

REPORT TO: TAYSIDE VALUATION JOINT BOARD – 20 JANUARY 2020

REPORT ON: INTERNAL AUDIT

REPORT BY: ASSESSOR

REPORT NO: TVJB 4-2020

1 PURPOSE OF REPORT

1.1 To present to the Board the following Internal Audit Report which is attached as an appendix to this report:-

Internal Audit Report 2020/04 – Staff Recruitment & Retention / Organisational Development

2 RECOMMENDATIONS

2.1 The Joint Board is asked to note the contents of this Report and attached Audit Report.

3 FINANCIAL IMPLICATIONS

3.1 The cost of Internal Audit Services is provided for in the Assessor's Revenue Budget.

4 POLICY IMPLICATIONS

4.1 This report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti Poverty, Equality Impact Assessment and Risk Management. There are no major issues.

5 BACKGROUND

5.1 Henderson Loggie, Chartered Accountants, were appointed to provide an Internal Audit Service in respect of the financial years 1 April 2013 to 31 March 2019 and have subsequently been re-appointed for the period from 1 April 2019 to 31 March 2022. Audit work has proceeded in accordance with the Audit Needs Assessment and Strategic Plan for the period 2019 to 2022 as approved by the Joint Board on 26 August 2019.

5.2 Internal Audit Report 2020/04 – Staff Recruitment & Retention / Organisational Development is attached as Appendix 1 to this report. It has been prepared by Internal Audit following discussion with the Assessor. The overall conclusion of the report is that the level of assurance is satisfactory and that the system meets the control objectives with some weaknesses present. Three recommendations have been made concerning; (i) performing a forecast of expected staff numbers, skill needs and staff costs, (ii) undertaking a formal skills audit of staff and (iii) developing a training application form. These recommendations have been accepted by the Assessor and will be implemented in due course

6 CONSULTATIONS

6.1 The Clerk and Treasurer to the Joint Board have been consulted on this report.

7 BACKGROUND PAPERS

7.1 None.

ALASTAIR KIRKWOOD
Assessor

January 2020

Tayside Valuation Joint Board

Staff Recruitment & Retention / Organisational
Development

Internal Audit Report No: 2020/04

Draft report issued: 19 December 2019

Final report issued: 20 December 2019

LEVEL OF ASSURANCE

Satisfactory

Contents

		Page No.
Section 1	Management Summary	
	<ul style="list-style-type: none"> • Overall Level of Assurance • Risk Assessment • Background • Scope, Objectives and Overall Findings • Audit Approach • Summary of Main Findings • Acknowledgements 	1 1 1 2 2 3 3
Section 2	Main Findings and Action Plan	4 - 9

Level of Assurance

In addition to the grading of individual recommendations in the action plan, audit findings are assessed and graded on an overall basis to denote the level of assurance that can be taken from the report. Risk and materiality levels are considered in the assessment and grading process as well as the general quality of the procedures in place.

Gradings are defined as follows:

Good	System meets control objectives.
Satisfactory	System meets control objectives with some weaknesses present.
Requires improvement	System has weaknesses that could prevent it achieving control objectives.
Unacceptable	System cannot meet control objectives.

Action Grades

Priority 1	Issue subjecting the organisation to material risk and which requires to be brought to the attention of management and the Joint Board.
Priority 2	Issue subjecting the organisation to significant risk and which should be addressed by the Assessor.
Priority 3	Matters subjecting the organisation to minor risk or which, if addressed, will enhance efficiency and effectiveness.

Management Summary

Overall Level of Assurance

Satisfactory

System meets control objectives with some weaknesses present.

Risk Assessment

This review focused on the controls in place to mitigate the following risks on the Tayside Valuation Joint Board's ('the Board') Risk Register:

- 4.3 - Loss of key members of staff through resignation, retirement, illness (risk rating: low); and
- 4.5 - Inability to recruit/retain staff – particularly in light of office re-location (risk rating: medium).

Background

As part of the Internal Audit programme at the Board for 2019/20 we carried out a review of the Board's staff recruitment & retention / organisational development (OD) arrangements. Our Audit Needs Assessment identified this as an area where risk can arise and where Internal Audit can assist in providing assurances to the Joint Board and to the Assessor that the related control environment is operating effectively, ensuring risk is maintained at an acceptable level.

