

SURREY COUNTY COUNCIL AUDIT REPORT

**Review of
Appraisals 2013/14**

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April 2014

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Glossary:

HR & OD	Human Resources and Organisational Development
SAP	The council's master data system
SCC	Surrey County Council

Audit opinions:

Effective	Controls evaluated are adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met.
Some Improvement Needed	A few specific control weaknesses were noted; generally however, controls evaluated are adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met.
Significant Improvement Needed	Numerous specific control weaknesses were noted. Controls evaluated are unlikely to provide reasonable assurance that risks are being managed and objectives should be met.
Unsatisfactory	Controls evaluated are not adequate, appropriate, or effective to provide reasonable assurance that risks are being managed and objectives should be met.

1. INTRODUCTION

- 1.1 Human Resources and Organisational Development (HR & OD) were responsible at Surrey County Council (SCC) for the delivery of the 2012/13 People Strategy promise that 'Everyone will have an annual appraisal.' While the 2013/14 version of the strategy has evolved, moving forward from specific promises, appraisals remain of great importance to the organisation. They offer an opportunity to discuss an individual's performance and development, and help to align the work of our staff with their teams, services and the organisation's objectives.
- 1.2 Historically, the collection of data on appraisals has been challenging at SCC. Significantly, the process for logging them electronically was reported as difficult to use, resulting in the information not being recorded and stored centrally in the Council's SAP Master Data system. From statistics collated in the Staff Feedback Survey, HR & OD are confident that a significant majority of managers across the organisation are completing appraisals, and that a key issue is one of recording this information on SAP. For 2012/13, the SAP process was not used to collect data, and this was instead done through line managers' responses to a template created by HR & OD. This data, and feedback on the template process, has been analysed with a view to improving the capture of accurate data on staff appraisals.
- 1.3 A review of Appraisals was included as part of the 2013/14 Annual Audit Plan and was undertaken following agreement of the Terms of Reference included at Annex A. This report sets out the findings and recommendations of the review. The completed Management Action Plan accompanies this report as Annex B.

2. WORK UNDERTAKEN

- 2.1 HR policy documents were reviewed in order to fully understand the context of the work. Appraisal completion data supplied by HR and Shared Services was used to inform testing, and analysed for quality.
- 2.2 Managers in Children, Schools & Families and Adult Social Care were interviewed in order to gather anecdotal evidence on appraisal completion, and views on the associated recording processes.

3. OVERALL AUDIT OPINION AND RECOMMENDATIONS SUMMARY

- 3.1 **Significant Improvement Needed:** Numerous specific control weaknesses were noted. Controls evaluated are unlikely to provide reasonable assurance that risks are being managed and objectives should be met.
- 3.2 **Recommendations analysis:**

Rating	Definition	No.	Para. Ref.
High	Major control weakness requiring immediate implementation of recommendation.	4	5.8; 5.11; 5.12, 5.13
Medium	Existing procedures have a negative impact on internal control or the efficient use of resources.	0	N/A
Low	Recommendation represents good practice but its implementation is not fundamental to internal control.	0	N/A
Total number of Audit recommendations		4	

4. MANAGEMENT SUMMARY

- 4.1 The historic practice of reporting appraisal completion based on staff survey results was changed for 2012/13, and a more 'user-friendly' process trialled. Line managers returned templated spreadsheets to HR with dates of appraisal completion, which were then entered into SAP by Shared Services staff. This data was then exported and analysed, resulting in a reported appraisal completion rate of 83.5%.
- 4.2 Two errors were noted in calculating the appraisal completion rate: an incorrect formula was used to average directorate level results; and, staff exempted from receiving an appraisal were wrongly included in the nominator and denominator of an equation. Once corrected, the completion rate fell to 61.9%.
- 4.3 Internal Audit is aware that HR & OD places significant importance on expanding formal appraisals and improving the quality of appraisal conversations, and is actively supporting Services to achieve this. The auditor has seen examples of work done with Adult Social Care in this regard. HR & OD further report that this work is running hand-in-hand with a programme of communications and investment in training. For HR & OD, the end goal is a change to an organisational culture where it is the norm for all staff to have a high-quality annual appraisal. Efforts to increase appraisal completion rates and improve the quality of appraisal conversations, however, are outside of this audit's Terms of Reference and not considered in this report.
- 4.4 Data provided to the auditor by HR & OD indicated that 4886 staff received an appraisal for the 2012/13 financial year. The auditor was unable to ascertain, however, the identity of these staff. Attempts to re-export the data from SAP were unsuccessful in producing a list of 4886 individuals who had received an appraisal.
- 4.5 Conversations with HR & OD and Shared Services staff revealed uncertainty as to which staff had been classified as eligible to receive an appraisal. As the data category did not have a clear definition, questions remained unanswered as to where, for example, teachers and firefighters were included in the cohort.
- 4.6 The responses received from managers in Children, Schools and Families and Adult Social Care on recording appraisal outcomes were consistent in that none challenged HR & OD's understanding that SAP is not user-friendly for this purpose. However, due a small sample size resulting from unforeseen challenges to engaging with managers, the auditor could not draw absolute positive assurance that HR & OD have an accurate appreciation of the key issues in the matter.
- 4.7 The auditor has significant concerns regarding the correct calculation of performance data, appraisal outcome results not being reproducible, and the lack of clarity in defining categories of staff. However, no evidence was found which indicates that HR & OD are incorrect in viewing technical challenges in SAP as being critical to the accurate capture of appraisal outcome data, resulting in an Audit Opinion of **Significant Improvement Needed**.

