

# Internal Audit Report



Internal Audit Report  
Corporate & Democratic Service  
Workforce Planning  
Assignment No. 19-07  
March 2020

## Final Report

(Report No. 20/165)

Legal and Governance  
Corporate and Democratic Services  
Perth & Kinross Council  
Council Offices  
2 High Street  
Perth  
PH1 5PH

### Internal Audit

“Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”. Public Sector Internal Auditing Standards (PSIAS)

The Council’s Audit Committee approved the PSIAS as the relevant standard for its Internal Audit activity.

### Background and Introduction

This audit was carried out as part of the audit plan for 2019/20, which was approved by the Audit Committee on 26<sup>th</sup> June 2019. Audit testing was carried out between December 2019 and January 2020.

Workforce planning is the process that organisations use to ensure that they have *“the right people with the right skills in the right place at the right time”*.

The Council approved the Corporate Workforce Plan in February 2018. This document sets out the key challenges and priority activities which have been identified for the period 2018-2021.

Internal Audit reviewed these plans in more detail in 2018 (report 19/158 refers). Due to the high level of risk that this area represents to the achievement of Council objectives, however, this is a follow up audit designed to provide further assurance regarding controls in place to ensure ongoing effectiveness of workforce planning arrangements.

### Scope and Limitations

This audit considered arrangements in place to ensure that workforce planning measures identified within the Corporate Workforce plan are being progressed and scrutinised as appropriate, and that provision is being made to continually assess, evaluate and update these as required.

The review consisted of analysis of documentation and interviews with relevant Officers.

The audit was primarily carried out with colleagues in Human Resources (HR), who are responsible for the delivery of the majority of actions within the Corporate Workforce Plan.

### Control Objectives and Opinions

This section describes the purpose of the audit and summarises the results. A ‘control objective’ is a management objective that requires the maintenance of adequate and effective internal controls to ensure that it is achieved. Each control objective has been given a rating describing, on the basis of the audit work done, the actual strength of the internal controls found to be in place. Areas of good or poor practice are described where appropriate.

Control Objective: To ensure the effectiveness of workforce planning measures

Internal Audit Comments:

There is evidence that the importance of effective workforce planning is recognised and embedded culturally across the Council, starting with the Chief Executive. This is reflected within various key Council documents, including the Corporate Plan, Service Business Management Improvement Plans and risk registers.

Workforce planning activity is being progressed and scrutinised, with appropriate governance and responsiveness to interventions required. Evidence which supports this:

- An update on the Corporate Workforce Plan, was presented to Council in December 2018. This report effectively demonstrates progression of activity towards achievement of outcomes, through case studies, feedback quotes and statistics. Whilst no report was provided in December 2019, as had been originally anticipated, there is evidence that HR is continuing to engage with Elected Members and Trade Unions through the Joint Consultative Committee and Joint Negotiating Committee for Teaching Staff. Minutes of these meetings are noted by Elected Members of the Strategic Policy and Resources Committee also.
- Workforce planning workshops are held annually with the Corporate Management Group (CMG) to review and re-evaluate priorities for the forthcoming year. Relevant information on workforce demographics, change and challenges is presented at these sessions and has evolved over the 2-year period.
- New policies and processes aligned with the Workforce Plan are approved by the CMG.
- HR is set up in such a way to facilitate effective communication with Services and budget holders, allowing responsiveness to any demand/issues. This combined with: policies and processes in place for vacancy management and transformational change; alongside attendance at budget meetings, would enable them to have an overview of anticipated demand/future need.
- Responsive changes to interventions as required, including work done to understand the impact of Brexit.
- The Service monitors a range of indicators and completes evaluation activities which will assist in understanding whether workforce planning interventions have been successful.

The Corporate Workforce Plan was co-designed with Organisational Development (OD) however, this audit has focused largely on HR activity. There is evidence that some of the OD priorities initially identified have been progressed. It is recognised, however, that workstreams have been largely impacted by significant changes which have re-defined and re-shaped some of the key priority action areas and approach from the original iteration. Matters of note include: change of Chief Executive, which has led to a shift in direction from a leadership perspective; development of the Perth & Kinross Offer - which in turn will redefine how Senior Management communicate and engage with staff; merger of Housing

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& Environment Services; and changes to reporting lines within and impacting on the Corporate Strategy & OD Team.

HR & OD colleagues are actively supporting these changes and work is ongoing to develop new mechanisms for capturing employee voice through the work progressing in relation to the Perth & Kinross Offer and 'think yes' sessions. Whilst this may have an impact upon evidencing some of the Workforce Planning outcomes in the way which was originally intended, the Service anticipates that this will provide more qualitative feedback in the future.

OD have been working with, and providing updates to, CMG and Executive Officers regarding the development of the Perth & Kinross Offer. There may, however, be benefit to review and update to CMG on progression of the specific OD workstreams which were identified and reported as priority areas for 2019.

