

**GREATER MANCHESTER INTEGRATED TRANSPORT AUTHORITY****REPORT FOR RESOLUTION****COMMITTEE:** Policy & Resources**DATE:** 20<sup>th</sup> November 2009**SUBJECT:** Internal Audit of GMITA Performance Monitoring Arrangements for 2008/9**REPORT OF:** Clerk to the Authority**PURPOSE OF THE REPORT**

To present for Members' consideration the findings of the Authority's internal audit function with regard to the performance monitoring arrangements (2008/9) prior to this duty being transferred to this Committee.

**RECOMMENDATIONS**

Members are recommended to note and comment as appropriate on the contents of this report, and to request that further work be undertaken with the Executive with a view to providing a full report to the next meeting of this Committee, setting out a proposed framework to respond to these findings.

**BACKGROUND DOCUMENTS**

Information held on file in GMITA offices

**CONTACT OFFICERS**

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## **Summary**

1. The appendix to this report provides a final audit report on the Authority's arrangements in 2008/9 for the monitoring of performance against its Key Performance Indicators, prior to the reorganisation of committees and the redesignation of this committee.
2. The appendix sets out a series of findings relating to the previous year's performance monitoring reporting arrangements to the former Performance Improvement Committee. In particular, the audit report seeks to draw Members' attention to:
  - The need to ensure that performance monitoring frameworks provide scope to explicitly monitor performance against the Authority's key objectives and priorities;
  - The need to consider performance alongside performance against Local Transport Plan objectives;
  - The need to formally review the suite of key performance indicators on an annual basis against stated objectives;
  - The need to secure assurance on the accuracy and completeness of monitoring data;
  - The need for the Deputy Clerk's unit to supplement performance reports with contextual commentary against the Authority's policy framework; and
  - The need for further and consistent scrutiny of performance data by Members, supported where appropriate by further training for Members on performance data and management systems.
3. In considering the findings at its recent meeting on 16 October, the Authority's Audit Committee was keen to ensure that the findings should be referred on to this Committee to ensure that Members consider their approaches to performance monitoring.

## **Recommendations**

4. Officers would recommend that by moving the consideration of performance monitoring arrangements to this Committee, there is now greater scope to address the issues raised by this audit report. Subject to the views of Members, it is therefore recommended that further work be undertaken with the Executive with a view to providing a full report to the next meeting of this Committee, setting out a proposed framework to respond to these findings.

