



cutting through complexity

CAIRNGORMS NATIONAL PARK AUTHORITY
Audit & Risk Committee Paper 5 Annex 1 13/11/2015

Cairngorms National Park Authority

Internal audit report 2015
Workforce management report
5 November 2015

This report is for:

Action

David Cameron, Corporate
Services Director

Information

Audit Committee

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Introduction and scope

In accordance with the 2015-16 internal audit plan for Cairngorm National Park Authority (“the Authority”), we have undertaken an internal audit review of workforce management and appraisals.

The specific objective, scope and approach, as agreed with management, is detailed in appendix one.

Background

There were changes to staff terms and conditions and part of this change was an agreement to move to a new performance management process. The Authority implemented a new process in Summer 2014, with the year to March 2015 the first period of operation.

The process is based on the Authority’s agreed values and behaviours as they form part of the monthly one-to-one meetings and then these inform the mid-year and year-end review meetings. There should also be a clear link to the strategic plan and operational plans of the organisation and this should inform individual objectives. It is expected that this new system will help to link individual staff goals to those goals set out by the Authority included within the 2015-2018 Corporate Plan.

In the past year, the Authority has changed its appraisal system to be delivered online and to be more focused towards the targets set by each individual employee as well as making self-review a priority within the organisation. The link between the goals and self review is evidenced on the ‘My Performance Review’ document which has a separate section which is solely for the individual’s aims, which are directly linked to the strategic goals of the Authority. The values and relevant behaviours of the Authority are shown below:

Value	Behaviour
Open and Inclusive	We identify and address barriers to involvement; communicate clearly; involve the right people; encourage different perspectives and value diversity.
Innovative	We create solutions; challenge ideas; ask questions; learn; are risk aware; clear of what we are trying to achieve; willing to try new ideas.
Professional	We listen; make decisions based on evidence and experience; do what we say we’ll do; are impartial;
Integrity	We consider and respect views; provide clear consistent advice; acknowledge other’s contributions; provide good value for money; develop good relationships; take responsibility and accountability.

Key findings and recommendations

We identified no ‘critical’ or ‘high’ risk graded recommendations in the course of our work.

We identified one ‘moderate’ and no ‘low’ graded recommendations.

Classification of internal audit findings is provided in appendix two.

We also identified areas of good practice through the course of our review.

The findings identified during the course of this internal audit are summarised below. A full list of the findings and recommendations are included in this report.

	Critical	High	Moderate	Low
Number of internal audit findings	-	-	1	-
Number of recommendations accepted by management	-	-	1	-

Our review of the Authority's workforce management appraisal system has showed that staff are broadly aware of the strategic goals, linking them into the main strategic plan as set out by the Authority. The processes which have been put in place are generally working to a high level and staff are reacting well to the changes within the system.

The ‘moderate’ graded risk recommendation relates to:

- A lack of evidence submitted to the appraiser as evidence of the appraisee's performance. Obtaining evidence to support employee performance is not an explicit requirement within the appraisal process.

Good practice

The review also highlighted areas of good practice:

- The new process focuses on the individual and allows for each employee to set targets which they feel that they can achieve, and goals which encourage them to be motivated and work towards.
- The appraisal records are kept confidential so that only the appraiser, appraisee and HR have access to the files.
- The strategic goals are cascaded effectively to employees of all levels within the Authority, through a variety of means.
- Some employees undergo monthly one-to-ones to ensure applicability of goals and in order to track their progress in achieving them.

Summary of findings

We outline the main findings of the review.

Identified potential risk	CNPA Processes	KPMG finding
Review and challenge the adequacy and effectiveness of arrangements to enable strategic goals to be cascaded across operational and support functions and down through lines of reporting and accountability		
<p>The appraisal system does not facilitate the setting of relevant goals that relate to an individual's specific job role and so does not help to retain and manage talent.</p>	<p>The appraisal system used enables the employee to provide their own opinions on issues and to set themselves goals which are relevant to their roles. The employee completes the form and sends to their appraiser for review in advance of the appraisal meeting.</p> <p>We performed a review of the appraisal system as well as a sample of appraisal forms to ensure forms contain sufficient and appropriate detail. Within the appraiser's review, there is a section solely on the employees personal development where they can create goals which are relevant to them and request any training required related to those goals.</p> <p>There is also a section which looks at the objectives set by the employee at their last review to enable the employee to self-assess their performance against each objective. The employee can reset their goals for the coming year at this stage.</p> <p>From our review of the Performance Review Policy, we noted that appraisal manager involvement is required for interim and year end appraisals with the approach to goal setting and assessment being a collaborative one with the appraisee.</p>	<p>Satisfactory</p>
<p>Lack of appropriate access controls relating to employee appraisal records.</p>	<p>Within the Authority, access to appraisal records is restricted in line with the confidentiality policy. Only the appraiser, appraisee and HR have access to these records.</p> <p>HR has access to facilitate the escalation of any issues through the appropriate channels.</p> <p>We reviewed the appraisal system and made inquiries of management regarding access to appraisal records and found the system to be reflective of the aforementioned access rights, which appears appropriate.</p>	<p>Satisfactory</p>

