



*Cairngorms National Park Authority
Review of HR Appraisal Process
Internal Audit 2009/10*

April 2010

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Section 1 - Executive summary

1.1 Introduction

This internal audit of the HR Appraisal process is part of our programme of core human resources areas and is consistent with the audit plan approved by the Audit Committee. The scope of this report was agreed with the Head of Corporate Services and HR Manager prior to the commencement of work.

1.2 Background

HR Appraisal Process - timeline

Cairngorms National Part Authority (CNPA) employs 61 people across six groups: Corporate Services, Visitor Services & Recreation, Economic & Social Development, Planning & Development Management, Communications & Information and Heritage & Land Management. The Line Manager of each employee fulfils the role of the appraisal manager.

The annual appraisal process at CNPA starts in February/March each year (Fig. 1 below), when an appraisal meeting takes place and objectives for the upcoming year are set. There are no generic objectives - criteria and performance standards are typically derived from job descriptions or may focus on the core job competencies. Staff objectives should be SMART (Specific, Measurable, Achievable, Relevant and Timely) to provide both the staff member and the organisation with a clear framework within which to conduct an appraisal. They can range from a set of objectives or targets, with the appraisal being based on the level of accomplishment of these objectives, to an evaluation of the individual's work, behaviour and attitudes. The meeting is also an opportunity for the appraisee / Line Manager to flag up any potential developments needs and identify ways to achieve this - either through targeted training, attendance of conferences, participation in workshops or any other suitable way.

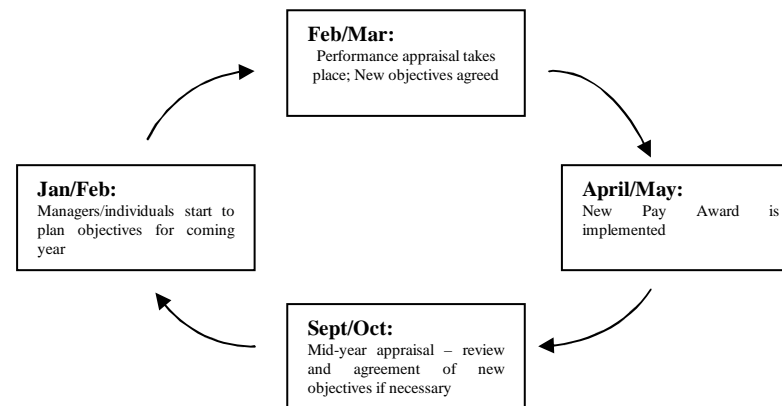


Figure 1. Annual appraisal cycle

Section 1 - Executive summary (continued)

1.2 Background (continued)

February/March appraisal meetings are also used to review progress against objectives from the prior year and identify whether each staff member has performed as expected. The Line Manager has to confirm whether their appraisees can be recommended for a Pay Award by signing off the last section on the Annual appraisal form. In April/May each year, Pay Awards are implemented, with the performance element based on the outcome of the year-end appraisal marking.

All appraisal documentation is required to be submitted to the HR Manager and is retained on individual employee personal files.

Policies & Procedures

Cairngorms National Park Authority has a number of procedural documents in place to guide the appraisal process. 'CNPA Appraisal System - Guidelines for Managers' outlines steps that line managers are expected to follow throughout the annual appraisal cycle, including: relevant deadlines, objective setting, conduct during the meeting (including equality guidelines), post-appraisal steps and how any conflicts/disputes should be handled. Similarly, 'CNPA Appraisal System - Guidelines for Post Holders', sets out the responsibilities of the appraisees.

To supplement this and aid objective setting two further documents are available – Behavioural Competencies and Job Competence Guidelines, which describe the behavioural competencies that an individual needs to perform effectively in their job, whilst specific technical knowledge and experience required for the job are described within individual job descriptions.

1.3 Approach

Our approach was to document the systems and procedures in operation of the annual appraisal process at CNPA through discussions with relevant staff and review of appropriate documentation. The key controls were then tested to determine their adequacy and effectiveness.

Section 1 - Executive summary (continued)

1.4 Conclusion

The overall objective is to assess the controls in place for the following audit areas:

Audit areas	Overall Assessment	Report Ref.
Staff members are aware of the objectives against which they are to be assessed, and where relevant participated in the setting of these objectives	****	
Staff receive regular formal/informal feedback on their performance during appraisal periods	****	
Objectives are specific, measurable, achievable, relevant, and timely	****	
Appraisals take place on a regular basis	***	2.1
Employee objectives are aligned with organisational objectives	****	
The appraisal process allows staff the opportunity to highlight areas where they would like to develop their skill sets	****	
Training needs are formally documented as part of the appraisal process, added to objectives and followed up at subsequent appraisals	****	
Standardised appraisal forms are in use for all members of staff	****	
There is appropriate guidance in place for those managing the appraisal process	****	

Key:

****	Arrangements accord with good practice and are operating satisfactorily (recommendations are in respect of minor matters).
***	Adequate arrangements are in place, but certain matters noted as requiring improvement.
**	Arrangements in place offer scope for improvement.
*	Inadequate level of control and unacceptable level of risk.

