



cutting through complexity

CAIRNGORMS NATIONAL PARK AUTHORITY
Audit Committee Paper 2 Annex 1 15/03/13

Loch Lomond & The Trossachs National Park Authority and Cairngorms National Park Authority

Internal audit report
Performance management
14 February 2013

This report is for:

Action

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Information

Audit committee

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Notice: About this report

This Report has been prepared on the basis set out in our Engagement Letter addressed to Loch Lomond & The Trossachs National Park Authority and Cairngorms National Park Authority (“the Clients”) dated 15 June 2011 (the “Services Contracts”) and should be read in conjunction with the Services Contract. Nothing in this report constitutes 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 set out in the Services Contract. This Report is for the benefit of the Clients only. This Report has not been designed to be of benefit to anyone except the Clients. In preparing this Report we have not taken into account the interests, needs or circumstances of anyone apart from the Clients, even though we may have been aware that others might read this Report. We have prepared this report for the benefit of the Clients alone. This Report is not suitable to be relied on by any party wishing to acquire rights against KPMG LLP (other than the Clients) for any purpose or in any context. Any party other than the Clients that obtains access to this Report or a copy (under the Freedom of Information (Scotland) Act 2002, through the Clients’ Publication Scheme or otherwise) and chooses to rely on this Report (or any part of it) does so at its own risk. To the fullest extent permitted by law, KPMG LLP does not assume any responsibility and will not accept any liability in respect of this Report to any party other than the Clients. In particular, and without limiting the general statement above, since we have prepared this Report for the benefit of the Clients alone, this Report has not been prepared for the benefit of any other central government body nor for any other person or organisation who might have an interest in the matters discussed in this Report, including for example those who work in the central government sector or those who provide goods or services to those who operate in the sector.

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Introduction and scope

In accordance with the 2012-13 internal audit plan for Loch Lomond & The Trossachs National Park Authority (“LLTTNPA”) and Cairngorms National Park Authority (“CNPA” or together “the Authorities”), we have undertaken an internal audit review of performance management. The overall objective of this audit was to consider the policies and procedures for performance management and the extent to which they support the Authorities in achieving their objectives, and in turn, the Scottish Government’s outcomes.

