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Information Commissioner's Office

Internal Audit 2015-16: Staff Performance Management

Last updated 27 November 2015

Distribution		Timetable	
For action	Head of Organisational Development	Fieldwork completed	27 October 2015
		Draft report issued	13 November 2015
For information	Senior Corporate Governance Manager	Management comments	27 November 2015
	Audit Committee	Final report issued	27 November 2015

Contents

Glossary

The following terms are used in this report:

ICO – Information Commissioner's Office

Minfo – ICO Online HR application

PDR – Personal Development Record

1   Executive Summary

1.1   Background

As part of our 2015-16 Internal Audit Plan, we agreed to deliver a review of the ICO's staff performance management arrangements to confirm that the ICO has a robust staff performance management process that supports the achievement of organisational and departmental objectives.

Following feedback from staff and managers during employee workshops, the ICO developed and implemented a revised Personal Development Record (PDR) structure in September/October 2014 to make the process easier to administer, forward looking and fairer for all. Line managers are responsible for assessing individual staff performance through in-year reviews, annual appraisal reviews and informal monitoring (i.e. through day-to-day interaction, communication and feedback), basing discussions around three main areas:

- "How am I doing";
- "What can we do to improve"; and
- "What more can I do to develop".

The aim of the process is to promptly identify those individuals who are "not performing" to the expected standards and to acknowledge those who are "performing to expectations". The process should also identify appropriate development plans to address poor performance as well as to challenge and stretch individuals to motivate and drive strong performance.

The ICO has a Performance Management policy in place to support the PDR process. The policy requires the assessment of all staff, the recording of their development needs and the management of individuals identified as poor performers, either due to capability or disciplinary factors through a comprehensive performance monitoring review.

1.2   Scope

Our review focussed on the following risk areas:

- The framework for performance management may not be established, clearly communicated and/or fully embedded across the ICO;
- Managers may not receive support and guidance in implementing the ICO's performance management framework;
- Individual's objectives may not support their development nor align with the ICO's strategic objectives;
- Managers may not regularly engage with their staff to discuss performance and the steps needed to address improvement areas, with indicators of poor performance may not be promptly identified and addressed;
- Effective data on staff performance may not be produced or utilised..

Further details on responsibilities, approach and scope are included in Appendix A.

1.3   Overall assessment

We have made an overall assessment of our findings as:

Overall assessment	
Following agreement of the nature and significance of individual issues with management, in our view this report contains matters which require the attention of management to resolve and report on progress in line with current follow up processes.	**Amber**

Please refer to Appendix B for further information regarding our overall assessment and audit finding ratings.

1.4   Key findings

Risk / Process	High	Medium	Low	Imp
Performance management framework	-	-	1	-
Support and guidance for managers	-	2	-	-
Alignment between individual and corporate objectives	-	-	1	-
Identifying and managing performance	-	-	-	-
Reporting of performance data	-	1	-	-
Total	**-**	**3**	**2**	**-**

The following findings are assessed as Medium:

- With the move to a "two box" assessment structure and the current lack of an agreed reward and recognition process, we noted that the role of managers in coaching, development and motivation has become more significant. Outside of the original PDR training, managers have not been provided with appropriate guidance to effectively perform this function. In addition to the formal agreement of the policy that is designed to recognise excellent performance by the Senior Leadership Team, we would expect that a briefing and support programme be created to develop management skills within the ICO;

- Following implementation of the PDR process, Learning and Development do not maintain a record of the completion or indicative markings of in-year or end of year discussions. Our review of a sample of 25 staff records noted that 5 had no formal performance record lodged for 2014-15 with no reason for the omission. We would expect central control (including periodic reminders to staff and managers of their respective responsibilities) over the PDR process to be maintained by Organisational Development to provide assurance that it continues to operate effectively;

- The Senior Leadership Team currently have no information on the effectiveness of the PDR process, issues in relation to PDR completion or trends in overall staff performance. We would expect PDR activity to be collated and analysed by Organisational Development and presented on a regular basis to allow the process to be assessed and issues promptly identified allowing appropriate mitigation to take place.

Further details of our findings and recommendations are provided in Section 2.

