



FINAL INTERNAL AUDIT REPORT

Appraisals

AUDIT REFERENCE

CEX/05/2022

23 June 2023

Auditor	Principal Auditor
Reviewer	Head of Audit and Assurance

Distribution list

Job title
Director of HR, Customer Services and Public Affairs
Head of HR Business, Systems & Reward
Assistant Director HR, Organisational Development

Executive Summary

Audit Objective	The objective of this audit was to review the effectiveness of the appraisals process, including the quality of appraisals undertaken.
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Assurance Level		Findings by Priority Rating		
Reasonable Assurance	There is generally a sound system of control in place but there are weaknesses which put some of the service or system objectives at risk. Management attention is required.	Priority 1	Priority 2	Priority 3
		0	5	0

Key Findings
<p>1. The sample of staff we interviewed who had an appraisal in the last 12 months confirmed they were satisfied with the discussion at their appraisal meeting which included</p> <ul style="list-style-type: none"> • Performance assessment of previous objectives and feedback • Objective setting and alignment of individual objectives with service/corporate objectives and values • Identification of training and development needs <p>2. An appraisal framework is available with written guidelines to ensure the relevant areas are covered. We interviewed a representative sample of 15 staff, and they told us that they found the guidance useful. Discuss guidance for managers new guide August 2022 and Discuss 2021 for staff details how each discussion is tailored to the individual and is designed to be a dialogue between staff members and their line manager to help achieve the objectives of the council, the service, the team and the individual. Some limitations of the guidance were noted which are detailed in Appendix A below.</p> <p>3. Training is available to both staff and managers on the appraisal process. All managers and staff are required to complete mandatory 'Discuss' training as part of the Council's induction process and every two years after that. We asked the Project & Training Coordinator to check if the sampled staff and their managers have completed the training. She interrogated the Training and Development online platform and advised that 14/15 staff in the sample and 12/15 managers have not completed the training in last 2 years. Please refer to Appendix A below.</p>

4. The HR system has limited functionality to record appraisal outcomes, retain appraisal documents and report on completion of appraisals.
5. Appraisals were not completed for 25% of staff in our sample in the last 12 months. Of the 11/15 appraisals completed, 4 managers did not record the appraisal outcome on the HR system and 4 managers did not confirm if they had recorded the outcome on the HR system.
6. Some discrepancies were noted between the online training and the Discuss guidance which are detailed in Appendix A.

Management has agreed actions for all findings raised in this report. **Please see Appendix A.**

*Definitions of our assurance opinions and priority ratings are in **Appendix B.***

*The scope of our audit is set out in **Appendix C.***

Appendix A - Management Action Plan

1. Recording and reporting of appraisals on the HR system	
<p><u>Finding</u></p> <p>The HR system has limited functionality to record appraisal outcomes, retain appraisal documents and produce reports to evidence completion of appraisals. This was confirmed by the Head of HR Business, Systems & Reward. The HR system does not allow the recording of the journey of individuals' performance. Following appraisal when a manager updates the performance grid on the HR system, the performance grid is overwritten, history of past performance is not retained and date of completion is not recorded. Therefore, performance cannot be tracked from the grid. Appraisal notes cannot be uploaded on the HR system and if managers leave and do not hand over previous appraisal notes there is no record of an individual's performance history. There is a lack of transparency as the performance outcome recorded by the manager on the HR system is not visible to the staff.</p> <p><u>Risk</u></p> <p>Poor record keeping is a risk, especially where performance is an issue and evidence is needed of discussions and agreed training/supervision needs.</p>	
<p><u>Recommendation</u></p> <p>HR should explore the options to improve the functionality of the HR system to record appraisal outcomes, retain appraisal documents and produce reports to evidence completion of appraisals. The performance outcome recorded by the manager on the HR system should be made visible to the staff. Where a technical solution is not available, other hybrid options should be explored.</p>	<p><u>Rating</u></p> <div style="border: 1px solid black; background-color: #ffc000; padding: 5px; display: inline-block;">Priority 2</div>
<p><u>Management Response and Accountable Manager</u></p> <p>These comments all relate to the old HR self-service system but in part reflect the feedback from managers and employees when the previous appraisal form was on HR self-service. At that time Manager's views were that they found the old electronic form/process too rigid. With the new system, we do need to review the functionality of the</p>	<p><u>Agreed timescale</u></p> <p>December 2023</p>

Talent Management module (phase 2 item) but in the first instance we would be able to upload appraisal documents against employee records. Please note though, when uploading documents there would be limited reporting of the actual detail on the forms other than recording that a form has been uploaded.

