

## AUDIT COMMITTEE

25 JUNE 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 Where control is assessed at the lowest level, (“Unsatisfactory”), follow up work will be undertaken within six months.

2.6 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

2.7 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.

### **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

### Control Audits

<b>Good</b>	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.
<b>Satisfactory</b>	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.
<b>Adequate</b>	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.
<b>Unsatisfactory</b>	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

<b>High assurance</b>	Objectives being achieved efficiently, effectively and economically.
<b>Substantial assurance</b>	Objectives are largely being achieved efficiently, effectively and economically, but there are areas for further improvement.
<b>Limited assurance</b>	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.
<b>Minimal assurance</b>	Objectives are not being achieved either economically, effectively or efficiently.

## Completed Audit Activity

Activity ↓	Directorate →	Opinion	Authority Wide	Children and Adults	Regeneration Community and Culture	Business Support Department
<b>Main Financial Systems (System Controls) – Assurance audits</b>						
Bank reconciliation		G				G
Cash Control		G				G
Council Tax		S				S
Creditors		S				S
General Ledger		S				S
Housing Benefits		S				S
Housing Rents		S				S
NNDR (Business Rates)		S				S
Payroll		S				S
Sales ledger		S				S
<b>Fraud and Corruption assessments (Assurance Audits)</b>						
Council Tax		•				•
Creditors		•				•
Housing Benefits		•				•
Housing Rents		•				•
NNDR (Business Rates)		•				•
Payroll		•				•
Sales ledger		•				•
<b>Other Financial Audits</b>						
Corporate Credit & Trade Cards		A	A			
Commercial Property Income		A				A
Interreg 4 and Urbact grant claims		•	•			
Schools Assurance Work		•		•		
Youth Opportunity and Youth Capital Fund		A		A		

## Completed Audit Activity

Activity ↓	Directorate →	Opinion	Authority Wide	Children and Adults	Regeneration Community and Culture	Business Support Department
<b>Corporate Governance Audits</b>						
Annual review (compliance with 2007 published Cipfa/Solace requirements)		S	S			
Risk Management		S	S			
Prevention of Fraud and Corruption - overall arrangements		A	A			
<b>Operational Audits</b>						
PSA2 pre-outturn verification		S	S			
Customer First		A				A

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

- Work carried out but no opinion provided in that area

**Completed Audit Activity**

**Audit:** Bank Reconciliation

**Opinion:** Good

All the council’s income and expenditure transactions are ultimately debited or credited to one of its 3 main bank accounts. As the bank reconciliation process matches these transactions to those recorded in the council’s accounting records, it is a key control over the latter’s accuracy and completeness; and the validity of transactions debited to these bank accounts. Deficiencies in this key control can expose the Council to the risk of undetected error and unauthorised transactions. Responsible managers and external auditors therefore need assurance that it is operating effectively.

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

- Reconciliations are not comprehensive, effective or executed with sufficient frequency.
- Unmatched transactions are not investigated or appropriate action is not promptly applied.

<b>Main Findings</b>	<b>Main Risk</b>	<b>Main Recommendations</b>	<b>Management Response</b>
Appropriate controls were in place and operating effectively. Although minor errors / omissions were identified in the audit, these were not considered to pose a material risk to the system.		Two recommendations that provide opportunities for control to be strengthened further.	Management accepted the recommendations with immediate effect.

## Completed Audit Activity

**Audit:** Cash Control

**Opinion:** Good

The Council generates income from a wide range of activities and sources, all of which is recorded and incorporated into the Council's financial records via the Radius cash receipting system. In mid 2008, the Council closed all its public cashier offices and relocated its main cashiers to the Gun Wharf offices to operate as a back-office function. The latter directly receipt telephone and internet payments, postal remittances and cash payments transferred in from pay points and satellite locations.

Income is also received indirectly via the banking and Post Office Giro systems and credited directly to the Council's General bank account. Assurance that declared income received from all locations and sources is identified, accounted for and accurately reflected in the Council's financial records is provided by a framework of interlinking activities, executed by officers in the Business Support Department's Finance Support team.

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

- There may be inappropriate separation of duties to ensure the accuracy and integrity of income
- Income may not be identified, accounted for and accurately reflected in the council's financial records and bank account balances.

Main Findings	Main Risk	Main Recommendations	Management Response
Appropriate controls were in place and operating effectively. Although minor errors / omissions were identified in the audit, these were not considered to pose a material risk to the system.		Three recommendations that provide opportunities for control to be strengthened further	Management accepted all recommendations with implementation expected to be complete by June 2009.

## Completed Audit Activity

**Audit:** Council Tax

**Opinion:** Satisfactory

In 2008/09 the council expected to collect approximately £128.6 million from council tax. Responsibility for its collection is a devolved function, undertaken by an in-house contractor, Medway Revenues & Benefits Service (MRBS).

The objective of this audit was to provide an opinion for the 2008/09 financial year on the effectiveness of controls to mitigate the following risks:

- That incorrect charges are levied and notified to all liable parties;
- That not all income collected is accounted for and correctly applied;
- Adjustments and credits entered are invalid.

Main Findings	Main Risk	Main Recommendations	Management Response
<p>The overall control framework continues to operate well and control has been improved by the significant increase in the volume of inspections over last year. Nevertheless, management still need to consider means of improving the frequency of checks on void properties. Although the volume of inspections to the date of the audit had increased from the same stage last year, inspection reports have yet to be produced for 29 of the 63 postcode areas and no areas have been subject to a second inspection.</p>	<p>Potential loss of revenue through re-occupied properties not being identified.</p>	<p>5 recommendations, relating to:</p> <ul style="list-style-type: none"> <li>• Retaining evidence of reconciliation of the annual debit to the relevant VO notification;</li> <li>• Seeking ways to increase the verification of voids and continuing entitlement to exemptions;</li> <li>• Pursuing inquiries into developing reports to identify new awards of relevant classes of exemptions, discounts and reliefs directly from the iworld system;</li> <li>• Amending the reconciliation spreadsheet to highlight where entered figures do not match;</li> <li>• Recording the total number of transactions identified for inclusion in the potential checking sample, as well as the number of transactions actually checked.</li> </ul>	<p>Management accepted to implement all recommendations, or an appropriate alternative, by the end of June 2009 at the latest.</p>



## Completed Audit Activity

**Audit:** Creditor Payments

**Opinion:** Satisfactory

All creditor payments, including those previously paid via the cash management system (ie Council Tax and NNDR refunds) are processed via the Integra Purchase Ledger system and paid by BACS or cheque. Over 105,800 creditor payments for approximately £225 million were processed via the Purchase Ledger system in 2007/08.