1.5   Basis of preparation

We identified the following controls in place during our audit:

- The revised performance development process strategy and guidance was presented to and accepted by the Senior Leadership Group in July 2014;
- The performance development guide is available to all staff on the ICO intranet and clearly sets out the performance development process and timeline, aims of the process, objective setting, holding and recording in-year meetings and assessment and marking;
- Staff objectives and performance are recorded on a single template updated following in-year discussions and the end of year formal review. The template contains headings for objectives, statements of

performance, improvement and development points, an overall performance rating and an area for manager sign off;

- All ICO staff have been trained in the performance development process. In addition to the standard training managers are also provided with support around objective setting and performance measurement. Training is also provided to new starters as part of their starter induction;

- In addition to the detail contained in the performance development guidance, managers are provided with handouts that detail and provide examples of both effective and ineffective objectives;

- Although there is not a mandated end of year period, staff and managers will complete appraisals between the end of March and end of May in the reporting year following the Corporate Plan and Business Plan updates.

1.6   Elsewhere in the sector

We detail below other ways of working and commonly occurring issues that we have experienced during similar types of reviews for other public bodies. The following does not necessarily purport to be good practice but is included for your information and consideration:

- Other bodies maintain appraisal records on 'self-service' applications or databases. In-year appraisal meetings and appraisal forms may then be recorded or uploaded by staff members, thereby reducing the administrative burden on a central area. Appraisal tracking and management information may also be produced from these applications on request;

- Other similar organisations will review policies and procedures that support performance management (such as managing poor performance) on a rolling basis to provide management with assurance that all relevant up-to-date legislation has been considered and taken into account.

1.7   Acknowledgement

We would like to take this opportunity to thank the staff involved for their co-operation during this internal audit.

2　Detailed Findings

2.1　The framework for performance management may not be established, clearly communicated and/or fully embedded

1.	Low	Scope and responsibility of the Moderation Panel

Finding and Implication	Proposed action	Agreed action *(Date / Ownership)*
Prior to the implementation of the new PDR process, the Moderation Panel, made up from members of the Executive Team would meet to consider all staff performance markings markings and the marking distribution curve. With the change in the PDR process and the introduction of only two box markings, the function of the Panel changed to one of reviewing only cases of new poor performers (of which there were none in 2014-15). The new role taken on by the Panel does not fit with the 'Managing Poor Performance' process already embedded in the ICO and duplicates control already in place. Performance improvement processes may be instigated at any point during the year (not just at year end) and already include a series of formal reviews and Executive meeting stage prior to formal performance measures being introduced. In maintaining a separate function that only meets once a year to consider those assessed as 'Not Effective' and is not aligned with processes already in place, there is a risk that management decision making may not be consistent or timely resulting in appropriate action not being taken to address poor individual performance.	Organisational Development should review the scope of the Moderation Panel and the continued need for it to meet formally at the year end. Following this review, if ICO management still consider the Panel to be a value added forum, the Panel name and Terms of Reference should be updated to reflect its new role and responsibilities.	*The role of the Moderation Panel will be reviewed and updated in the next iteration of the PDR guidance. Options include scrapping the panel, as a Not Effective rating can only be awarded following formal performance management processes.* *Date Effective: April 2016 (new performance year)* *Owner: Mike Collins*