Managers and staff are however able to keep their own notes generally in electronic format.

In terms of risk, Managers are expected to keep their own management records to refer to in the instance of staff performance/capability. This could include a variety of evidence including supervisory notes as well as appraisal discussions.

Accountable Manager: Head of HR Business, Systems & Reward


2. Completion and recording of Appraisal

Finding

A stratified sample of 15 staff, 5 in each department and covering different levels (pay grades) was selected from the payroll report. On enquiry 4 of 15 managers advised that they have not completed an appraisal with their staff in the last 12 months. Managers cited the following reasons for not completing appraisals:

- they have regular 1-to-1 meetings
- no issues with staff performance
- appraisals no longer feed into pay considerations
- no significant changes to the role
- staff on fixed term contract

Of the 11/15 appraisals completed, 4 managers did not record the appraisal outcome on the HR system and 4 managers did not confirm if they had recorded the outcome on the HR system.

<p><u>Risk</u> Sections and departments may fail to achieve their objectives due to inadequate staff management.</p>	
<p><u>Recommendation</u> Managers should be reminded by HR to complete their staff appraisals annually and record the outcome on the HR system. HR should plan further engagement with managers to promote the reasons and value of appraisals.</p>	<p><u>Rating</u> </p>
<p><u>Management Response and Accountable Manager</u> It is important to note that ensuring that Managers undertake appraisals is not a direct function or responsibility of HR. HR works collaboratively with the Senior Leadership of the organisation to provide support, guidance, and training in this subject area and to assist senior leaders in this area of accountability. It is also recognised that the sample assessed was very small in terms of the total workforce of the council as a whole and it is not clear regarding how representative compared to the size of departments the samples were. It is nevertheless disappointing to note Manager’s responses regarding completion of appraisals. Both the Guidance and Training are clear regarding what the scheme is and how it is used for supporting staff’s development and assessing performance, demonstrating how individual objectives ultimately support the achievement of wider corporate council objectives. The DISCUSS Appraisal process is also one of the Core Business operations offered as part of the Corporate Training faculty. At a Manager level therefore, it is difficult to understand the reasons given for not completing appraisals and these views should be subject to challenge and further training/support provided. For the sake of completeness, please see direct comments below in relation to the views of Managers:</p>	<p><u>Agreed timescale</u> December 2023</p>

They have regular 1-to-1 meetings

It is made clear in the Training that the DISCUSS sessions are not the same as 1:1 meetings. The guidance also states Discuss is Bromley's coaching approach to **staff development** which uses structured conversations to set short- and long-term objectives for staff at all levels.

It is therefore difficult to understand why a Manager would think that a 1:1 supervision meeting is the same.

They have no issues with staff performance

The guidance and training refer to **staff development as well as performance** and talk about setting objectives linked to the corporate objectives. Regardless of whether someone is a high achiever or strong performer they still need to be set objectives and their performance recorded.

Appraisals no longer feed into pay considerations

They never did previously under the PADS system for those staff below management grade. Whilst Bromley does not have a formal performance related pay system in place, appraisals can help a manager to determine whether to put an employee forward for consideration of a merited award and a Manager could choose for example to accelerate someone within their grade in terms of progression if this is warranted and there is sufficient headroom flexibility.

There are no significant changes to the role

Appraisal is not linked to changes in a role and never has been it is therefore difficult to understand how a manager would reach this view.

Staff are on a fixed term contract

All staff should be appraised even if they are on a fixed term contract. The exception to this is agency staff who are not Bromley employees although good practice determines that a discussion should still take place.

