

Cairngorms National Park Authority

INTERNAL AUDIT REPORT

Staff Objective Setting & Appraisal

November 2019

LEVEL OF ASSURANCE

Design	Operational Effectiveness
Moderate	Moderate



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REPORT STATUS	
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DISTRIBUTION LIST	
David Cameron	Director of Corporate Services
Kate Christie	Head of Organisational Development
Members of the Audit Committee	

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EXECUTIVE SUMMARY

LEVEL OF ASSURANCE (SEE APPENDIX II FOR DEFINITIONS)		SUMMARY OF RECOMMENDATIONS (SEE APPENDIX II)	
Design	 <p>Generally a sound system of internal control designed to achieve system objectives with some exceptions.</p>	High	
Effectiveness	 <p>Evidence of non compliance with some controls, that may put some of the system objectives at risk.</p>	Medium	 1
		Low	 3
		Total number of recommendations: 4	

OVERVIEW

Background

In accordance with the 2019-20 Internal Audit Plan, it was agreed that Internal Audit would review the design and operating effectiveness of the controls in place at Cairngorms National Park Authority ('the Authority') surrounding arrangements for staff objective setting and appraisals.

The Authority have implemented a new approach to the staff objective setting and appraisal process over the past year. This was as a result of a workshop held by Project Scotland and attended by the Authority's Head of Organisational Development; the workshop focussed on the differing working styles associated with each generational group and found that that the millennial workforce, which now makes up a large proportion of the Authority's employees, prefers to receive real time feedback. Following consultation with staff, it was found that the previous approach which involved an annual appraisal was felt to be too cumbersome due to the large amount of associated paperwork and that it caused employees undue work and administrative pressure. The Head of Organisational Development therefore decided that a more effective approach would involve an ongoing dialogue between staff and their line managers regarding performance with real time feedback offered.

A Performance Management Policy is now in place which reflects the new approach; the policy was presented to the Staff Consultation Forum on which the Staffing and Recruitment Committee is represented; minutes and feedback of these meetings are therefore fed back to the Board. The policy emphasises that to be effective, the approach to performance management should be continuous and interactive; and that regular, positive, open and constructive dialogue is required between employees and their line manager.

The first step of the framework is for employees to prepare a Job Plan in consultation with their line manager. The Job Plan is a document which sets out the objectives for each employee for the current year and against which their performance will be monitored. In developing the Job Plan, the job description for that particular role and the Corporate Plan for the Authority will be considered.

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Employees will then agree with their Manager a set of objectives, activities to deliver the objective, a timescale for delivery and measures of success. The Job Plan is required by the policy to be completed each April and is to be signed off by the Line Manager.

Staff members are then to have a Performance Development Conversation (PDC) with their Line Manager every 4-6 weeks at which performance against their Job Plan is to be discussed. Employees are encouraged to take responsibility for their own personal development and hence the arrangement and content of these meetings is at the discretion of the individual employee and their Line Manager but the Policy notes that the Job Plan should be discussed at every PDC. Suggestions of topics for discussion at PDCs are provided within the Policy and also on a template PDC form that is provided by the Authority. The PDC form is an aide rather than a requirement as the Policy specifies that PDCs do not need to be recorded except where an employee is being managed for pay progression or for performance improvement. For employees progressing through the salary scale for their grade, there must be at least one documented PDC each year, usually between January and March to coincide with the pay award. Where the PDC has been recorded, the form is to be signed by an employee and their manager, then counter signed by another manager.

There were several steps taken to communicate the new performance management process to staff. The new policy was brought to the Staff Consultative Forum for review and feedback prior to implementation. A post was then made on the intranet in March 2019 announcing the new approach and providing links to the policy, FAQs, Job Plan Template and PDC forms. The Head of Organisational Development delivered a presentation on the new process to all staff in May 2019 and then attended team meetings to answer any questions relating to the new process and also offered one to one sessions for any staff who missed the original presentation.

