

Final Internal Audit Report

Performance Management (People)

February 2025

Distribution: HR Consultant
Chief People Officer
Assistant Chief Executive
Head of Finance (Corporate/ACE)
Executive Officer & Audit Liaison for ACE
Director of Finance & Deputy S151 Officer
Corporate Director, Resources & S151 Officer

Assurance Level	Issues Identified	
Limited	Priority 1	1
	Priority 2	3
	Priority 3	0

Confidentiality and Disclosure Clause

This report ("Report") was prepared by Forvis Mazars LLP at the request of London Borough of Croydon and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

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Please refer to the Statement of Responsibility in Appendix 3 of this report for further information about responsibilities, limitations, and confidentiality.

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1. Introduction

- 1.1. The London Borough of Croydon's (Council) appraisal process is documented in the HR Handbook, which is accessible to all Council staff via the Council's intranet, and which was last updated in April 2022. The key elements of the process are:
- The appraisal year (1 April to 31 March) should begin with a 1-2-1 conversation between staff member and line manager to agree and set performance objectives and a personal development plan for the year ahead (usually 4-6 objectives in total);
 - During the year, there should be regular 1-2-1 meetings between staff members and line managers to ensure that they keep on track of objectives; and
 - An end-of-year review should conclude the appraisal cycle, whereby the staff member and line manager talk over what has been achieved during the year and to what extent personal objectives have been met or exceeded. This should be sent off to the grandparent manager (line manager's line manager) for final review and sign off at the end of appraisal year.
- 1.2. The HR Handbook section on the appraisal process states that a temporary solution is in place for the 2023/24 appraisal year while a new process is being devised for future years. Discussion with management raised that this has now been extended to 2024/25, although this is not noted in the HR Handbook.
- 1.3. The HR Handbook also contains a link to the mandatory end-of-year appraisal template, an optional template for monthly 1-2-1 meetings, and a link to the more substantial guidance document that was used for the 2022/23 appraisal year.
- 1.4. In the appraisal year 2022/23, Council staff received a mandatory training course through *Learningpool*, the Council's electronic training platform. However, similar mandatory training courses were not in place for subsequent years. In June 2024, the consultancy *Investors in People* carried out a survey among Council staff which requested feedback around performance management and the appraisal process. Key summary points from the survey were that staff perceived a lack of consistency on how performance was managed across the Council and that some staff saw it either as optional, or as a tick box exercise.
- 1.5. Management provided Internal Audit with documentation around the proposed *Oracle Talent Management Solution*, which would entail an electronic people management system being rolled out across the Council, with a target implementation date of July 2025. The proposed functionalities of this new system would allow for a centralised record of check in meetings, built in feedback mechanisms and appraisal completion rates.

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- 1.6. The audit was undertaken as part of the agreed Internal Audit Plan for 2024/25. The objectives, approach and scope are contained in the Audit Terms of Reference at Appendix 1.

2. Key Issues

Priority 1 Issues

At the time of audit, there was no central monitoring of appraisal completion across the Council. **(Issue 3)**

Priority 2 Issues

The staff intranet page on the appraisal process and corresponding links to appraisal guidance and templates had not been updated for the 2024/25 appraisal year. **(Issue 1)**

Training records show that the last mandatory training module created on the appraisal course was for the year 2022/23 and that this had not completed by any staff. **(Issue 2)**

Due to the lack of central monitoring of completion of appraisals, no form of reporting to senior management was in place. **(Issue 4)**

There were no Priority 3 findings.

3. Actions and Key Findings/Rationale

Control Area 1: Legislative, Organisational and Management Requirements.

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 1
		<p>Expected Control</p> <p>Policies and Procedures relating to the appraisal process at the Council are version controlled, and include a date of issue, date of next review and details of approval. These are made available to all staff to access through the Council's staff intranet page.</p> <p>Finding/Issue</p> <p>The staff intranet page on the appraisal process was last updated on 1 April 2022. The page explained that <i>"In the 2023/24 appraisal year, a temporary solution is in place while we review the process."</i> However, there was no reference to the 2024/25 appraisal year.</p> <p>Discussions with the Chief People Officer ascertained that this temporary solution had been extended, but the intranet page had not been updated to reflect this.</p> <p>The intranet page also included links to templates for the appraisals, and an optional template for monthly 1-2-1 meetings. It also contained a more detailed guidance document to staff on completing appraisals. However, this guidance was titled as being for the 2022/23 appraisal year.</p>
Responsible Officer	Deadline	
Learning and Organisational Development Business Partner	28 February 2025	<p>Risk</p> <p>If policies and procedures relating to the appraisal process are not kept up to date, there is a risk that staff will follow outdated practices, leading to incorrectly completed appraisals, or appraisals not being completed in time, limiting the effectiveness of the appraisal process, and contributing to poor staff performance.</p>

Control Area 1: Legislative, Organisational and Management Requirements.