In terms of recording outcomes, it is recognised that individual notes could not be uploaded onto the previous System and that the new HR System is currently being explored with regard to this although it is likely that similar limitations would apply. It is worth noting however that previously under the old appraisal process Manager feedback was that they did not like the rigidity of completing a form.

The DISCUSS appraisal process provides for both managers and staff to record their own notes but importantly agree and sign off on the conversation and resultant actions proposed and to set a date for review. Notwithstanding this a template form is provided should managers wish to use this. Recording and capturing the detail of the DISCUSS appraisal process is featured in slides 20, 21, 26, 27, 28, 29 and 30 of the DISCUSS appraisal training.

Whilst forms are not logged onto the HR System it is strongly advised that notes are kept by both parties and overall, the actual performance rating should be logged.

In terms of Risk

Due to the hierarchical nature of management structures, it is likely that poor performance would be identified to prevent significant failure of objectives. This would also be supported through the monitoring of KPI's.

Whilst an annual reminder email is sent to managers regarding undertaking appraisals for staff, in light of the findings in this report Organisational Development has taken the opportunity to remind Managers through a direct email communication and through the Manager's Briefing mechanism of their responsibility for appraising staff and to remind them of the value and importance of appraisals and how these contribute to the Council's wider corporate objectives and its REAL leadership values.

Accountable Manager: Assistant Director HR, Organisational Development

3. Guidance

Finding:


The guidance is comprehensive and covers key areas such as frequency of discussions, consistency of assessment, guidance on a sassessment criteria and how they should be recorded. However, in terms of disputes and disagreements the Discuss guidance for managers new guide August 2022 states that *'Clearly if a team member disagrees with your view, their Discuss session is the place to resolve this and reach a compromise.'* The Discuss 2021 for staff also states that *'Clearly if you disagree with your line managers view, their Discuss session is the place to resolve this and reach a compromise'*. The Discuss online training for staff says that the Manager's decision is final. The Head of HR Business, Systems & Reward advised that there is no HR involvement or input in Discuss however any issue/disagreement should be raised by the staff with their manager's manager (grandparent) for moderation. The guidance document for both managers and staff does not satisfactorily cover dispute resolution and the moderation process.

<p><u>Risk:</u></p> <p>Sections and departments may fail to complete staff appraisals, miss deadlines, or undertake poor quality appraisals. There may be inconsistency in how the ratings are applied across the organisation.</p>	
<p><u>Recommendation:</u></p> <p>Learning and Development should review the Discuss guidance for managers and staff to ensure that it details dispute resolution and moderation process so that they both know what to do if the staff member disagrees with the manager's assessment of their performance.</p>	<p><u>Rating</u></p> <p style="text-align: center;">Priority 2</p>
<p><u>Management Response and Accountable Manager</u></p> <p>Whilst the aim is always to try to agree on the appraisal scoring, ultimately, the Manager's decision is final. However, if agreement cannot be amicably reached then each party should record the detail of the disagreement and reasons/explanations given for the final scoring. They should then record this in the notes that they are advised to take. In the Training delivery for both Managers and Staff, emphasis is placed on both parties presenting evidence to support their assessment thereby assisting in resolving any difference of opinion at an early stage.</p> <p>Appraisal processes generally do not have an appeals process built in as decisions should be based on an evidential and objective basis including measurement against SMART objectives. In the event however that a staff member disagrees with the rating given by their manager or feels that their appraisal process was not carried out fairly they can raise this through the Grandparent Manager or if the matter is deemed sufficiently serious, through the staff grievance procedure.</p> <p>In light of the suggested recommendation the current guidance will be reviewed, and further clarity provided in circumstances regarding a difference of assessment rating between the appraiser and appraisee.</p>	<p><u>Agreed timescale</u></p> <p>December 2023</p>

