



**Chief Internal Auditor
Jill Stacey**

Audit Committee
Tuesday 12 March 2019
Item No: 5.3

Auditor: Chris Hurt, Ext 3285

Final Internal Audit Report

to

- Chief Executive
 - All Directors
- All Heads of Service
 - HR Manager
- HR Business Partners

on

Workforce Strategy and Planning

22 February 2019

1 Introduction

1.1 The purpose of this audit was to review the approach to workforce development in alignment with business and financial planning processes to provide skills, knowledge and competency requirements for service delivery to meet the Council's objectives.

2 Audit Scope

2.1 The scope of this audit was to examine and evaluate the following areas:

- the contribution of the strategy towards the attainment of the Council's vision and priorities,
- the completeness of workforce planning across service areas;
- on a sample basis, the assessment and analysis of workforce plans intended to deliver the strategy including the appraisal of key planning assumptions; and
- the review of processes in place for monitoring delivery of the strategy.

3 Management Summary

3.1 On 19 December 2017 the Council approved a Workforce Strategy covering the period 2017-2022 intended to set out the approach to reshaping, supporting and developing a workforce appropriate to the Council's values and vision. The Workforce Strategy forms the framework within which Service Workforce Plans are produced. Adult Social Care develops its Workforce Plans within a separate framework known as the Midlothian Health and Social Care Partnership Workforce Framework. The function of the Framework is very similar to that of the Council's Strategy but is produced taking into account the priorities and roles of both the Council and NHS Lothian in delivering integrated health and social care services.

3.2 Workforce Plans and Action Plans are in place for most Services. Considerable effort has been put into developing these plans although further work is now required to reflect the acute financial pressures facing the public sector and to align with the medium term financial, business and transformation plans specifically in the following areas:

- analysis of future workforce requirements;
- gap analysis and gap closing strategies; and
- setting performance measures and targets in order to evaluate how successfully the plans are being delivered.

3.3 The following examples of good practice were found:

- Considerable progress has been made with Workforce Planning; the workforce planning exercise initially undertaken during 2016/17 represents a significant step forward.
- Joint Workforce Planning undertaken by Midlothian Health and Social Care Partnership is a sensible approach to integrated planning between Adult Social Care with Health.

3.4 Internal Audit considers that the level of assurance we are able to give is Substantial Assurance.

3.5 The Internal Audit function conforms to the professional standards as set out in the Public Sector Internal Audit Standards (2017), including the production of this report to communicate the results of the review.

3.6 We would like to thank those officers who assisted us during our review.

4 Findings

Risk	Expected Control	Results	Effectiveness of Actual Control	Rec. Ref No
<p>4.1 The Workforce strategy does not assist the Council in delivering against the Single Midlothian Plan priorities resulting in local hardship for the population of Midlothian and reputational damage to the Council.</p>	<p>The Workforce Strategy should provide a meaningful framework within which detailed plans are made to assist the Council in delivering against the Single Midlothian Plan priorities.</p>	<p>The Council has approved a Workforce Strategy covering the period 2017-2022 intended to set out the approach to reshaping, supporting and developing a workforce appropriate to the Council's values and vision.</p> <p>The Workforce Strategy forms the framework within which Service Workforce Plans are produced. These plans in turn form the basis for the development of detailed action plans.</p> <p>The Workforce Strategy recognises the Transformation Programme, although in doing so becomes compromised by the limited progress with transforming the way in which the Council delivers services to the community.</p> <p>Adult Social Care develops its Workforce Plans within a separate framework known as the Midlothian Health and Social Care Partnership Workforce Framework. The function of the Framework is very similar to that of the Council's Strategy but is produced taking into account the priorities and roles of both the Council and NHS Lothian in delivering integrated health and social care. The Framework however leads to the direct production of action plans.</p> <p>In their 2017/18 report the Council's external auditors, EY, highlighted that the Council continues to face acute financial pressures. This will inevitably shift priorities of both the Council and the IJB and require the Workforce Strategy and associated Service Workforce Plans to be reviewed to ensure they properly fit with those revised priorities.</p>	<p>Good, subject to update in alignment with business and financial planning processes.</p>	<p>5.1</p>