**Sir Howard Bernstein**  
**Clerk to the Authority**

## Internal Audit Report

### GMITA: Performance Management

**Report To:**

Stephen Clark – Head of Transport

**Report Status:**

**DRAFT**

**Additional Report Distribution:**

Simon Warburton – GMITA Policy Team Manager

**Auditor:**

Emma Maddocks

**Fieldwork Commenced:**

24 March 2009

**Draft Report Issued:**

1 June 2009

**Management Responses Requested By:**

16 June 2009

**Final Report Issued:**



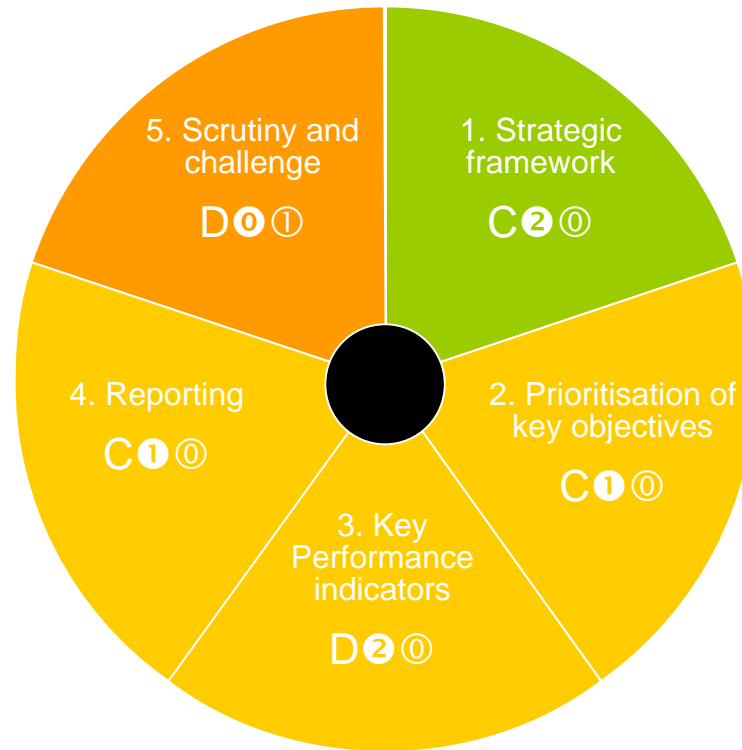
# 1. Executive Summary

<b>Overall Assurance Opinion</b> (See Appendix 1) FULL <span style="color: green;">●</span> SUBSTANTIAL <span style="color: lightgreen;">●</span> <b>MODERATE</b> <span style="color: yellow;">●</span> ✓ LIMITED <span style="color: orange;">●</span> NO <span style="color: red;">●</span>	<b>Capacity to Improve</b> This assessment will be informed by the management response to recommendations raised in this report.	<b>Number of control issues identified</b> 0 Critical 0 Major 4 Significant 2 Moderate 0 Minor	<b>Number of compliance issues identified</b> 0 Critical 1 Major 0 Significant 0 Moderate 0 Minor

## Audit Objective

To provide assurance that the Authority has performance management arrangements that contribute to the achievement of key objectives, specifically that:

1. There is a strategy and framework that co-ordinates the Authority's approach to effective performance management;
2. The framework includes prioritisation of key objectives to help focus performance management activity;
3. Performance against key objectives is monitored against appropriate measures and performance indicators;
4. Reporting against measures and performance indicators supports effective decision making; and
5. monitoring and scrutiny provides challenge to performance against key measures and targets.



Each of the objectives for this review is shown as a segment of the wheel. The colours on the wheel represent an assessment of the risk for each audit objective based on the issues identified in the review

<b>A</b>	No or Minor
<b>B</b>	Moderate
<b>C</b>	Significant
<b>D</b>	Major
<b>E</b>	Critical

**Context:**

Effective performance management should be an essential component of the Greater Manchester Integrated Transport Authority's (the Authority) governance framework. Through it, effective accountability can be exercised over the delivery of the Authority's strategic aims and objectives through the setting and monitoring of targets and scrutiny and challenge of performance activity. Performance management has been a key area of focus in the Authority's annual Use of Resources Assessments.

**Limitations:**

Testing incorporated a review of the Authority's performance management framework including performance indicators and minutes of the Service Improvement Committee (SIC) and Performance Management Committee (PMC).

**Areas of Good Practice:**

- The PMC had agreed terms of reference and received regular performance reports from the Executive;
- Performance was reported to the PMC in a 'traffic light' format which highlighted for Members those areas where challenge would be best directed;



**Areas for Improvement:**

- The PMC's terms of reference should include responsibility for scrutinising Authority performance;
- Links between the Local Transport Plan (LTP) and the joint annual report should be clearer and longer term LTP objectives and priorities should be translated into annual Authority objectives;
- A suite of key performance indicators should be developed, drawn from those reported to the PMC by the Executive, LTP indicators and any other s considered necessary to demonstrate achievement of annual objectives;
- The PMC should seek assurance over the accuracy and completeness of annual performance information reported by the Executive to the Authority.
- Performance monitoring reports for the PMC should be further refined to include 'direction of travel' of key performance indicators and review and comment from Authority officers on performance information provided by the Executive.

## 2. Detailed Findings Recommendations and Action Plan

	Matters Arising	Potential Risk Implications	Recommendations	Risk	Management Response and agreed actions
<b>Audit Objective 1: There is a strategy and framework that coordinates the Authority's approach to effective performance management.</b>					
1	<p>The Authority's performance management framework included the Performance Management Committee (PMC), which was charged with the scrutiny of performance. The PMC's agreed terms of reference included responsibility for scrutinising and commenting on the Executive's performance, and meeting minutes confirmed that this was the focus of performance monitoring activity. We agreed that the Committee should be predominantly focused on the work of the Executive but considered that its role should include oversight of the delivery of the Authority's key objectives and priorities, some but not all of which relate to Executive activity.</p> <p>Authority officers confirmed that a review of the Authority's committee structure was likely to lead to disestablishment of</p>	<p>Responsibility for challenging performance management activity should be appropriately allocated in order to ensure that activity is effectively monitored and controlled.</p> <p>Without such clarity there is an increased risk that the Authority will lack the assurance that arrangements are in place to ensure the achievement of its objectives.</p>	<p>The Deputy Clerk to the Authority, in conjunction with the Chair of the Authority, should ensure that the role of the Performance Management Committee (or other committee to which the responsibility may be laid) in scrutinising performance should explicitly include responsibility for monitoring of the achievement of the Authority's key objectives and priorities. This should be recorded in the Committee's terms of reference.</p>	<p style="text-align: center;">●</p> <p>Significant (control)</p>	<p><b>Agreed:</b> Yes – the ITA had concurrently reached the same conclusion as part of its Committee Improvement Project</p> <p><b>Action to be taken:</b> Performance monitoring and management duties to be managed collectively by the Policy &amp; Resources Committee, which has an explicit term of reference to monitor “the operation, impact and effectiveness of the Authority's policies”, alongside considering “the implications for future policies and budget priorities” of performance reports.</p> <p><b>Additional Resources Required for implementation:</b> No</p> <p><b>Responsible Officer:</b> Simon Warburton</p> <p><b>Target Date:</b> From start 2009/10.</p>

