AUDIT COMMITTEE

28 SEPTEMBER 2007

OUTCOMES OF AUDIT ACTIVITY

Report from: Internal Audit

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1   Summary

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

2   Decision issues

2.1   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.

3   Background

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

3.2.   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.

3.3.   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.

3.4.   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.

3.5.   Where control is assessed at the lowest level, ("Unsatisfactory"), follow up work will be undertaken within six months.

3.6.   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

Annex B   Schedule of completed audit work showing the audit opinion provided and Directorates covered

Annex C   Summary information on completed audits

3.7.   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.

4   Financial implications

4.1   There are no financial implications arising from this report.

5   Legal implications

5.1   There are no legal implications arising from this report.

6   Recommendations

6.1   There are no major concerns to report on the operation of control. Members are asked to note the outcome of Internal Audit's work.

7   Background papers

7.1   None

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DEFINITIONS OF AUDIT OPINIONS

Control Audits

Good　　　　Controls are in place to ensure the achievement of service objectives, good financial management and to protect the authority against loss. Compliance with the control process is considered to be good and no significant or material errors or omissions were found.

Satisfactory　Key controls exist to enable the achievement of service objectives and obtain good financial management. However, occasional instances of failure to comply with the control process were identified and opportunities to strengthen the control system still exist.

Adequate　　Controls are in place and to varying degrees are complied with but there are gaps in the control process, which weaken the system, and losses could occur. There is, therefore, a need to introduce additional controls and improve compliance with existing controls, to reduce the risk of loss to the authority.

Unsatisfactory　Controls are considered to be insufficient with the absence of at least one critical control mechanism. There is also a need to improve compliance with existing controls and errors and omissions have been detected. Failure to improve controls could lead to a decline in financial integrity and lead to an increased risk of major loss or embarrassment to the authority.

Value For Money Audits

High assurance　Objectives being achieved efficiently, effectively and economically

Substantial assurance　Objectives are largely being achieved efficiently, effectively and economically, but there are areas for further improvement.

Limited assurance　Objectives are not being achieved through an appropriate balance of economy, efficiency and effectiveness. Improvements could be made in more than one of the 3E's.

Minimal assurance　Objectives are not being achieved either economically, effectively or efficiently

Completed Audit Activity

Activity ↓ Directorate →	Opinion	Authority Wide	Community Services	Regeneration & Development	Children's Services	Business Support Department
Main Financial Systems						
Financial Control in Primary Schools comprising:- • (pre FMSiS) – budget management, • (pre FMSiS) salary payments, travel & subsistence)	S G				S G	
Corporate Governance Audits						
Corporate Governance (compliance with CIPFA/SOLACE requirements)	S	S				
Risk Management	A	A				
Prevention of fraud and corruption	A	A				
Operational Audits						
Loss of key staff	A			A		A
Violent abuse of staff	A	A		A		A
Agency/consultant staffing	Substantial assurance	Substantial assurance				
Non Webreq purchasing • Effectiveness & Efficiency • Economy	Minimal assurance Limited assurance	Minimal assurance Limited assurance				
Follow up Audits						
Disabled Facilities Grant	S		S			

Key: G = Good,   S = Satisfactory,   A = Adequate,   U = Unsatisfactory

Completed Audit Activity

Audit: Financial control in schools – Budget management   **Opinion:** Satisfactory

Schools are no longer obliged to use the council's financial services, but the Chief Finance Officer is still responsible for ensuring the adequacy of financial control. In order to provide assurances from as wide an information base as possible, Internal Audit makes use of Control Self Assessment within schools.

Control Self Assessment has been developed jointly by Internal Audit and the Finance team, and is operating in all Medway's schools. Two of the six modules are used each term as the basis of an audit, resulting in the publication of three audit reports each year. These reports are made available to all schools.