Recruitment and retention of key staff is of paramount importance. The Board must ensure that it has the organisational capacity to implement its strategic plans and make full use of the abilities of its staff. It should therefore explicitly relate its staffing requirements to its strategic and operational objectives in terms of numbers, skills, knowledge, deployment, structure, etc. Staff should know what is expected of them; their performance should be regularly assessed; and they should be assisted in improving their performance and contribution to the Board's objectives through learning and development opportunities.

Scope, Objectives and Overall Findings

The scope of this audit was to consider whether the Board is making best use of its staff and included a high-level review of workforce planning; training; and succession planning.

The table below notes the objectives for this review and records the results:

Objective	Findings			
	1	2	3	
The objectives of this audit were to obtain reasonable assurance that:				
1. The Board has a systematic approach for ensuring that its staff resources match identified need in order to deliver planned commitments. Where gaps are identified, timely action is taken to close these.	Satisfactory	0	0	2
2. A systematic process is used for providing feedback to staff on performance and agreeing action to improve performance.	Good	0	0	0
3. The Board's approach to training, including induction training, is clearly informed by an assessment of where there are skills / knowledge / performance gaps.	Good	0	0	0
4. The Board has a systematic approach to evaluating its training to ensure that it is achieving the desired impact.	Satisfactory	0	0	1
5. Appropriate succession planning strategies, action plans and monitoring arrangements are in place.	Good	0	0	0
Overall Level of Assurance	Satisfactory	0	0	3
		System meets control objectives with some weaknesses present		

Audit Approach

The Assessor was interviewed, and the Board's policies, procedures and structure were reviewed, to assess compliance with the above objectives.

Summary of Main Findings

Strengths

- The Board provides a range of learning and development opportunities for staff;
- Staff have access to a suite of online training material which provides them with flexible opportunities for learning and development;
- The Board's approach to training is informed by an assessment of where there are skills / knowledge / performance gaps, with appropriate review and authorisation of training provision to ensure that it is appropriate; and
- Training needs are assessed annually as part of the Employee Performance and Development Review, which also includes a six-monthly interim review.

Opportunities

- The Board has not developed a Workforce Plan which represents the Board's medium-term strategy for managing its workforce, including providing support through learning and development. Such a Plan would include an analysis of the current workforce and identify future staffing requirements as well as setting out objectives on ways to fill any potential gaps. In order to meet the anticipated changes to non-domestic property valuation and Electoral Registration legislation, and associated practices, the Board should consider performing a forecast of expected staff numbers, skill needs and staff costs on a rolling three-year basis, using scenario planning where necessary;
- The Board's risk register identifies that the Board will perform a skills audit of its staff to ensure that there is sufficient knowledge of the Board's key activities to mitigate the impact of insufficient staff being available to carry out the Board's full statutory duties. At the time of our review we noted that this had yet to be performed and no timescale had been identified for completing this; and
- Discussions with the Assessor, and review of EPDR procedures, identified that there is a formal means of evaluating the impact of previous training provided on staff performance through the EPDR process and also an informal mechanism through regular one to one meetings held with staff. However, it was also identified that there is no formal means of obtaining feedback on the quality, relevance or usefulness of the training activity undertaken. We identified that there is scope to develop a training application form which a) requires staff to document expected learning outcomes and b) allows formal evaluation of the impact of training received by requiring staff to revisit the expected learning outcomes recorded on the training application forms and confirming that the learning needs have been met.

Acknowledgements

We would like to take this opportunity to thank the staff at the Board who helped us during our audit visit.



Main Findings and Action Plan

Objective 1: The Board has a systematic approach for ensuring that its staff resources match identified need in order to deliver planned commitments. Where gaps are identified, timely action is taken to close these gaps.

Our review found that there is no formal skills database currently in place (see **R2**) we noted that there are alternative processes which ensure that staff resources are available to meet commitments.