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

- payments may be made to non bona-fide suppliers;
- payments may be made for goods or services that have not been received by the Council;
- payments may be inaccurate, or not made at the most advantageous time;
- payments may not be reflected accurately or promptly in the Council's financial records.

Main Findings	Main Risk	Main Recommendations	Management Response
<p>Supplier records should be created only on receipt of a pro-forma or invoice certified by an authorised signatory, but exceptions found indicated that the requirement was not rigorously applied.</p> <p>Checks undertaken when setting up new suppliers should prevent duplication. However, interrogation of the supplier master file identified 262 suppliers with two or more entries showing identical address, postcode and bank account details. Further analysis identified that a number of these are due to different care homes or subsidiaries owned by a common holding company (resulting from the 'depot' facility not being used when Integra was initially set up), but at least 99</p>	<p>Fictitious suppliers could be set up, leading to inappropriate payments being made.</p> <p>The risk of duplicated payments is increased by the existence of multiple records for the same supplier.</p>	<p>14 recommendations, relating mainly to:</p> <ul style="list-style-type: none"> <li>• improving the integrity of the supplier database;</li> <li>• checking validity of 'sundry supplier' payments exceeding a certain value;</li> <li>• invoices received outside Exchequer being checked and submitted promptly;</li> <li>• reducing the likelihood of duplicated payments.</li> </ul>	<p>Management agreed to implement all recommendations, or an appropriate alternative, by the end of June 2009.</p>

## Completed Audit Activity

Main Findings	Main Risk	Main Recommendations	Management Response
<p>genuine 'actual duplicates' were identified, suggesting that the control relied upon to prevent this is insufficient or ineffective. Comparison of bank account details held in the supplier database against those held on the payroll system identified 80 employees set up as suppliers. In some cases the creditor payment pre-dated the start of employment and in others the employee is evidently the spouse/ partner of the payee. However, a number of payments for what could be classified as 'additional duties' (eg 'tutoring fees' and 'coaching fees' to teachers) through the creditors system were identified. Integra prevents duplicated payments by highlighting an invoice number that has already been processed when entered on the system. However, as supplier invoices are often not numbered or repeated characters are added in order to process the payment. Interrogation of payments identified six duplicated payments (total value £3418) that had not been identified previously and corrected.</p>	<p>Payments may be duplicated, ie paid through both creditors and payroll.</p> <p>PAYE and NI liability may not be accounted for accurately.</p> <p>Duplicated payments made (though this not considered significant given the volume and value of payments processed during the period)</p>		

## Completed Audit Activity

**Audit:** General Ledger

**Opinion:** Satisfactory

Operationally, the council's financial transactions are recorded and processed by a range of systems; but details are posted either individually, or in total, to the Integra General Ledger. The latter sources the data required by the council to prepare its financial statements and many grant claims, to set and monitor budgets and to formulate future financial strategy. As a key element in these activities, the data held must be accurate, complete, valid and up-to date.

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

- Data held is inaccurate, not comprehensive, invalid or up-to date.
- Possible failings in data quality are not promptly identified and investigated.

Main Findings	Main Risk	Main Recommendations	Management Response
Appropriate controls were generally in place and operating effectively. However, the audit identified weaknesses in the journal transfer authorisation process and some reconciliations.	Errors in the GL system.	Five recommendations were made to reduced the risk of errors occurring or remaining in the GL system.	All recommendations were agreed by management and will be implemented by July 2009.

**Completed Audit Activity**

**Audit:** Housing Benefits

**Opinion:** Satisfactory

In 2008/09 the Council expected to pay approximately £88.9m in housing and council tax benefits, which Central Government was anticipated to refund fully by way of subsidy. Responsibility for the assessment and payment of benefit entitlements is a devolved function, undertaken by an in-house contractor, Medway Revenues & Benefits Service (MRBS).

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

- Computerised data and programs are not protected from unauthorised input and amendment;
- Entitlements to benefit are not valid and their assessment is not accurate, prompt and comprehensive;
- Payments are not valid and do not reflect system input;
- Overpayments are not properly identified and classified and recovery is not pursued;
- Adjustments to entitlements and overpayments are not valid and accurate.

Main Findings	Main Risk	Main Recommendations	Management Response
<p>In general, management monitoring arrangements are operating effectively to ensure that claims received are processed in a timely manner, appropriate verification measures are carried out and assessments are accurate. However, although management advised that claims in receipt of interim awards for more than 28 days are identified by checking a regular report, only nine 'interim awards' reports had been produced between 1.4.08 and 31.1.09, three of which were not produced within a month of the previous report, the longest period being over 7 weeks.</p> <p>Before setting up new landlords on the IWorld system, in order for them to receive payments on behalf of their tenants, a number</p>	<p>Overpayments could arise through extended payment of interim claims.</p>	<p>7 recommendations, relating mainly to:</p> <ul style="list-style-type: none"> <li>• Considering whether the sample sizes specified for checking in the Benefits Control Framework, devised in 2001, continue to reflect current requirements;</li> <li>• Checking claims subject to interim awards for longer than 28 days more frequently, at least monthly;</li> <li>• Recording details of all checks made to validate new landlords on the documents retained;</li> <li>• Improving the overpayment recovery and write-off process.</li> </ul>	<p>Management agreed to implement all recommendations, or an appropriate alternative, by the end of September 2009 at the latest.</p>

