

## **AUDIT COMMITTEE**

**17 DECEMBER 2009**

### **OUTCOMES OF AUDIT ACTIVITY**

Report from: Internal Audit

Author: Richard Humphrey, Audit Services Manager

#### **Summary**

To advise Members of the outcomes of Internal Audit activity completed since the last meeting of the Audit Committee.

#### **1. Budget and Policy Framework**

1.1 Following the Council's decision to establish this committee, it is within the remit of this committee to take decisions regarding accounts and audit issues.

#### **2. Background**

2.1 This report contains the outcome of Internal Audit's work since the last report to this committee.

2.2 Generally, Internal Audit reports identify areas where improvement in the control process should be made. However, there is no standard within the internal audit profession of grading the overall control environment. Furthermore, even where recommendations are prioritised, the recipient of the report has no indication of how well the overall control process is operating.

2.3 To address this, Medway Council's Internal Audit has introduced a grading system so that managers have a clear understanding of the operation of the control environment in their area. The audit opinion is set at one of four levels and is formed on completion of the audit testing and evaluation stage but **before** management implement any of the recommendations.

2.4 All audit reports containing recommendations designed to improve the control process are presented with an action plan, which has been agreed with management and specifies the action to be taken, by whom and when. This agreed management action plan is incorporated in the issued final audit report.

- 2.5 For 2009/10, the audit opinion definitions have been revised to improve managers' understanding of them. Also, the opportunity has been taken to revise the audit report format to direct managers more clearly to the key risk areas and to assist them, we have introduced a clearer priority ranking system for audit recommendations. The revised definitions are shown at Annex A.
- 2.6 Where control is assessed at the lowest level, ("Uncontrolled"), follow up work will be undertaken within six months.
- 2.7 This report details work completed since the last report to Members. The format of the annexes is as follows: -
- Annex A Definition of audit opinions and recommendation priorities
  - Annex B Schedule of completed audit work showing the audit opinion provided and Directorates covered
  - Annex C Summary information on completed audits
- 2.8 In addition to the work set out on the following annexes, Internal Audit has also responded to requests to provide advice on control issues to managers.

### **3. Risk Management, Financial and Legal implications**

- 3.1 There are no risk management, financial or legal implications arising from this report.

### **4. Recommendations**

- 4.1 Members are asked to note the outcome of Internal Audit's work.

#### **Lead officer contact**

Name Richard Humphrey  
Job Title Audit Services Manager  
Telephone: 01634 332355 email: richard.humphrey@medway.gov.uk

#### **Background papers**

None.

## DEFINITIONS OF AUDIT OPINIONS

Opinion	Risk Based	Compliance	Value for Money
Good	Effective controls are in place to mitigate risks reviewed as part of the audit, maximising the likelihood of achieving service objectives and value for money and protecting the Authority against loss.	Key controls exist and compliance is consistent and effective.	Objectives are being achieved efficiently, effectively and economically.
Satisfactory	Key controls exist to mitigate the risks reviewed as part of the audit effectively. However, instances of failure to comply with the control process were identified and there are opportunities to strengthen the control system and/or improve value for money.	Key controls exist but there may be some inconsistency in compliance.	Objectives are largely being achieved efficiently, effectively and economically, but areas for further improvement.
Insufficient	Controls are in place to mitigate identified risks and they are complied with to varying degrees. However, there are one or more gaps in the control process that leave the system exposed to significant residual risk. Action is required to mitigate material risks.	Key controls exist but they are not applied, or significant evidence they are not applied consistently and effectively	Objectives are not being achieved through an appropriate balance of economy, efficiency and effectiveness. Value for Money is could be significantly improved.
Uncontrolled	Controls are considered to be insufficient to effectively control at least one of the risks reviewed as part of the audit. Remedial mitigating action is required. There is also a need to improve compliance with existing controls and errors and omissions have been detected. Failure to improve controls could have a significant impact on service delivery, or lead to material financial loss or embarrassment to the Authority.	Failure to comply with large numbers of key controls across a high proportion of the risks reviewed.	Objectives are not being achieved economically, effectively and efficiently.