There is an approved establishment list and staffing budgets are based on approved posts. Management then manages recruitment in line with available budgets and approvals for new posts. Management monitor staff numbers to ensure that sufficient resources are attached to each office and service unit so that operational commitments and service levels can be met. Skills gaps are filled either through redeployment of staff by supporting staff through further training or, where necessary, through external recruitment in line with the staff budget model. During the last 12 months the Board has undertaken a re-organisation to ensure that the right staffing structure and capabilities are in place to meet the Board's needs going forward and to address succession planning needs.

Staff Recruitment & Retention / Organisational Development

Objective 1: The Board has a systematic approach for ensuring that its staff resources match identified need in order to deliver planned commitments. Where gaps are identified, timely action is taken to close these gaps (continued).

Observation	Risks	Recommendation	Management Response		
<p>The Board has not developed a Workforce Plan which represents the Board's medium-term strategy for managing its workforce (including the provision of support through learning and development). Such a Workforce Plan would include an analysis of the current workforce and identify future staffing requirements (as well as setting out a strategy describing how any potential gaps would be filled).</p> <p>Changes to non-domestic property valuation legislation and associated practices proposed by the Barclay Review Group report, published in August 2017, are expected to be implemented in the next few years. The main impact of the Barclay findings will be a range of additional duties, including new information gathering procedures and the frequency of non-domestic property valuations moving from every five or seven years to every three years from 2022. These changes will require additional staff resource to ensure that the Board can continue to meet its service commitments. The Scottish Government has agreed to provide Assessors across Scotland with additional funding to assist with the structural changes and the additional recruitment needed to meet these additional challenges. The Board amended its staffing structure during 2019 in preparation for these expected changes to non-domestic valuations.</p> <p>Changes to electoral registration legislation are also currently being discussed at both a UK and a Scottish Government level, which will potentially have a further impact on the Board's operations.</p>	<p>Without a Workforce Plan there is a risk that changes to how the Board delivers services in one area may have unplanned or unintended effects on other service areas; and the Board cannot manage workforce changes to ensure that it is making best use of its staff resources to achieve its objectives.</p>	<p>R1 In order to meet the anticipated changes to non-domestic property valuation and Electoral Registration legislation, and associated practices, the Board should consider performing a forecast of expected staff numbers, skill needs and staff costs on a rolling three-year basis, using scenario planning where necessary.</p>	<p>The organisational structure approved by the Board in June 2019 reflected detailed consideration of the current workforce, skill needs, projected staff requirement & costs over the period until 2022 and beyond (including the additional duties imposed following the Barclay Report). This will be reviewed annually to forecast future requirements on a rolling three-yearly basis.</p> <p>To be actioned by: Assessor</p> <p>No later than: 30 June 2020</p>		
			<table border="1"> <tr> <td>Grade</td> <td>3</td> </tr> </table>	Grade	3
Grade	3				

Staff Recruitment & Retention / Organisational Development

Objective 1: The Board has a systematic approach for ensuring that its staff resources match identified need in order to deliver planned commitments. Where gaps are identified, timely action is taken to close these gaps (continued).

Observation	Risks	Recommendation	Management Response	
<p>The Board's risk register identifies that the Board will perform a skills audit of its staff to ensure that there is sufficient knowledge of the Board's key activities to mitigate the impact of insufficient staff being available to carry out the Board's full statutory duties.</p> <p>At the time of our review we noted that this had yet to be performed and no timescale had been identified for completing this skills audit.</p>	<p>Where procedures designed evaluate the extent of the Board's risk exposure are not undertaken the effectiveness of existing mitigating controls may be reduced.</p>	<p>R2 Ensure that a timetable is agreed for undertaking a formal skills audit of staff. The results should link to the Board's workforce planning analysis (see R1) and inform the Board's succession planning arrangements.</p>	<p>A formal skills audit will be undertaken.</p> <p>To be actioned by: Principal Valuer</p> <p>No later than: 30 June 2020</p>	
			Grade	3

Staff Recruitment & Retention / Organisational Development

Objective 2: A systematic process is used for providing feedback to staff on performance and agreeing action to improve performance.

There are mechanisms in place to communicate the Board's objectives to staff. There are also mechanisms in place to review departmental and Board performance including:

- Assistant Assessors meet regularly with Principal Valuers to discuss performance data; and
- performance data is regularly discussed by the Senior Management Team and high-level performance data is reported to the Joint Board the year.