Main Findings	Main Risks	Main Recommendations	Management Response
13 schools[1] were visited, all of which had submitted self-assessment questionnaires. Visits identified some weaknesses not revealed in self-assessments, resulting in a lower audit opinion for 3 of the schools than their own evaluation – in one case the difference was significant, ie 'adequate' against the school's own opinion of 'good'. At one school the Chair of Governors produces a brief written summary of the school's financial position from budget monitoring returns, this summary being all that is presented to the finance committee. Less significant weaknesses were identified at all schools visited, including: • 11 schools do not provide copies of the latest LA monthly finance report to their finance committee; • 6 schools had insufficient evidence that outturn forecast calculations had been reviewed/ checked by a second person.	The remainder of the Governing Body may not be aware of the school's true financial position (as reported to, and recorded by, the LA). These weaknesses could result in: • governing bodies being unaware of their school's true financial position; • inaccurate outturn forecasts.	Schools visited were provided with specific recommendations during the audit, confirmed by a subsequent letter. Self-assessment questionnaires submitted by schools that were not visited were reviewed and, where their response to self-assessment questions suggested control weakness, specific recommendations were provided. In addition, the Finance team place all audit reports on the School Forums section of the Council's website.	*No response is sought from individual schools as to whether recommendations will be implemented.*

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[1] Secondary schools were excluded from this round of the CSA programme, due to the forthcoming introduction of the Financial Management Standard in Schools

Completed Audit Activity

Audit: Financial control in schools – Salary payments, travel and subsistence   **Opinion:** Good

Main Findings	Main Risks	Main Recommendations	Management Response
School visits again identified some weaknesses not revealed in self-assessments, resulting in a lower audit opinion for 3 of the schools than their own evaluation. No significant weaknesses were identified, but minor weaknesses were identified at 11 of the schools visited, including: • 9 schools maintain insufficient records of non-teaching staff's annual leave taken against their entitlement, or leave requests are not approved formally; • 5 schools do not enforce periodic password changes on access to confidential payroll data on computer systems.	These weaknesses could result in: • annual leave entitlement being exceeded and/or unauthorised leave being taken but not detected; • confidential personal data being accessed by unauthorised persons, in breach of Data Protection legislation.	Schools visited were provided with specific recommendations during the audit, confirmed by a subsequent letter. Self-assessment questionnaires submitted by schools that were not visited were reviewed and, where their response to self-assessment questions suggested control weakness, specific recommendations were provided. In addition, the Education Finance team place all audit reports on the School Forums section of the Council's website.	*No response is sought from individual schools as to whether recommendations will be implemented.*

Completed Audit Activity

Audit: Corporate Governance (compliance with CIPFA/SOLACE requirements)   **Opinion:** Satisfactory

Corporate governance is a key issue for all local authorities, guidance on effective arrangements having been provided in the CIPFA/SOLACE publication 'Corporate Governance in Local Government – A Keystone for Community Governance', normally referred to as the 'CIPFA/SOLACE framework'. This was accepted as the basis for Medway's own Code of Corporate Governance in 2003.

Internal Audit has undertaken annual reviews of the extent to which Medway Council's corporate governance arrangements comply with the CIPFA/SOLACE framework and the objective of this audit was to provide an opinion on the Council's position in 2006/07.

Main Findings	Main Risks	Main Recommendations	Management Response
Overall, Medway's constitution, political and management structure and decision-making processes continue to meet the requirements of the original CIPFA/SOLACE framework. However, little progress has still been made in embedding risk management into the Council's operations and an updated anti-fraud and corruption strategy has still not been adopted and publicised. The Council publishes an annual performance plan, a community plan setting out its aims and objectives for a three-year period and an annual statement of accounts, the latter including an explanation of the Council's responsibility and a statement on internal control. A performance monitoring system is maintained to produce regular reports to CMT and members on progress against 'critical success factors', but the Corporate Assessment report (published in August 2006) stated "performance management is inconsistent".	The Council may fail to deliver the objectives published in the performance and community plans.	Two recommendations relating to performance management issues and relationships with partner organisations. In addition, the Council will need to revise its own code of corporate governance to ensure compliance with best practice set out in the revised CIPFA/SOLACE 'Delivering Good Governance in Local Government' Framework, published in July 2007.	All recommendations were accepted, to be implemented by the end of November 2007.