**DEFINITIONS OF RECOMMENDATION PRIORITIES**

**High**

The finding highlights a fundamental weakness in the system that puts the Council at risk. Management should prioritise action to address this issue.

**Medium**

The finding identified a weakness that leaves the system open to risk. Management should ensure action is taken to address this issue within a reasonable timeframe.

**Low**

The finding highlights an opportunity to enhance the system in order to increase the efficiency or effectiveness of the control environment. Management should address the issue as resources allow.

## Completed Audit Activity

Activity ↓	Directorate →	Opinion	Authority Wide	Children and Adults	Regeneration Community and Culture	Business Support Department
Health and Safety		I	I			
Libraries Income Control		I				I
Local and regional Planning (Information Management)		S			S	
Markets Income		U			U	
Parking Income		I			I	
PSA2 Final Outturn PI verification checks		●	●			
Workforce Planning – Readiness for CAA		●	●			

**Key:**

G = Good, S = Satisfactory, I = Insufficient, U = Uncontrolled

- Work carried out but no opinion provided in that area

**Completed Audit Activity**

**Audit:** Health & Safety

**Opinion:** Insufficient

Medway Council has a statutory duty to protect the health and safety of staff, Members and members of the public affected by its work. It must make the workplace safe and eliminate or control risks to health, ensure plant and machinery are safe and that safe systems of work are set and followed, ensure articles and substances are moved, stored and used safely, provide adequate welfare facilities, give workers the information, instruction, training and supervision necessary for their health and safety and consult workers on health and safety matters.

The objective of this audit was to provide an opinion on the effectiveness of controls to minimise the risks that:

- The Authority does not comply with Health and Safety Legislation
- Risks are not appropriately assessed
- Workers are unaware of their responsibilities
- Workplace accidents may not be reported appropriately
- Health and Safety issues may not be monitored and reported effectively

Main Findings	Main Risk	Main Recommendations	Management Response
<p>Effective controls are in place to ensure that the authority complies with health and safety legislation. Although Medway Council does not have a complete set of current policies, new policies are being written to fill in the gaps.</p> <p>Inspections are carried out for high priority services throughout the council and there are good procedures in place to identify risks through this method. However, resources have not been identified that will allow corrective action to be monitored. Risk assessments have only been completed for parts of the Authority although it is a legal</p>	<p>Increased risk of accidents and non-compliance with H&amp;S legislation.</p>	<p>One high priority recommendation was made relating to clarification of ownership and resources for school trip Health and Safety assessments.</p> <p>Six medium priority recommendations were made. Two related to risk assessments. The others related to;</p> <ul style="list-style-type: none"> <li>▪ Professional qualifications for Health &amp; Safety staff;</li> <li>▪ Formal recognition of Cabinet responsibility;</li> <li>▪ Approval processes for safety audit plans.</li> <li>▪ Health and Safety training of staff.</li> </ul>	<p>All recommendations were accepted, with a completion date of April 2010 (although all Health and Safety staff will not complete professional qualifications until 2013).</p>

## Completed Audit Activity

Main Findings	Main Risk	Main Recommendations	Management Response
<p>requirement. The scale of this problem is not known due to the absence of monitoring arrangements.</p> <p>Additionally, there is a lack of clarity over Education and H&amp;S team's responsibilities for risk assessment of school trips.</p> <p>The Health, Safety and Wellbeing Manager should be commended on the work to update policies and publish them on the Council's Intranet. However, additional work is necessary to better publicise them.</p> <p>There are gaps in basic H&amp;S training and specialist training. The Health, Safety and Wellbeing Manager is currently working with Learning and Development to identify gaps and implement a new training programme.</p> <p>Sound procedures are operating to ensure accident reports are sent to the H&amp;S team and more serious accidents are reported to Health and Safety Executive. The accidents are then recorded on the accident-reporting database. There is scope for improving</p>	<p>A serious accident could occur on a school trip, which has not been subject to a formal risk assessment.</p> <p>Not preventing accident/injury and officers not being aware of their obligations under H&amp;S legislation.</p> <p>Officers may not being aware of their H&amp;S obligations.</p>		

