



# **INTERNAL AUDIT**

**AUTHORITY WIDE**

**AUDIT REVIEW 2005/06  
CORPORATE GOVERNANCE**



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**Audit Review 2005/2006**

**Corporate Governance**

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## **AUTHORITY WIDE**

### **Audit Review 2005/2006**

#### **Corporate Governance**

##### **PART ONE – MANAGEMENT SUMMARY**

###### **Introduction/Background**

1. Corporate governance is now regarded as a key issue for all local authorities. Definitive guidance on effective arrangements for corporate governance in local authorities was provided in 2001 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.
2. Key features of the CIPFA/SOLACE framework are:
  - the principles of openness and inclusivity, integrity and accountability;
  - monitoring and continuing review of systems and processes;
  - the authority providing vision for its community and leading by example in its decision-making and other processes and actions;
  - members and managers adopting high standards of conduct.

The framework also states that the principles of corporate governance should be reflected in five dimensions of local authorities' business:

- Community Focus;
  - Service Delivery Arrangements;
  - Structures and Processes;
  - Risk Management and Internal Control;
  - Standards of Conduct.
3. The CIPFA/SOLACE framework is currently being reviewed to ensure it reflects the changes in local government since the publication of the original version. Issue of a final draft of the revised framework is expected in summer 2006.
  4. Additional guidance was provided in 'The Good Governance Standard for Public Services', launched by the Independent Commission on Good Governance in Public Services in January 2005. This comprises six core principles for good governance:
    - focusing on the organisation's purpose and on outcomes for citizens and service users;
    - performing effectively in clearly defined functions and roles;
    - promoting values for the whole organisation and demonstrating the values of good governance through behaviour;
    - taking informed, transparent decisions and managing risk;
    - developing the capacity and capability of the governing body to be effective;
    - engaging stakeholders and making accountability real.
  5. Whilst the Standard states that it "is intended for use by all organisations and partnerships that work for the public, using public money", it "does not seek to duplicate the codes and guidance that already exist for some specific types of organisation". This suggests that local authorities should continue to use the CIPFA/SOLACE framework as the basis for their own arrangements.

6. Furthermore, the Audit Commission has subsequently published Key Lines of Enquiry (KLoE) for corporate governance inspection, which can be used by inspected bodies to help with their own assessments. The KLoE provide guidance on the arrangements required to demonstrate 'adequate arrangements' covering four themes:
  - community focus;
  - structures and processes;
  - risk management and internal control;
  - leadership, culture, standards of conduct.It will be noted that these themes replicate the CIPFA/SOLACE dimensions fairly closely.
7. Annual audits are undertaken of the extent to which Medway Council's corporate governance arrangements comply with the CIPFA/SOLACE framework and accompanying guidance, our opinion for 2004/2005 being 'satisfactory'.

### **Audit Objective**

8. The objective of this audit was to provide an opinion on Medway Council's current position against the requirements of the CIPFA/SOLACE framework.

### **Audit Scope and Approach**

9. We ascertained whether any changes had occurred in the Council's overall corporate governance arrangements since last year's audit, through discussion with responsible officers, and examined documents and records. We then evaluated the results to form an opinion on whether appropriate measures were in place and operating effectively.
10. Having considered the practicality of evaluating Medway's arrangements against the requirements of 'The Good Governance Standard for Public Services', we concluded that these are at a higher level, and considerably less detailed, than those of the CIPFA/SOLACE framework, so discounted this approach.
11. We originally intended to review compliance with additional requirements shown in the Audit Commission KLoE, which were not available at the time of last year's audit. However, on examination these cover such a wide scope that it was considered impractical to attempt to review these within the timescales allowed for this audit.
12. In order to minimise duplication, this audit drew on the findings of the audits of Risk Management, Prevention of Fraud and Corruption and Whistleblowing Arrangements, for which separate reports (05047, 05053 and 05069 respectively) have been issued.

