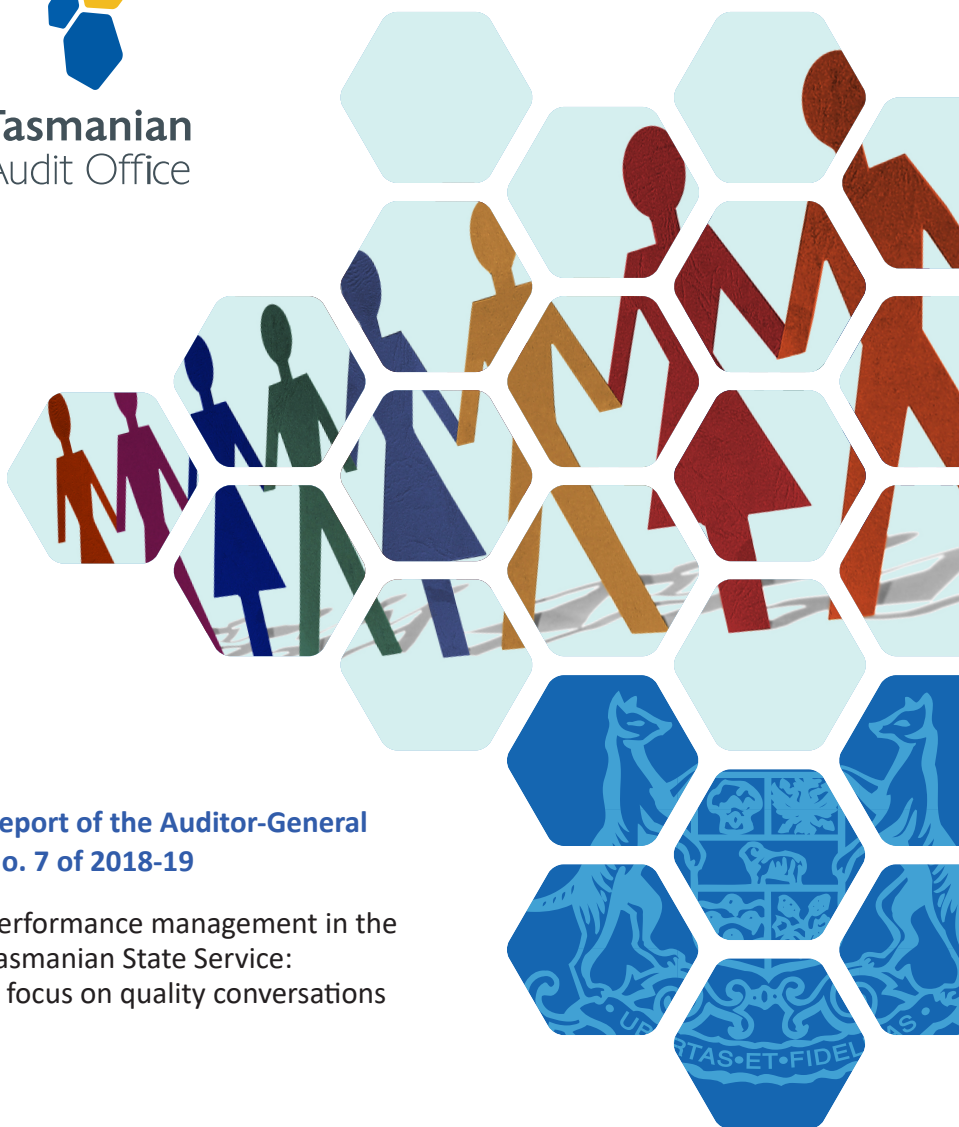




**Tasmanian**  
Audit Office



**Report of the Auditor-General  
No. 7 of 2018-19**

Performance management in the  
Tasmanian State Service:  
A focus on quality conversations

March 2019

# AUDITOR-GENERAL'S INDEPENDENT ASSURANCE REPORT

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This independent assurance report is addressed to the President of the Legislative Council and the Speaker of the House of Assembly. It relates to my performance audit (audit) on the effectiveness of performance management in the Tasmanian State Service.

## AUDIT OBJECTIVE

The objective of the audit was to evaluate the effectiveness of performance management in the Tasmanian State Service with a specific focus on the effectiveness of performance and development conversations between managers (including supervisors) and employees that form the basis for providing and receiving feedback.

## AUDIT SCOPE

The audit scope included the performance management framework established and activities undertaken to manage performance of teams and individual employees in the following agencies:

- Department of Education
- Department of Health (previously Department of Health and Human Services prior to 1 July 2018), excluding the Tasmanian Health Service
- Department of Communities Tasmania (previously Department of Health and Human Services and Department of Premier and Cabinet [for Communities Sport and Recreation and Silverdome] prior to 1 July 2018)
- Department of Premier and Cabinet
- Department of Justice.

In undertaking our audit, we did not focus on compliance against *'Employment Direction 26 - Managing Performance in the State Service'* (ED 26) and instead concentrated on the quality of performance conversations. The audit scope also excluded the framework established and activities undertaken relating to the ongoing management of underperformance.