Completed Audit Activity

Main Findings	Main Risk	Main Recommendations	Management Response
<p>follow-up reporting to ensure implementation of action identified to prevent recurrence of accidents.</p> <p>Appropriate Health and Safety committees have been set up to provide oversight for the whole of the Authority. This governance arrangement would benefit from more formal monitoring of completion of risk assessments and progress on high priority recommendations.</p>			



## Completed Audit Activity

Audit: Libraries Income

Opinion: Insufficient

Medway Council operates 16 libraries, which enable the public to access and borrow a range of information and entertainment. The majority of these services are free of charge, but charges are made if an item is reserved from outside a Medway Library and for rental of video/DVDs, language courses, console games, spoken word cassettes and music CDs. Charges are also made for the use of fax machines, printing, scanning and sales of CDs, disks etc. Total income generated by libraries during the 2008/09 financial year was £92,000.

The objective of this audit was to provide an opinion on the effectiveness of controls to minimise the risks that:

- All income due may not be identified, received or retained securely.
- Income received may not be banked fully or promptly and not be reflected accurately/promptly in financial records.

Main Findings	Main Risks	Main Recommendations	Management Response
<p>Although income from sales of items such as cards and CDs can be identified on the till reading, there is no reconciliation of total income to goods sold. Furthermore, goods received at the libraries visited were not counted, nor was a record maintained of total goods sold.</p> <p>Although income waiting to be banked was held in a safe/locker, at three of the five branches visited access was not restricted to appropriate members of staff only and the cumulative amount of income stored in a locker at one of the branches would not be covered by insurance.</p> <p>Fines for overdue items can be waived on the Spydus system without a genuine reason.</p>	<p>All income due may not be received or items may be lost/stolen and this may go unnoticed.</p> <p>The takings in the safe may be stolen and any losses may not be covered by insurance.</p> <p>All income due from fines may not be received.</p>	<p>Nine medium priority recommendations were made, these relating to;</p> <ul style="list-style-type: none"> <li>▪ Authorisation or review of fines waived on the Spydus system.</li> <li>▪ Counting and reconciling stock</li> <li>▪ Reconciling total prints and independently reconciling bookings.</li> <li>▪ Restricting access to the safe.</li> <li>▪ Correctly coding goods sold on income returns.</li> </ul>	<p>All recommendations were accepted, with a completion date of March 2010 at the latest.</p>

Completed Audit Activity

Main Findings	Main Risks	Main Recommendations	Management Response
<p>There is no separation of duties between the officer taking the bookings for hire of the hall at the Strood branch, raising invoices and completing the monthly reconciliation.</p>	<p>All income due from bookings may not be collected and the Library Finance Assistant is in a vulnerable position should she be accused of taking payment for bookings for personal gain.</p>		

**Completed Audit Activity**

**Audit:** Local and Regional Planning – Information Management

**Opinion:** Satisfactory

Medway Council is currently preparing a Local Development Framework (LDF), which will consist of a portfolio of documents. The LDF will be the key spatial plan for Medway, guiding development over the period up to 2026. Therefore the information used within the LDF is key to ensuring that the correct decisions are made using all information that is considered relevant. The Local and Regional Planning Department collect the information contained within the LDF. This audit has been undertaken to ensure that the information is accurate, current and from a reliable source so that all users of the information are able to rely on it when making decisions now and in the future.

The objective of this audit was to provide an opinion on the effectiveness of controls to minimise the risks that:

- Data collected and stored may not be accurate, reliable or complete
- Reports may be inaccurate;
- The Authority does not make best use of available information.