Priority	Action Proposed by Management	Detailed Finding/Rationale – Issue 2
	The current appraisal training	<p>Expected Control</p> <p>All members of staff are assigned mandatory training courses on the appraisal process, to help ensure that they clearly understand the requirements of the process. The course explains the respective responsibilities of staff and line managers and is updated annually to reflect changes to the appraisal process. Completion of these training records is monitored and reported on to senior management.</p> <p>Finding/Issue</p> <p>The Learning and Organisational Development Officer stated that training courses on the appraisal process were historically assigned via ‘Learningpool.’ Examination of a learner report generated from this system found that the course <i>Our appraisal 22/23 strategy</i> was the latest course that was assigned to staff in March 2022. However, the learner report did not indicate whether the course had been completed by any staff in the Council.</p> <p>This was queried with the Learning and Organisational Development Officer, who did not know a definitive reason why this would be the case but suggested that this could be a technical issue due to the temporary solution being implemented for the year 2023/24. No further training courses about the appraisal process for 2023/24 or 2024/25 have been created or assigned to staff.</p> <p>The HR Consultant stated that it was intended that future training would be contained within <i>Oracle guided learning</i>, which would provide central oversight on course completion records.</p>
	Responsible Officer	Deadline
	Learning and Organisational	28 February 2025
		Risk

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Development Business Partner		Where training courses are not created and assigned to staff for each appraisal year, there is a risk that staff do not understand their responsibilities around appraisals, and that these are not completed appropriately.
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Control Area 3: Monitoring of the Completion of Appraisal Templates & Escalation Procedures

Priority	Action Proposed by Management	Detailed Finding/Rationale – Issue 3
1	in place for the start of the across the council.	<p>Expected Control</p> <p>Appraisal completion rates are monitored centrally, and instances of non-completion by the set deadline are escalated.</p> <p>Finding/Issue</p> <p>Discussion with the Chief People Officer confirmed that there was no mechanism in place to monitor appraisal completion rates centrally within the Council. Therefore, the Chief People Officer had no way of knowing whether staff had completed appraisals.</p> <p>A sample of five random members of staff were selected from a list of all staff as of 13 December 2024 (provided by HR). For each staff member, their appraisals for the 2023/24 year, along with evidence of monthly 1-2-1 meetings, were requested from their line managers. In three cases, a completed appraisal of the staff member from 2023/24 was provided. However, one of these appraisals had been completed on the 26 June 2024, nearly three months after the end of the appraisal year (31 March). This appraisal had not been signed by the grandparent manager (line manager's line manager) for final review as required by the guidance on the appraisal intranet page.</p> <p>It was further noted that, although the appraisal year ends on 31 March, the appraisal guidance document does not specify timelines for completion of the appraisal but rather states that '<i>there may be occasions when the timing of some conversations needs to be considered.</i>' It is therefore unclear if the appraisal must be completed by the 31 March, or at some point after this date.</p> <p>In only one case could evidence of monthly 1-2-1 discussions be provided throughout the 2023/24 appraisal year. A repeated explanation given for this by a number of line managers was that changes in line manager and a lack of central record of previous</p>
Responsible Officer		Deadline

<p>Oracle HCM Programme Manager/Head of Workforce Strategy</p>	<p>31 August 2025</p>	<p>meetings meant these were now inaccessible, as they were only stored locally on manager's devices.</p> <p>Risk</p> <p>Where there is no central monitoring system of appraisal completion rates, there is a risk that appraisals are not completed, which can lead to performance issues that are not identified or rectified. This could also impact staff morale.</p>
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Control Area 4: Management Reporting