Completed Audit Activity

Main Findings	Main Risks	Main Recommendations	Management Response
The same report acknowledged that "partnership working is generally positive" but criticised the Council's lack of agreement or understanding with the voluntary sector on its role in delivering the ambitions for the area. The risk management strategy was approved in 2006 and risks plus mitigating controls should be identified as part of the annual service and business planning process. However, our annual audit of the risk management process identified that progress on embedding risk management into the authority's planning and operating procedures continues to be slow. Although the constitution includes codes of conduct for both members and employees, a revised anti-fraud and corruption policy has still not been adopted and published to replace the outdated 1998 version. A revised whistleblowing policy was published in May 2007 and subsequently publicised to all members of staff. The Council's conditions of contract have also been updated to require contractors to enable their staff to raise any concerns direct with the Council.	Medway's Local Strategic Partnership may fail to deliver its objectives effectively. Significant risks that could impact on the delivery of the Council's objectives may not be identified and/or managed appropriately. Increased risk of fraudulent and/or corrupt activities by members, staff, contractors or the public as no statement of the Council's lack of tolerance towards fraud and corruption is available.		

Completed Audit Activity

Audit: Risk Management   **Opinion:** Adequate

Risk management is an intrinsic component of corporate governance, and thus impacts on local authorities' Comprehensive Performance Assessment. In view of this, Internal Audit conducts an annual review of the Council's progress in adopting and embedding a consistent method for the identification, evaluation and recording of risk.

The objective of this audit was to provide an opinion for the 2006/07 financial year on progress towards achieving and embedding a consistent risk management methodology across the Council. Specifically, we reviewed measures to address the risks that there may be a lack of policy and guidance to ensure that a consistent risk management methodology is adopted, risks to achieving the overall Community and Performance Plans may not be identified, risks identified may not be recorded and evaluated in a consistent manner, controls to mitigate principal risks may not be identified, or ongoing effectiveness of controls may not be monitored by responsible managers, actions to address residual principal risks may not be clear and risk registers may not be reviewed/ refreshed periodically to ensure that existing risks continue to be relevant and new risks are identified.

Main Findings	Main Risks	Main Recommendations	Management Response
The Council now has a risk management strategy, but it has not been published, publicised or reviewed since its approval by Cabinet.

The risk management strategy states that "F&CS O&S Committee (will) receive regular reports on key risks and risk management processes", but no report has been made to it (or its successor Business Support O&S) since May 2006

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The Council continues to maintain two, largely disparate, risk registers. Service managers should record and assess risks as part of their annual service plan, by inputting them to the risk capture system, but 52% of services failed to identify any risks. Directorates report key risks in their three-year summary business plans, but there is no clear link between the 'key risks' recorded and the 'key | Service managers and staff may be unaware of the strategy and its requirements.

Members are not being kept aware of the risks to achievement of the Council's objectives.

Many 'obvious' risks (eg involving child safety and regeneration activities) have not been identified in either the risk capture system or directorate business plans. | 25 recommendations, relating mainly to:
• updating the risk management strategy and publicising it;
• provision of training or facilitated workshops for managers and members;
• periodic reporting of risk management activity to members;
• improving the format and verifying the content of both the risk capture system and directorate business plans;
• assigning all risks and controls to a named owner;
• prioritising all risks;
• cross-Council review and moderation of risks identified by services/directorates;
• identification of mitigating controls that are specific and measurable; and
• formulation of action plans to ensure that additional controls required are implemented in a timely | All recommendations were accepted, though the methods of capturing and recording risks identified are likely to change following the engagement of an external consultant to facilitate improvements and training for managers and members.

All actions should be complete by the end of February 2008. |

Completed Audit Activity

Main Findings	Main Risks	Main Recommendations	Management Response
'key risks' recorded and the 'key service priority' to which they relate. Many of the risks identified by directorates fail to appear on the risk capture system.		manner.	
Reports produced from the e-forms system indicated a total of 151 risks, directorate summary business plans indicated a total of 88 'key' risks. Only 22 of the 'key' risks (or a close alternative) appear on the e-forms system, therefore directorate management teams have identified a significant number of risks that their service managers have failed to record.	Both versions of risk register may be inaccurate in recording the most significant risks facing the Council.		
Although the risk capture system should allocate every risk to a named owner, 7 appearing as 'risks with insufficient mitigation' are not. Two risks on directorate summary business plans are not assigned to an owner, another 23 show the owner 'all' or 'ADs'.	Without a nominated individual owner, insufficient action may be taken to ensure risks are managed effectively.		
The risk capture system enables both impact and likelihood to be input for each risk, but 14% of entries do not show either. Directorate summary business plans show 'weighted assessment' (ie evaluation of impact and likelihood), with the exception of one directorate where no 'weighted assessment' shown.	It is not possible to prioritise risks if the potential impact and perceived likelihood are not recorded		