Background

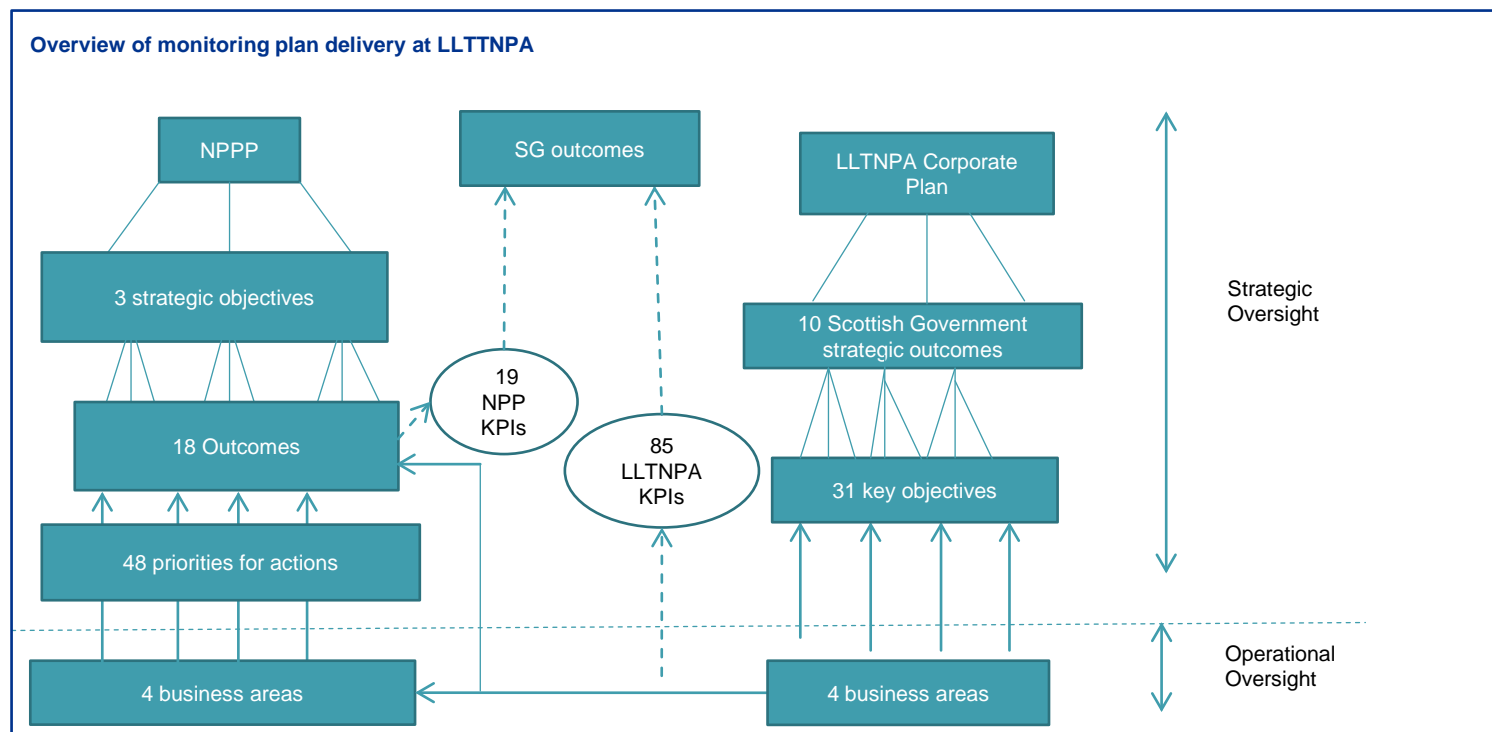
High quality management information is vital to ensure that management has the ability to effectively scrutinise performance and ensure that the authority is operating effectively and working towards its agreed objectives. Recent public sector funding cuts have increased the pressure to deliver enhanced performance within an increasingly tight financial envelope. However, these challenges and changes create opportunities to review existing arrangements, including management information and performance management, to ensure that they are fit for purpose and appropriately tailored to the authorities’ needs going forward.

Effective strategic planning is a continual activity that consists of a three-stage process: planning; documentation; and implementation and monitoring. The Authorities’ individual national parks partnership plans (“NPPP”) provide the context and framework for their corporate plans. These focus on the development of the NPPPs and outline how they will deliver the Scottish Governments core purpose of sustainable growth whilst maintaining natural assets. The corporate plans are used by the Authorities to align organisational objectives with the national plan and these in turn inform more detailed annual plans, at LLTPNA the ‘business plan’ and CNPA the ‘operational plan’. These list the individual projects that will be undertaken during the financial year to support delivery of the objectives of the corporate and NPPP. Responsibility for monitoring progress of these plans is through a mixture of project managers, steering groups and governance committees. Following approval of the NPPP and the corporate plan, it is important that implementation of performance management and reporting is embedded across the Authorities.

There are different schools of thought on effective performance management methodologies and it is important that individual organisations choose a methodology which fits with their policies and practices and resourcing needs. Though different, the performance management systems currently in place at the Authorities each have their individual merits. At LLTTNPA, by clearly linking the strategic and operational objectives within the performance management framework it demonstrates the inter-relationship between various plans and Scottish Government outcomes. At CNPA, there are clear monitoring and reporting lines with specific KPIs agreed and reported to the board and published on the website, helping to ensure transparency of the overall performance management process for both internal and external stakeholders.