Main Findings	Main Risks	Main Recommendations	Management Response
<p>Suitable controls were found to be in place to ensure that all information held within the database is complete, accurate and reliable. All information used to support the LDF is stored on the IT network and is subject to normal network access and backup routines which are considered suitable.</p> <p>Information is obtained from both internal sources within the Council and External Sources such as the most recent Census or from the Office of National Statistics. Based on the findings of tests undertaken, all reports were found to be accurately produced based on the data held within the database and within the department itself.</p>		<p>Two medium priority recommendations made relating to:</p> <ul style="list-style-type: none"> <li>• Ensuring robust system documentation and appropriate system administration cover arrangements are in place;</li> <li>• Presenting the Research and Information Group with a catalogue of the type and quality of information Local and Regional Planning hold to encourage maximum use of this information throughout the Authority and to minimise replication of data collection elsewhere in the Authority.</li> </ul>	<p>Both recommendations were accepted by management, with an agreed implementation date of December 2009.</p>

## Completed Audit Activity

Main Findings	Main Risks	Main Recommendations	Management Response
<p>The sharing of information between the Local and Regional Planning department and other departments within the Council is mixed. A large amount of information held by the Local and Regional Planning Department is shared with some departments e.g. Planning and Building Control. However little or no information is shared with other departments which results in more than one department collecting the same information. An example of this is that the schools Planning and Review Department collect the same planning information as the Local and Regional Planning Department. This is considered to be an area of weakness that requires Council wide action that would be best addressed by the Research and Information Group.</p>	<p>Duplication of data collection and failure to make best use of information available.</p>		

## Completed Audit Activity

**Audit:** Markets income

**Opinion:** Uncontrolled

Medway Council operates three markets, twice a week in Gillingham and Strood (these were operated by external contractors until being brought under the Council's direct operation in August 2007 and April 2008 respectively) and a monthly farmers' market in Rochester. Management advised us that the contractor running Gillingham terminated with very little notice, with no documentation passed over to aid the handover, but officers managed to take on the operation of the market, in spite of the extremely limited resources available. Due to the lack of documentation, existing rents could only be ascertained through asking traders what they were paying and, in view of the economic climate and the need to maintain a sustainable market, it has not yet been possible to bring rents at Gillingham up to the levels charged at Strood.

Income from the three markets in 2008/09 totalled £266,830 – budgeted income across the three sites for 2009/10 is £302,543.

Five risks were reviewed to determine the effectiveness of controls:

- Charges may not be formalised and/or approved by Members;
- All income due may not be identified or collected;
- Income collected may not be adequately protected against loss;
- All income collected may not be banked intact, or not in a timely manner;
- Income received may not be reflected accurately and promptly in financial records.

Main Findings	Main Risks	Main Recommendations	Management Response
<p>A standard rate per foot has been established for Strood, whereas rates for Gillingham are currently variable, dependent on the size and position of stalls. These have not been published formally and have not been approved by Members. Furthermore, the prescribed rates are not being applied consistently to all traders at Strood or to some of those at Gillingham.</p> <p>Receipts are not numbered and are generally written in advance, so do not necessarily reflect the amount actually collected. Back</p>	<p>In addition to the Council failing to maximise income, charges may be inappropriate and/or inequitable and may fail to cover the costs incurred.</p> <p>All income collected may not be recorded or accounted for accurately. In addition, back rent</p>	<p>8 high priority recommendations, relating primarily to:</p> <ul style="list-style-type: none"> <li>• improving income records to show details of occupied stalls, back rent outstanding and collected;</li> <li>• devising and applying a formal policy on limiting and recovering rent arrears;</li> <li>• using sequentially numbered receipts and completing these only on handover of cash so the actual amount received is recorded;</li> <li>• income being collected, recorded and banked by two</li> </ul>	<p>All high priority recommendations were accepted by management, with an undertaking to implement the proposed actions, or an appropriate alternative, by the end of March 2010 at the latest. In particular, management are investigating the purchase of a markets management software solution that is already used by around 30 councils, which would address many of the concerns surrounding identification of rent due and income collected.</p>