### **Findings**

13. Part two of this report sets out detailed findings following the format of the CIPFA/SOLACE framework guidance and our comments and recommendations. The main issues are summarised below.
14. Overall, Medway's Constitution, political and management structure and decision making processes meet the requirements of the CIPFA/SOLACE framework. The Council has adopted the framework as its own code of corporate governance and included it in the Constitution. Compliance with each of the dimensions is evidenced by the examples in the following paragraphs.

15. Community Focus (dimension 1) is demonstrated through publication of Community and Performance Plans, which reflect objectives agreed with the Local Strategic Partnership, consultation and communication with other stakeholders and publication of plans, meeting agendas/reports etc on the Council's website and in the periodic 'Medway Matters' newsletter.
16. Ensuring that Service Delivery Arrangements (dimension 2) are effective through setting a range of performance indicators and monitoring/reporting progress against them, drawing up service plans to reflect the priorities of the Community Plan, setting annual budgets to deliver these and entering into joint delivery arrangements with other agencies where appropriate.
17. Effective political and managerial Structures and Processes (dimension 3) to govern decision making and exercise of authority, including a scheme of delegation, are enshrined in the Council's Constitution and demonstrated by regular meetings of the Cabinet, Overview & Scrutiny and decision-making committees, full Council and corporate Management Team.
18. To address the requirements of dimension 4 (Risk Management and Internal Control), the Council now publishes an annual Statement on Internal Control, continues to maintain an established internal audit function and is continuing to develop its risk management strategy.
19. Similarly, the expectations under dimension 5 (Standards of Conduct) are largely met, with codes of conduct for members and officers included in the Constitution, a whistleblowing policy in place and registers of interests, gifts and hospitality maintained.
20. However, our audits of Risk Management, Prevention of Fraud and Corruption and Whistleblowing Arrangements highlight that the Council is still some way from being able to demonstrate that a risk management and anti-fraud and corruption culture has been 'embedded' into its day-to-day operations. The risk management strategy has only recently been drawn up and the anti-fraud and corruption strategy has not been incorporated into any procedures or publicised. Whilst various 'standards related' policies are in place, we found that many staff lack awareness or understanding of them, and therefore may fail to comply with their requirements. Furthermore, the whistleblowing policy has not been made available to external contractors.

## **Audit Opinion**

21. In our opinion, Medway's compliance with the CIPFA/SOLACE framework and guidance during 2005/2006 continued to be 'satisfactory'. This opinion takes into account that:
  - the risk management process has not yet been embedded into the Council's business processes;
  - the anti-fraud and corruption strategy needs to be updated and publicised;
  - the whistleblowing procedure has not been made available to external contractors.A definition of audit opinions is provided in appendix A.

## **Management Action**

22. There are no specific recommendations arising from this audit (these have been included in the reports for Risk Management, Prevention of Fraud and Corruption and Whistleblowing Arrangements), hence there is no management action plan.





**PART TWO – EVALUATION AGAINST CIPFA/SOLACE FRAMEWORK**

**General Requirements**

<b>CIPFA/SOLACE Suggested Arrangements</b>	<b>Medway's Current Position</b>	<b>Evidence</b>	<b>Sufficient?</b>	<b>Recommendation</b>
Establishment of a locally adopted code of corporate governance and making adopted practice open and explicit	<p>The CIPFA/SOLACE framework for Corporate Governance was adopted by full Council on 4 December 2003.</p> <p>It has been incorporated into Medway's Constitution, which is accessible on Connections and Medway's Website.</p>	<p>Minutes of Council Meeting 4.12.03.</p> <p>Publication of the code in the Council's Constitution, published on the website.</p>	Yes	None
<p>Assignment of responsibility to a senior officer for:</p> <p>a) monitoring the operation of the code</p> <p>b) reporting annually to the relevant committee on compliance with the code and any changes that may be necessary to maintain it and ensure its effectiveness in practice.</p>	<p>a) The Director, Finance and Corporate Services, supported by the Audit Services Manager, has responsibility.</p> <p>b) The Assistant Director, Legal and Contract Services, reports the results of the monitoring to the Standards Committee annually.</p>	<p>a) Audit report 04031 (for 2004/05), reported to Audit Sub-Committee on 27.7.05.</p> <p>b) Report to Standards Committee meeting on 20.7.05.</p>	Yes	None