Line Mangers do not receive specific training on delivering appraisals, however, all managers at the Authority attend a bespoke manager training workshop which covers skills relevant to the performance management process. The workshop is delivered on an annual basis and the last session “Managing with Impact” was delivered by the firm Wild Thinking, team development specialists. Some of the skills included in the training include; managing challenging behaviours, having difficult conversations, and coaching staff. In advance of the session, the Head of Organisational Development met with staff to go through the relevant policies, which included Performance Management.

Scope and Approach

The scope of our review was to assess whether:

- There is a performance appraisal and objective setting process and management framework;
- There are policies and procedures in relation to staff appraisals and objective setting;

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- The appropriateness of processes in place, including review of established performance attributes for specific grades and job role types;
- There is training and guidance provided to staff and management;
- Performance reviews are timely;
- Actions and objectives are set and monitored;
- Performance reports are generated to support the appraisal process and ongoing management of staff; and
- Staff views are solicited to provide a perspective on the appraisal and objective setting system in place within the Authority.

Our approach was to conduct interviews to establish the controls in operation for each of our areas of audit work. We then sought documentary evidence that these controls are designed as described. We then evaluated these controls to identify whether they adequately address the risks.

Further, we sought to gain evidence of the satisfactory operation of the controls to verify the effectiveness of the control through use of a range of tools and techniques.

During the review we kept management informed of any issues which arose as a result of our testing.

A de-brief meeting was undertaken over the phone.

Good Practice:

During our review, we identified a number of areas of good practice as follows:

- There is an appropriate framework in place for the objective setting and appraisal process which is clearly documented in the Performance Management Framework;
- There is a clear timetable in place for the performance management process which is communicated to staff through the Performance Management Policy;
- Staff are encouraged to formally discuss their performance with managers every 4-6 weeks;
- Line Managers have received training in management skills which are relevant to the appraisal process;

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- All employees interviewed had a job plan in place with established performance targets that are relevant to the achievement of the Authority's objectives; and
- On the whole, employees interviewed felt that the new approach to objective setting and appraisals was an improvement and allowed a fair and reflective assessment of their performance wherein they could be more relaxed.

Key Findings

Notwithstanding the areas of good practice noted above, we also identified a number of opportunities for improvement in the objective setting and appraisal process as follows:

- **Occurrence of Performance Development Conversations:** not all members of staff are arranging PDCs with their line managers in accordance with the Performance Management Policy;
- **Job Plan Alignment with Corporate Plan:** Job Plans do not make specific mention of the Corporate Plan or identify where staff objectives align to Authority objectives;
- **Job Plan Sign Off:** the section of the Job Plan which requires the date of management sign off was not completed consistently;
- **Performance Evaluation Reporting:** the Authority do not undertake any reporting on the outcome of the performance management process.

Conclusion

We can provide moderate assurance over the design and operational effectiveness of the objective setting and appraisal process at Cairngorms National Park Authority.

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RISKS REVIEWED GIVING RISE TO NO FINDINGS OF A HIGH OR MEDIUM SIGNIFICANCE

- ✔ An appropriate objective setting and appraisal framework may not be defined and operating across the authority.
- ✔ A clear timetable for the annual appraisal and objective setting process may not have been set and communicated to staff.
- ✔ Appraising Managers may not have received adequate training to support them in their appraisal role.
- ✔ Performance attributes have not been established for specific grades and job role types.
- ✔ Performance attributes may not have been developed to support the achievement of the Authority's objectives.
- ✔ Performance attributes and requirements may not have been clearly communicated to members of staff.
- ✔ Target levels of performance may not have been established, recorded and approved for each member of staff.
- ✔ The appraisal process may not support an objective review of performance against individual aims and objectives. Assessments may not be fair or reflective of true performance.
- ✔ There may be inadequate reporting to identify both the extent and outcome of the performance evaluation process.