Risk	Expected Control	Results	Effectiveness of Actual Control	Rec. Ref No
<p>4.2 Service Workforce plans are not in place to articulate the strategy resulting in the strategy not being delivered or delivered late, impacting on the Council's ability to deliver Services and financial sustainability thus requiring further reductions which may impact on the residents of Midlothian, reduce staff morale and cause reputational damage to the Council.</p>	<p>Midlothian Council Workforce Plans for each Service area are in place which analyse current and future requirements and set out actions to address identified gaps to meet Council priorities and objectives.</p>	<p>Midlothian Council Workforce plans</p> <p>We confirmed that Workforce Plans for the period 2017-2022 were in place for all Service areas other than two: one Service was not able to provide any plans; one other provided an action plan only.</p> <p>Workforce plans examined were prepared using data for 2016/17 and in a format developed by Scottish Government. We conducted a high level review of Service and Action Plans and found the following common themes:</p> <ul style="list-style-type: none"> • analysis of the existing workforce was generally comprehensive; • analysis of future workforce requirements and how this related to the Council's strategic objectives including financial priorities is generally poor and therefore compromises meaningful gap analysis in most cases; • gap closing strategies relating to recruitment, selection, training and retention are not articulated in any detail, if at all; • performance measures are not consistently meaningful and targets for evaluation of performance not set. <p>We also noted that there is no formal process for monitoring the delivery of Service workforce plans.</p>	<p>Satisfactory, subject to alignment of workforce planning with business and financial planning processes.</p>	<p>5.2 5.3 5.4</p>

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5 Recommendations

Rec. No	Recommendation	Rating	Management Response	Responsibility and Timescale
5.1	The Council's Workforce Strategy and associated Service Workforce Plans should be reviewed in order to ensure they properly fit with the revised priorities arising from the Council's acute financial pressures as reflected in financial, business and transformation plans.	High	A review of the Council's Workforce Strategy is underway and will be finalised and reported to Council once the Medium Term Financial Strategy (MTFS) has been approved.	Head of Finance and ISS 1/10/19 (Council)
5.2	Revision to Service Workforce Plans and Action Plans are also required for reasons set out in recommendation 5.1 and further work is required in the following areas: <ul style="list-style-type: none"> analysis of future workforce requirements and how this related to the Council's strategic objectives including financial priorities; gap analysis and gap closing strategies; and performance measures and target setting for evaluation of success in delivering the Workforce Plan. 	High	Service Workforce plans will be updated to reflect the MTFS which is to be presented to Council before the Summer recess (2019). It is expected that this work can be finalised once the MTFS has been approved by Council.	Heads of Service 1/10/19
5.3	A formal review process for monitoring the delivery of Service Workforce Plans and Action Plans should be introduced, along with evaluation of outcomes against performance measures and targets.	Medium	This can be considered in parallel to the review of the Workforce Strategy as set out in the action for recommendation 5.1.	As above for 5.1
5.4	Workforce planning processes should be aligned with business and financial planning processes, through timetabling of similar activity in the planning and review cycle and closer working of HR Business Partners with performance and finance colleagues to support Directors and Service Managers.	Medium	See action for recommendations 5.1 and 5.2.	As above for 5.1 and 5.2

Overall Audit Opinion level and definition

Comprehensive Assurance	Sound risk, control, and governance systems are in place. These should be effective in mitigating risks to the achievement of objectives. Some improvements in a few, relatively minor, areas might be required.
Substantial Assurance	Largely satisfactory risk, control, and governance systems are in place. There is, however, some scope for improvement as current arrangements could undermine the achievement of objectives or leave them vulnerable to error or misuse.
Limited Assurance	Risk, control, and governance systems have some satisfactory aspects. There are, however, some significant weaknesses likely to undermine the achievement of objectives and leave them vulnerable to an unacceptable risk of error or misuse.
No Assurance	The systems for risk, control, and governance are ineffectively designed and operated. Objectives are not being achieved and the risk of serious error or misuse is unacceptable. Significant improvements are required.

Recommendation Ratings

Recommendations in Internal Audit Reports are suggested changes to existing procedures or processes, to improve the controls or to introduce controls where none exist. The rating of each recommendation reflects our risk assessment of non-implementation, being the product of the likelihood of the risk materialising and its impact. The ratings are:

High	Significant weaknesses in existing controls, leaving the Council or Service open to error, fraud, financial loss or reputational damage, where the risk is sufficiently high to require immediate action within one month of formally raising the issue. The risk should be added by Management to the relevant Risk Register for control and monitoring purposes and included in the relevant Head of Service Annual Assurance Statement.
Medium	Substantial weaknesses in existing controls, leaving the Council or Service open to medium risk of error, fraud, financial loss or reputational damage requiring reasonably urgent action within three months of formally raising the issue.
Low	Moderate weaknesses in existing controls, leaving the Council or Service open to low risk of error, fraud, financial loss or reputational damage requiring action within six months of formally raising the issue to improve efficiency, effectiveness and economy of operations or which otherwise require to be brought to the attention of Senior Management.
Other	Minor administrative weaknesses posing little risk of error, fraud, financial loss or reputational damage.

The Action Plans in Internal Audit Reports address only Recommendations rated High, Medium or Low. Outwith the Internal Audit Report, we inform Service Management about Other Minor matters to improve internal control and governance.

The recommendations will be input to Pentana performance system to assist with Management tracking of implementation. If responsible owners are unable to achieve the standard timescales for actions please notify the Chief Internal Auditor with the reason for the delay in implementation and the revised timescales to assist with the implementation and follow-up of these recommendations to improve internal control and governance.

Jill Stacey
Chief Internal Auditor