## The Framework

Note: The wording in the shaded columns is taken from the CIPFA/SOLACE framework and guidance

### Dimension 1: Community Focus

LAs should (a) work for and with their communities, (b) exercise leadership, (c) undertake ambassadorial role, (d) be accountable to stakeholders, (e) show integrity in their dealings, (f) communicate and engage.

CIPFA/SOLACE				Medway's current position	Evidence	Sufficient?	Recommendation
Principle	Effective arrangements required for:	Suggested requirements					
Accountability	Accountability to stakeholders for the council's performance	Publish on a timely basis an annual report or performance plan presenting an objective, understandable account of this council's: <ul style="list-style-type: none"> <li>- activities and achievements</li> <li>- current performance in service delivery</li> <li>- plans to maintain and improve service quality</li> <li>- financial position and performance</li> </ul>	1.1	The Performance Plan for 2005-06 meets all statutory requirements and includes an unaudited financial summary for 2004/05.  The Community Plan for 2004-2007 was published in conjunction with the council's strategic partners.	Medway Council's Performance Plan and Community Report and Plan.  (both published on the website)	Yes	None
		Include in these statements <ul style="list-style-type: none"> <li>- explanation of the council's responsibility for the financial statements,</li> <li>- confirmation of compliance with the relative standards and codes of corporate governance, and</li> <li>- a report on the effectiveness of the authority's system for risk management and internal control.</li> </ul>	1.2	The Statement of Accounts for 2004-05 included an explanation of the council's responsibility and a Statement on Internal Control. The latter covered compliance with standards and codes, and a report on the authority's system for risk management and internal control.	Statement of Accounts for 2004-05.  (published on the website)	Yes	None

CIPFA/SOLACE				Medway's current position	Evidence	Sufficient?	Recommendation
Principle	Effective arrangements required for:	Suggested requirements					
Effectiveness	Effectiveness in the delivery of services and sustainable use of resources	Independent review of the financial and operational reporting processes.	1.3	The authority is subject to reviews by Internal and External Audit and various Inspectorates (eg for education and social care).  An Overview/Scrutiny Committee function is in place.	Internal and External Audit, OfSTED and CSCI reports, plus Overview & Scrutiny committee reports.	Yes	None
		Monitoring processes to ensure that: - channels of communication with all sections of the community and stakeholders - arrangements designed to encourage individuals and groups from all sections of the community to engage with, contribute to and participate in the work of the authority operate effectively.	1.4	The Research and Review Team manages the authority's consultation procedures and chairs a council-wide Research and Consultation Group.  A revised Consultation Strategy has been drawn up and approved by CMT.  Work has continued on developing Medway's consultation procedures to improve the accuracy and completeness of the consultation database.  Another Consultation Bulletin was produced in March 2006.	Consultation Strategy + notes of management team meeting 5.4.06  Consultation Bulletin	Yes	None

CIPFA/SOLACE				Medway's current position	Evidence	Sufficient?	Recommendation
Principle	Effective arrangements required for:	Suggested requirements					
Integrity	Integrity in building effective relationships and partnerships with other public agencies and the private/voluntary sector	Establish clear channels of communication with all sections of the community and stakeholders.	1.5	<p>Channels of communication include:</p> <ul style="list-style-type: none"> <li>- Internet website</li> <li>- Medway Matters (6 weekly newspaper)</li> <li>- Citizens Panel</li> <li>- Corporate Focus Groups</li> <li>- Residents Opinion Poll (annual)</li> <li>- Ethnic Minority Forum</li> <li>- Voluntary Sector User Forums</li> <li>- Youth Parliament</li> </ul> <p>Beacon Council status has been awarded for some services.</p> <p>The Local Strategic Partnership is chaired by the Leader and involves almost 200 local organisations.</p> <p>The Council has been awarded Investors in People status.</p> <p>A Communications Protocol forms part of the Constitution.</p>	<p>Website</p> <p>Medway Matters</p> <p>Summary report</p> <p>Communications Protocol</p>	Yes	None