Completed Audit Activity

Main Findings	Main Risks	Main Recommendations	Management Response
Risks input to the risk capture system do not require prior review by ADs or a 'risk group' within directorates. In addition, risks appearing in both this and directorate business plans often had different priority, demonstrating different perceptions of the significance of the risk.	Risk identification and evaluation within directorates is fragmented and inconsistent.		
As well as these inconsistencies, the lack of a 'corporate overview' of directorates' risks can lead to inconsistent ranking of risks in view of their potential impact on the Council as a whole.	The Council may fail to focus resources on its most significant risks.		
Directorate summary business plans show counter actions to reduce the key risks shown, but it is unclear whether some of these, and some controls on the risk capture system, are already in place or need to be implemented. Furthermore, the wording of some controls and counter actions is rather unspecific and not clearly measurable, an assumption being made that the service manager/risk owner is also responsible for the mitigating controls - on this basis 64 counter actions on business plans (relating to 25 risks) do not have an individual named owner.	Controls/counter actions may not be in place, or may not be maintained effectively if not specific, clearly measurable and assigned as the responsibility of a named individual.		
Service managers have not been	If regular/periodic assurance is not		

Completed Audit Activity

Main Findings	Main Risks	Main Recommendations	Management Response
advised of the importance of ensuring that mitigating controls remain in place and continue to operate effectively. Similarly, it is unclear how (or whether) managers gain assurance on the effectiveness of the counter actions shown on directorate business plans.	obtained, controls/counter actions that managers believe are mitigating the risk may no longer be in place or may not be operating effectively.		
Formal action plans are not produced to record any additional controls/ counter actions required, stipulating an officer responsible and a target date for implementation.	The required actions may not be taken and the risk remains unmanaged.		

Completed Audit Activity

Audit: Prevention of fraud and corruption   **Opinion:** Adequate

The objective of this audit was to provide an opinion on whether the Council has adequate arrangements in place to promote and ensure probity and propriety in conducting its business activities, and their effectiveness to prevent and detect fraud and corrupt practices amongst officers, elected members and external bodies/individuals.

Main Findings	Main Risks	Main Recommendations	Management Response
The Council has adopted, as part of its constitution, codes of conduct for both elected members and officers, setting out the standards of behaviour expected. Each directorate holds a register recording staff declarations of offers of gifts and hospitality, whether accepted or not. The Monitoring Officer maintains a record of offers declared by elected members. However, additional or more effective measures are required to promote and improve the current anti fraud culture. A brief anti-fraud and corruption policy, produced after the Council's formation in 1998 and setting out its position and expectations on the conduct of members and staff, was not included in the constitution or published on the intranet. To address this, a revised policy was prepared following last year's audit, but this had still not been ratified by members and incorporated into the constitution or personnel procedures.	Members and staff may be unaware of the Council's lack of tolerance of fraudulent and/or corrupt practices, as this has not been stated clearly, supported by the administration and senior management.	5 recommendations made, relating to approval and publication of the revised anti-fraud and corruption policy, reminding all elected members periodically (eg annually) of their responsibility under the code of conduct to report offers of gifts and hospitalities and to declare any potential conflicts of interests, raising member and staff awareness of the anti-fraud and corruption policy and codes of conduct and providing staff with guidance on the nature of gifts and hospitality (including offers declined) that should be recorded in the registers.	All recommendations accepted, to be implemented by the end of November 2007.

Completed Audit Activity

Main Findings	Main Risks	Main Recommendations	Management Response
No training in ethics had been included in the induction of new staff for the last two years and training planned for existing staff in 2006/07 was also not provided.