<p>In terms of risk</p> <p>The DISCUSS appraisal system is designed to be flexible so the Manager and the staff member decide together when to meet. Therefore, there are no formal deadlines except we advise that performance ratings should be set by the end of year (31st March) with the new appraisal year starting on 1st of April. This is clearly set out in the training therefore the risk of missing deadlines is mitigated. It should also be noted that the guidance around the timing of appraisals i.e., 4-6 weeks or 2-4 weeks etc is just that, it is guidance illustrated clearly in the guide by the following statement “The recommended frequency of discussion is also a guide and can be varied by agreement in the discussion.” Some managers may wish to meet with staff more or less frequently and that is the merit of the flexibility of the scheme, it also means that any difficulties with performance can be addressed, and a staff member supported at an early stage.</p> <p>Training and Guidance should also mitigate the risk around poor-quality appraisals. Managers are supported in how to conduct an appraisal (both in terms of written guidance and in the training provided) and are provided with prompt questions to use. They are also provided with descriptors of what type of performer an individual may be aligned to in terms of the performance grid ratings which means that inconsistency around ratings should be reduced. Managers can also seek advice from HR at any time if they are unsure or require further support and this is made clear to them.</p> <p>Accountable Manager: Assistant Director HR, Organisational Development</p>	
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4. Training completion

<p><u>Finding</u></p> <p>All managers and staff are required to complete mandatory ‘Discuss’ training as part of the Council’s induction process and every two years after that. We asked the Project & Training Coordinator to check if the sampled staff and their managers have completed the training. She interrogated the Training and Development’s training records and the online platform and advised that 14/15 staff in the sample and 12/15 managers have not completed the training in last 2 years.</p>

<p><u>Risk</u> A lack of appreciation among staff and managers of how performance appraisals will help the organisation achieve its objectives and help them personally in the work they do and their development.</p>	
<p><u>Recommendation:</u> Managers and staff should complete the Discuss training every two years to ensure that they both understand how it works, how the behavioural framework links to the model and the roles of coaching, recognition, and support in individual & team development. Completion of training should be monitored by Learning and Development, with non-compliance identified and reported to their manager in a timely manner.</p>	<p><u>Rating</u> </p>
<p><u>Management Response and Accountable Manager</u> In light of the findings in this report Organisational Development has taken the opportunity to remind Managers through a direct email communication and through the Manager’s Briefing mechanism, of their responsibility to ensure that they and their staff have attended the mandatory DISCUSS appraisal training and undertake refresher training every two years. It also alerts Managers to the fact that attendance is monitored through KPI reporting and details the value and importance of appraisals and how these contribute to the Council’s wider corporate objectives and its REAL leadership values. Accountable Manager: Assistant Director HR, Organisational Development</p>	<p><u>Agreed timescale</u> December 2023</p>

5. Training content

Finding

The following discrepancies were noted between the guidance and online training:

1. The Discuss online training for staff says that “there are no formal deadlines apart from the 1st of April and 31st March when your manager will need to ensure that your DISCUSS rating is recorded on the grid in HR self-service.” This is not included in the Discuss guidance.
2. The online training states three steps to follow – assess, have the conversation, and capture the conversation (and set a date for the next review). These do not fully align to the guidance which says that Discuss format is:
 - Define – what should we be looking at together?
 - Investigate – what is the evidence about what is happening or has happened?
 - Standards – are we clear about what is required and what you are achieving?
 - Competence- are we clear about the skills needed for the task? Understanding and agreement – have we reached an agreement about the way forward?
 - Smart solutions- have we captured the agreement in written objectives
 - Sign off – have we covered everything we need to and when should we talk again?
3. The actions 4, 5 and 6 on the training summary slide also do not align to the guidance
 - Review should be done frequently, and at least every six weeks
 - Staff categories should be recorded in HR Self Service
 - Action should be agreed between both the manager and the individual and signed off.