## Completed Audit Activity

Main Findings	Main Risk	Main Recommendations	Management Response
<p>of specified checks should be made to validate the landlords' details. However, the majority of a sample of 20 documents selected showed evidence of only a check against the CT system, four indicating not liable at either claimant or declared residential address. Management advised that additional checks of electoral roll, or subsequent checks of CT records, had been made but were not recorded on the 'setup' documents.</p> <p>To minimise the risk of duplicated payments, urgent manual cheque payments should be recorded promptly on the IWorld system. However, reconciliation between monthly reports from IWorld and the manual payment spreadsheet is not always completed promptly, with delays of up to 3 months noted.</p> <p>Although controls to identify overpayments were found to be operating effectively, recovery procedures were considered to require improvement, there being 1,200 invoices at 'final demand' stage (ie 31 days past invoice date) with a total value exceeding £780,000 – just over 300 of these (totalling £152,138) created prior</p>	<p>If insufficient proof of residence is obtained payment may be made to individuals or organisations that are not genuine landlords.</p> <p>Any manual payment not input to IWorld may not be identified in sufficient time to prevent duplicate payment.</p> <p>Whilst it is acknowledged that a significant proportion of these will be subject to instalment arrangements or further enquiries such as trace action, records for 7 of a sample of 16 'aged' invoices contained no evidence of ongoing recovery activity.</p>		

## Completed Audit Activity

Main Findings	Main Risk	Main Recommendations	Management Response
to 1.4.08 had not been modified since that date. Overpayments written-off as irrecoverable not always authorised as required per the Overpayment Recovery Policy.	Irrecoverable overpayments written off without sufficient authorisation.		

**Audit:** Housing Rents

**Opinion:** Satisfactory

This is an annual audit, undertaken on behalf of the council's external auditors, to provide an opinion on arrangements controlling the administration, levying and collection of housing rents.

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

- Weekly charges and system parameters on Academy may not be correct
- Debt may not be updated correctly and notified to the tenants
- Income may not be promptly and accurately accounted for
- Arrears may not be identified and pursued.

Main Findings	Main Risk	Main Recommendations	Management Response
Appropriate controls were generally in place and operating effectively to ensure tenants have been charged correctly and income has been accounted for. However: <ul style="list-style-type: none"> <li>• There has not been a comprehensive review of user access permissions for a number of years.</li> <li>• There is scope for a number of improvements to the checking and reconciliation processes.</li> </ul>	Unauthorised/ inappropriate access to the Academy system.	10 recommendations, relating principally to: <ul style="list-style-type: none"> <li>• Review of user access requirements to the Academy system.</li> <li>• Improvements in checking and reconciliation processes.</li> </ul>	Management accepted all recommendations and agreed implementation by May 2009.

**Completed Audit Activity**

**Audit:** NNDR

**Opinion:** Satisfactory

In 2008/09, the council expected to collect approximately £78.9 million from NNDR business rates. Responsibility for its collection is a devolved function, undertaken by an in-house contractor, Medway Revenues & Benefits Service (MRBS).

The objective of this audit was to provide an opinion on the effectiveness of controls operating in 2008/09 to mitigate the following risks:

- That incorrect charges are levied and notified to all liable parties;
- That not all income collected is accounted for and correctly applied;
- Adjustments and credits entered are invalid.

Main Findings	Main Risk	Main Recommendations	Management Response
<p>The overall control framework continues to operate well and control has been improved by the significant increase in the volume of inspections over last year. Nevertheless, management still need to consider means of improving the frequency of checks on void properties. Although the volume of inspections to the date of the audit had increased from the same stage last year, inspection reports have yet to be produced for 29 of the 63 postcode areas and no areas have been subject to a second inspection.</p>	<p>Potential loss of revenue through re-occupied properties not being identified.</p>	<p>6 recommendations, relating to:</p> <ul style="list-style-type: none"> <li>• Retaining evidence of reconciliation of the annual debit to the VO notification;</li> <li>• Seeking ways to increase the verification of voids and continuing entitlement to exemptions;</li> <li>• Initiating a comprehensive review of all existing awards of charitable relief,</li> <li>• Pursuing inquiries into developing reports to identify new awards of relevant classes of exemptions, discounts and reliefs directly from the iworld system;</li> <li>• Amending the reconciliation spreadsheet to highlight where entered figures do not match;</li> <li>• Recording the total number of transactions identified for inclusion in the potential checking sample, as well as the number of transactions actually checked.</li> </ul>	<p>Management accepted to implement all recommendations, or an appropriate alternative, by the end of September 2009.</p>

## Completed Audit Activity

Audit: Payroll

Opinion: Satisfactory

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

- payments may be made to individuals who are not legitimate employees of the Council, or for work that has not actually been performed;
- amounts paid may not be accurate or not on time;
- deductions (statutory and voluntary) may be inaccurate and not paid over correctly to the appropriate agencies;
- payments and deductions may not be reflected accurately and promptly in the Council's main financial records;
- access to confidential payroll data (computerised and documentary) may not be restricted to only appropriate persons.