## AUDIT APPROACH

The audit was conducted in accordance with Australian Standard on Assurance Engagements ASAE 3500 *Performance Engagements* issued by the Australian Auditing and Assurance Standards Board, for the purpose of expressing a reasonable assurance conclusion.

The audit involved a three phased approach to data collection to inform the audit findings and subsequent recommendation:

- conducting a desktop review of performance management and other relevant strategies, policies, processes, tools and templates
- conducting a whole-of-agency survey to understand current performance management frameworks, with a focus on the quality of performance and development conversations within each agency on a large scale (the survey population covered approximately half of the existing Tasmanian State Service workforce)
- discussing the current performance management framework, processes and practices, with a focus on the quality of performance and development conversations, with relevant staff through interviews and focus groups.

## **MANAGEMENT RESPONSIBILITY**

The legal framework for performance management in the Tasmanian State Service is set out under the *State Service Act 2000* and through ED 26.

It provides, inter alia:

- Heads of agencies are accountable for developing and implementing effective performance management arrangements in their agency, including its integration with government and agency planning, policies, programs and priorities; the support of communication and information to clarify employee participation; and training and development for managers.
- Managers and supervisors are obliged to prepare for the discussion and support employees in their endeavours to achieve performance requirements. In doing so, they should be consistent, fair and objective.
- Employees have an obligation and responsibility to engage in the process, undertake agreed development and be accountable for that performance.

## **AUDITOR-GENERAL'S RESPONSIBILITY**

In the context of this audit, my responsibility was to express a reasonable assurance conclusion on the effectiveness of the current performance management framework in the Tasmanian State Service, with a focus on the quality of performance and development conversations.

# FINDINGS AND RECOMMENDATION

Findings against the audit criteria used to assess the effectiveness of performance management are summarised below and further details regarding the audit criteria are contained in Appendix 1 of the full report. For most findings in the report, I have provided possible agency responses and key considerations for implementation (see Appendix 2 of the full report).

Findings	
<b>Criterion 1</b>	<b>Is there a shared understanding between managers and employees on the purpose of performance and development conversations?</b>
1.1	<div>Do managers and employees understand the purpose and principles of performance management?<ul style="list-style-type: none"><li>• A disconnect existed between managers and employees over the purpose of performance management and the emphasis on either how outcomes are achieved, or what outcomes are achieved.</li><li>• Agency policies and other documentation do not address the value of ongoing conversations.</li><li>• Managing performance and managing development viewed as distinct exercises.</li><li>• Perception by employees that performance management means managing underperformance.</li></ul></div>
1.2	<div>Do managers and employees understand what success looks like for themselves, the team and the agency?<ul style="list-style-type: none"><li>• Employees are typically motivated by:<ul style="list-style-type: none"><li>o their ability to contribute to the community</li><li>o the opportunity to learn new skills</li><li>o their ability to take ownership in their role.</li></ul></li><li>• Organisations have the opportunity to leverage this motivation better by embedding the connectivity between agency purpose and individual and team goals in documentation.</li></ul></div>
1.3	<div>What is the balance between assessing values and behaviours as opposed to capabilities when giving feedback?<ul style="list-style-type: none"><li>• Performance and development guidance materials that articulated agency values or behaviours were not widely evident.</li><li>• However, 62% of survey respondents agreed that performance assessment does consider behaviours and capabilities.</li></ul></div>

## Findings

### 1.4 Do managers and employees share an understanding of what differentiates performance that meets expectations and outstanding performance?

- Limited evidence guidance materials directed managers and employees to define performance in terms of what 'meeting expectations' versus 'outstanding' looks like.
- Employees seeking better guidance to know what outstanding means for them in their role.

## Criterion 2 Are managers and employees equipped to engage in performance and development conversations?

### 2.1 Do managers and employees have sufficient skills, capabilities and experience required to hold effective conversations?

- Agencies generally not assessing quality of performance conversations, rather than ascertaining they took place.
- Lack of technology to support performance process cited as a key reason quality assessments not taking place.
- There was a disconnect between the managers' and employees' view of the effectiveness of the performance and development conversation, with managers having a higher rate of confidence.
- Perceptions from the survey, focus groups and interviews showed conversations were most effective where there was both an opportunity to give and receive feedback.

### 2.2 What learning and development programs and resources are available to support managers and employees in performance and development conversations?

- Access to training courses could be limited, particularly in regional locations.
  - Training materials were developed separately by agencies and therefore were not consistent.
  - Although there were a range of training materials provided, there was generally low engagement.
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## Findings

### Criterion 3 Is there shared ownership and accountability for the performance management process?

#### 3.1 Is feedback considered and applied by employees to support their development?

- Two key foundational elements are in place to enable feedback to be considered and applied by employees:
  - o both employees and managers feel ownership over the performance management process
  - o around two thirds of employees surveyed said they felt confident seeking feedback for themselves and for their team.

#### 3.2 Are performance and development conversations tailored to the personal development needs and workplace of the employee?

- 29% of employees experience personalisation in their performance assessment.
- 40% of employees agreed conversations considered the specific environment in which they work.