Staff are reminded periodically that any gifts and hospitalities offered and/or received should be declared for inclusion in directorates' registers, but there is no arrangement to assess the effectiveness of this arrangement. Analysis of the entries in the registers shows that 90% of offers recorded were accepted. | The employee code of conduct, which states "as a general rule you should never accept a gift or hospitality in return for work done in the normal course of your duties no matter how well intended.." is being breached regularly and officers lack full understanding of the purpose of the registers. This view is supported by "compensatory" donations to the Mayor's charity fund for accepting gifts - gestures that do not diminish the breach of the code of conduct and the donor's perception that the gift has indeed been accepted. | | |

Completed Audit Activity

Audit: Loss of key staff   **Opinion:** Adequate

One of the cross-council key risks for 2006-07 continued to be "loss of key staff and potential difficulty in replacing them due to skills shortage", the counter actions being relied upon including workforce planning, learning, development, training and a well-being initiative for staff in schools.
The objective of this audit was to provide an opinion on the presence and effectiveness of controls to manage the risks that:
- key posts required to deliver statutory and vital non-statutory services, and the knowledge and minimum skills required to fulfil them, may not be identified;
- succession planning, recruitment, training and development activities may fail to provide sufficient contingency to maintain service delivery in the event of staff in key posts being absent (eg long-term sickness) or leaving/retiring from the Council;
- recruitment and retention policies may fail to minimise the loss of existing staff in key posts, or attract suitably skilled/experienced staff to replace them.
The audit covered corporate policies and the procedures employed in Regeneration and Development Directorate.

Main Findings	Main Risks	Main Recommendations	Management Response
The Council approved a 'People Strategy' in 2006, this identifying workforce issues and outlining the way in which the organisation is dealing with them, both currently and on anticipated future issues. There is no co-ordinated formal record of the key posts required to ensure delivery of statutory and vital non-statutory services provided by each function and service managers were able to identify such posts informally only, based on knowledge of their service. Knowledge and skills required are recorded in job descriptions, but procedure/guidance notes for carrying out key tasks are not produced (with the exception of services accredited to the ISO9001 quality assurance system), as they are considered inappropriate and professional judgment and	Key posts may not be identified, with a consequence that insufficient contingency arrangements to maintain delivery of statutory and vital non-statutory services may be in place. Tasks may not be performed adequately or consistently in the absence of the regular postholder.	14 recommendations, relating mainly to: - identification of key posts, production of procedure/guidance notes for key tasks and formalising deputising arrangements for such posts; - improving the monitoring of PDR completion to include quality; - identification of skills/abilities required and those possessed by staff; - review of HR policies regarding position of new starters and newly-qualified staff on pay scales and introducing a scheme whereby employees who have benefited from Council-funded training but leave the Council within a short period are required to repay a proportion of the costs incurred; - re-introducing exit interviews/ questionnaires on a corporate basis and analysing results, monitoring trends and taking any corrective	A modified Business Continuity Plan should address the first issue – to ensure that key services can be delivered in the event of an emergency. The implementation programme (at least) needs to be in place by April 2008. The remaining recommendations will be addressed by continuing work to meet the Investors in People standard, a workforce development exercise, planned reviews of various existing policies and development of new policies to cover areas such as qualifications. Due to the amount of work, consultation and approval required, it will not be possible to implement some of these until August 2008.

Completed Audit Activity

Main Findings	Main Risks	Main Recommendations	Management Response
experience is relied on.		action possible.	
Deputies for key posts within services are not nominated, informal arrangements for acting up/down or horizontally being relied on to provide absence cover for key management and supervision roles.	Insufficient contingency may be available to maintain service delivery during long and short-term absence of the regular postholder.		
All staff within R&D receive an annual and interim review of their personal development needs. PDR completion is monitored at directorate level to ensure that no member of staff is omitted, but the quality of outcomes is not reviewed.	Development needs may not be identified and/or addressed appropriately and consistently.		
Medway's pay policy is linked to NJC rates and management within R&D stated that this is now proving to be uncompetitive with both the private and public sectors in this area.	Difficulties in attracting people with the right skills and ability to work for Medway.		
Managers generally expressed a view that the rigidity of HR expectations regarding the position on pay scales for new starters and existing staff gaining a professional qualification acts as a disincentive to both recruitment and retention. The latter is exacerbated by the lack of any requirement for recipients of training, funded by the Council, to repay part of the costs if they leave the Council within a certain period.	Difficulties in attracting people with the right skills and ability to work for Medway, plus newly/recently-qualified employees may be 'poached' by other organisations, leaving Medway with no return on its investment.		