5. FINDINGS AND RECOMMENDATIONS

Data Collection & Reporting Process

Findings

- 5.1 Historically, the monitoring and reporting of staff appraisal completion at SCC was based on responses to questions in an employee survey. This method was used because the process for logging appraisal outcomes on SAP was reported by managers as being

overly complicated, with the resulting data not being of sufficient quality for use in performance management.

- 5.2 For appraisals completed during the 2012/13 financial year, a project was initiated to trial a more user-friendly process. Managers across the organisation were asked to return completed spreadsheets to HR & OD, with details on the dates which appraisals were (or were due to be) done. After the data was entered into SAP by officers in Shared Services, it was exported for analysis. Results given to the auditor state that 83.5% of staff had received an appraisal in 2012/13.
- 5.3 In order to assess the new process and validate the reported completion percentage, the auditor reviewed the directorate statistics from which conclusions had been drawn. These statistics show that staff had been divided into two categories: either being eligible for an appraisal or exempt from receiving one. Exempt staff were further categorised as being on maternity leave, long-term sick, a starter/leaver, or bank/temporary workers. Added to these figures were the numbers of appraisals recorded on SAP as completed. The results are summarised in the table below.

A	B	C	D	E	F
<i>Directorate</i>	<i>Total Staff</i>	<i>Eligible Staff</i>	<i>Exempt Staff</i>	<i>Appraisals on SAP</i>	<i>% of Appraisal Completed</i>
Adult Social Care	2800	1897	902.7	817	62.6%
Business Services	923	711	212.3	567	84.4%
Chief Executives Office	208	170	38.5	159	99.2%
Children, Schools and Families	4670	3004	1665.8	1449	66.7%
Customers and Communities	2158	1649	509.1	1451	90.8%
Environment and Infrastructure	604	460	144.1	443	97.2%
Total	11,358	7891	3472.5	4886	83.5%

- 5.4 In the calculations needed to arrive at the headline figure of 83.5% appraisal completion, two errors were noted. First, the completion percentage was calculated by averaging the directorate percentages in column F. This has the effect of giving the directorates equal weighting, and does not reflect the varying number of staff in each. Secondly, exempt staff were included in the nominator and denominator when calculating directorate percentages, rather than being excluded from the equation altogether. This incorrectly treats exempt staff as being eligible for, and receiving, an appraisal in 2012/13.

5.5 After correcting these two errors, the results for directorate and SCC appraisal completion are:

• Adult Social Care	43.1%
• Business Services	79.8%
• Chief Executive's Office	93.8%
• Children Schools and Families	48.2%
• Customers and Communities	88.0%
• Environment and Infrastructure	96.3%
• SCC	61.9%

5.6 These results indicate that while the majority of staff did receive an appraisal, the evidence does not support the view of HR & OD management that it is a 'significant majority'. Although the auditor did not identify that the 83.5% completion rate had been reported to a Committee, the 2013/14 Quarter One Business Report for Cabinet scores the People Strategy Delivery Promise for Annual Appraisals as 'green'. The lower actual result may call that performance score into question. It is also worthy of note, in terms of areas for improvement, that the results point to less than half of eligible staff in the two social care directorates receiving an appraisal.

Risk

5.7 Mistakes in the use of raw performance data risks both HR & OD managers not having an accurate understanding of successes and required improvements in relation to how many staff have received an appraisal, and Members not receiving accurate reports.

Recommendation

5.8 HR & OD should ensure that future performance management calculations of appraisal completion are subject to thorough and rigorous quality checks.

Findings

5.9 In addition to calculation errors, the auditor was not able to identify the names of the 4886 employees listed in the HR & OD data as having an appraisal recorded on SAP. As HR records did not contain this information, staff in Shared Services helpfully offered to re-export the data from SAP. An exact match numbering 4886 employees could not, however, be generated, with only 4420 individuals identified (a 9.5% variance). Further discussions with HR & OD and Shared Services officers also highlighted uncertainty in respect of which staff were classed as being eligible for an appraisal. Unresolved questions included whether or not these included teachers and firefighters. Without both an exact understanding of which employees had received an appraisal, and what employees were classed as 'eligible', it will not be possible for HR & OD to extract matching performance data from SAP in future years.