Main Findings	Main Risk	Main Recommendations	Management Response
<p>The system was found to contain a number of good controls and these were operating satisfactorily. However weaknesses found include:</p> <p>Some input forms (starters and leavers) had been processed and payments made (in some cases e.g. timesheets) without authorisation.</p>	<p>Fraudulent claims may be processed, though the risk is minimised by other compensating controls.</p>	<p>The Payroll Operations Manager (POM) to remind all payroll officers not to process any claim that is not signed by the claimant and authorised by an appropriate manager.</p>	<p>Agreed. To be implemented immediately.</p>
<p>No confirmation is provided to the POM that backup data is routinely restored and tested.</p>	<p>The payroll system may not operate satisfactorily in an emergency, resulting in difficulties with employee payments.</p>	<p>The POM should ensure that the back up data is restored and tested periodically and at least annually</p>	<p>ICT to provide evidence of successful data restores. These are currently undertaken at least annually, and prior to the load of legislation software releases.</p>
<p>Sample checked had no evidence of employee approval for voluntary deductions.</p>	<p>Third party deductions are being made without the employees' formal authorisation.</p>	<p>The POM should obtain a list of officers for whom voluntary deductions are being made and obtain confirmation from the appropriate organisation (e.g. Unison) that those on the list are</p>	<p>A notice will be posted on connections and the schools forum, to remind all staff of the importance of checking their payslips.</p>



## Completed Audit Activity

Main Findings	Main Risk	Main Recommendations	Management Response
Payroll documents for last 3 months are kept in unsecured cupboards and cabinets.	Unauthorized access to confidential documents and breach of Data Protection Act 1998.	current members of that organisation.  The POM should ensure that arrangements are made to keep all payroll related records in more secure facilities.	Agreed. To be implemented in April 2009.

**Audit:** Sales Ledger

**Opinion:** Satisfactory

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

- all identified debts may not be promptly recorded and notified to liable parties.
- income may not be promptly and accurately accounted for.
- debt records may not be accurate, complete and valid.
- outstanding debts may not be identified and pursued.
- debts raised and collected may not be accurately reflected in the council's accounting records.

Main Findings	Main Risk	Main Recommendations	Management Response
<p>Most of the controls expected are in place and operating satisfactorily. However weaknesses found include:</p> <p>The system does not highlight duplicate debtor records.</p> <p>The Exchequer and Insurance Services Manager had not obtained appropriate authorisation to 'write back' transactions, some of which were valued between £3.6k and £29k.</p>	<p>Risk of invoice being made to 'incorrect' debtor or wrong address.</p> <p>Breach of the Council's financial rules and could potentially stop the payment of a due debt to the Council.</p>	<p>Periodically produced reports of duplicated records should be used to erase erroneous records.</p> <p>A list of transactions to be 'written back' should be authorised by the CFO.</p>	<p>Agreed. To review first report in June 2009.</p> <p>Agreed and implemented with immediate effect.</p>

**Completed Audit Activity**

**Audit:** Corporate credit and trade cards

**Opinion:** Adequate

Corporate credit cards enable officers to discharge official expenses without using personal funds or credit allowances on their personal card. Businesses provide trade card facilities to customers to enable the procurement of goods without either having to provide an authorised order form or paying at the point of sale.

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

- Unauthorised individuals may use corporate credit and trade cards.
- Corporate credit and trade cards may be used for unauthorised and/or inappropriate purposes.
- Corporate credit and trade cards may be used to procure goods and services that the council does not receive/benefit from.
- Responsibility for use of such cards may not be identifiable.

Main Findings	Main Risk	Main Recommendations	Management Response
<p>Named officers hold 7 NatWest and 3 American Express cards on behalf of the Authority. All were used appropriately.</p> <p>We identified 33 fuel cards that were not authorised by the Chief Finance Officer. We identified a number of issues surrounding their use:</p> <ul style="list-style-type: none"> <li>• No central record of fuel cards.</li> <li>• No written agreement with fuel card suppliers.</li> <li>• No formal guidelines covering the custody, security or use of fuel card(s).</li> <li>• There is not a designated holder for fuel cards.</li> <li>• Failures in checking procedures.</li> </ul>	<p>Expenditure outside the Authority’s Scheme of Delegation.</p> <p>Purchases may be made that are not for the benefit of the Authority.</p>	<p>The Chief Finance Officer should determine whether existing cards providing credit should be retrospectively authorised or terminated.</p> <p>8 other recommendations:</p> <ul style="list-style-type: none"> <li>• Five to improve control of fuel card use.</li> <li>• Three to improve the security of all credit cards.</li> </ul>	<p>All recommendations were agreed in full by management.</p>

## Completed Audit Activity

**Audit:** Commercial Property - Rental income

**Opinion:** Adequate

Medway Council has a significant property portfolio, comprising land and buildings used for operational and non-operational purposes. The latter include residential properties (other than those used for social housing), shops, offices and business units, many of which were originally developed to foster local fledgling businesses. The Council derives rental income from approximately 480 such properties with a current rental value of £2.4 million per annum, which it seeks to maximise by optimising occupation and ensuring the rents charged are competitive, regularly reviewed and collected.

The objective of this audit was to provide an opinion on controls to manage the risks of:

- Failure to comprehensively identify and charge for all properties designated for commercial letting;
- Failure to maximise occupation and/or income.

Main Findings	Main Risk	Main Recommendations	Management Response
<p>The Council's entire portfolio of properties is recorded on a database, these being categorised as operational (used for provision of direct services) or non-operational (held for investment or schemes to support council objectives, indirect services and surplus properties). Properties designated for letting include those let on both a commercial and non-commercial basis and, as the database does not distinguish between them, descriptors are used to identify properties available to let. Reports of amendments made to these descriptors are reviewed periodically, but by the officer responsible for creating and amending the property data in the first instance.</p>	<p>Any erroneous or improper changes to property descriptors may not be identified, with consequent potential loss of rental income.</p>	<p>4 recommendations, relating to:</p> <ul style="list-style-type: none"> <li>• independent verification of changes to property type and status and enhancing the information available on database records;</li> <li>• maintaining a central record of inspections of vacant Council-owned properties for insurance purposes, with periodic independent physical review of vacant properties;</li> <li>• completing the 'unoccupied buildings' checklist whenever properties become vacant;</li> <li>• consistently updating debtor diary records on Integra sales ledger with details of collection arrangements and discussions with tenants.</li> </ul>	<p>Management accepted to implement all recommendations, or an appropriate alternative, by the end of June 2009.</p>