## Completed Audit Activity

Main Findings	Main Risks	Main Recommendations	Management Response
<p>rent due from regular traders (if they are absent and their booked stall is not relet) is not recorded consistently. Traders may repay back rent in instalments, but there is no formalised policy on limiting and recovering rent arrears. Income at three of the markets is collected and banked by a single officer. Income retention arrangements, which include the use of officers' vehicles and homes, do not meet the requirements of the Council's insurance, there also being no secure storage facility at the office.</p> <p>Banking is not consistently completed promptly after collection, ie on the same or next working day, and no arrangements have been established to confirm that all income collected has been banked intact.</p>	<p>due from permanent traders may not be calculated accurately or collected, arrears may become excessive and income due to the Council may not be recovered.</p> <p>Officers are vulnerable to attack, theft and allegations of failing to account properly for all cash collected. Income retention arrangements may also render the Council unable to recover any losses incurred.</p> <p>All income collected may not be banked and any banking variances may not be identified, investigated or reported to management.</p>	<p>officers working together and banked on the day of collection, wherever possible;</p> <ul style="list-style-type: none"> <li>• considering the installation of a safe at the office or use of bank night safe facilities or safe facilities at alternative council premises;</li> <li>• an independent person checking income records against paying-in slips, after return from the bank, to confirm that all income was banked intact.</li> </ul> <p>3 additional medium priority recommendations related primarily to:</p> <ul style="list-style-type: none"> <li>• charging all traders the prescribed rates as soon as possible;</li> <li>• reviewing rates annually and obtaining formal approval by management and Members.</li> </ul>	<p>However, one of the medium priority recommendations was not accepted fully as officers consider it unnecessary for Members to approve market stall licence fees. The Monitoring Officer has now formally delegated authority to R, C &amp; C management to set fees and current fees were approved on 1.9.09. In addition, the Director R, C &amp; C and Monitoring Officer have agreed that it is not appropriate to include these in the Council's annual schedule of fees and charges.</p>

**Completed Audit Activity**

**Audit:** Parking income

**Opinion:** Insufficient

The Council provides off-street parking at various car parks and on-street parking at several locations within its controlled parking zones. Use is subject to time-based charges, collected via machines sited at each location, which issue tickets in return for cash. In 2007/08 the Council generated income of approximately £2.7 million from all parking related income sources.

The objective of this audit was to provide an opinion on the effectiveness of controls to minimise the risks that:

- Charges may not be formalised and/or approved by Members;
- All sources of income may not be identified;
- Income received may not be adequately protected against loss;
- All income received may not be collected, or not collected in a timely manner;
- Income collected may not be banked intact, or not in a timely manner;
- Income received may not be reflected accurately and promptly in financial records.

Main Findings	Main Risks	Main Recommendations	Management Response
<p>Charges are reviewed twice a year, approved by Council and published. Resultant changes to ticket machines and display boards are carried out the day prior to revision date, implementation being informally verified during the activation process. However, ongoing checks are not performed between fee changes.</p> <p>A spreadsheet, used to notify the manufacturer of new fees, serves also as an inventory record, but is not updated with installations/removals between fee revisions.</p> <p>Any unregistered cash found during repairs to faulty machines is logged, with the cash retained</p>	<p>Some changes may not be activated, resulting in loss of income.</p> <p>New machines installed may not be added to the collection schedule and losses may be incurred.</p> <p>Unbanked income is vulnerable to loss or theft.</p>	<p>17 recommendations made, relating primarily to:</p> <ul style="list-style-type: none"> <li>• checking ticket machines and displayed fees in all chargeable parking areas after new fee implementation to confirm that machines have been updated and the correct fees are displayed;</li> <li>• updating the 'inventory' spreadsheet with new installations and removals between fee changes;</li> <li>• holding the key providing access to coinbox contents securely on council premises when not in use and recording issue/return, with two people in attendance when a coinbox is opened;</li> <li>• varying, if possible, the</li> </ul>	<p>All recommendations were accepted by management, with an undertaking to implement the proposed actions, or an appropriate alternative, by the end of October 2009.</p>