Objectives are communicated to staff via a range of mechanisms, including through one to one meetings and team meetings. Performance expectations should be clearly set out by managers as well as being formally documented through job descriptions.

Each member of staff undergoes an annual Employee Performance and Development Reviews (EPDRs) with their line manager to discuss performance against previously agreed objectives; to agree objectives for the coming period; and to identify training and development needs. Performance and training objectives are then agreed for the next 12-month period.

In addition to the annual review, six monthly reviews are also performed to discuss performance and training achievements against the outcomes identified in the EPDR document and further training requirements are identified and agreed, if required.

Objective 3: The Board's approach to training, including induction training, is clearly informed by an assessment of where there are skills / knowledge / performance gaps.

The identification of training needs is not currently directly aligned with the Board's annual budget setting cycle. This gives rise to a weakness in that budgets set for training costs are being assigned without the identification of training requirements for the year ahead. Although this does create a potential risk that insufficient budgets are allocated to meet training and development needs, the Assessor takes the view that the available budget available is sufficient to meet existing training needs. If there was an urgent training requirement, such as to satisfy legal compliance, then we were informed that the Board would be committed to the identification of resources to deliver the necessary training.

EPDRs are conducted by managers and any training needs are identified from this process and recorded on the forms provided.

All new staff attend a corporate and departmental induction. The induction process is coordinated by managers and covers all service areas. The Board makes use of a suite of e-learning modules which must be completed by all new staff. The results of e-learning modules are recorded on individual employee training records.

Staff Recruitment & Retention / Organisational Development

Objective 4: The Board has a systematic approach to evaluating its training to ensure that it is achieving the desired impact.

Observation	Risks	Recommendation	Management Response		
<p>Discussions with the Assessor, and review of EPDR procedures, identified that there is a formal means of evaluating the impact of previous training provided on staff performance through the EPDR process and also an informal mechanism through regular one to one meetings held with staff. However, it was also identified that there is no formal means of obtaining feedback on the quality, relevance or usefulness of the training activity undertaken.</p> <p>We identified that there is scope to develop a training application form which a) requires staff to document expected learning outcomes and b) allows formal evaluation of the impact of training received by requiring staff to revisit the expected learning outcomes recorded on the training application forms and confirming that the learning needs have been met.</p>	<p>Failure to evaluate the effectiveness of training could lead to poor use of resources by continuing training that does not result in more efficient or effective working practices or provide value for money.</p>	<p>R3 Consideration should be given to the development of a 'Training application and evaluation form' which captures expected learning outcomes and also provides the opportunity for staff to subsequently formally evaluate the achievement of anticipated learning outcomes and to record feedback after attending the relevant training course. Completed forms should then be signed-off by managers and form part of the EPDR process. Feedback provided on the forms should be reviewed and the results used to inform future selection of training providers and will inform an analysis of training spend and benefits derived to ensure that best value is being achieved from training spend.</p>	<p>A training application form will be developed to be completed when individual training requests are made which shall include expected learning outcomes and feedback.</p> <p>To be actioned by: Principal Valuer</p> <p>No later than: 30 June 2020</p>		
			<table border="1"> <tr> <td>Grade</td> <td>3</td> </tr> </table>	Grade	3
Grade	3				

Staff Recruitment & Retention / Organisational Development

Objective 5: Appropriate succession planning strategies, action plans and monitoring arrangements are in place.

Although we identified that there is no formal succession strategy in place, we did obtain evidence which confirms that succession planning is being appropriately considered and managed. For example, the Board implemented a staff restructuring exercise during 2019, which was principally intended to address future changes relating to the non-domestic property ratings legislation. This restructuring exercise also provided senior staff with the opportunity to gain further experience and to access training in preparation for a potential move into a promoted role.

The Assessor regularly performs an informal analysis of the age profile of staff at various levels across the organisation in order to inform decisions relating to recruitment and training.

Currently succession issues are managed through a combination of recruitment or through provision of targeted training for staff. Development of a Workforce Planning model (see **R1**) and completion of the planned skills audit (see **R2**) will also help to strengthen the Board's succession planning processes.

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