## Completed Audit Activity

Main Findings	Main Risk	Main Recommendations	Management Response
<p>Occupation and tenancy details are not reconciled and/or independently verified to the database. Similarly, lease agreements are not reconciled to rent collection records on Integra and the officer updating the property database with tenancy arrangements also issues requests to Exchequer for setting up new debtors and revised billing details for existing tenants. There is no subsequent check to Integra to confirm that these requests have been actioned accurately. Individual surveyors have overall responsibility for valuation, letting and inspection of individual properties, undertake final inspections when these are vacated and carry out ongoing inspections while the property is vacant, there being no independent verification of vacancies.</p> <p>The Council's insurers require void properties to be inspected weekly and, in the event of a claim being lodged, proof of inspections/s to be provided. Inspection visits are recorded informally in diaries, but the 'unoccupied buildings checklist', issued by the Insurance Claims</p>	<p>Property and/or rent collection records may be inaccurate, with consequent potential loss of rental income.</p> <p>Any unactioned requests may not be identified during budget monitoring.</p> <p>Properties may be re-occupied without a lease agreement or rental charge being raised.</p> <p>In the absence of a central record, void properties may not be inspected, or the inspection frequency may not meet insurance requirements.</p>		

Completed Audit Activity

Main Findings	Main Risk	Main Recommendations	Management Response
<p>Officer for completion prior to tenants vacating properties, is not used.                      Exchequer staff are responsible for collecting rent and recovering debts, but staff in Asset &amp; Property Management also progress outstanding rents with tenants. However, diary records on Integra sales ledger are not consistently updated to reflect discussions/ arrangements with tenants.</p>	<p>Possible duplication of recovery action and impact on tenants.</p>		

**Completed Audit Activity**

**Audit:** Grant claims

**Opinion:** n/a

URBACT is a European Programme, funded by the European Regional Development Fund (ERDF), which aims to improve the effectiveness of sustainable integrated urban development policies with priority given to competitiveness, growth and jobs.

Interreg 4 is funded by the European Regional Development Fund for the period 2007-2013, under the European Territorial Co-operation objective. It has three priorities which are:

- Supporting an economically competitive, attractive and accessible area
- Promoting and enhancing a safe and healthy environment
- Improving quality of life

<b>Main Findings</b>	<b>Main Risk</b>	<b>Main Recommendations</b>	<b>Management Response</b>
Internal Audit were asked to audit the grant claim submission to validate the expenditure declared by each partner participating in a project and ensure that it is in line with the original application, programme requirements and EU and national regulations.	No significant issues arose.	None	N/a.

### Completed Audit Activity

**Audit:** Financial control self-assessment in primary schools (tranche 2)      **Opinion:** n/a

Under the School Standards and Framework Act 1998, management of Individual Schools Budgets is delegated to schools' governing bodies, but Medway Council's Chief Finance Officer (CFO) retains a statutory duty to ensure the adequacy of financial control over this delegated funding.

In line with the national requirement for schools to achieve the Financial Management Standard in Schools (FMSiS), Medway's non-secondary schools have been split into three tranches, based on the size of delegated budgets, the second of these consisting of 36 primary, junior and infant schools which were scheduled to meet FMSiS by 31<sup>st</sup> March 2009.

The CFO is required to sign a declaration on the annual Section 52 outturn statement to the effect that all applicable schools either meet the requirements of FMSiS or are making satisfactory progress towards meeting the standard. It was anticipated that the assurance required would be received through schools either gaining FMSiS accreditation through one of the external assessors approved by the DCSF or opting for the 'light touch' assessment approach provided by LA Finance staff.

To support their achievement of FMSiS the tranche 2 schools were required to complete modules 1-8 of the FCSA questionnaire – which is designed to provide supporting evidence for section 5.7 of the FMSiS assessment - on a phased basis and requested to submit these to Internal Audit between May 2008 and February 2009. However, at 5 June 2009 two of the schools had not yet submitted any FCSA and two more had submitted only partially completed questionnaires.

We have been advised of only five of the tranche 2 schools engaging a DCSF-accredited external assessor, the majority opting for the 'light touch' approach. The latter requires schools to submit their FMSiS applications and supporting evidence to Finance, with Internal Audit reviewing the related FCSA questionnaire and providing feedback to contribute towards the overall assessment.

However, as at 5 June 2009 Finance had received FMSiS applications and supporting documentation from only 21 schools – we have reviewed the FCSA questionnaires from these schools and provided feedback to Finance staff to contribute towards their overall assessment. No significant control weaknesses were identified, but schools have not been visited to verify the accuracy of their FCSA responses. As only five schools have opted for external assessment, there is concern that 10 (28%) of the schools in this group do not appear to have completed all the necessary steps to provide evidence that they meet FMSiS – which is likely to impact on the CFO's ability to sign the declaration on the S52 outturn statement for 2008/09 in August.

<b>Main Findings</b>	<b>Main Risk</b>	<b>Main Recommendations</b>	<b>Management Response</b>
<i>Not applicable</i>	<i>Not applicable</i>	<i>Not applicable</i>	<i>Not applicable</i>

## Completed Audit Activity

**Audit:** Youth Opportunity & Youth Capital Funds

**Opinion:** Adequate

“The Youth Opportunity Fund and Youth Capital Fund provide funding to local authorities to improve opportunities for young people to become involved in “positive activities”. The 2008/09 sums available to Medway Council, by way of grant funding from the Government Office for the South East, are £150,300 and £129,000 respectively.

The audit examined eligibility rules; bids on the funds; responsibilities; administrative processes; decision making; records; financial processes and budget monitoring.