## Completed Audit Activity

Main Findings	Main Risks	Main Recommendations	Management Response
<p>in a safe until month end.</p> <p>Medway's manager has a key to access coinbox contents in order to assist contractor operatives and parking technicians with repairs. The contractor was provided with schedules of machine locations and specified collection frequencies when the current collection contract commenced in 2007. However, the council's schedule had not been updated since and 14 additional machines were identified when this was reconciled to collection records. In addition, collections are not monitored against the frequencies specified.</p> <p>Analysis of collections indicated that several machines specified for daily collection generate lower income levels than appropriate and, conversely, a number of high turnover machines are specified for less frequent collections. Timing of collections is not specified and there is no arrangement to minimise the value of cash held in machines overnight.</p> <p>Ticket machines print numbered audit tickets automatically when a coinbox is removed, the majority producing tickets that are</p>	<p>All income may not be accounted for, particularly as audit ticket number sequence is not monitored.</p> <p>Reliance has been placed on the contractor to identify, and collect from, additional machines installed.</p> <p>All specified collections may not be undertaken and the contractor's monthly invoice may reflect specified rather than actual collections</p> <p>Cash retained in ticket machines overnight is more vulnerable to loss or theft.</p>	<p>conditions of the Cash Collection Services contract to amend collection frequencies as appropriate and specify preferred timing of collections (particularly for high turnover machines), to be as late in the day as possible;</p> <ul style="list-style-type: none"> <li>• updating the council's collection schedule to reflect changes to machines and/or collection frequencies;</li> <li>• performing monitoring checks to ensure all audit tickets relevant to each collection are accounted for;</li> <li>• reconciling income recorded with the total income collected, ie the amount banked;</li> <li>• monitoring banking frequency to ensure all collections are accounted for and banked in accordance with the contract specification;</li> <li>• reporting significant variances to management promptly and investigating these appropriately;</li> <li>• reconciling reports of daily income received produced from Gateway and Radius;</li> <li>• penalty charge notice cancellations being authorised by management or supervisors</li> </ul>	



## Completed Audit Activity

Main Findings	Main Risks	Main Recommendations	Management Response
<p>numbered sequentially. However, the sequence is 'broken' when faulty machines are reset and there are no checks to verify numerical sequence.</p> <p>Officers record details of daily collections received from the contractor and the associated bankings, but analysis indicated that income with no audit ticket (due to machine faults) is not entered consistently. As a consequence, apparent overbankings occur frequently, these amounting to over £54,000 in the 10 months to February 2009.</p> <p>Data relating to penalty charge notices, produced from hand held devices, is imported daily into the 'Gateway' system. This system is also used to generate season tickets and residents' permits. Relevant payments received by Cashiers are entered on the 'Radius' cash receipting system and downloaded into the 'Gateway' system daily. However, no reconciliations are performed to ensure that payments entered on 'Gateway' and those receipted on 'Radius' agree. Once all avenues to recover penalty charges have been exhausted,</p>	<p>All income may not be accounted for as missing tickets are not identified.</p> <p>Any actual cash deficit, arising from loss or theft, is unlikely to be identified.</p> <p>All income due from penalty charge notices, season tickets and residents' permits may not be received or recorded accurately.</p> <p>Penalty charge notices may be cancelled without all available recovery actions being taken.</p>	<p>prior to processing on the Gateway system, or reinstating the retrospective checking of a sample by a supervisor to confirm their validity.</p>	

## Completed Audit Activity

Main Findings	Main Risks	Main Recommendations	Management Response
<p>notices are cancelled - cancellations during 2008 totalled £38,565. All officers within the Parking Services administration team are able to action cancellations and these are not authorised. Although a report of cancelled tickets should be produced monthly and a random sample of transactions validated by a supervisor, there was no evidence of such a check in the previous two years.</p>			

## Completed Audit Activity

**Audit:** Public Service Agreement 2 - outturn validation

**Opinion:** Not applicable

Medway Council entered into a second three-year Public Service Agreement (PSA) in 2006, which specified 12 'stretch' targets for improving services, a performance reward grant (PRG) of over £7 million being available if all 12 targets were achieved by the end of the PSA period. The PRG is payable in two annual instalments after the conclusion of the PSA – however, as one of the targets is not due for completion until January 2010 this could not be included in the initial claim.

To support the claim for payment of PRG, the Council's Internal Audit unit is required to provide the chief executive with a certificate "regarding the robustness of the reported performance information on the claim". The objective of this audit was, therefore, to validate the sufficiency and/or accuracy of evidence to support declared performance against the 11 claimable PSA2 targets and to gain assurance on the reliability of information provided by partners or other external bodies.