Priority	Action Proposed by Management	Detailed Finding/Rationale – Issue 4
	<p>With Oracle talent management actions put in place within control area 3, this will ensure monitoring of appraisals and reporting can be undertaken and provided at Directorate management levels.</p> <p>The Investors in People survey in 2024, is being repeated in May 2025, to measure improvements in a range of areas across the council, including indicator 4 performance management, and therefore, will also provide a benchmark opportunity on any interim measures.</p> <p>Communications will be planned and rolled out to sequence and highlight the importance of regular discussions.</p> <p>The intranet pages on appraisals to be updated by 31 March 2025.</p>	<p>Expected Control</p> <p>Senior management receive regular reports of appraisal completion to help ensure that performance is being managed at all areas of the business. This report contains details of completion by team/area so relevant Directors and Heads of Service can be alerted where improvement is required.</p> <p>Finding/Issue</p> <p>As previously outlined in Issue 3, at the time of audit there was no facility to monitor appraisal completion rates. Thus, there was limited information that available to senior management to ascertain the effectiveness of the appraisal process.</p> <p>It was noted from a review of the <i>Oracle Talent Management Solution Overview</i> that tracking of performance evaluation completion is a proposed functionality, and that this would allow for reporting of completion rates once implemented.</p> <p>In July 2024, a survey of 1,218 people across the Council was completed by the consultancy, <i>Investors in People</i>. The report outlined that:</p> <ul style="list-style-type: none"> • appraisals were not being conducted consistently across the Council; • Some staff did not think appraisals were mandatory; • 1-2-1 meetings had dwindled due to pressures, and • Some saw appraisals as a tick box exercise. <p>A mandatory approach to performance management with minimum expectations was recommended by <i>Investors in People</i>.</p>

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Responsible Officer	Deadline	
Learning and Organisational Development Business Partner	31 March 2025	<p>The staff intranet page on the appraisal process not being up to date and detailing that the appraisal process was temporary may also have contributed to the results of the survey.</p> <p>Risk</p> <p>Where there is no reporting to senior management on appraisal completion rates, non-completion of appraisals can be overlooked and left unresolved. This could impact staff performance and their morale.</p>

AUDIT TERMS OF REFERENCE

Performance Management (People)

1. INTRODUCTION

- 1.1 The London Borough of Croydon is the most populous borough in London, and Croydon Council is a major local employer with around 3,500 non-school staff.
- 1.2 For any large employer, effective management of people performance is important to ensuring continued success against strategic objectives. The most important element of Croydon Council's approach to people management is an annual appraisal process. The Council's HR Handbook sets the basis of the appraisal process:
 - The appraisal year (1 April to 31 March) should begin with a 1-2-1 conversation between staff member and line manager to agree and set performance objectives and a personal development plan for the year ahead (usually 4-6 objectives in total);
 - During the year, there should be regular 1-2-1 meetings between staff members and line managers to ensure that they keep on track of objectives; and
 - An end of year review should conclude the appraisal cycle, whereby the staff member and line manager talk over what has been achieved during the year and to what extent personal objectives have been met or exceeded.
- 1.3 An appraisal template is available on the intranet in order to assist line managers with undertaking the above processes.
- 1.4 It is important that the appraisal process is followed consistently by all staff and line managers, and that outcomes are documented to ensure completion and fairness.
- 1.5 This audit is being undertaken as part of the agreed Internal Audit Plan for 2024/25.

2. OBJECTIVES AND METHOD

- 2.1 The overall audit objective is to provide an objective independent opinion on the adequacy and effectiveness of controls / processes
- 2.2 The audit for each control / process being considered:
 - Walkthrough the processes to consider the key controls;
 - Conduct sample testing of the identified key controls, and
 - Report on these accordingly.

3. SCOPE

- 3.1 The audit will look at the implementation of the appraisal process across Croydon Council, including procedures and guidance for staff, completion rates, and consistent application of policies, and will include the following areas:





Control Areas/Risks	Issues Raised		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Legislative, Organisational and Management Requirements	0	2	0
Guidance for Staff and Line Managers	0	0	0
Monitoring of the Completion of Appraisal Techniques and Escalation Procedures	1	0	0
Management Reporting	0	1	0
Total	1	3	0

Appendix 2

Definitions for Audit Opinions and Identified Issues

In order to assist management in using our reports:

We categorise our **audit assurance opinion** according to our overall assessment of the risk management system, effectiveness of the controls in place and the level of compliance with these controls and the action being taken to remedy significant findings or weaknesses.

	Full Assurance	the system objectives, and the controls are constantly applied.
	Substantial Assurance	While there is basically a sound system of control to achieve the system objectives, there are weaknesses which may put this achievement at risk.
	Limited Assurance	There are significant weaknesses in key areas of system controls and non-compliance that puts achieving the system objectives at risk,
	No Assurance	Controls are non-existent or extremely weak, leaving the system open to the high risk of error, abuse and reputational damage.

Priorities assigned to identified issues are based on the following criteria:

Priority 1 (High)	Fundamental control weaknesses that require immediate attention by management to action and mitigate significant exposure to risk.
Priority 2 (Medium)	
Priority 3 (Low)	the value for money of the review area.

Statement of Responsibility

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

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our 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 our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

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