	Matters Arising	Potential Risk Implications	Recommendations	Risk	Management Response and agreed actions
	<p>the PMC, with responsibility for performance management ceded to Policy Committee. Proposals were to be taken to an emergency Board meeting in June 2009.</p>				
2	<p>A jointly produced Annual Report included the Authority's annual priorities and the Executive's objectives and progress against key performance indicators. While it provided a useful position statement we considered it to be confusing in that it did not clearly distinguish between sections relevant only to the Authority or the Executive and those relevant to both. Respective priorities and objectives were therefore unclear and the report did not demonstrate a link to a long term strategic framework.</p> <p>The Greater Manchester Local Transport Plan 2006/07 – 2010/11 (LTP) set out longer term priorities and we would expect that this would inform a longer term Authority planning.</p>	<p>Short term objectives (against which performance is regularly monitored) should be explicitly linked to long term strategic aims to reduce the risk that activities are resourced which do not contribute to the strategic direction.</p> <p>There is a risk that publishing a joint annual report allows for insufficient distinction between the priorities and objectives of the two bodies, leading to lack of clarity over their respective roles.</p>	<p>The Deputy Clerk to the Authority, in conjunction with the Chair of the Authority, should review arrangements for reporting the Authority's activities. The review should include consideration of the publication of a separate annual report for the Authority, in place of the joint report of the Executive and the Authority that is currently published. The review should also consider the need to document links to any Executive annual report and the Local Transport Plan and set out objectives which support long term transport priorities. The current work to develop Local Transport Plan 3 provides a timely opportunity to undertake such a review.</p>	<p style="text-align: center;">●</p> <p>Moderate (control)</p>	<p><b>Agreed:</b> Yes, in part – recognised need to more explicitly articulate links between shorter and longer term objectives and actions</p> <p><b>Action to be taken:</b> To be reviewed within the development process for the 3<sup>rd</sup> Local Transport Plan, which will be supervised by the ITA Policy &amp; Resources Committee</p> <p><b>Additional Resources Required for implementation:</b> Potential additional costs to be addressed through LTP3 development workstreams</p> <p><b>Responsible Officer:</b> Stephen Clark/Simon Warburton</p> <p><b>Target Date:</b> For completion by LTP3 submission in March</p>

	Matters Arising	Potential Risk Implications	Recommendations	Risk	Management Response and agreed actions
					2011.
<b>Audit Objective 2: The framework includes prioritisation of key objectives to help focus performance management activity</b>					
3	The joint Annual Report identified six broad Authority policy priority areas although no specific objectives supported these priorities. The Local Transport plan 2006/07 – 2010/11 contained long term objectives from which annual objectives for the Authority could be drawn.	Key transport strategies may not be achieved and funding may not be used effectively if policy priorities and longer term strategic objectives are not supported by short term objectives.	The Clerk to the Authority should lead the development of specific annual policy objectives for the Authority. Annual objectives could be drawn from the longer term objectives included in the Local Transport plan 2006/07 – 2010/11. Delivery of the objectives should be managed and monitored and objectives should be published in the annual report together with performance information.	 Significant (control)	<b>Agreed:</b> Yes, in part – recognise need to consider appropriate future reporting of LTP performance <b>Action to be taken:</b> LTP performance regimes to be reviewed in preparation for LTP3 (see above). <b>Additional Resources Required for implementation:</b> Potential additional costs to be addressed through LTP3 development workstreams <b>Responsible Officer:</b> Stephen Clark/Simon Warburton <b>Target Date:</b> For completion by LTP3 submission in March 2011.
<b>Audit Objective 3: Performance against key objectives is monitored against appropriate measures and performance indicators.</b>					
4	A suite of 30 Executive key performance indicators (KPIs) were reported to the Performance Management Committee for monitoring purposes. These included a	Performance against key priorities is not challenged and therefore there is an increased risk that these priorities will not be achieved.	The Deputy Clerk to the Authority should lead the development of a suite of key performance indicators to enable performance against annual objectives to	 Significant (control)	<b>Agreed:</b> Yes <b>Action to be taken:</b> Policy & Resources Committee to supervise and agree a review of