Risk

5.10 Performance data lacking in precision and not being reproducible deprives HR & OD of the ability to efficiently target areas for improvement in appraisal completion, or make like-for-like comparisons between the results of different years/measuring periods.

Recommendations

5.11 HR & OD should implement a process for recording appraisals which allows consistent reporting of completion rates.

5.12 HR & OD should implement a process for reporting appraisals which is designed in such a manner as to allow reproducible results (i.e. the same report from SAP for the same time period should always generate the same results).

5.13 HR & OD should clearly define which staff are included in appraisal completion performance management.

Testing of data

Findings

- 5.14 The original intention, as reflected in the audit Terms of Reference, was for testing primarily to validate reported appraisal completion rates. However, as the auditor was not able to establish a testing cohort which matched the staff and appraisal data held by HR & OD, this exercise was not possible. Instead, the auditor agreed with HR & OD officers that testing should focus on the opinions of SCC managers on the process of recording appraisal outcomes. Due to their low completion rates, emphasis was placed on the social care directorates for this work.
- 5.15 Engaging with line managers proved challenging, with less than a 10% success rate in phone calls made by the auditor. Consequently, responses from only 10 individuals were gathered through testing (nine from Children, Schools & Families, and one from Adult Social Care). The auditor considers this sample size too small to be used as a source of positive assurance on HR & OD having an accurate understanding of the views of line managers in relation to appraisals.
- 5.16 At the same time, the consistency of responses is worthy of note in that none were at odds with the view held by HR & OD. In all instances, appraisals were reported as having been completed for 2012/13. While half of the managers spoken to said that appraisal recording was done by the business support function, those who did data entry themselves characterised the SAP process as not being easy to work with. Of particular concern to managers was the recording of the appraisal date when this fell outside of the year to which the appraisal related (i.e. recording an appraisal in June 2013 for the 2012/13 financial year).
- 5.17 Interestingly, significant comments were made by Children, Schools & Families' managers about the importance of completing appraisals on time due to social worker pay progression deadlines. Though not worthy of a recommendation in itself, the auditor feels it important to draw attention to the positive responses to appraisal completion when these were linked to pay increases.

6. ACKNOWLEDGEMENT

- 6.1 The assistance and co-operation of all the staff involved was greatly appreciated.

TERMS OF REFERENCE

Appraisals 2013/2014

BACKGROUND

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Historically, the collection of data on appraisals has been challenging at SCC. Significantly, the process for logging them electronically was reported as difficult to use, resulting in the information not being recorded and stored centrally in the Council's SAP Master Data system. From statistics collated in the Staff Feedback Survey, HR & OD are confident that a significant majority of managers across the organisation are completing appraisals, and that a key issue is one of recording this information on SAP. For 2012/13, the SAP process was not used to collect data, and this was instead done through line managers' responses to a template created by HR & OD. This data, and feedback on the template process, has been analysed with a view to improving the capture of accurate data on staff appraisals.

PURPOSE OF THE AUDIT

To seek assurance that appropriate risk management arrangements are in place to ensure delivery of key objectives. This audit will specifically consider whether there are effective management controls in place to mitigate the following potential risks:

- appraisals are not being completed despite being reported as so
- the data being reported is inaccurate

The audit will also offer useful information to HR & OD in terms of how the appraisal process is viewed by staff and managers. This will inform future communications. By undertaking an audit on appraisals, it is hoped that their importance will be highlighted to staff and managers.

Where staff and managers have not undertaken appraisals, HR & OD will be able to identify and support these areas in ensuring that appraisals take place in future.

WORK TO BE UNDERTAKEN

Line managers across the organisation will be contacted in order to validate reported appraisals and, as time allows, obtain opinions on the process of recording appraisal outcomes. The approach is expected to include face-to-face conversations with managers and staff in order to engage them in the process, as well as telephone conversations and email correspondence.

The data gathered will be cross-referenced with HR & OD data in order to form an opinion on the effectiveness of the appraisal data collection process. Qualitative data will support HR & OD's ongoing efforts to communicate the benefits and importance of appraisal.

OUTCOMES

The findings of this review will form a report to Surrey County Council management, with an overall audit opinion on the effectiveness of systems in place and recommendations for improvement if required. Subject to the availability of resources, and the agreement of the auditee, the audit will also seek to obtain an overview of arrangements in place for:

- Data quality and security;
- Equality and diversity;
- Value for Money;
- Business continuity, and
- Risk management.

The outcome of any work undertaken will be used to inform our future audit planning processes and also contribute to an overall opinion on the adequacy of arrangements across the Council in these areas.

REPORTING ARRANGEMENTS

Auditor:	Pascal Barras, Compliance Auditor
Supervisor:	David John, Audit Performance Manager
Reporting to:	Carmel Millar; Andrea Harrison; Holly Hood
Audit Ref:	A00695 / 2013/14

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