Strength of Internal Controls:

Strong

### Management Action and Follow-Up

Responsibility for the maintenance of adequate and effective internal controls rests with management.

Where the audit has identified areas where a response by management is required, these are listed in Appendix 1, along with an indication of the importance of each 'action point'. Appendix 2 describes these action points in more detail and records the action plan that has been developed by management in response to each point.

It is managements responsibility to ensure that the action plan presented in this report is achievable and appropriate to the circumstances. Where a decision is taken not to act in response to this report, it is the responsibility of management to assess and accept the risks arising from non-implementation.

Achievement of the action plan is monitored through Internal Audit's 'follow up' arrangements.

Management should ensure that the relevant risk profiles are reviewed and updated where necessary to take account of the contents of Internal Audit reports. The completeness of risk profiles will be examined as part of Internal Audit's normal planned work.

### Acknowledgements

Internal Audit acknowledges with thanks the co-operation of P Johnstone, HR Manager - Operations and K Donaldson, Depute Director – Corporate & Democratic, C Guild, Head of Innovation & S Flanigan, Corporate Strategy and Organisation Development Manager during this audit.

### Feedback

Internal Audit welcomes feedback, in connection with this audit or with the Internal Audit service in general.

## Internal Audit Report

### Distribution

This report has been distributed to:

K Reid, Chief Executive

J Valentine, Depute Chief Executive (Chief Operating Officer)

K Donaldson, Depute Director – Corporate & Democratic Services

C Guild, Head of Innovation

P Johnstone, HR Manager – Operations

L Simpson, Head of Legal & Governance

S Mackenzie, Head of Finance

Committee Services

External Audit

### Authorisation

The auditor for this assignment was L Ferguson. The supervising auditor was J Clark.

This report is authorised for issue:

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J Clark  
Chief Internal Auditor  
Date: March 2019

Appendix 1: Summary of Action Points

No.	Action Point	Risk/Importance
1	<a href="#">Communication with Elected Members</a>	Low
2	<a href="#">Development of Employee Feedback &amp; CMG Update</a>	Low

## Appendix 2: Action Plan

### Action Point 1 - Communication with Elected Members

It is stated within the Corporate Workforce Report 2018-2021, and CADs BMIP that Elected Members would be provided with a workforce report to Council annually.

Whilst no report was provided in December 2019, as had been originally anticipated, there is evidence that the Service is continuing to engage with Elected Members and Trade Unions through the Joint Consultative Committee (JCC) and Joint Negotiating Committee for Teaching Staff (JNCT). Minutes of these meetings are noted by Elected Members of the Strategic Policy and Resources Committee also.

The Service may wish to formalise arrangements surrounding what information is to be provided to Elected Members, how often this occurs and at what forum.

### Management Action Plan

Elected members will be advised of this change of reporting through the Medium-Term Financial Plan.

A revised approach for Elected Member engagement and communication will be formalised in the next iteration of the Corporate Workforce Plan, due in 2021.

Risk/Importance:	Low
Responsible Officer:	K Donaldson, Depute Director – Corporate & Democratic Services
Lead Service:	Corporate & Democratic Services
Date for Completion (Month / Year):	Oct 2020
Required Evidence of Completion:	Medium Term Financial Plan Report

### Auditor's Comments

Satisfactory

## Action Point 2 - Development of Employee Feedback & CMG Update

There are significant changes which have re-defined and re-shaped some of the key focus areas and approach from the original iteration of the Corporate Workforce Plan 2018-2021.

There is evidence that HR & OD colleagues are actively supporting changes and that CMG and Executive Officers have been involved in developing the Perth & Kinross Offer.

A key area of note is the way in which the Council will communicate and engage with staff to capture employee voice. A number of sessions have been held regarding 'Think Yes' and the Perth & Kinross Offer and it is envisaged that similar future sessions will form part of a new model for capturing wide-ranging employee feedback. It is recognised that development of the employee feedback model will remain key to Workforce Planning, and demonstration of the achievement of Corporate Workforce Plan outcomes, and this is an area that the Service is continuing to progress.

It was noted, however, that a planned session for CMG detailing progression of specific OD workstreams identified and reported as Corporate Workforce Plan priority areas for 2019 did not go ahead. To complete arrangements, there may be benefit to updating CMG on these specific items also.

## Management Action Plan

Reviewing and renewing methods of listening to and acting upon employee voice was one of the priorities identified in 2019. This remains a key focus area in the development of the Perth & Kinross Offer, and will continue to be considered in the context of evidencing Workforce Planning outcomes also. An update on this and other specified OD priority areas will be communicated to CMG.

Risk/Importance:	Low
Responsible Officer:	C Guild, Head of Innovation
Lead Service:	Housing & Environment
Date for Completion (Month / Year):	May 2020
Required Evidence of Completion:	Update to CMG

## Auditor's Comments

Satisfactory