	Matters Arising	Potential Risk Implications	Recommendations	Risk	Management Response and agreed actions
	<p>number that were not relevant to the Authority and the KPIs did not cover all of the Annual Plan priorities, such as free buses and train overcrowding. Some of the KPIs that were monitored closely by the Committee were relevant only to the Executive, including levels of sickness absence and equal opportunity indicators, and we could not determine why it was considered necessary to monitor such detailed indicators or the value that this added, in view of the Executive's own performance monitoring arrangements.</p>	<p>Poor performance that may impact on external assessments of the Authority may not be identified without adequate measurement against priorities.</p> <p>The performance management function is likely to be ineffective in its role if it is not challenging relevant performance measures that, if improved will, affect Authority performance.</p>	<p>be managed and monitored. Indicators could be drawn from the Executive indicators already monitored and longer term indicators from the Local Transport plan as well as any new indicators considered necessary. The indicators should be:</p> <ul style="list-style-type: none"> <li>• submitted to the Performance Management Committee for consideration and approval;</li> <li>• supported by progress reports from Authority officers to each Committee meeting; and</li> <li>• reviewed and re-approved annually.</li> </ul>		<p>KPIs as part of 2009/10 workplan.</p> <p><b>Additional Resources Required for implementation:</b> No</p> <p><b>Responsible Officer:</b> Simon Warburton</p> <p><b>Target Date:</b> Completion by April 2010.</p>
5	<p>The Performance Management Committee received regular reports on performance indicators from the Executive which were compiled by Executive officers using its data. There was no process by which the Committee could gain assurance on the accuracy and integrity of reported performance data. Some</p>	<p>The performance information provided may be inaccurate or based on poor quality data and therefore may not reflect actual performance.</p> <p>By challenging potentially inaccurate or poor quality performance information there is an increased risk of ineffective challenge and</p>	<p>The Deputy Clerk to the Authority should liaise with the Executive to establish a method by which the Authority could obtain periodic assurance over the accuracy and completeness of the Executive's performance data.</p> <p>An approach which could be considered is</p>	<p style="text-align: center;">●</p> <p>Moderate (control)</p>	<p><b>Agreed:</b> Yes, in part – PTE data is reviewed by the Audit Commission, however, there may be scope to develop further assurance</p> <p><b>Action to be taken:</b> Options for further data assurance methods to be reviewed by ITA officers and presented to Policy &amp; Resources Committee for</p>




	Matters Arising	Potential Risk Implications	Recommendations	Risk	Management Response and agreed actions
	reliance was placed on the Authority's Finance Officer, who reported back issues raised at Executive Audit Committee meetings which were considered to be relevant. However, we would expect this to be supported by a formal means of gaining assurance over data quality.	therefore increased risk of poor performance not being identified or challenged.	submission by the Executive to the Authority of an annual assurance statement describing the Executive's process for assuring data quality and including any internal or external audit recommendations and action agreed by managers to implement them.		consideration. <b>Additional Resources Required for implementation:</b> Possibly <b>Responsible Officer:</b> Simon Warburton / Sylvia Welsh <b>Target Date:</b> January 2010
<b>Audit Objective 4: Reporting against measures and performance indicators supports effective decision making.</b>					
6	<p>Performance monitoring reports on KPIs were presented by Executive officers to each Performance Management Committee meeting. The reports were presented in a 'traffic light' format which allowed for easier identification by the Committee of those indicators that were performing inadequately.</p> <p>This format did not report the 'direction of travel' or the 'capacity to improve' of individual indicators. We considered that such an approach may allow the Committee to focus their attention more effectively by</p>	<p>Reports do not clearly identify those indicators which should be of concern and therefore should be challenged. Indicators highlighting decreasing performance may not be challenged as they remain slightly above target and may not be challenged until performance decreases further.</p> <p>Challenge may be less effective if targeted at performance areas where challenge will not affect performance.</p>	<p>The Deputy Clerk to the Authority should consider the following approach to performance reporting, to support reporting against the Authority's suite of indicators as recommended at 4. above:</p> <ul style="list-style-type: none"> <li>• Authority officers should supplement Executive performance reports with written analysis and comment prior to submission to the Performance Management Committee;</li> <li>• A combined Authority and Executive performance report should be produced for</li> </ul>	<p style="text-align: center;">●</p> <p>Significant (control)</p>	<p><b>Agreed:</b> Yes, in part - "direction of travel" reporting has been provided, however, "capacity to improve" commentary has not</p> <p><b>Action to be taken:</b> Options for improvement to be reviewed by ITA officers with GMPTE and reported to the Policy &amp; Resources Committee</p> <p><b>Additional Resources Required for implementation:</b> Not anticipated</p> <p><b>Responsible Officer:</b> Simon Warburton/Sylvia Welsh</p> <p><b>Target Date:</b> January</p>