2.2   Managers may not receive support and guidance in implementing the ICO's performance management framework

2.	**Medium**	PDR guidance and management development

Finding and Implication	Proposed action	Agreed action *(Date / Ownership)*
Upon implementation, the PDR process was rolled out to all staff together with a short presentation and training session that highlighted the benefits of the new system and the method by which the in-year or end of year assessments should take place. As part of our review, we interviewed a sample of ten staff members (both team members and line managers). Whilst all staff interviewed confirmed that the performance management process is much easier to administer, three main themes emerged from the discussions: • Whilst the process works well for those in the middle of the reporting scale (performing effectively with minimal or few areas identified for development), it is less effective for those who are performing poorly or performing excellently. This is because the process relies on management experience and input to manage those staff in each category; • Coupled with the lack of a reward or recognition process, as staff can no longer be formally recognised via the box marking system as 'above average' the PDR process does not provide any motivation to deliver exceptional performance; • Supporting these views, managers noted that beyond the original performance development training sessions, they have not received formal guidance from Learning and Development in areas such as coaching, developing and retention of excellent performers or performance improvement. In moving to a two box marking system, the need for line managers to coach, support, develop and motivate has	Taking into account the changes in the performance appraisal and development process, Learning and Development should review and develop the guidance and support available for both staff and managers to include such areas as managing and developing poor performance and coaching and development of staff and maximising potential. To sit alongside the PDR process, Learning and Development should also complete the development of the informal reward and recognition policy and procedure. This policy should then be presented to the Senior Leadership Team for agreement and release.	*Managing Poor Performance processes to be reviewed as part of update of Resolution Policies.* *"A brief guide for recognising great performance" has been written and published for managers in November 2015.* *Access to coaching and mentoring is available to managers via L&D, and is being accessed by a number of them. This can be emphasised via the manager peer network which has been established and is facilitated by L&D.* *Managing Poor Performance training and guidance is part of the suite of training available for managers.* *Date Effective: Managing Poor Performance policy update to be complete by 31.3.16 (other actions already completed)* *Owner: Mike Collins*

| 2. | **Medium** | **PDR guidance and management development** |

Finding and Implication	Proposed action	Agreed action *(Date / Ownership)*
increased. There is a risk that, without effective reward and development policies or guidance and training in place, the opportunity to manage both excellent and poor performance is not identified and individuals do not reach their potential.		

3.	**Medium**	**Maintenance of PDR records and data**

Finding and Implication	Proposed action	Agreed action *(Date / Ownership)*
As part of the ongoing PDR process, performance and development should be discussed in face to face meetings between the member of staff and their line manager on a regular basis. Whilst the frequency of these meetings is flexible to account for staff experience and the need for support, it is recommended that a minimum of at least three meetings a year should take place. At the end of each year, a formal meeting should then be held to document the individual's performance compared to their agreed objectives, confirm the final box marking and agree areas and tools for development. The formal performance development record should then be submitted to Organisational Development. During our interviews with staff members, it was confirmed that all had received a formal appraisal at the end of the 2014-15 reporting year, and during 2015-16 had taken part in at least one in-year development and appraisal discussion. A review of 25 staff records however noted that 5 had no end of year performance record submitted and no reason for the missing information recorded. In addition Learning and Development do not maintain a record of either the completion or indicative markings of in-year discussions. In not maintaining central control over the PDR process, there is a risk that on-going performance management does not take place consistently across the ICO, managers may take actions that is not compliant with published policies and associated legislation, and individual performance issues and development needs are not promptly identified and addressed	To provide assurance on the effective operation of the PDR process, the Learning and Development team should maintain central control of PDR records. This should include: • Registration (date) of in year meetings and assessment markings; • Registration (date) and formal assessment marking at end of year; • Agreed completed PDR assessment form. To facilitate the process, Learning and Development should also send reminders to staff and line managers at key points in the appraisal process to remind personnel of their on-going responsibilities.	*PDR system only requires end of year markings to be recorded to reduce administration.* *Minfo (Online HR application) functionality to be switched on to allow managers to update PDR records, including dates, assessment markings and automated reports created for staff and line managers.* *Until Minfo functionality is switched on, reminders to be provided to managers to ensure PDR records are submitted at year end.* *Date Effective: 31.3.16* *Owner: Mike Collins*

