abandoned.

Without context, the relevance of some of the data contained in the report is unclear. Those reading the performance management reports need to be able to link performance to the fulfilment of the Council's corporate objectives.

### **Advisory**

**Although there is a place for process-based information, performance management measures should be the primary measures in order to demonstrate achievement of standards or the delivery of outcomes.**

### **4.3.2 Action may not be being taken to address performance shortcomings resulting in the failure to meet legal and regulatory requirements.**

The notes from the JMT meeting on 12 August 2021 contain some thoughts on the quarter one performance management report.

These notes focus on the types of information included in the report and

present the view that the existing performance measures are not sufficient to reflect changes in service demand. However, there is no specific mention of any of the performance measures.

The PMO advised that they receive very little performance feedback from JMT and that they are unaware of what performance discussions, if any, JMT conduct.

A review of the minutes from the S/JMT meetings available online found that only two out of the last eight meeting notes include commentary on the performance management reports. Of these two occasions, the records show no evidence that performance against specific measures was discussed. However, it is acknowledged that this may well be due to the details of the conversation not being minuted fully.

The DCE advised that Councillors did not receive any performance monitoring reports during the COVID-19 pandemic and were therefore unable to scrutinise performance and suggest corrective actions. As a result, no testing of this area was able to take place.

A review of proposed actions was not undertaken as there is no evidence of any actions being proposed during the meetings. This audit was also unable to establish whether any actions have been taken to address poor or declining performance as identified in the performance management reports.

The above approach is counter to the established good practice identified in the audit consultancy-based review (2019) which highlights the need for effective scrutiny of performance, that performance information must be acted on to improve outcomes and that everybody in the Council has a role to play in managing performance to promote an effective performance management culture and improve governance and accountability.

## **Recommendation**

**Performance information should be scrutinised and acted on. The outcomes of these reviews and proposed actions should be communicated to all Council staff.**

It is not immediately clear whether some services are conforming to legal and regulatory requirements based solely on the information contained in the quarter one performance management report 2021-2022. This is because, for most of the performance measures, there are no performance targets or tolerances contained in the reports.

Upon reviewing previous reports, it was found that the lack of performance targets for some measures appears to be a recurring issue.

This issue was raised in the quarter two 2019-2020 report; "Some service areas have measures and tolerances for their performance data, some do not. Would those who don't be willing to think about putting targets in as without targets data has much less value?" [*sic*]



It was found that 57% of the performance measures in the quarter one performance report for 2021-2022 lack targets. The lack of targets makes it difficult to identify and monitor a decline in performance. As such, JMT may miss the opportunity to take action to prevent performance from dropping below the levels mandated by legal and regulatory requirements.

This issue could also be improved by ensuring that there is sufficient context and explanation accompanying the data contained in the performance management reports.

A recommendation for this section is covered by the recommendations made in the Financial section of this report.

#### 4.4 **Reputational Risks**

##### 4.4.1 **The data provided may be incorrect or may not be being provided promptly to allow for performance to be accurately measured against the objectives.**

As part of this audit, the frequency with which performance data is shared with senior management and Councillors was discussed with the DCE.

The DCE advised that senior management should discuss progress surrounding performance measures during quarterly JMT meetings. However, the DCE also advised that while the performance report for quarter four 2019-2020 was discussed, none of the reports between then and the quarter one 2021-2022 report have been discussed. It was also found that the minutes containing the discussion of these reports focus on the measures chosen and the types of information displayed but not the performance data itself.

The MO advised that Councillors should have the opportunity to scrutinise the data every six months as stipulated in the Council's Business Strategy (CBS). However, the DCE advised that since the onset of the COVID-19 pandemic, no performance reports have been shared with Councillors. The reason for this was attributed to the pandemic.

The PMO is responsible for producing the quarterly performance reports. The PMO advised that in some instances, no data is provided by a service. For example, in the Finance section of the quarter one report for 2021-2022, there is a note stating "no figures for benefits were returned for this quarter".

There are also instances where no data is recorded by management. For example, the measure '*Number of Revenues and Benefits calls taken*' states that "Switchboard calls were not recorded this quarter".

While performance management processes can be burdensome for management, the number of performance measures has been refined in recent years to reduce this strain. Furthermore, the perceived benefit of performance management processes on improving service performance and productivity justifies the time required for monitoring and submitting the data.

## **Recommendation**

### **Management should be reminded of the importance of engaging fully in performance management processes.**

In the quarter one 2021-2022 report's appendix '*Workforce Management Information Stats Year on Year*', the graph showing '*Short Term Sickness (total days, all staff)*' is duplicated. Upon reviewing previous reports, it appears that one of these graphs should display trends in long-term staff sickness.