Completed Audit Activity

Main Findings	Main Risks	Main Recommendations	Management Response
In the absence of a corporate questionnaire for completion by leavers, within R&D exit interviews are generally conducted by another line manager, but we were unable to confirm whether information gathered from exit interviews is analysed at directorate level. Although CIPFA benchmarking data shows that the Council has a comparatively high turnover in employees who leave the organisation with less than 2 years' service (more than double the average), reasons for staff leaving are not being obtained at a corporate level, analysed and reported to senior management.	Common reasons for staff leaving the Council may not be identified, so any corrective action possible cannot be taken. High staff turnover/skills loss may continue unless appropriate actions are identified and implemented.		

Completed Audit Activity

Audit: Violent abuse of staff   **Opinion:** Adequate

This audit was identified from the corporate risk register, which showed 'violence towards staff' as a high rated risk, with potential consequences of injury, stress, insurance and compensation claims. The counter actions being relied upon to reduce this risk are shown as 'security systems and procedures in place'.

Excluding schools, the Council employs over 5,000 people and those whose daily duties and responsibilities bring them into regular contact with members of the public or work on their own, could be faced with violence or abuse, either within Council premises or outside. 'Violence' is defined in this context as "any incident in which a worker is verbally (or physically) abused, threatened or assaulted in circumstances relating to their work".

The objective of this audit was to provide an opinion on the adequacy and operational effectiveness of the counter measures on which reliance is placed to mitigate the risks that:

- safety risk assessments may not be up to date and/or implemented;
- physical security features may not be in place or operating effectively to help protect or minimise physical violence towards staff;
- corporate procedures may fail to identify, monitor, prevent and mitigate the incidence of actual and potential verbal and physical abuse against officers by customers.

Main Findings	Main Risks	Main Recommendations	Management Response
The Council has a legal responsibility to ensure, so far as is reasonably practicable, the health, safety and welfare of its employees at work. In recognition of this duty, in 2002 the previous Chief Executive issued a statement of intent that the Council will comply with all its legal duties. Overall, the Council has formally recognised the need to comply with the requirements of the Health and Safety legislation and regulations and some effort has been made to fulfil the legal requirements. Measures to mitigate the potential risks of violence to 'vulnerable' officers at work have also been identified and some implemented, but this is only within some services and not across all directorates. Additionally, the absence of the following key		17 recommendations, relating to: - completing risk assessments for all services and documenting them formally; - implementing any mitigating measures identified and providing additional measures where practical; - identifying appropriate officers to respond to activations of the panic alarm systems in the main corporate buildings; - ensuring that electronic security systems are regularly maintained and functioning properly at all times; - reviewing, updating and publicising the corporate policy on violence towards staff;	All recommendations were accepted by management, actions to address the issues raised to be implemented by April 2008 at the latest.

Completed Audit Activity

Main Findings	Main Risks	Main Recommendations	Management Response
measures in some services also means that the Council has not taken all reasonable steps to minimise the risk of staff being attacked and/or abused or to ensure that the existing measures are effective in preventing 'violence' towards staff while carrying out their daily duties • there is no up to date corporate policy on violence towards staff, which is also widely publicised to all members of staff; • formal risk assessments relating to violence towards staff have not been undertaken both corporately and at some individual service sections; • all reasonable remedial actions to prevent or mitigate the impact of violence to staff on occurrence have not been taken or their continued effectiveness is not monitored; • *all* officers, whose responsibilities expose them to risk of violence from regular contact with their clients or members of the public, have not received appropriate and regular training to help them deal with potentially violent situations.	Staff may be unaware of the actions that should be taken if attacked or abused and subsequent reporting processes. Prosecution and adverse publicity through failing to comply with the requirements of H&S legislation. Staff may suffer injury (or worse) due to lack of appropriate safety measures. Staff may be unaware of the actions that should be taken if attacked or abused.	violence towards staff; • providing relevant training to all officers whose duties and responsibilities pose some risk of becoming involved in any form of violence; • directorates maintaining registers of clients or customers who have demonstrated aggressive behaviour towards their staff; • compiling a corporate database of all 'violent' incidents that occur across the authority, to enable monitoring of trends and inform changes to corporate policies; • publicising the Council's lack of tolerance of violence towards members of staff.	