#### 3.3 To what extent are behaviours and achievements recognised and/or rewarded?

- Performance outcomes cannot always be relied on to determine salary progression due to:
  - o perceptions of unfairness
  - o rigid focus on templates
  - o methodology not supportive of a personal approach
  - o inability to influence tangible outcomes.
- Limited evidence of formal rewards and recognition programs for employee achievements.

#### 3.4 Do performance and development conversations result in agreed actions that are delivered upon?

- Although it was generally found conversations do result in agreed actions, the follow-up of those actions was not considered effective.

## Findings

### Criterion 4 Do employees and managers engage in quality performance and development conversations?

#### 4.1 Do both employees and managers perceive performance and development conversations to be a fair and meaningful process?

- There was mixed evidence of explicit reference to fairness within agency performance and development policies.
- It was difficult to measure fairness of outcomes due to the paper-based nature of many performance management systems.
- 61% of employees stated leaders value performance and development conversations.
- Lack of time and capacity to engage in meaningful conversations was cited by half of both employees and managers.

#### 4.2 Is there an environment of open, two-way communication and ongoing constructive two-way feedback?

- Two-way feedback was not embedded in the performance and development process.

#### 4.3 Are there mechanisms/processes in place to have conversations about team performance?

- 39% of employees agreed their teams had regular conversations about improving performance.

### Criterion 5 Are the principles and foundational elements of the broader performance management framework effective?

#### 5.1 Does the broader performance management framework drive the desired outcomes?

- Significant emphasis was placed on the compliance of 'holding' performance and development conversations.
- The most frequent response to barriers to effective performance and development conversations was 'the focus is on compliance rather than employee development'.

## Findings

### 5.2 When and how frequently do performance and development conversations occur?

- Managers believe performance and development conversations are occurring more frequently than employees do.
- 80% of employees agreed conversations were occurring more than annually.
- There was a difference in perception between managers and employees in what constitutes a performance and development conversation.

### 5.3 To what degree is the performance management system flexible to specific and changing needs?

- The emphasis on the compliance elements of the process leads to less flexibility to adapt to changing needs.

### 5.4 How does performance management inform learning and development opportunities?

- Feedback from the survey and focus groups indicated both managers and employees see learning and development as a 'win-win', that increases both engagement and performance.
- There was inconsistency across and within agencies in the ability of employees to participate in learning and development.
- A primary reason cited was budgetary constraints.

### 5.5 How are the barriers to effective performance management identified, mitigated and monitored?

- No evidence was found of activities to monitor the effectiveness of the performance and development process.
- Major barriers identified were:
  - o time/capacity
  - o technology
  - o accessibility
  - o prioritisation.



While agencies are at differing levels of maturity in their performance management processes, agency management, managers and employees all demonstrated a commitment to improving the quality of performance and development conversations. Despite differing and complex operating environments, common themes emerged both within and across agencies that demonstrated there are a range of opportunities that can be made at both Tasmanian State Service guidance level, as well as through agency-specific activities, that will enhance the performance management experience for managers and employees alike.

For these reasons, I have only made one overarching recommendation in my report.

### Recommendation

It is recommended that each agency undertakes a self-assessment against the possible agency responses listed in this report, to establish a clear understanding of the extent to which activities are already being undertaken within the agency, as well as whether that response is appropriate for their needs. Once the self-assessment is complete, agencies should each develop a plan for implementation that links to their own level of organisational maturity and complexity and takes into account their resourcing priorities.

When reviewing the possible agency responses to this audit, it will become clear that some may be able to be implemented relatively quickly, while others may require consideration against a longer-term cultural change strategy. Once the self-assessed baseline maturity level has been established, agencies should then make an assessment of the expected level of effort required to implement each response, in order to appropriately prioritise. This will allow each agency's finite resources to be put to use in a manner which can deliver maximum positive impact.

Taken together, the possible agency responses (and key considerations for implementation) at Appendix 2 (in the full report) can be read as a blueprint or roadmap for each agency to mature its performance and development framework to:

- provide a balance of emphasis between both the technical (capabilities) and personal (values and behaviours) skills of employees and teams
- equip both managers and employees with the necessary tools to engage confidently in quality conversations
- foster a common understanding between employees and managers of personal, team and agency goals
- understand and enhance employee motivation through better linkages to agency purpose and strategy
- transition from a compliance exercise to quality two-way conversations, with shared accountability, that take place at regular intervals.

## SUBMISSIONS AND COMMENTS RECEIVED

In accordance with Section 30(2) of the *Audit Act 2008*, a summary of findings was provided to the Employer as well as Heads of Agency for in-scope agencies, with a request for submissions or comments. Responses, or a fair summary of them, are included in Appendix 3 of the full report.

## AUDITOR-GENERAL'S CONCLUSION

It is my conclusion that foundational elements are in place for agencies to conduct performance and development conversations. The framework is partially effective but requires a greater investment by agencies in policies, training, technology and quality review to remove current barriers to achieving more effective performance and development conversations.

A handwritten signature in black ink, appearing to read 'R Whitehead'.

Rod Whitehead  
**Auditor-General**  
19 March 2019

# NOTES

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**For the full report go to:**

<https://www.audit.tas.gov.au/publication-category/performance-audit>

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