	Matters Arising	Potential Risk Implications	Recommendations	Risk	Management Response and agreed actions
	<p>providing valuable additional data. For example, an indicator that had constantly performed below target may be of less concern than one in which performance had decreased significantly but remained just above target. In this case, the current format would tend to focus concern on the indicator that was constantly below target rather than that with a significant downward trend.</p> <p>There was also no Authority analysis of the performance information other than through challenge by Committee Members.</p>		<p>submission to the Performance Management Committee in a similar 'traffic light' format as that currently adopted by the Executive; and</p> <ul style="list-style-type: none"> <li>This combined report could include the 'direction of travel' of indicators to highlight those showing any significant downward trends to support better targeted scrutiny.</li> </ul>		2010
<b>Audit Objective 5: Monitoring and scrutiny provides challenge to performance against key measures and targets.</b>					
7	<p>Minutes of the Service Improvement Committee and subsequent Performance Management Committee demonstrated regular scrutiny by Members of performance reports covering the Executive KPIs. Despite recent improvement we considered that the level of challenge was limited and often did not address</p>	<p>The Performance Management Committee will be less effective in providing challenge and supporting Authority performance improvement if their challenge is not directed at performance targets with significant issues and those with significant implications for Authority.</p>	<p>The Deputy Clerk to the Authority, in conjunction with the Chair of the Performance Management Committee, should develop the way in which the Committee exercises its role in overseeing the management of Executive and Authority performance. Considerations should include:</p>	<p>● Major (Compliance)</p>	<p><b>Agreed:</b> Yes, scope for improvement has been recognised <b>Action to be taken:</b> Options for improvement to be reviewed by ITA officers with GMPTE and reported to the Policy &amp; Resources Committee <b>Additional Resources Required for implementation:</b> Not</p>






	Matters Arising	Potential Risk Implications	Recommendations	Risk	Management Response and agreed actions
	<p>expected areas of challenge such as high risks or consistently poor performance. The challenge seen was on indicators such as staff absence in the Executive, which was of minimal direct relevance to the Authority, and much challenge was of baseline figures rather of actual performance.</p>		<ul style="list-style-type: none"> <li>• Performance management training for Members on the theory and its application in the Authority and Executive;</li> <li>• Preparation of an annual performance report for submission to the Authority;</li> <li>• The development of Authority objectives and supporting indicators as described in this report; and</li> <li>• The need for improved reporting to each Performance Management Committee to better focus attention on the most significant performance issues.</li> </ul>		<p>anticipated  <b>Responsible Officer:</b>  Simon Warburton/Sylvia Welsh  <b>Target Date:</b> January 2010</p>