Loch Lomond and The Trossachs National Park Authority

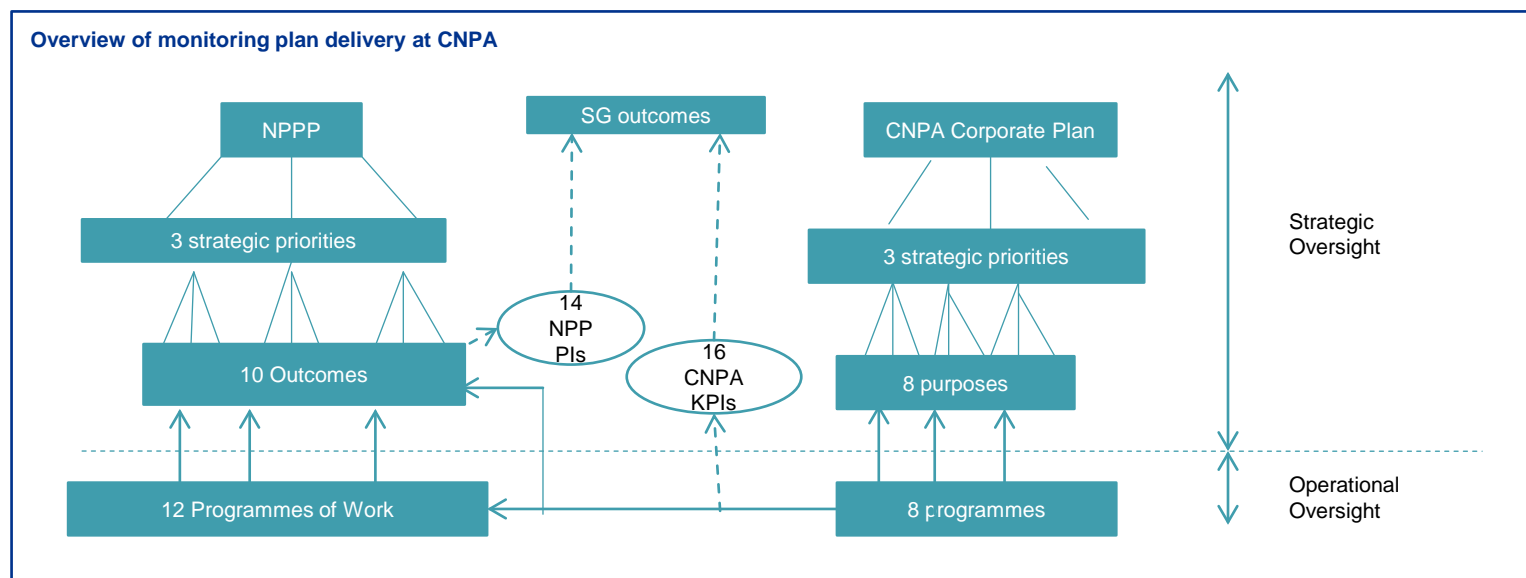
LLTTNPA co-ordinates the monitoring and reporting of delivery of the NPPP and the health of the park generally. LLTPNA has a performance management framework which clearly maps the strategic and operational objectives outlined in the NPPP, the corporate plan and the annual business plan. The corporate plan details a number of objectives and outlines milestones and a number of performance measurements. The results of the monitoring of the corporate plan are reported to the delivery group on a quarterly basis and individual business area updates are provided to the board on a regular basis. Outcomes against relevant Scottish Government outcomes are reported within the LLTTNPA annual report. Following introduction of the new plans in 2012 management continues to develop the management information produced and continually seeks feedback from board members on the sufficiency and appropriateness of this.



Source: Board reporting documents

Cairngorms National Park Authority

CNPA has a system which coordinates the monitoring and reporting of delivery of the NPPP, the corporate plan and the health of the park generally. The monitoring framework gives an insight into the relationships between the state of the park, the drivers for change that act on it, the impact of the changes, and the management actions outlined in the NPPP. The results of the monitoring of the NPPP 2012-17 and corporate plan are reported in three ways: twice yearly operational reports which summarise progress in delivering the work identified by the plans; yearly progress reports, which summarise the progress and effects of implementing the NPPP; and health of the park monitoring on the website using a few indicators to summarise important information about the state of the park's resources, pressures affecting the park and the impacts of its special qualities. Performance reports are publically reported on the organisations website giving external stakeholders an overview of current performance against strategic objectives. As with LLTTNPA, outcomes against relevant Scottish Government outcomes are reported in the annual report along with specific key performance indicators.



Source: Half yearly review of plan delivery October 2012

Key findings and recommendations

At LLTNPA, we identified two 'moderate' and three 'low' rated findings.

At CNPA, we identified two 'low' risk recommendations.

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. Management has accepted the findings and agreed reasonable actions to address the recommendations.

	Authority	Critical	High	Moderate	Low
Number of internal audit findings	LLTNPA	-	-	2	3
	CNPA	-	-	-	2
Number of recommendations accepted by management	LLTNPA	-	-	2	3
	CNPA	-	-	-	2

Classification of internal audit findings is provided in appendix two.