Main Findings	Main Risk	Main Recommendations	Management Response
<p>Nearly all risks were satisfactorily mitigated by system controls which were confirmed to be working well in practice.</p> <p>There were however two significant exceptions:</p> <ul style="list-style-type: none"> <li>- Records of panel decisions on approval or rejection of bids were sparse and in many cases missing, reliance being placed on verbal communications and memory.</li> <li>- There were no procedures for ensuring that grants were spent by the recipients in accordance with agreements. This was to be expected at this stage, as the first projects only began in July 2008.</li> </ul>	<ul style="list-style-type: none"> <li>- Lack of evidence to resolve possible later dispute about what was agreed.</li> <li>- Lack of evidence to validate financial transactions.</li> <li>- Possible undetected misuse of grant monies.</li> </ul>	<ul style="list-style-type: none"> <li>- Assignment of responsibility for making a “record of decisions” at each voting session.</li> <li>- Design of a standard format for the record.</li> <li>- The youth panellists party to the decisions to read and sign off the record.</li> <li>- In the case of deferred decisions, a written record to be kept of subsequent action.</li> <li>- Project monitoring procedures to be put in place.</li> <li>- Policy to be decided and communicated on what to do in the event of spending agreements being breached.</li> </ul>	<p>All recommendations were fully accepted and detailed arrangements were made for their implementation. Several had been implemented by the time the audit report was finalised.</p>



## Completed Audit Activity

**Audit:** Corporate governance

**Opinion:** Satisfactory

Corporate governance is a key issue for all local authorities, and impacts on their Comprehensive Area Assessment. In view of this, Internal Audit carries out an annual review of the extent to which the Council's Constitution, political and management structure and decision-making processes comply with the requirements of the CIPFA/SOLACE 'Delivering Good Governance in Local Government' framework.

The objective of this audit was to provide an opinion for 2008/09 on Medway Council's compliance with the 'best practice requirements' of the CIPFA/SOLACE framework.

Main Findings	Main Risk	Main Recommendations	Management Response
<p>In general, Medway's Constitution, political and management structure and decision-making processes continue to address the requirements of the CIPFA/SOLACE framework and demonstrate the Council's commitment to openness and transparency.</p> <p>Medway's local code of governance, updated in 2008, includes requirements for partnership arrangements and a governance code relating specifically to the Local Strategic Partnership has been produced; however, all partners have not signed this.</p> <p>Although 'putting the customer at the centre of everything we do' is one of the council's priorities, the corporate planning documents do not specify how the quality of service for users is to be measured.</p>	<p>Partners may not be aware of their responsibilities.</p> <p>Customer satisfaction may not be measured consistently.</p>	<p>7 recommendations, relating to:</p> <ul style="list-style-type: none"> <li>• a minor amendment required to the local code of governance;</li> <li>• obtaining assurance from management in the 'service delivery' directorates and each AD in Business Support Department as part of the AGS process;</li> <li>• all partners signing up to the LSP governance arrangements;</li> <li>• formalising a method of obtaining service users' views on the quality of services received and making appropriate arrangements to measure trends on a consistent basis;</li> <li>• introducing a central monitoring process to confirm that all new members of staff have worked through and completed the relevant induction pack;</li> <li>• Considering the introduction of a performance management</li> </ul>	<p>Management agreed to implement all recommendations, or an appropriate alternative.</p>

## Completed Audit Activity

Main Findings	Main Risk	Main Recommendations	Management Response
<p>There is no evidence of O&amp;S committees 'calling in' a single Cabinet decision during 2008/09 - however, Cabinet reports are subject to pre-decision scrutiny and scrutiny observations are included in those reports.</p> <p>The Council has received external recognition for its member induction and development programme, but Learning &amp; Development were unable to provide any evidence of member development activity during 2008/09, apart from the induction of a newly-elected member.</p> <p>Managers are encouraged to ensure that new staff members work through the appropriate induction pack, but there is no central monitoring to confirm that this happens.</p> <p>Medway has no formal performance management system for members, but all members are offered 1:1 performance reviews, framed around the IDeA's political skills framework - we were advised that about 30% of members have participated so far. Each portfolio holder is also 'held to account' annually by the relevant O&amp;S committee.</p>	<p>The overview and scrutiny function may be perceived to not effectively challenge the Administration on key decisions.</p> <p>The Council is unable to demonstrate that members' skills are being developed on a continuing basis to improve performance.</p> <p>The Council is unable to demonstrate that officers are provided with induction programmes tailored to individual needs.</p> <p>The Council is unable to demonstrate that it meets the CIPFA/SOLACE best practice requirement "effective arrangements are in place for reviewing the performance of the executive as a whole and of individual members".</p>	<p>system for members to demonstrate compliance with the suggested best practice.</p>	

**Completed Audit Activity**

**Audit:** Risk management

**Opinion:** Satisfactory

Risk management forms an intrinsic component of corporate governance, and thus impacts on local authorities' Comprehensive Area Assessment. In view of this, Internal Audit carries out 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 on the effectiveness of measures to address the risks that:

- there may be a lack of policy/guidance to ensure a consistent risk management methodology is adopted and embedded across the Council;
- risks to achieving the objectives of the Community Plan, Council Plan and the Local Area Agreement may not be identified;
- risks identified may not be recorded and evaluated in a consistent manner;
- mitigating controls may not be identified, or their ongoing effectiveness may not be monitored by responsible managers;
- actions to address residual risks may not be clear;
- 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 Risk	Main Recommendations	Management Response
<p>Overall, we consider that significant progress continued to be made during 2008/09 in demonstrating that the Council's key business risks are being managed effectively. However, the situation regarding identification and management of operational/service level risks and risks associated with partnership working, on which the revised Key Lines of Enquiry (KLoE) place considerably more emphasis than previously, continues to require further development. Management anticipate that these issues will be addressed through revised templates for service planning and AD quarterly reports, the appointment of two new performance managers and the</p>	<p>The Council is still unable to demonstrate that a risk management culture had been fully embedded into its planning and operating processes.</p>	<p>13 recommendations, relating to:</p> <ul style="list-style-type: none"> <li>• increased oversight of operational/service level risks by DMTs and relevant O&amp;S committees;</li> <li>• improved training for new members of staff with, and existing staff taking on, risk management responsibilities;</li> <li>• identifying and managing risks relating to partnership working and obtaining assurance on the management of those risks;</li> <li>• obtaining assurance from management in the 'service delivery' directorates and each AD in Business Support Department as part of the AGS process;</li> <li>• updating directorate risk registers to ensure that all</li> </ul>	<p>Management agreed to implement all recommendations, or an appropriate alternative.</p>