Section 1 - Executive summary (continued)

1.4 Conclusion (continued)

We can conclude that the controls in place in respect of the audit areas are operating effectively with only one area leaving some scope for improvement relating to completion and submission of appraisal documentation. We have summarised the weaknesses and issues below and further details of our findings and recommendations can be found within **Section 2** of this report.

Our key finding is as follows:

- Our testing highlighted a number of exceptions when inquiring into timeliness of appraisal meetings and submission of appraisal forms to the HR Manager (*Recommendation 2.1*).

Our detailed findings and recommendations are within **Section 2** of this report. In total, we identified **one** recommendation as follows:

Description	Priority	Number
Major issues that we consider need to be brought to the attention of Management and the Audit Committee	1	0
Important issues which should be addressed by management in their areas of responsibility	2	0
Minor issues where management may wish to consider our recommendations	3	1
	Total	1

1.5 Acknowledgements

We would like to take the opportunity to thank all of the staff within Cairngorms National Park Authority involved in assisting us in this audit. The findings and recommendations in this report were discussed with the HR Manager and Head of Corporate Services at the conclusion of our fieldwork.

Section 2 - Detailed findings and recommendations

2.1 Timely submission of appraisal documentation

Finding	Recommendation	Rationale	
<p>Though discussions with the HR Manager and review of records for the current performance appraisal cycle (mid-year), we have established that (as at 15/03/10), 20 out of 61 staff members have not submitted their mid-year appraisal documentation due in October 2009.</p> <p>Additionally, our targeted testing of appraisal forms (both annual and mid-year) has highlighted the following exceptions:</p> <p>From a sample of five mid-year appraisals (September/October 2009), two have been done later than the expected date (both forms signed off in January 2010);</p> <p>From a sample of five year-end appraisals (March 09), two have been done later than the expected date. For one of these, the sign off date on the form was April 2009, so although late the form was still submitted in time for the pay award. The other form was signed off in September 2009. The HR Manager has informed us that in cases like this, approval for the pay award would be chased by email by the Head of Corporate Services from relevant Line Managers before the award has to be implemented in April.</p> <p>One year-end appraisal forms was not in place. We were informed that this was due to the change over in Line Managers for the staff member in question.</p>	<p>All staff should be reminded of timelines for completion of appraisal forms and the significance of this especially for the year-end forms.</p>	<p>It is important to ensure that the appraisal documentation is submitted to the HR Manager in accordance with guidelines to ensure that pay awards can be processed on a timely basis and that staff receive timely and constructive feedback on performance.</p>	
Management Response		Responsibility/ Deadline	Priority
<p>Recommendation agreed and currently being implemented as part of reinforcing timetable for the March / April appraisal and pay processes.</p>		<p>Human resources Manager / April 2010</p>	<p>Three</p>

Section 3 - Statement of responsibility

We take responsibility for this report which is prepared on the basis of the limitations set out below.

The matters raised in this report are only those which came to our attention during the course of our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of internal audit work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Auditors, in conducting their work, are required to have regards to the possibility of fraud or irregularities. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our audit work and to ensure the authenticity of these documents. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Deloitte LLP

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April 2010

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Appendix A – Scope and objectives

Background

A central feature of a staff appraisal is the establishment of objectives or criteria against which the individual's performance is to be assessed. The criteria and performance standards can be derived from their job description or may focus on the core job competencies. They can range from a set of objectives or targets, with the appraisal being based on the level of accomplishment of these objectives, to an evaluation of the individual's work, behaviour and attitudes.

Staff objectives should be SMART (Specific, Measurable, Achievable, Relevant and Timely) to provide both the staff member and the organisation with a clear framework within which to conduct an appraisal

Objectives

The overall objective of our review is to assess the adequacy and effectiveness of the controls in place and to establish whether the following objectives are achieved.

- Staff members are aware of the objectives against which they are to be assessed, and where relevant participated in the setting of these objectives;
- Staff receive regular formal/informal feedback on their performance during appraisal periods;
- Objectives are specific, measurable, achievable, relevant, and timely;
- Appraisals take place on a regular basis;
- Employee objectives are aligned with organisational objectives;
- The appraisal process allows staff the opportunity to highlight areas where they would like to develop their skill sets;
- Training needs are formally documented as part of the appraisal process, added to objectives and followed up at subsequent appraisals;
- Standardised appraisal forms are in use for all members of staff; and
- There is appropriate guidance in place for those managing the appraisal process.