2.3   Individual's objectives may not support their development nor align with the ICO's strategic objectives

4.	Low	Objective setting

Finding and Implication	Proposed action	Agreed action *(Date / Ownership)*
As part of the PDR guidance, staff and managers have been provided with instruction on the development and setting of SMART objectives. Our review of this guidance documentation found that, whilst it provides examples of both 'good' and 'poor' SMART objectives, and measuring success, it does not specifically note that individual objectives should support the ICO or business unit strategy or provide advice on the recommended average number of objectives to assign staff. Our review of a sample of ten staff member's objectives set in 2015-16 identified that whilst the link between the ICO strategy and objectives could be broadly determined in all the cases examined, their construction was inconsistent across ICO business units. Whilst five staff members in our sample have clearly set out aims, objectives and measures, four others have only objectives or process aims. One member of staff selected for testing did not have any objectives set for the year. In not developing a consistent set of SMART aims and objectives across the ICO, or by not providing staff with objectives, there is a risk that staff may not be assessed effectively resulting in the inability motivate staff, maximise their potential or enable appropriate action to be taken to address poor individual performance	At the beginning of each reporting year, Business Unit Managers should develop a standard SMART set of aims, objectives and measures for staff in their Business Units that directly support the business unit aims (and therefore ultimately the ICO strategy). Prior to these being rolled out to staff, these aims and objectives should be reviewed by Learning and Development to provide assurance that in addition to the strategic fit, they are also consistent across the department.	*It is impractical to have a single set of SMART objectives for the business units to use. It is also impractical to require L&D to sign these off before roll out.* *Heads of department will be reminded of need for their managers to create objectives that relate to the business plan and seek support from L&D if they assistance with making them SMART.* *Date Effective: April 2016* *Owner: Mike Collins*

2.4 Effective data on staff performance may not be produced or utilised

5.	**Medium**	**Management information and reporting**

Finding and Implication	Proposed action	Agreed action *(Date / Ownership)*
At the time of our review, a report to the Senior Leadership or Executive Teams on the 2014-15 end of year PDR process had not yet been completed. Our review of information held by Learning and Development found that they no longer maintain complete statistics on either the percentage completion, staff markings, performance improvement or development actions undertaken during the year. ICO management cannot therefore be provided with an overview of either the effectiveness of the process as a development or management tool, or how embedded it is into the department. In not maintaining this information, there is a risk that trends in performance, performance issues and development needs across the ICO are not promptly identified resulting in an ineffective use of ICO resource or the inability motivate staff and maximise their potential .	As part of the central control of PDR records, HR should collate and report management information on: • Total number of PDRs completed at the end of the previous reporting year and their associated final mark; • Total number of completed PDRs sent to HR for retention centrally; • Total number of in year reviews completed and their associated marking; • Total number of informal performance plans in operation; • Number of staff moving from an informal 'not effective', to 'effective' during the year (and vice versa); • Total number of staff currently on formal performance improvement measures; • Overall performance statistics (what percentage of staff fall into each performance category) together with a comparison against expected target percentages for each category. This information should be presented to the Senior Leadership Team on a quarterly basis so trends in performance (and assurance over PDR completion) can be ascertained.	*As part of the transition to Minfo based PDRs, we will ask the database suppliers to create auto reports providing this information to heads of departments and HR.* *We do not wish to impose forced distribution or targets for each performance category.* *Date Effective: April 2016* *Owner: Mike Collins*

A   Internal audit approach

Approach

Our role as internal auditor to a Public Body is to provide an independent and objective opinion to the Accounting Officer on risk management, control and governance processes, by measuring and evaluating their effectiveness in achieving the organisation's agreed strategic objectives.

Our audit was carried out in accordance with the guidance contained within the Government's Internal Audit Standards (2013) and the Auditing Practices Board's 'Guidance for Internal Auditors'. We also had regard to the Institute of Internal Auditors' guidance on risk based internal auditing (2005). In addition, we comply in all material respects with other Government guidance applicable to Public Bodies and have had regard to the HM Treasury guidelines on effective risk management (the 'Orange Book').

As part of the internal audit plan for 2015-16, we agreed to deliver a review of the ICO's staff performance management arrangements to confirm that the ICO has a robust staff performance management process that supports the achievement of organisational and departmental objectives.

We achieved our audit objectives by:

- Meeting with the individuals responsible for setting, monitoring and implementing the performance management process to identify the control structure in place;

- Seeking evidence to confirm the operation of understood controls, including sample testing where appropriate;
- Meeting with a sample of individuals with responsibility for carrying out the performance reviews across the ICO to understand and test the processes operated in completing performance reviews;
- Meeting with a sample of staff to understand their experience of the performance review process; and
- Testing a sample of individual appraisal documents to confirm that the required documentation is present and complete. We also considered whether goals set are SMART and aligned to the understood structure for goals and development aims for the year.

The findings and conclusions from this review will support our annual opinion to the Audit Committee on the adequacy and effectiveness of internal control arrangements.