'High' risk recommendations highlighted to the audit committee

We did not identify any 'high' risk recommendations.

Monitoring and key performance indicators

Both Authorities make use of 'traffic light' performance indicators to monitor progress against corporate plans. This approach includes consideration of both financial and non-financial information. These are subject to review and discussion by senior management on a regular basis and provide an overview of the progress of annual priorities. This is in line with best practice which highlights that organisations should have focused indicators, both financial and non-financial in nature, which are clearly linked to organisation objectives.

At LLTTNPA, the corporate plan sets out a range of measurements which are used to assess progress against milestones, however our review found that it was difficult to determine where each of the measurements were monitored and reported. Management should develop KPIs that demonstrate overall performance against the corporate plan, the NPPP and the Scottish Government outcomes, as demonstrated at CNPA. It is important that the KPIs identified are specific, measurable, achievable, realistic and timely ('SMART') and can be reported to the board on a regular basis. We note that management has been working on a single, consolidated Corporate Plan Performance report which should assist in this respect.

Performance against the corporate plan is monitored by the delivery group on a quarterly basis. The delivery group receives a business efficiency report each quarter with KPIs and each identified programme presents updates to the board on a regular basis on performance, however we consider that there is scope for further clarity in the reporting of overall corporate plan delivery to those charged with governance. We recommended that management develop clear lines of reporting to the board incorporating an overview of issues, corporate plan monitoring (including KPIs) which give the board an overview of delivery against strategic and operational objectives. Performance reports should also be reported on the Authority's website to give external stakeholders an overview of current performance against strategic objectives.

Recommendation one

Accuracy of performance information

We reviewed a number of indicators at LLTTNPA used to assess performance and compared the system information to the information reported to management. In the indicators we assessed we identified differences in the information reported to management from the system reports, for example information relating to volunteer hours. This can be due to updates to these systems since reported to management. We recommend that documentation is retained to evidence the information reported in the quarterly updates and board reports.

Recommendation two

Customer survey

Through discussion with the planning department at LLTNPA we established that customer surveys on planning were not carried out on a regular basis making it difficult to determine the overall stakeholder view of performance of the planning department. We note that community consultations and agents forums are carried out which helps solicit customer feedback.

We recommend that to facilitate and help evidence effective performance management within the planning department, customer surveys be carried out for planning and reviewed by management. Any areas of weaker performance should be highlighted and an action plan developed to demonstrate how improvement will be achieved.

Recommendation three

Goal setting

Through discussion with management at LLTNPA, we identified that some departments base goals on the corporate plan, while others referred to the NPPP when discussing setting their strategic and operational objectives. A performance reporting framework has recently been drafted which aims to clarify the links between the Scottish Government outcomes, the NPPP and the corporate plan. We recommend that a consistent approach is adopted by all departments (based on the corporate plan) and the same basis is used across the organisation in setting and monitoring operational and strategic goals.

Recommendation four

Review of under performance

At CNPA as milestones are identified as poorly performing, remedial actions are put in place well in advance of reporting against indicators in an attempt to monitor and improve the outcome. When a deviation or under-performance against a specific PI or milestone is identified, the milestones / indicators are highlighted at fortnightly operational programme meetings for all operational managers; a range of options is then taken to the board for discussion and approval if relevant.

While we were able to evidence general consideration and review of performance at LLTTNPA, we believe there is scope to improve processes through formalising the review of underperformance in reporting to the board. There is a risk that poor performance against indicators and milestones are not identified. We note that performance is monitored by fortnightly SMT meetings, monthly project reviews and capital working group reviews. We recommend that management at LLTTNPA consider a similar approach to CNPA to formalise review of areas of underperformance and, when identified, remedial actions be taken to the board for discussion to ensure members are aware of all performance issues. We note that we did not identify any specific areas where underperforming areas had not been considered by the board.

Recommendation five

Monitoring and reporting of strategic and operational objectives

The corporate plan, NPPP and Scottish Government outcomes identify actions that are seen as key to achieving the strategic objectives. Progress against each is presented individually on a biannual basis to the board; in October 2012 four papers were presented to the board demonstrating performance against each would be reported and identifying a number of KPIs for the corporate plan and the Scottish government outcomes. We consider it good practice to clearly link the various competing outcomes and objectives.