Errors like this highlight the risk of senior management and Councillors being unaware of current trends in staff data.

It was also found that there are spelling and grammar errors throughout the reports. Since the reports are published online and available to the public, this undermines the professional standards set by the Council. All Council documents should be proofread thoroughly before being published on the Council website.

## **Recommendation**

### **Performance management reports should be checked thoroughly to ensure there are no errors or omissions.**

## **Recommendation**

### **Historical performance management reports published on the Council's website should be checked for errors and omissions and updated accordingly.**

The DCE advised that the HoS should have regular discussions with their respective Portfolio Holders (PH) on the topic of performance management.

As part of this audit, the HoS were contacted to ascertain whether this occurs and if so, how often it occurs. They were also asked if they find this process beneficial. Those who responded detailed different working relationships with their PH.

For example, one respondent advised that they generally meet their PH every fortnight. These are informal meetings with no agenda or notes taken. These meetings are viewed favourably by the respondent as an opportunity to discuss urgent or important emerging issues along with key issues like budget and performance management.

Another respondent advised that they meet quarterly with their PH to discuss service-specific performance data for which an internal report is produced. The respondent advised that this routine had lapsed during the COVID-19 pandemic due to competing priorities.

A third respondent advised that they hold informal monthly meetings with their PH and share a spreadsheet providing an update on the service. The respondent advised that they continued to meet with their PH during the

height of the pandemic and increased the frequency of meetings to weekly during periods of increased strain on the service.

It is clear that each HoS has a different approach to discussing performance with their PH and while in some cases the meetings could be more regular, the frequency of meetings is ultimately guided by the needs of the service at a given time.

It should be noted that while these meetings do provide an opportunity to discuss performance and associated actions, they should not supersede the need for collaborative group scrutiny of performance data.

#### 4.4.2 **Senior Management and/or Councillors may not be aware of performance against agreed measures, preventing them from acting in cases where performance fails to meet set targets.**

The PMO advised that the performance measures included in the reports are decided by the HoS. They also advised that there are no records of the performance measures being discussed and approved as the meetings with the HoS were informal.

This is counter to the consultancy guidance from the audit consultancy-based review (2019) which advised that Councillors should be involved in the development of performance measures as this can enable greater ownership and understanding of the performance measures used.

#### **Advisory**

**Consideration should be given to involving Councillors in the development of the performance measures used in the reports.**

The PMO advised that some measures are not reported in a quarter. When this occurs, the PMO may select another performance measure to report on. This presents a risk that key performance measures are not scrutinised.

In some cases, the omission is due to legitimate operational reasons. For example, the performance data for The Royal Spa Centre are not included in the quarter one performance management report for 2021-2022 because the centre has been closed for the previous four quarters in adherence with central Government COVID-19 guidance.

In other cases, there is no explanation as to why the figures are not provided. For example, the Finance section of the quarter one report for 2021-2022 includes the note "no figures for benefits were returned for this quarter", but no reason is given.

#### **Recommendation**

**All agreed performance measures should be monitored by management and sent to the Performance Monitoring Officer for inclusion in the quarterly report.**

## Advisory

**Consideration should be given to requiring service areas to explain why data for a specific measure is not provided.**

### 5 Conclusions

5.1 Following our review, in overall terms we are able to give a MODERATE degree of assurance that the systems and controls in place in respect of Performance Management are appropriate and are working effectively to help mitigate and control the identified risks.

5.2 The assurance bands are shown below:

Level of Assurance	Definition
Substantial Assurance	There is a sound system of control in place and compliance with the key controls.
Moderate Assurance	Whilst the system of control is broadly satisfactory, some controls are weak or non-existent and there is non-compliance with several controls.
Limited Assurance	The system of control is generally weak and there is non-compliance with controls that do exist.

5.3 The review highlighted weaknesses in several areas:

- Instances of financial risk where performance of Council services is not being managed appropriately or effectively.
- Instances of legal and regulatory risk where action is not being taken to address performance shortcomings resulting in the failure to meet legal and regulatory requirements.
- Cases of reputational risk where:
  - the data provided is incorrect or is not being provided promptly to allow for performance to be accurately measured against the objectives and;
  - senior management and/or councillors is not aware of performance against agreed measures, preventing them from acting in cases where performance fails to meet set targets.

5.4 It should also be noted that other, more minor, 'issues' were identified where advisory notes have been reported. In these instances, no formal recommendations are considered to be warranted and addressing these issues is at the service's discretion.