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AREAS FOR IMPROVEMENT			
Ref.	Sig.	Finding Summary	Recommendation
1		We found that not all members of staff were arranging regular performance development conversations with their line managers in accordance with the requirements of the Performance Management Policy.	<p>It is our recommendation that CNPA proceed with their intention to begin carrying out random spot checks on the diaries of staff members and line managers to ensure that they have arranged Performance Development Conversations.</p> <p>We also recommend that HR send out an email to all staff every six weeks reminding them to arrange a Performance Development Conversation with their line manager if they haven't already.</p>

All our findings and recommendations are set out in the following pages and include those of low significance which have not been summarised above.

DETAILED RECOMMENDATIONS

RISK: Staff may not have adequate opportunities throughout the year to discuss their performance formally with their managers.			
Ref.	Finding	Sig.	Recommendation
1	<p>It is important that employees have regular opportunities to discuss their performance formally with their line manager.</p> <p>Our interviews with staff members identified that not all members of staff were arranging regular performance development conversations with their line managers in accordance with the requirements of the Performance Management Policy.</p> <p>There is a risk that staff are not adhering to the policy and as a result may not be receiving regular feedback on their performance or direction on how they can contribute to the Authority's objectives. Performance issues and opportunities for development may not be identified and staff may not have an opportunity to voice any concerns they may have.</p>		<p>We recommend that CNPA proceed with their intention to begin carrying out random spot checks on the diaries of staff members and line managers to ensure that they have arranged Performance Development Conversations.</p> <p>We also recommend that HR send out an email to all staff every six weeks reminding them to arrange a Performance Development Conversation with their line manager if they haven't already.</p> <p>Finally, we recommend that employees retain records of the dates on which they had PDCs to provide visibility that conversations are being carried out.</p>
MANAGEMENT RESPONSE		RESPONSIBILITY AND IMPLEMENTATION DATE	
<p>Agreed. We propose adding a box on the flexi sheet (which all staff and managers sign off on 4-weekly cycles) in which to add the date of a performance appraisal conversation if one took place in that 4 week period. This will also make it easy for HR to sample when we are also checking for sign off of the timesheet itself.</p>		<p><i>Responsible Officer: Kate Christie</i></p> <p><i>Implementation Date: January 2020</i></p>	

DETAILED RECOMMENDATIONS

RISK: Performance attributes may not have been developed to support the achievement of the Authority's objectives.			
Ref.	Finding	Sig.	Recommendation
2	<p>It is important that performance objectives align to the Corporate Plan in order to ensure that staff are making a defined contribution to the Authority's objectives.</p> <p>Whilst we found that the Corporate Plan is considered by staff during the development of Job Plans and that objectives on the whole were in alignment with the Corporate Plan, the Job Plans make no mention of the Corporate Plan or its priorities.</p> <p>There is a risk that staff may have set objectives which are not in pursuit of the Authority's objectives as job plans do not require a specific link to the Corporate Plan.</p>	●	<p>We recommend that a field is added to the Job Plan template which requires objectives to be referenced to the relevant priority from the Corporate Plan.</p>
MANAGEMENT RESPONSE		RESPONSIBILITY AND IMPLEMENTATION DATE	
Agreed.		<p><i>Responsible Officer: Kate Christie</i></p> <p><i>Implementation Date: January 2020</i></p>	

DETAILED RECOMMENDATIONS

RISK: Target levels of performance may not have been established, recorded and approved for each member of staff.			
Ref.	Finding	Sig.	Recommendation
3	<p>Under the new process, it is important that members of staff have target levels of performance in place that have been appropriately reviewed and signed off by management.</p> <p>During our testing, we found that the section of the Job Plan which requires the date of management sign off to be recorded was not completed consistently.</p> <p>There is a risk that staff may not have agreed performance targets in place for the beginning of the year, this may threaten the achievement of Authority objectives.</p>	●	<p>We recommend that line managers are reminded of the importance of properly recording their review and approval of job plans.</p> <p>Random spot checks should be carried out by HR to check that job plans are in place and have been appropriately reviewed and signed off by management, including the date of sign off.</p>
MANAGEMENT RESPONSE		RESPONSIBILITY AND IMPLEMENTATION DATE	
Agreed.		<p><i>Responsible Officer: Kate Christie</i></p> <p><i>Implementation Date: Immediate and on-going</i></p>	