Summary of findings (continued)

Identified potential risk	CNPA Processes	KPMG finding
Review and challenge the adequacy and effectiveness of arrangements to enable strategic goals to be cascaded across operational and support functions and down through lines of reporting and accountability		
<p>The strategic goals of the Authority are not being communicated to employees at all levels within the organisation.</p>	<p>The strategic goals set by the Authority are effectively cascaded down through multiple channels. From our review of a sample of appraisal forms, we noted there is a section 'Our Values and Behaviours' which solely looks at the work that an employee has undertaken in line with the Authority's strategic goals.</p> <p>Employees also received a pamphlet (reviewed by KPMG) which outlined the Corporate plan and this was distributed to them after having been consulted on the setting of these goals during 2014. Regular departmental meetings are also used to encourage CNPA's strategic goals and to motivate employees to work towards these goals.</p>	<p>Satisfactory</p>

Summary of findings (continued)

Identified potential risk	CNPA Processes	KPMG finding
Consider how the staff performance management framework is used to retain and manage talent		
<p>The goals which are set in the reviews are not sufficiently challenging or appropriate to the individual employee.</p>	<p>Through interviews with a sample of employees and a review of a sample of appraisal forms, we noted the goals which were set were structured to fit the individuals needs and were set in relation to what they believed would be useful for them.</p> <p>The goals were set in a way that each individual was able to contribute and create goals which showed their strengths and also what skills they could develop.</p>	<p>Satisfactory</p>
<p>The use of the monthly one-to-ones is not being utilised to encourage staff to work towards their goals.</p>	<p>Through the interviews we conducted, it was noted that the use of optional monthly one-to-ones are effective as appraisees believed that it enabled them to focus on their goals, and gave them a way of communicating any changes in goals. This is in addition to interim and year end appraisals.</p> <p>One-to-ones are mandatory for new starts serving a probationary period in order to ensure they are effectively performing their roles and attaining a standard of working compliant with the Authority's practices and procedures on a timely basis.</p>	<p>Satisfactory</p>
<p>The appraisal system does not facilitate staff motivation towards the achievement of their goals.</p>	<p>We noted from our review of the appraisal process, including a sample of appraisal forms and interviewing a sample of employees, that the current appraisal system encourages staff to work towards goals which they feel are achievable and attainable. The process also allows for all members of staff to tell the reviewer about their job aspirations and this helps motivate employees towards achieving their goals.</p>	<p>Satisfactory</p>

Summary of findings (continued)

Identified potential risk	CNPA Processes	KPMG finding
<p>Assess the appraisal processes and consider their robustness. We will verify that performance against objectives is assessed in an evidence based manner on a regular basis.</p>		
<p>There is a lack of documentation obtained and retained to appropriately assess performance of employees against their objectives.</p>	<p>Only on occasion do employees present documentation evidencing the level of their performance for appraisal purposes; it is not mandatory. An evidence based assessment facilitates the appropriate rating being allocated to an employee and demonstrates the robustness of the appraisal process.</p>	<p>KPMG identified that there is a lack of evidence submitted to the appraiser as evidence of the appraisee's performance. Obtaining evidence is not an explicit requirement within the appraisal process.</p> <p>Recommendation one</p>
<p>No formal upward feedback mechanism.</p>	<p>Through the use of the feedback forms employees can not only comment on their own work throughout the year but are expected to complete a form in reference to how they consider that their line manager has performed. KPMG reviewed the template feedback form which contained appropriate sections to facilitate upward feedback.</p>	<p>Satisfactory</p>

The action plan summarises the specific recommendation, together with related risks and management's response.

Finding(s) and risk	Recommendation(s)	Agreed management actions
<p>1 Lack of an evidence based assessment</p>		<p>Moderate</p>
<p>Employees do not consistently provide evidence supporting their level of performance during the appraisal process. The provision of evidence is not mandatory.</p> <p>There is a risk that employees are given an inappropriate rating relative to their actual performance. There could also be a lack of consistency if evidence is not the foundation of an appraisal.</p>	<p>Management should establish a procedure mandating the collation and presentation of evidence to support an employee's appraisal rating. The appraisal system could be used to implement this requirement.</p>	<p>We agree with this recommendation and identified the need for evidence to be required as part of the appraisal process for the year ended 31 March 2015. At this time, a new appraisal form was being trialled and it was agreed with staff that it would be difficult to gather evidence as previously this was not a requirement of the appraisal process and therefore not something staff would have been doing regularly throughout the 2014/15 financial year. From March 2015 onwards, we agreed the implementation of the requirement for evidence-based appraisals with staff. As a result, we will be able to evidence completion of this management action during the appraisal process for the year end 31 March 2016.</p> <p>Responsible officer:</p> <p>Kate Christie</p> <p>Implementation date:</p> <p>31 March 2016</p>

Appendices

Appendix one

Objective, scope and approach

In accordance with the 2015-16 internal audit plan for Cairngorm National Park Authority (“the Authority”), we will undertake an internal audit review of workforce management and appraisals.