# Appendix 1. Basis of our opinion and level of assurance

Level of assurance	Description
Full 	<b>Full assurance</b> – there is a sound system of internal control designed to achieve the objectives of the system/process and manage the risks to achieving those objectives. Recommendations will normally only be Advice and Best Practice.
Substantial 	<b>Substantial assurance</b> – whilst there is basically a sound system of control, there are some areas for improvement, which may put the system/process objectives at risk. There are Moderate recommendations but these do not undermine the system’s overall integrity. Any Major or Significant recommendations relating to part of the system would need to be mitigated by strengths elsewhere. Any Critical recommendations will prevent this assessment,
Moderate 	<b>Moderate assurance</b> – there are some areas for improvement in the system of internal control, which may put the system/process objectives at risk. There are a small number of Major recommendations or a number of Significant recommendations. Any Critical recommendations would need to be mitigated by significant strengths elsewhere. A number of Critical recommendations would prevent this assessment.
Limited 	<b>Limited assurance</b> – there are significant areas for improvement in key areas of the systems of control, which put the system/process objectives at risk. There are Major recommendations and any Critical recommendations relating to part of the system would need to be mitigated by significant strengths elsewhere.
No 	<b>No assurance</b> – an absence of effective internal control is leaving the system/process open to significant error or abuse. There are Critical recommendations indicating major risks requiring mitigating actions.

Capacity to improve	Description
High 	The assessment will be based on a number of factors including: Recommendations progressed since the start of the audit; timescales for the implementation of agreed recommendations; levels of resources / capacity to effect implementation; focus and clarity of ownership within directorate / service for implementation; directorate / service track record in implementation of agreed recommendations; professional auditor judgement.
Medium 	
Low 	

Risk Type	Description
Control	There are areas for development and improvement in the design of the system of internal control.
Compliance	There is need to improve compliance with the existing system of internal of control, processes or procedures

Risk	Assessment rationale
<p style="text-align: center;"></p> <p>E. Critical</p>	<p>Life threatening / multiple serious injuries or prolonged work place stress. Severe impact on morale and service performance. Intense political and media scrutiny i.e. national media coverage / prolonged local media coverage. Possible criminal, or high profile, civil action against the Council, members or officers. Cessation of core activities, Strategies not consistent with government's agenda, trends show service is degraded. Failure of major Projects – elected Members &amp; SMT required to intervene. Large increase on project budget/cost: (Greater of <b>£1.0M</b> of the total budget or more than <b>15 to 30%</b> of the departmental / service area / school budget). Statutory intervention triggered. Impact on the whole council</p>
<p style="text-align: center;"></p> <p>D. Major</p>	<p>Serious injuries or stress requiring medical treatment with many workdays lost. Major impact on morale and performance. Scrutiny required by external agencies, external audit etc. Unfavourable national or prolonged local external media coverage. Noticeable impact on public opinion. Major impact on the effectiveness of governance for the Council. Significant disruption of core activities / performance. Key targets missed, some services compromised. Senior Management action required. Major increase on project budget/cost: (Greater of <b>£0.5M</b> of the total Budget or more than <b>6 to 15%</b> of the departmental budget).</p>
<p style="text-align: center;"></p> <p>C. Significant</p>	<p>Injuries or stress requiring some medical treatment with workdays lost. Some impact on morale and performance. Scrutiny likely to be exercised by external agencies, internal committees or internal audit to prevent escalation. Probable limited unfavourable local media coverage. Significant short-term disruption of non-core activities / service performance. Standing Orders / Financial Regulations not complied with. Impact on the effectiveness of governance at the Council or service level. Services unlikely to meet needs. Service action will be required. Significant increase on project budget/cost: (Greater of <b>£0.3M</b> of the total Budget or more than <b>3 to 6%</b> of the departmental budget). Handled within the team</p>
<p style="text-align: center;"></p> <p>B. Moderate</p>	<p>Injuries / stress requiring some medical treatment, potentially some workdays lost. Some impact on morale and performance. Additional scrutiny required by management and internal committees to prevent escalation. Possible limited unfavourable local media coverage. Short-term disruption of non-core activities / service performance. Standing Orders / Financial Regulations occasionally not complied with. Minor impact on the effectiveness of governance at the Council or moderate impact at service level. Services do not fully meet needs. Service action will be required. Small increase on project budget/cost: (Greater of <b>£0.1M</b> of the total Budget or up to <b>3%</b> of the departmental budget). Handled within the team</p>
<p style="text-align: center;"></p> <p>A. Minor</p>	<p>Minor injuries or stress with no workdays lost or minimal medical treatment. No impact on staff morale. Internal Review, unlikely to have impact on the corporate image. Minor errors in systems/operations or processes requiring action or minor delay without impact on overall schedule. Handled within normal day to day routines. Some impact on the effectiveness of governance at service level. Minimal financial loss – Minimal effect on project budget/cost: Negligible effect on total Budget or departmental budget).</p>