Completed Audit Activity

Audit: Agency/consultant staffing (Value for Money)   **Opinion:** Substantial economy and effectiveness

The availability of temporary staff from agencies has long been recognised as an effective way of addressing shortfalls in an organisation's own workforce caused by, for example, seasonal peaks in work or resignation/long-term absence of staff. Similarly, consultants may be engaged to provide an organisation with specialist expertise in particular areas, when its own workforce has insufficient availability and/or skills/experience. Medway Council set up its own internal temporary staffing agency in 2000, which has subsequently expanded and currently has almost 600 people with a wide range of skills and experience registered and working for, or available for use by, the Council and external clients; its annual turnover for 2005/06 was £4.2 million.

Analysis of purchase and general ledger data for 2005/06 indicated that at least £2.8 million had been paid to recognised external providers of temporary staff and at least £1.4 million paid to consultants, bringing the total spent on temporary staff (from external agencies) and consultants up to at least £4.2 million.

The audit was scheduled to provide an opinion as to whether appropriate arrangements are in place to obtain optimum value for money in the engagement of agency staff and consultants and in particular that, wherever possible, temporary staff are sourced through the internal agency; and the cost effectiveness of alternative options such as overtime, 'acting-up' allowances and short/fixed-term contracts are considered.

Main Findings	Main Risks/VfM Evaluation	Main Recommendations	Management Response
The internal temporary staffing agency provides good value for money, savings of up to £5 being achievable against external agencies' hourly rates for staff with similar skills. The service and benefits offered by the internal agency are publicised to budget managers, but 69% of those contacted assumed the agency is unable to provide staff with certain skills/ expertise, going directly to external agencies when such requirements arise. Some managers also continue to use external agencies as they are confident, from past experience, that the temporary staff provided	Managers are not always obtaining temporary staff through the most cost effective supplier. A 19% reduction on the Council's estimated annual expenditure on temporary staff from external organisations could achieve savings exceeding £500,000.	6 recommendations made, relating to identification of budget managers regularly using external agencies, carrying out a detailed appraisal of the options available for provision of temporary staff and issuing guidance to budget managers on the implications under employment legislation of long-term engagement of temporary staff and consultants.	All recommendations accepted for implementation between September and December 2007.

Completed Audit Activity

Main Findings	Main Risks/VfM Evaluation	Main Recommendations	Management Response
meet their requirements. Testing payments for temporary staff sourced through external agencies identified that savings of 19% could have been achieved if individuals with similar skills/ abilities from the internal agency had been engaged instead. Although external agencies are frequently used to obtain temporary staff, no attempt has yet been made to negotiate preferential rates, for example through framework agreements. Testing payments to external staff agencies and to consultants identified at least 12 people that had/have been engaged for periods exceeding 12 months and provided with Medway telephone extensions and e-mail addresses, and a further 12 engaged for between 6 and 12 months.	There may be an opportunity to potentially drive down temporary staffing costs to achieve savings on the total expenditure with external agencies. Engagement of external agency staff and consultants overrides the Council's pay and grading structure, which could result in increased costs and/or inequitable treatment of people carrying out similar duties. In addition, people engaged by an organisation for periods exceeding 12 months accrue the same employment rights as an employee (for example in respect of sick pay and leave entitlement) and under any challenge Medway may be deemed liable to make such payments. The Council could also possibly be penalised by HMRC for making gross payments to individuals who should have PAYE and NICs deducted at source.		

Completed Audit Activity

Audit: Value for Money on Non-WebReq Purchasing   Opinion: Effectiveness & Efficiency -   Minimal
                                                                                                Economy   -   Limited

WebReq is an electronic ordering system rolled out across the council in April 2006 to reduce the processing time on received invoices and improve the timeliness and accuracy of management information by including the cost of procured goods and services in the council's financial records at the point of ordering rather than payment. It also enables users to select required goods and services from catalogues with certain suppliers offering preferential rates, which as usage extends will provide more information on the goods and volumes purchased to assist future procurement and opportunities for economies. Certain purchases such as those with public utilities are not suitable for processing via WebReq. After excluding as many of these exceptions as possible, the audit examined the scope and source of non-WebReq purchases, between April 2006 – February 2007, to assess whether they undermined the effectiveness and efficiencies achievable from the WebReq system and failed to highlight existing correlation between the non-catalogue suppliers used by individual services that offered potential scope for further preferential rates. The audit also examined, for a selected sample of commodity types, the level of purchases not made from existing "preferred" or "corporate" suppliers.