<p><u>Risk</u></p> <p>Sections and departments may fail to complete staff appraisals, miss deadlines or undertake poor quality appraisals.</p>		
<p><u>Recommendation</u></p> <p>Learning and Development should review the Discuss guidance for managers and staff and the online training to ensure that the training aligns to the written guidance.</p>		<p><u>Rating</u></p> <p style="text-align: center;">Priority 2</p>
<p><u>Management Response and Accountable Manager</u></p> <p>DISCUSS is an acronym for the structured conversation element of the appraisal process. There are just three steps to carry out the appraisal as outlined, and it is the “have the conversation” element where the structured discussion takes place using the DISCUSS format.</p> <p>The DISCUSS appraisal system is designed to be flexible so the Manager and the staff member decide together when to meet. Therefore, there are no formal deadlines except it is recommended that performance ratings should be set by the end of the financial year (31st March) with the new appraisal year starting on 1st of April and an ongoing dialogue between the appraiser and appraisee ensuing in between with the frequency of discussion determined and agreed by both parties.</p> <p>With regards to the alleged inconsistency between the Training and the Guidance regarding actions being agreed and signed off the following statements are made in the Guidance:</p> <p>“At the end of the Discuss session a set of objectives will be agreed by line managers and individual staff members for review at agreed period. These objectives may be short-, medium- or long-term objectives.”</p>		<p><u>Agreed timescale</u></p> <p>December 2023</p>
<p>Understanding and agreement</p>	<p>Ties down what objectives and actions have been</p>	<p>So, if we are clear on what you need to do, how could we word this in your objectives?</p>

	agreed by the staff member			
Sign off	Summarises the conversation	So, If I have this right what we've agreed is....(list) Is that right? So can we sign off on that, and can we upload the objectives so we can both access them on the xxxxxx date?		
<p>In addition, slide 20 of the Training refers to the same i.e.</p> <ul style="list-style-type: none"> • Make sure you capture the conversation • Agree and sign off on the actions to be taken • Set a date for review • Managers may need to adjust the HR Grid Record if necessary, throughout the year but definitely at the end of March each year. <p>In terms of risk please refer to the management response detailed in Finding 3 above.</p> <p>The guide and training are due to be reviewed as part of best practice processes and the findings of this audit review together with consistency of materials will be considered as part of this and the guide/training strengthened where this is necessary.</p> <p>Accountable Manager: Assistant Director HR, Organisational Development</p>				

Appendix B - Assurance and Priority Ratings

Assurance Levels

Assurance Level	Definition
Substantial Assurance	There is a sound system of control in place to achieve the service or system objectives. Risks are being managed effectively and any issues identified are minor in nature.
Reasonable Assurance	There is generally a sound system of control in place but there are weaknesses which put some of the service or system objectives at risk. Management attention is required.
Limited Assurance	There are significant control weaknesses which put the service or system objectives at risk. If unresolved these may result in error, abuse, loss or reputational damage and therefore require urgent management attention.
No Assurance	There are major weaknesses in the control environment. The service or system is exposed to the risk of significant error, abuse, loss or reputational damage. Immediate action must be taken by management to resolve the issues identified.

Action Priority Ratings

Risk rating	Definition
Priority 1	A high priority finding which indicates a fundamental weakness or failure in control which could lead to service or system objectives not being achieved. The Council is exposed to significant risk and management should address the recommendation urgently .
Priority 2	A medium priority finding which indicates a weakness in control that could lead to service or system objectives not being achieved. Timely management action is required to address the recommendation and mitigate the risk.
Priority 3	A low priority finding which has identified that the efficiency or effectiveness of the control environment could be improved. Management action is suggested to enhance existing controls.

Appendix C – Audit Scope

Audit Scope

We reviewed the adequacy and effectiveness of controls over the following risks:

- A lack of appreciation among staff of how performance appraisals will help the organisation achieve its objectives and help them personally in the work they do and their development.
- Sections and departments may fail to complete staff appraisals, miss deadlines or undertake poor quality appraisals.
- Training and development that seems to have little or no relationship to a person's role or future role.

Our audit included a review of the relevant documentation, interviews with key officers and testing of related procedures, processes and systems.

We focused our testing on the most recent set of Appraisals completed. A random sample was selected from the payroll report and then tested against available information and interviews with sampled employees. Documents relating to the individual's appraisal were reviewed where provided. Interviews were undertaken with HR management as necessary and/or other HR staff (Head of HR Business Systems & Reward), Workforce Development and individual line managers. We included the following as part of our scope:

- Policies and procedures
- Training available for managers and staff
- Objective setting and alignment of individual objectives with service / corporate objectives
- Identification of training and development needs
- Completion and quality of appraisals
- Recording of outcomes