## Completed Audit Activity

Main Findings	Main Risk	Main Recommendations	Management Response
<p>phased implementation of the new Covalent performance management system. Although periodic reports relating to risk management were submitted to Cabinet and Business Support O&amp;S Committee, no reports were made to the other overview &amp; scrutiny committees during the financial year. We were advised that providing relevant extracts of directorate risk registers had been considered, but it was decided that these were not sufficiently current (reflecting the position at March 2008) or of sufficient quality to be of use.</p> <p>The induction packs for new managers and supervisors now expect “an understanding of your role in relation to management, financial reporting and risk management” and include a link to the managers’ toolkit (which includes a section on risk management), but this does not constitute training; there is also no monitoring to ensure that all new starters work through the pack.</p>	<p>Overview &amp; scrutiny committees are not fulfilling their responsibility (defined in the Council’s constitution) “to scrutinise and review the operation of risk management”.</p> <p>Managers may have insufficient awareness to enable them to effectively identify, evaluate and manage risks to their service.</p>	<p>services are covered and each risk is rated for likelihood and potential impact;</p> <ul style="list-style-type: none"> <li>• clarifying responsibility for the maintenance of existing controls and implementation of additional actions required.</li> </ul>	

**Completed Audit Activity**

**Audit:** Prevention of fraud and corruption

**Opinion:** Adequate

In agreement with the external auditors, Internal Audit carries out annual audits of the Authority’s overall arrangements for the prevention of fraud and corruption, based on the Audit Commission’s Key Lines of Enquiry (KLoE) for arrangements designed to promote and ensure probity and propriety in the conduct of authorities’ business.

The objective of the audit was to provide an opinion on management arrangements to minimise the risks that:

- the Council may not be able to demonstrate a strong ethical framework and culture; and
- the Council’s fraud and corruption arrangements may not be effective.

Main Findings	Main Risk	Main Recommendations	Management Response
<p>The Council has adopted the model code of conduct for members and officers and has a number of policies in place to provide a good framework for preventing &amp; minimising risks of fraud and corruption occurring. There are also arrangements in place for monitoring compliance with the established arrangements. However, the following were also highlighted:</p> <p>There is no link on the Council’s website or intranet to report suspected breaches of the standards of conduct.</p> <p>There is no central monitoring of use of IT resources.</p> <p>No training in ethics was available to either members or officers during the year.</p>	<p>Suspected breaches of the codes of conduct may not be reported, or not reported promptly.</p> <p>ICT resources could be abused without detection.</p> <p>Officers and members may not be fully aware of the Council’s expectations for ethical behaviour</p>	<p>Links should be placed on the website and intranet for reporting any allegations of a breach of the standards of conduct.</p> <p>ICT should consider purchasing and installing software that would highlight specified uses of ICT resources for investigation.</p> <p>The Head of Workforce Development and Service Improvement should ensure that</p>	<p>Management agreed to implement all recommendations, or an appropriate alternative.</p>

Completed Audit Activity

Main Findings	Main Risk	Main Recommendations	Management Response
<p>The Council's counter fraud and corruption arrangements do not encompass all issues recommended as best practice.</p> <p>No formal arrangements to ensure that the Council's partners are made aware of how to raise concerns.</p>	<p>or what to do in the event that they suspect a breach of the codes of conduct.</p> <p>Potential failure to detect certain types of fraud</p> <p>Partners may be unaware of their ability to raise concerns about the conduct of any Council member or employee..</p>	<p>training in ethics is provided for both officers and members.</p> <p>Revise the anti-fraud and corruption policy to encompass all issues recommended as best practice.</p> <p>Ensure that the Council's partners are provided with information about how to raise concerns.</p>	

### Completed Audit Activity

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

**Opinion:** Satisfactory

Medway Council entered into a second three-year Public Service Agreement (PSA) in 2006, which specified 12 'stretch' targets for improving services and attracted an initial 'pump priming' grant (PPG) of just over £1 million. A further performance reward grant (PRG) of over £6 million is available if all 12 targets are achieved by the end of the PSA period. Consequently, the Council needs to ensure that performance against these targets is monitored regularly so that any potential shortfall is identified in sufficient time for corrective action to be taken.

To support the claim for payment of PRG after the conclusion of the PSA in March 2009, the Council's Internal Audit unit is required to provide a certificate "regarding the robustness of the reported performance information on the claim"; the claim letter is also required to include a "certification that PPG has been used to support eligible expenditure".

The objective of this audit was to provide an interim opinion, in advance of the conclusion of PSA2, on the effectiveness of data processing, monitoring and reporting arrangements to ensure that:

- accurate and sufficient records are maintained to generate and support performance against each of the targets;
- calculation of interim performance against these targets is accurate and substantiated by robust supporting records;
- appropriate assurance is obtained from partners or other external bodies on the reliability of performance information provided to the Council;
- sufficient records exist to provide evidence that the pump-priming grant was spent on qualifying activities.