Main Findings	Main Risks	Main Recommendations	Management Response
The level of non-WebReq throughput was still significantly high and represented 75% of all transactions and 92.5% of their value. However, 10% of this volume was generated by a relatively small number of cost centres (33) still without the technical facilities and/or training to use the WebReq system during the period. Some of these cost centres individually generated high volumes and failure to prioritise implementation in these areas had a relatively greater impact on overall processing efficiency. The Community and Children's Services directorates accounted for the highest volumes, 46% and 24% respectively; but cost centres without effective access generated 9% and 2% of this. Analysis of non-WebReq transactions by 13 cost centres with the highest	Under-utilisation of the WebReq system and delayed implementation in certain areas significantly reduces the processing efficiencies achievable. Continuing reliance on budget managers for timely information on expenditure commitments not recorded on the council's financial system. Services fail to maximise the benefit of negotiated rates with preferred suppliers and may procure equivalent commodities at higher costs.	Using reports to identify sources of high volumes of inappropriate non-WebReq transactions, for referral to and action by the relevant director. Ensuring all services generating transactions suitable for WebReq processing are provided with further guidance on the system's facilities and how they could be applied operationally; and, where currently lacking, the necessary technical facilities and training. Issuing regular reminders/notifications, possibly via the intranet of the goods and services available from preferred suppliers and via council specific contracts and external buying consortiums.	Management have agreed actions to implement most of the recommendations by November 2007. Responsible managers have implemented or are proposing alternative measures for some recommendations, which they consider more operationally viable.

Completed Audit Activity

Main Findings	Main Risks	Main Recommendations	Management Response
volumes and values, found that those for 2 were unsuitable for the WebReq system but 78.4% of those for the remaining 11 were potentially suitable. Applying this level to all 705 cost centres is unrealistic but a more conservative 50% would improve processing efficiency on 18000 transactions, representing 38% of the current annual non-WebReq throughput. The vast majority of identified transactions for the selected commodities of food/catering and furniture were not with "preferred" suppliers. This also applied to non-WebReq purchases for computer consumables and stationery but greater use of preferred suppliers was found on Webreq purchases for these commodities. Generally goods and services are procured from a wide range of suppliers, many of whom are used only once. The 41614 non-WebReq transactions in the period were sourced from 4083 suppliers, 72% of which were used less than 6 times. Only 13 non-"preferred" suppliers were used by more than 20 cost centres, indicating potential scope for securing preferential rates by co-ordinating requirements across the council is limited. Only 2 possibilities were identified, one of which is already under consideration.			

Completed Audit Activity

Audit: Disabled Facilities Grants – Council House Adaptations (follow-up)   Opinion: Satisfactory

An audit of the Disabled Facilities Grants, carried out last year, found that whilst overall control was satisfactory, that relating to council house adaptations was unsatisfactory. Arrangements applied to these grants failed to provide documentary confirmation that all properties were suitable for adaptation, the grant awards and any revisions were not authorised at an appropriate level and grant payments were released with no formal confirmation that they reflected the approved grant and that the works had been satisfactorily completed and met the client's needs. This audit ascertained progress on implementation of recommendations made last year and reviewed the system for any other changes.

Main Findings	Main Risks	Main Recommendations	Management Response
Most of the recommendations made in the last audit have been implemented. In respect of council house adaptations, initial inspection reports are now produced and grant awards and the service manager now authorise all grant awards and revisions thereto. Although satisfactory completion of the grant works is still not formally confirmed, control has improved because responsible officers now sign, date and stamp "Approved" invoices for the relevant works. However documentary confirmation that all pertinent checks on council house adaptations is fragmented and thus not readily evident to authorising officers when they certify the related invoices for payment. Arrangements for multiple quotes to be obtained for all lift installation works had been implemented but compliance was limited on grants for council house adaptations.	Payments may be authorised without assurance that all pertinent checks have been completed.

Value for money may not be secured on lift installations. | Requests for payment should be accompanied by documentary confirmation that the pertinent checks have been completed.

At least 3 quotations should be obtained for lift installation works on both private sector and council house grants. | Management confirm that 2 quotations are now required for lift installation works; and recommended improvements to documentary confirmation of pertinent checks have been partially implemented, the existing form of confirmation from the Housing Property Surveyors being considered sufficient for their purposes. |