CIPFA/SOLACE				Medway's current position	Evidence	Sufficient?	Recommendation
Principle	Effective arrangements required for:	Suggested requirements					
Openness	Openness in all dealings	Make an explicit commitment to openness in all dealings, subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so.	1.6	Chapter 1 of the Constitution sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people.	Medway Council's Constitution (published on the website)	Yes	None
		By action and communications, deliver an account against that commitment.	1.7	Publication of plans, projects, committee meeting dates, agendas, reports and decisions on the website, plus the periodic 'Medway Matters' newspaper, demonstrate the council's commitment to openness.	Information on the website plus the 'Medway Matters' publication.	Yes	None

CIPFA/SOLACE				Medway's current position	Evidence	Sufficient?	Recommendation
Principle	Effective arrangements required for:	Suggested requirements					
Inclusivity	Inclusivity by communicating and engaging with all sections of the community to encourage active participation	Arrangements designed to encourage individuals and groups from all sections of the community to engage with, contribute to and participate in the work of the authority.	1.8	<p>Examples of stakeholder engagement include:</p> <ul style="list-style-type: none"> <li>♦ a stakeholder forum for Housing;</li> <li>♦ the Supporting People Inclusive Forum;</li> <li>♦ stakeholder consultation in the development of the Waste Strategy.</li> </ul>	Various reports to Cabinet	Yes	None
Up to Date	An up to date clear vision and corporate strategy in response to community needs	A vision for local communities and their strategic plans, priorities and targets - developed through robust mechanisms, and in consultation with the local community and other stakeholders.	1.9	<p>Medway's Community Plan, published in conjunction with the council's strategic partners, sets out the long-term vision and targets for 2004-2007. An updated version should be published in May 2006.</p> <p>The Performance Plan for 2005-06 includes BVPI targets.</p> <p>Service plans are prepared annually, supporting the medium-term directorate planning process.</p>	<p>Medway Council's Performance Plan and Community Report and Plan.</p> <p>(both published on the website)</p> <p>Service plans.</p>	Yes	None

CIPFA/SOLACE				Medway's current position	Evidence	Sufficient?	Recommendation
Principle	Effective arrangements required for:	Suggested requirements					
Up to Date (contd)	An up to date clear vision and corporate strategy in response to community needs (contd)	Clear articulation and dissemination of the above.	1.10	Disseminated through the communication channels as in 1.5.	As per 1.5	Yes	None

## Dimension 2: Service Delivery Arrangements

LAs should (a) ensure continuous improvement, (b) implement agreed policies, (c) carry out decisions.

CIPFA/SOLACE				Medway's current position	Evidence	Sufficient?	Recommendation
Principle	Effective arrangements required for:	Suggested requirements					
Accountability	Discharge of accountability for service delivery at a local level	Standards and targets for performance in the delivery of services on a sustainable basis and with reference to equality policies	2.1	<p>The performance plan for 2005-06 included a range of national and local performance indicators for each of the council's nine Community Plan themes. Equality issues are covered under 'A Community Informed and Involved'.</p> <p>The Customer Care Charter informs the public of certain standards, eg for answering letters and telephone calls.</p>	<p>Performance Plan</p> <p>Customer Care Charter (published on the website)</p>	Yes	None
Effectiveness	Ensuring effectiveness through setting targets and measuring performance	Development of comprehensive and understandable performance plans	2.2	<p>The performance plan for 2005-06 included targets for the next four years (2008-09). Cabinet and full Council approved the plan in June 2005.</p>	<p>Performance Plan</p> <p>Reports to Cabinet + Council and records of meetings</p>	Yes	None