We believe however, that there is scope to enhance the review of performance by members through producing a clearer overall 'snapshot'. This could be achieved through introducing a short tracker document to bring out the interrelationships between the plans, the Scottish Government outcomes and KPIs.

Recommendation one

Measurement of performance

Management has developed KPIs for monitoring progress against the plan and Scottish government outcomes and has selected these on the basis that performance against them can be measured reliably. The KPIs have only recently been approved by the board following approval of the most recent plans and management have selected the KPIs because they are measurable. We were unable to review the accuracy of the data as no data had been reported to date. It is recommend that management establish procedures to clarify the measurement of the KPI's and retain documentation to evidence reporting to the board to ensure reliability and accountability.

Recommendation two

The action plan summarises specific recommendations, together with related risks and management’s responses.

Recommendations are provided in order of risk to the organisation.

Finding(s) and risk	Recommendation(s)	Agreed management actions
<p>1 Monitoring and performance indicators</p> <p>At LLTNPA, the corporate plan sets out a range of measurements which are used to assess progress against milestones.</p> <p>Performance against the corporate plan is monitored by the delivery group on a quarterly basis and progress reports for each identified programme are presented to the board on a regular basis, however, there is scope for further clarity in the reporting of overall corporate plan delivery to those charged with governance.</p> <p>Performance against the corporate plan is monitored by the delivery group on a quarterly basis. Each identified programme presents updates to the board on a regular basis on performance, however there is scope for further clarity in the reporting of overall corporate plan delivery to those charged with governance.</p>	<p>It is recommended that LLTNPA identifies a number of measurable KPIs for corporate plan delivery and track the effects of LLTNPA activity on the park. The KPIs should be reported to the board on a regular basis to allow a brief overview of corporate plan delivery giving a sense of recent and forthcoming work and progress against targets and prior year.</p> <p>Performance reports should also be reported on the Authority’s website to give external stakeholders an overview of current performance against strategic objectives.</p> <p>Lines of reporting to the board could be clarified, incorporating an overview of issues, corporate plan monitoring (including KPIs) and NPPP monitoring which give the board an overview of delivery against strategic and operational objectives.</p>	<p style="text-align: center;">Moderate</p> <p>Agreed. We will agree a revised corporate performance reporting procedure with the executive and strategy group.</p> <p>Responsible officer: Corporate services director</p> <p>Implementation date: June 2013</p>

Action plan (continued)

Finding(s) and risk	Recommendation(s)	Agreed management actions
2 Accuracy of performance information		
We reviewed a number of measurable indicators currently used at LLTNPA to assess performance and compared the system information to the information reported to management. Of the indicators we assessed the information report to management differed from the system reports.	We recommend that checks are put in place to ensure accurate information is reported in the quarterly updates and board reports.	<p>Agreed</p> <p>Responsible officer: Finance manager</p> <p>Implementation date: September 2013</p>
3 Customer survey		
At LLNPA management place an emphasis on quality; one of the key areas reported on by management is planning. Through discussion with the planning department we established that customer surveys on planning were not carried out on a regular basis making it difficult to determine overall performance of the planning department at LLTNPA.	We recommend that to facilitate performance management within the planning department regular customer surveys are carried out in relation to planning and reviewed by management. Any areas of weaker performance should be highlighted and an action plan developed to demonstrate how improvement will be achieved.	<p>Agreed; arrangements for customer satisfaction and feedback will be reviewed and actions identified</p> <p>Responsible officer: Head of planning</p> <p>Implementation date: September 2013</p>
4 Goal setting		
Through discussion with management at LLTNPA from different departments within the authority, we observed that some departments based goals on the corporate plan whilst others referred to the NPPP when discussing setting their strategic and operational objectives. A performance reporting framework has recently been drafted by the authority which aims to clarify the links between Scottish government objectives, the NPPP and the corporate plan.	We recommend that a consistent approach is adopted by all departments and the same operational plan is used by all departments when setting and monitoring operational and strategic goals.	<p>Agreed.</p> <p>Responsible officer: HR Manager</p> <p>Implementation date: June 2013</p>