Objective

The overall objective of this audit is to review the arrangements and processes to ensure that staff resources are adequately managed and developed and to review the extent to which they support achievement of these outcomes.

Scope

The scope of this review will be to:

- review and challenge the adequacy and effectiveness of arrangements to enable strategic goals to be cascaded across operational and support functions and down through lines of reporting and accountability;
- consider how the staff performance management framework is used to retain and manage talent; and
- assess the appraisal processes and consider their robustness. We will verify that performance against objectives is assessed in an evidence based manner on a regular basis.

Approach

We will adopt the following approach in this review:

- conducting interviews with staff to gain an understanding of how strategic goals are cascaded to operational and corporate functions;
- review the staff performance management framework in place including comparison against good practice;
- review the extent to which existing policies and procedures have been followed and implemented;
- consider good practice processes from other organisations and compare to processes at the Authorities; and
- agree findings and recommendations with management.

Appendix two

Classification of findings

The following framework for internal audit ratings has been developed and agreed with management for prioritising internal audit findings according to their relative significance depending on their impact to the process.

Rating	Definition	Examples of business impact	Action required
Critical	Issue represents a control weakness, which could cause or is causing severe disruption of the process or severe adverse effect on the ability to achieve process objectives.	<ul style="list-style-type: none"> ■ Potential financial impact of more than £400,000. ■ Detrimental impact on operations or functions. ■ Sustained, serious loss in brand value. ■ Going concern of the organisation becomes an issue. ■ Decrease in the public's confidence in the Authority. ■ Major decline in service/product delivery, value and/or quality recognised by students and customers. ■ Contractual non-compliance or breach of legislation or regulation with litigation or prosecution and/or penalty. ■ Life threatening. 	<ul style="list-style-type: none"> ■ Requires immediate notification to the audit and compliance committee. ■ Requires executive management attention. ■ Requires interim action within 7-10 days, followed by a detailed plan of action to be put in place within 30 days with an expected resolution date and a substantial improvement within 90 days. ■ Separately reported to chairman of the audit and compliance committee and executive summary of report.
High	Issue represents a control weakness, which could have or is having major adverse effect on the ability to achieve process objectives.	<ul style="list-style-type: none"> ■ Potential financial impact of between £200,000 to £400,000. ■ Major impact on operations or functions. ■ Serious diminution in brand value and/or market share ■ Probable decrease in the public's confidence in the Authority. ■ Significant decline in service/product delivery, value and/or quality recognised by students and customers. ■ Contractual non-compliance or breach of legislation or regulation with probable litigation or prosecution and/or penalty. ■ Extensive injuries. 	<ul style="list-style-type: none"> ■ Requires prompt management action. ■ Requires executive management attention. ■ Requires a detailed plan of action to be put in place within 60 days with an expected resolution date and a substantial improvement within 3-6 months. ■ Reported in executive summary of report.

Appendix two

Classification of findings (continued)

Rating	Definition	Examples of business impact	Action required
Moderate	Issue represents a control weakness, which could have or is having significant adverse effect on the ability to achieve process objectives.	<ul style="list-style-type: none"> ■ Potential financial impact of between £50,000 to £200,000. ■ Moderate impact on operations or functions. ■ Brand value and/or market share will be affected in the short-term. ■ Possible decrease in the public's confidence in the Authority. ■ Moderate decline in service/product delivery, value and/or quality recognised by students and customers. ■ Contractual non-compliance or breach of legislation or regulation with threat of litigation or prosecution and/or penalty. ■ Medical treatment required. 	<ul style="list-style-type: none"> ■ Requires short-term management action. ■ Requires general management attention. ■ Requires a detailed plan of action to be put in place within 90 days with an expected resolution date and a substantial improvement within 6-9 months. ■ Reported in executive summary of report.
Low	Issue represents a minor control weakness, with minimal but reportable impact on the ability to achieve process objectives.	<ul style="list-style-type: none"> ■ Potential financial impact of less than £50,000. ■ Minor impact on internal business only. ■ Minor potential impact on brand value and market share. ■ Should not decrease the public's confidence in the Authority. ■ Minimal decline in service/product delivery, value and/or quality recognised by students and customers. ■ Contractual non-compliance or breach of legislation or regulation with unlikely litigation or prosecution and/or penalty. ■ First aid treatment. 	<ul style="list-style-type: none"> ■ Requires management action within a reasonable time period. ■ Requires process manager attention. ■ Timeframe for action is subject to competing priorities and cost/benefit analysis, eg. 9-12 months. ■ Reported in detailed findings in report.



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