CIPFA/SOLACE				Medway's current position	Evidence	Sufficient?	Recommendation
Principle	Effective arrangements required for:	Suggested requirements					
Effectiveness (contd)	Ensuring effectiveness through setting targets and measuring performance (contd)	Sound systems for providing management information for performance measurement purposes	2.3	A performance monitoring system is maintained to produce regular reports on progress against the Council's critical success factors (key performance indicators relating to Performance Plan targets).	Internal audit work during 2005/2006 on BVPIs and Local PSA1	Yes	None
		Monitoring and reporting of performance against agreed standards and targets	2.4	Achievement against Critical Success Factors is monitored and reported to Management Team, relevant committees and Cabinet.	Notes of Management Team meetings Reports to Cabinet + Overview & Scrutiny committees and records of meetings	Yes	None
		Positive response to the findings and recommendations of auditors and statutory inspectors and effective implementation of agreed actions	2.5	Cabinet considered the audit of the 2004/05 Financial Statements and appropriate decisions were taken.  Cabinet and the relevant Overview & Scrutiny Committee considered reports from other inspection bodies (eg the CSCI) and implementation of resultant action plans is monitored.	Reports from the external auditor and other inspection bodies  Reports to Cabinet + Overview & Scrutiny committees and records of meetings	Yes	None

CIPFA/SOLACE				Medway's current position	Evidence	Sufficient?	Recommendation
Principle	Effective arrangements required for:	Suggested requirements					
Integrity	Integrity in dealings with service users and developing partnerships to ensure the "right" provision of services locally	Allocation of resources according to priorities	2.6	<p>The Local Strategic Partnership, which involves local businesses and voluntary and community organisations, was involved in formulating the Community Plan.</p> <p>Service plans are drawn up to reflect the priorities of the Community Plan and annual budgets to deliver these are set for both revenue and capital expenditure, being approved by O&amp;S Committees, Cabinet and full Council.</p>	<p>Community Plan</p> <p>Service plans</p> <p>Revenue and capital budgets</p>	Yes	None

CIPFA/SOLACE				Medway's current position	Evidence	Sufficient?	Recommendation
Principle	Effective arrangements required for:	Suggested requirements					
Integrity (contd)	Integrity in dealings with service users and developing partnerships to ensure the "right" provision of services locally (contd)	Effective relationships and partnerships with other public sector agencies and the private and voluntary sectors	2.7	<p>The Local Strategic Partnership involves almost 200 organisations, including the Health and Police services, the education sector, local businesses and voluntary and community organisations.</p> <p>There are joint arrangements with Health for provision of services for Mental Health.</p>	<p>Existence of LSP</p> <p>Community Services Directorate structure</p>	Yes	None
Openness	Demonstrate openness through consulting with key stakeholders, including service users	Consideration of outsourcing where it is efficient and effective to do so in delivering services to meet the needs of the local community	2.8	The option of externalisation is considered as part of any fundamental service (best value) review.	Fundamental review guidelines + recent examples of reviews available on website.	Yes	None
Inclusivity	Demonstrate inclusivity through consulting with key stakeholders, including service users	Consultation with key stakeholders, including service users	2.9	Demonstrated through partnerships and direct consultations with the public (see 1.4, 1.5).		Yes	None

CIPFA/SOLACE				Medway's current position	Evidence	Sufficient?	Recommendation
Principle	Effective arrangements required for:	Suggested requirements					
Up to Date	Flexible arrangements that can be adapted to accommodate change and meet user wishes	Updating of service delivery arrangements  Adaptation to accommodate change and meet user wishes	2.10	Local managers are responsible for ensuring services are adapted to needs and reflect the outcomes of fundamental reviews. The annual service planning process ensures regular review takes place.	Service plans	Yes	None

### **Dimension 3: Structures and Processes**

**LAs should establish effective political and managerial structures and processes to govern decision making and exercise of authority within the council.**