Main Findings	Main Risk	Main Recommendations	Management Response
<p>Cabinet approved the PSA2 targets in June 2006, the report showing the performance expected without the additional funding and the projected performance enhancement with it. Each target was allocated originally to a responsible officer, but accountability for two targets was not totally clear - one now fell within two directorates following the organisational restructure and the 'owner' of the other was not responsible for delivery of three of the four services involved or for the method of data collection.</p>	<p>Unclear 'ownership' could result in insufficient management action to achieve the performance targets.</p>	<p>13 recommendations were made, relating mainly to actions desirable for future initiatives of this type to minimise the likelihood of any queries arising in respect of the Council's entitlement to funding. However, some addressed concerns over several responsible managers' inability to produce accurate supporting evidence for the latest performance figures reported for their targets.</p>	<p>Appropriate actions have already been taken, or will be implemented by the end of September 2009, to address the issues raised in respect of the current LAA targets, which postdate PSA. PSA2 outturn figures will require formal sign off by responsible managers or partners, including an assurance on data quality, and backing papers will be provided.</p>

## Completed Audit Activity

Main Findings	Main Risk	Main Recommendations	Management Response
<p>Evidence to support the baseline figures shown in the PSA document had been retained for only six targets, and in many of these cases the records available did not support the figures shown. Although no 'milestones' for measuring performance throughout the duration of the programme were specified in the PSA2 document, it was stated that progress would be reported quarterly to DMTs. However, we found little evidence of progress against many targets being reported to DMTs, unless they are also Critical Success Factors. Similarly, progress reports to CMT had been rather spasmodic, in November 2006, October 2007 and January 2008. The only progress report to members identified was to Cabinet Briefing in January 2008, but there is no evidence of this proceeding to a full Cabinet meeting. Progress reports indicated 'latest target available' and 'actual performance' for each target, together with an indication of whether achievement of the target is forecast. However, review of the January 2008 report to CMT + Cabinet Briefing indicated that the</p>	<p>Inability to substantiate the baseline figures used could create problems in verifying that the improvements in performance reported are accurate.</p> <p>Potential failure to achieve performance targets may not be recognised in sufficient time for remedial action to be initiated.</p> <p>In some cases senior management and members had been presented with unclear information regarding progress</p>		



## Completed Audit Activity

Main Findings	Main Risk	Main Recommendations	Management Response
<p>latest targets and actual performance reported did not always relate to the same point in the project, or were inaccurate. Partners have been stated to be involved in the delivery of five targets, but other organisations were instrumental in achieving a number of other targets and/or relied on to provide data to measure performance. There were no formal agreements with most partners.</p> <p>Cabinet approved the allocation of £901K of the pump-priming funding to the 12 targets, with £100K being retained as a contingency. An indication of how the funding allocated to each target would be spent was provided, but in some cases this was not particularly specific – for example contributing to “staff costs” and “running costs”. However, there was evidence for most targets that pump-priming funds had been used to contribute towards achievement of the ‘stretch’ target.</p> <p>The pump-priming funding was recorded in the Council’s financial records as an income receipt in August 2006. Funding for some projects was initially allocated to</p>	<p>and the likelihood of targets being achieved.</p> <p>Partners may fail to provide the data required, or provide insufficient, inaccurate or untimely data, impacting on the Council’s ability to monitor progress.</p> <p>It is not possible to provide indisputable evidence that all the PPG has been spent on furthering achievement of PSA2 targets. There is further scope for</p>		

## Completed Audit Activity

Main Findings	Main Risk	Main Recommendations	Management Response
<p>dedicated account codes, but much of this was subsequently transferred, and the funding for the remaining targets allocated directly, to operational budget codes and thus subsumed into the general expenditure of the function.</p> <p>A small balance of the contingency funding had not yet been transferred to operational budgets and it was unclear how this was to be allocated.</p>	<p>confusion where this has been mixed with other sources of income, eg EU and LAA funding.</p> <p>Failure to spend this residual balance could result in it being 'clawed back' by central government (this was subsequently addressed).</p>		

**Completed Audit Activity**

**Audit:** Customer First Performance Measures

**Opinion:** Adequate

Customer First’s contact centre evolved from the Frontline Taskforce Division’s contact centre in 2005 and has seen an expansion in services to cover the range of council services. Customer First now provides the first point of contact for the Authority’s customers and it should be a one-stop shop for customer service, providing people with quick and convenient access to council services. There are a number of performance indicators measuring different aspects of the Council’s relationship with its customers that are “Critical Success Factors” and are reported to Members and the wider public. This reporting is only meaningful in providing the public with an assessment of performance if the measures match public perceptions i.e. “one and done” is an unambiguous reflection of when a service has been delivered.

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

- Performance measures may not be properly defined;
- There may not be a sound methodology for calculating the indicators;
- Data quality may be poor;
- Performance may be reported inaccurately.

Main Findings	Main Risk	Main Recommendations	Management Response
<p>Customer First have a set of performance indicators used for internal performance monitoring. Some of these have become Critical Success Factors and are reported to Research and Review. However, Customer First’s interpretation of these indicators does not match Research and Review’s understanding.</p> <p>Customer First have devised methodologies for calculating their performance indicators. The documentation of these is restricted to identifying reports (by name) to be used for each indicator, and a brief outline of the calculation for some indicators.</p>	<p>Reported performance indicators may be misunderstood.</p> <p>Indicators may be inaccurate.</p>	<p>7 recommendations were made primarily to ensure:</p> <ul style="list-style-type: none"> <li>• Clear, commonly understood definitions of indicators</li> <li>• Clear documentation of methodologies</li> <li>• Retention of documentation to support reported indicators</li> </ul>	<p>All recommendations were fully agreed by management.</p>

## Completed Audit Activity

Main Findings	Main Risk	Main Recommendations	Management Response
<p>The principles used for the production of the reports (i.e. source of data, inclusions, exclusions, cut-off dates) have not been documented.</p> <p>Appropriate systems are in place to capture data accurately and completely.</p> <p>Performance measures reported by Customer First are calculated using their established reports and methodology. They do not routinely retain documentation to support reported indicators. We were informed that this was because reports to support submissions could be re-created from original data.</p> <p>During the course of the audit it became clear that telephone statistics were inaccurate. Customer First recalculated them. These were tested and we were able to trace the figures to underlying records. However, Customer First could not provide other reports within the timescale of the audit.</p>	<p>Reported performance cannot be shown to be correct.</p>		