Main Findings	Main Risks	Main Recommendations	Management Response
<p>We reviewed supporting documentation and, where necessary, clarified issues arising with the officers responsible.</p> <p>We agreed the performance declared for 7 targets but advised that amendments were required to the remaining 4, due to:</p> <ul style="list-style-type: none"> <li>• Identification of additional adult learners gaining qualifications omitted from the declaration;</li> <li>• Being unable to support the full number of volunteers declared due to supporting records being lost by one of the bureaus;</li> <li>• Inconsistent treatment of 'no opinion' responses on residents' satisfaction surveys between baseline and outturn data.</li> </ul>	<p>The risk of making an inaccurate claim should have been addressed by the amendments made prior to submission.</p>	<p>None – issues arising notified to management and rectified.</p>	<p>Not applicable.</p>

Completed Audit Activity

<b>Main Findings</b>	<b>Main Risks</b>	<b>Main Recommendations</b>	<b>Management Response</b>
The overall impact of these amendments was to increase the amount claimable by almost £98,000.			

**Completed Audit Activity**

**Audit:** Workforce Planning – Readiness for CAA

**Opinion:** Not applicable

Local Authorities’ workforce planning arrangements will be assessed as part of the CAA in 2009/10. CAA assesses Local Authority workforce planning arrangements against four key themes in KLoE 3.3:

1. The organisation has a productive and skilled workforce.
2. The organisation knows in the medium to longer term what staff it will need and what skills and has plans to achieve this.
3. The organisation engages and supports staff in organisational change.
4. The organisation has policies which support diversity and good people management.

The revised People Strategy is key to Medway Council’s response and was presented to the Employee Matters Committee on 9 September 2009. We compared the People Strategy to guidance received from the Audit Commission to assess the Authority’s readiness for KLoE 3.3, although we have not given an opinion as management have yet to implemented a number of identified actions.

Main Findings	Main Risks	Main Recommendations	Management Response
<p><b>Theme 1:</b> The Authority has a number of initiatives investing in its current staff and developing apprenticeships, work experience and courses at local colleges and universities. There is a need to formalise talent management and succession planning and to demonstrate how the investment in its staff are delivering benefits for the people of Medway.</p> <p><b>Theme 2:</b> The Authority is working towards a strategic approach to workforce planning. The Children’s Trust and Transformation Programme Board have taken a lead in identifying future workforce requirements for the Children and Adults directorate. More work is required</p>	<p>The Authority may not be able to demonstrate the effectiveness of its workforce planning is processes in:</p> <ul style="list-style-type: none"> <li>• rewarding high performance.</li> <li>• how its productive and skilled workforce is benefiting the Community.</li> <li>• the alignment of workforce planning and the Authority’s strategic targets.</li> <li>• how services have become more integrated or costs have been reduced.</li> <li>• engagement of staff in organisational change.</li> <li>• the evaluation of the impact of change on staff .</li> </ul>	<p>Nine medium priority recommendations were made as a result of the review.</p> <ul style="list-style-type: none"> <li>• Two recommendations were to formalise strategies;</li> <li>• Six recommendations were to obtain / retain evidence to demonstrate the effectiveness of the Authority’s workforce planning arrangements;</li> <li>• One recommendation requires the standardisation of Project Management methodology across the Authority to ensure post-implementation reviews are always completed and evaluate the impact of change on staff.</li> </ul>	<p>All recommendations were accepted with implementation dates ranging from December 2009 to March 2011.</p>

Completed Audit Activity

Main Findings	Main Risks	Main Recommendations	Management Response
<p>for Business Support Department and Regeneration Community and Culture Directorate.</p> <p><b>Theme 3:</b> The People Strategy does not address engagement of staff in organisational change. The Authority will rely on policies and other documentation that exists from other sources. This is likely to be easier to demonstrate in the Children and Adults directorate than in the Business Support Department and Regeneration Community and Culture Directorate.</p> <p><b>Theme 4:</b> The development of the equality framework and the Authority’s existing policies and procedures will help it to demonstrate that it is “performing well”. The improved monitoring that is currently underway will show the effectiveness of these measures.</p>	<p>Talent management and succession planning strategies have not been formalised.</p>		