Finding(s) and risk	Recommendation(s)	Agreed management actions
<p>5 Review of under performance</p>		<p>Low</p>
<p>At LLTTNPA there is scope to improve the formal reporting of underperformance to the board, although there is evidence that this is monitored at project level. There is a risk that sufficient progress is not being made against indicators and milestones and members are not made aware of this.</p>	<p>We recommend that management at LLTTNPA consider board review of areas of underperformance and when identified, remedial actions be considered by the board for discussion to ensure members are aware of all performance issues.</p>	<p>Agreed. We will agree a revised corporate performance reporting procedure with the executive and strategy group.</p> <p>Responsible officer: Corporate services director</p> <p>Implementation date: June 2013</p>

Finding(s) and risk	Recommendation(s)	Agreed management actions
1 Monitoring and reporting of strategic and operational objectives		Low
Management reporting to board level includes significant detail on all key areas subject to review.	We recommend that a clearer 'snapshot' of performance is developed which should also include consideration of the interrelationships between the plans, the Scottish Government outcomes and KPIs	Agreed. Responsible officer: Director of Corporate Services with operational management group Implementation date: October 2013
2 Performance measurement		Low
Management has recently established a set of internal KPIs for reporting; these have been selected on the basis that they will be consistently measurable.	We recommend that measurement bases for these are established and that evidence is retained for management reporting to ensure reliability and accountability.	Agreed. Responsible officer: Director of Corporate Services with operational management group Implementation date: October 2013

Appendices

In accordance with the 2012-13 internal audit plan for Loch Lomond & The Trossachs National Park Authority and Cairngorms National Park Authority (“the Authorities”), we will undertake an internal audit review of performance management.

Objective

The overall objective of this audit is to consider the policies and procedures in place for performance management and the extent to which they support the Authorities in achieving their objectives, and in turn, the strategic objectives of the Scottish Government.

Scope

This joint review will consider, and compare the extent to which:

- the performance management system is efficient and effective;
- performance reports used by management are integrated with operational activities, providing useful information to assess the achievement of corporate and strategic objectives;
- performance measures used to inform management decisions-making are robust, providing accurate, reliable and timely information;
- performance reporting is used to identify and remedy areas of weak performance; and
- the extent to which performance management is embedded in the culture of the organisation.

Approach

We will adopt the following approach in this review:

- project planning and scoping;
- conduct interviews with staff to gain an understanding of the Authorities’ processes and procedures in relation to performance management;
- identify and agree key risks and processes with management;
- review the adequacy and effectiveness of key processes through sample testing and discussion; and
- agree findings and recommendations with management.

Appendix two

Classification of internal audit 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 1%* of total expenditure. ■ 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. ■ Serious decline in service/product delivery, value and/or quality recognised by stakeholders 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 Authority's audit 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 Authority's audit 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 0.5% to 1%* of total expenditure. ■ Major impact on operations or functions. ■ Serious diminution in brand value. ■ Probable decrease in the public's confidence in the Authority. ■ Major decline in service/product delivery, value and/or quality recognised by stakeholders 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.

Classification of internal audit 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 0.1% to 0.5%* of total expenditure. ■ Moderate impact on operations or functions. ■ Brand value 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 stakeholders 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 0.1%* of total expenditure. ■ Minor impact on internal business only. ■ Minor potential impact on brand value. ■ Should not decrease the public's confidence in the Authority. ■ Minimal decline in service/product delivery, value and/or quality recognised by stakeholders 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.

* Materiality is quantified on page 17.

Classification of internal audit findings (continued)

The definitions of the materiality used to classify the impact of our findings are detailed below and are based on the 2009-10 financial statements.

Rating	Definition	Loch Lomond & The Trossachs National Park Authority	Cairngorms National Park Authority
Critical	Potential financial impact of more than 1% of total expenditure	Greater than £80,000	Greater than £50,000
High	Potential financial impact of 0.5% to 1% of total expenditure	Between £40,000 and £80,000	Between £25,000 and £50,000
Moderate	Potential financial impact of 0.1% to 0.5% of total expenditure	Between £8,000 and £40,000	Between £5,000 and £25,000
Low	Potential financial impact of less than 0.1% of total expenditure	Less than £8,000	Less than £5,000



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