DETAILED RECOMMENDATIONS

RISK: There may be inadequate reporting to identify both the extent and outcome of the performance evaluation process.			
Ref.	Finding	Sig.	Recommendation
4	<p>It is important that the results of the performance management process are monitored and reported on to facilitate improvement from lessons learned.</p> <p>The Authority have not historically undertaken any reporting on the objective setting and appraisal process.</p> <p>There is a risk that senior management are not being provided with any meaningful management information in relation to the appraisal process. There is also a risk that there could be unknown issues such as non-compliance with the process that are not identified or acted on by the Authority if there is not sufficient oversight of the process.</p>	●	<p>It is our recommendation that the Senior Management Team outline what their expectations are in respect of the outcomes of the performance management process and produce an annual report on the outcomes of the objective setting and appraisal process for presentation to the Recruitment Committee. This report should cover the degree of compliance with the process and details of any concerns identified in order to assess the ongoing effectiveness of the performance management process.</p>
MANAGEMENT RESPONSE		RESPONSIBILITY AND IMPLEMENTATION DATE	
Agreed		<p><i>Responsible Officer: Kate Christie</i></p> <p><i>Implementation Date: December will be the report schedule</i></p>	

APPENDIX I - STAFF INTERVIEWED

NAME	JOB TITLE
Kate Christie	Head of Organisational Development
Laura Byers	PA to Directors
Alison Fleming	Communications Officer

NAME	JOB TITLE
Lucy Ford	Conservation Engagement Officer - Conservations & Visitor Experience
Dot Harris	Support Officer - Planning and Rural Development

BDO LLP appreciates the time provided by all the individuals involved in this review and would like to thank them for their assistance and cooperation.

APPENDIX II - DEFINITIONS

LEVEL OF ASSURANCE	DESIGN of internal control framework		OPERATIONAL EFFECTIVENESS of internal controls	
	Findings from review	Design Opinion	Findings from review	Effectiveness Opinion
Substantial 	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
Moderate 	In the main there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non compliance with some controls, that may put some of the system objectives at risk.
Limited 	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
No 	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non compliance and/or compliance with inadequate controls.

Recommendation Significance	
High 	A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.
Medium 	A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.
Low 	Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.

APPENDIX III - TERMS OF REFERENCE

BACKGROUND

In accordance with the 2019-20 Internal Audit Plan, it was agreed that Internal Audit would review the design and operating effectiveness of the controls in place at Cairngorms National Park Authority surrounding arrangements for staff objective setting and appraisals.

PURPOSE OF REVIEW

The purpose of this review is to provide management and the Audit & Risk Committee with assurance that Cairngorms National Park Authority has well designed, effective controls in place in relation to their staff objective setting and appraisals. We will assess whether the Authority has effective staff objective setting and appraisal arrangements in place. As part of this review, we will also follow up on progress in managing and updating a staff skills register, which was raised in the Resource Planning internal audit review (August 2018).

KEY RISKS

Based upon the risk assessment undertaken during the development of the internal audit operational plan, through discussions with management, and our collective audit knowledge and understanding the key risks associated with the area under review are:

- An appropriate objective setting and appraisal framework may not be defined and operating across the Authority;
- A clear timetable for the annual appraisal and objective setting process may not have been set and communicated to staff;
- Staff may not have adequate opportunities throughout the year to discuss their performance formally with their managers;
- Appraising managers may not have received adequate training to support them in their appraisal role;
- Performance attributes have not been established for specific grades and job role types;
- Performance attributes may not have been developed to support the achievement of the Authority's objectives;
- Performance attributes and requirements may not have been clearly communicated to members of staff;
- Target levels of performance may not have been established, recorded and approved for each member of staff;
- The appraisal process may not support an objective review of performance against individual aims and objectives. Assessments may not be fair or reflective of true performance; and
- There may be inadequate reporting to identify both the extent and outcome of the performance evaluation process.

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