Responsibilities

The Information Commissioner acts through his Board of Management and the Information Commissioner's Office ("ICO") discharges his obligations. Therefore references to the Information Commissioner and the ICO in this report relate to one and the same party.

It is the responsibility of the Information Commissioner to ensure that the ICO has adequate and effective risk management, control and governance processes.

HM Treasury's Corporate Governance in Central Government Departments (2011) states that boards of Public Bodies should determine the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. The Board should therefore maintain sound risk management and internal control systems and should establish formal and transparent arrangements for considering how they should apply the corporate reporting and risk management and internal control principles and for maintaining an appropriate relationship with the organisation's auditors.

Please refer to our letter of engagement for full details of responsibilities and other terms and conditions.

Scope

Our review involved an assessment of the following risks:

- The framework for performance management may not be established, clearly communicated and/or fully embedded across the ICO, resulting in a process that may not support ICO objectives, with staff and managers not being fully aware of their responsibilities and the failure to deliver performance reviews that enable the effective delivery of individual, departmental and organisational goals;
- Managers may not receive support and guidance in implementing the ICO's performance management framework, resulting in staff may not be consistently assessed across the ICO against SMART objectives, with managers taking actions that may not compliant with published policies and associated legislation, and individual performance issues and development needs not being promptly identified and addressed;
- Individual's objectives may not support their development nor align with the ICO's strategic objectives, resulting in the failure to motivate staff to maximise their potential and the inability of the ICO to objectively measure performance and enable appropriate action to be taken to address poor individual performance.

- Managers may not regularly engage with their staff to discuss performance and the steps needed to address improvement areas, with indicators of poor performance may not be promptly identified and addressed before individual performance resulting in a detrimental impact on the performance of the ICO and on staff motivation;
- Effective data on staff performance may not be produced or utilised, resulting in performance issues and development needs not being promptly identified and actioned and the ongoing poor performance of individuals and the ICO.

Additional information
Client staff
The following staff were consulted as part of this review:
- Michael Collins – Head of Organisational Development
- Katy Hulme – HR Manager
- Frances Adamson – Learning and Development Manager
- Deborah Toone – Learning and Development
- Andrew Laing – Head of Performance Improvement
- Team Leaders and Team Members from across the ICO

Documents received
The following documents were received during the course of this audit:
- Revised PDR process presentation (September 2014);
- ICO PDR guide (May 2015);
- SMART Objectives training hand out;
- SMART Objectives – Good Objectives;
- SMART Objectives – Poor Objectives;
- Sample Blank PDR form (2015-16);
- Probationary period policy and procedure;
- Managing poor performance policy and procedure;
- Business unit objectives (Customer Contact, Performance Improvement, Organisational Development);

- Staff objectives.

Locations

We visited The Information Commissioner's Office, Wilmslow for this review.

B Definition of overall assessment internal audit ratings

Overall assessment

Rating	Description
Red	Following agreement of the nature and significance of individual issues with management, in our view this report contains matters which should be raised with Senior Management and the Audit Committee at the earliest opportunity.
Amber	Following agreement of the nature and significance of individual issues with management, in our view this report contains matters which require the attention of management to resolve and report on progress in line with current follow up processes.
Green	We have identified matters which, if resolved, will help management fulfil their responsibility to maintain a robust system of internal control.

Audit issue rating

Within each report, every audit issue is given a rating. This is summarised in the table below.

Rating	Description	Features
High	Findings that are fundamental to the management of risk in the business area, representing a weakness in control that requires the immediate attention of management	• Key control not designed or operating effectively • Potential for fraud identified • Non compliance with key procedures / standards • Non compliance with regulation
Medium	Important findings that are to be resolved by line management.	• Impact is contained within the department and compensating controls would detect errors • Possibility for fraud exists • Control failures identified but not in key controls • Non compliance with procedures / standards (but not resulting in key control failure)
Low	Findings that identify non-compliance with established procedures.	• Minor control weakness • Minor non compliance with procedures / standards
Improvement	Items requiring no action but which may be of interest to management or best practice advice	• Information for department management • Control operating but not necessarily in accordance with best practice

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