### 6 Management Action

6.1 The recommendations arising above are reproduced in the attached Action Plan (Appendix A) for management attention.

Richard Barr  
Audit and Risk Manager

**Action Plan**

**Internal Audit of Performance Management – February 2022**

<b>Report Ref.</b>	<b>Risk Area</b>	<b>Recommendation</b>	<b>Rating*</b>	<b>Responsible Officer(s)</b>	<b>Management Response</b>	<b>Target Date</b>
4.2.1	Financial Risks – Performance of Council services may not be being managed appropriately or effectively.	Now that the Covid-19 emergency is subsiding, the provision of performance management information to Members should be reinstated.	Medium	Performance Management Officer	This is now taking place following a review of this led by the Deputy Chief Executive. Reports will now be considered formally by Joint Management Team at one of their meetings and then made available to Members for any comments/ queries they may have.	In place.
4.2.1	Financial Risks – Performance of Council services may not be being managed appropriately or effectively.	Notwithstanding that some measures are government-driven ones and that it is for individual services to determine what measures they consider appropriate, performance management measures should be specific to work-related targets and statutory obligations where applicable.	Low	Deputy Chief Executive	This is being reviewed as part of the Service Area Plan process for 2022/23. A new template and model will be developed and at Warwick the Service Area Plan will also go through the PABs for advice/ discussion. The revised template is currently making its way through the Cabinet process.	April '22

Report Ref.	Risk Area	Recommendation	Rating*	Responsible Officer(s)	Management Response	Target Date
4.2.1	Financial Risks – Performance of Council services may not be being managed appropriately or effectively.	Notwithstanding that subjective interpretation is no longer required by officers, the explanations accompanying the performance management data should clearly explain what is being assessed, the current position and how this impacts progress towards the strategic objectives.	Low	Joint Management Team	This is being reviewed as part of the Service Area Plan process for 2022/23. A new template and model will be developed and at Warwick the Service Area Plan will also go through the PABs for advice/ discussion. The revised template is currently making its way through the Cabinet process. Subjective interpretations/explanations of performance are no longer requested.	April '22
4.3.2	Legal and Regulatory Risks – Action may not be being taken to address performance shortcomings resulting in the failure to meet legal and regulatory requirements.	Performance information should be scrutinised and acted on. The outcomes of these reviews and proposed actions should be communicated to all Council staff.	Low	Performance Management Officer	The process that is now in place will have ongoing monitoring to consider its effectiveness with active feedback sought from Members.	In place.
4.4.1	Reputational Risks - The data provided may be incorrect or may not be being provided promptly to allow for performance to be accurately measured against the objectives.	Management should be reminded of the importance of fully engaging in performance management processes.	Low	Deputy Chief Executive	In developing their Service Area Plans, senior managers will be devising indicators that provide the most meaningful information about the performance of the Service. These data will be monitored on an ongoing basis.	April '22

<b>Report Ref.</b>	<b>Risk Area</b>	<b>Recommendation</b>	<b>Rating*</b>	<b>Responsible Officer(s)</b>	<b>Management Response</b>	<b>Target Date</b>
4.4.1	Reputational Risks - The data provided may be incorrect or may not be being provided promptly to allow for performance to be accurately measured against the objectives.	Performance management reports should be thoroughly checked to ensure there are no errors or omissions.	Low	Deputy Chief Executive	The process that is now in place will have ongoing monitoring to consider its effectiveness with active feedback sought from Members.	In place.
4.4.1	Reputational Risks - The data provided may be incorrect or may not be being provided promptly to allow for performance to be accurately measured against the objectives.	Historical performance management reports published on the Council's website should be checked for errors and omissions and updated accordingly.	Low	Deputy Chief Executive	This will not be undertaken as the information is accessed very sparingly and it would not be proportionate to revisit all the data.	Not applicable.
4.4.2	Reputational Risks – Senior Management and/or Councillors may not be aware of performance against agreed measures, preventing them from acting in cases where performance fails to meet set targets.	All agreed performance measures should be monitored by management and sent to the Performance Monitoring Officer for inclusion in the quarterly report.	Low	Deputy Chief Executive	The process that is now in place will have ongoing monitoring to consider its effectiveness with active feedback sought from Members.	In place.

\* The ratings refer to how the recommendation affects the overall risk and are defined as follows:

High: Issue of significant importance requiring urgent attention.  
Medium: Issue of moderate importance requiring prompt attention.  
Low: Issue of minor importance requiring attention.