CIPFA/SOLACE				Medway's current position	Evidence	Sufficient?	Recommendation
Principle	Effective arrangements required for:	Suggested requirements					
Accountability	Definition of the roles and responsibilities of members to ensure accountability, clarity and ordering of the authority's business	Regular formal meetings of members to set the strategic direction of the authority and monitor service delivery	3.1	Regular meetings of Overview & Scrutiny Committees, Cabinet and full Council, with scheduled dates agreed in advance.	Agendas for and records of meetings	Yes	None
		Develop and maintain a scheme of delegated or reserved powers, which should include a formal schedule of those matters specifically reserved for the collective decision of the authority	3.2	The Constitution includes Responsibility for Functions, including an Employee Delegation Scheme.	Constitution	Yes	None
		Clearly documented and understood management processes for: <ul style="list-style-type: none"> <li>- policy development, implementation and review</li> <li>- decision making</li> <li>- monitoring and control</li> <li>- reporting</li> </ul>	3.3	Included in the Council's Constitution.	Constitution	Yes	None

CIPFA/SOLACE				Medway's current position	Evidence	Sufficient?	Recommendation
Principle	Effective arrangements required for:	Suggested requirements					
Accountability (contd)	Definition of the roles and responsibilities of members to ensure accountability, clarity and ordering of the authority's business (contd)	Formal procedural and financial regulations to govern the conduct of the authority's business	3.4	The Council's Constitution includes rules for the Leader and Cabinet, Overview & Scrutiny and Financial Rules.	Constitution	Yes	None
		Access for members to all relevant information, advice and resource as necessary to enable them to carry out their roles effectively	3.5	The Council's Constitution includes rights of access to information by members.	Constitution	Yes	None
		Definition in writing of the role of the executive member(s), to include responsibility for providing effective strategic leadership to the authority and for ensuring that the authority successfully discharges its overall responsibilities for the activities of the organisation as a whole	3.6	Rules for the Leader and Cabinet are contained in chapter 4 of the Constitution.	Constitution	Yes	None

CIPFA/SOLACE				Medway's current position	Evidence	Sufficient?	Recommendation
Principle	Effective arrangements required for:	Suggested requirements					
Accountability (contd)	Definition of the roles and responsibilities of members to ensure accountability, clarity and ordering of the authority's business (contd)	Clear definition in writing of the roles and responsibilities of all members of the local authority, together with the terms of their remuneration and its review	3.7	The roles and functions of all councillors are set out in Article 2 of the Constitution.  Chapter 6 of the Constitution relates to the Members' Allowance Scheme.	Constitution	Yes	None
	Definition of the roles and responsibilities of officers to ensure accountability, clarity and ordering of the authority's business	Chief executive with responsibility to the authority for all aspects of operational management	3.8	The functions and responsibilities of the Head of Paid Service (Chief Executive) form part of Article 11 of the Constitution.  Chapter 3 of the Constitution includes the general scheme of delegation to the Chief Executive and directors.	Constitution	Yes	None
		Senior officer with responsibility to the authority for ensuring that appropriate advice is given to it on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control	3.9	The functions and responsibilities of the Chief Finance Officer form part of Article 11 of the Constitution, and are also included in the Council's Financial Rules.	Constitution	Yes	None

CIPFA/SOLACE				Medway's current position	Evidence	Sufficient?	Recommendation
Principle	Effective arrangements required for:	Suggested requirements					
Accountability (contd)	Definition of the roles and responsibilities of officers to ensure accountability, clarity and ordering of the authority's business (contd)	Clear definition of the roles and responsibilities of all senior officers, together with the terms of their remuneration and its review	3.10	<p>The Constitution sets out the management structure and includes delegated responsibilities for individual directors.</p> <p>Job descriptions/ person specifications are used and there is a Performance and Development Review process.</p> <p>A pay and grading structure is in place for senior managers.</p>	<p>Constitution</p> <p>Job descriptions</p> <p>Senior officer payscale</p>	Yes	None
Effectiveness	Proper scrutiny and review of all aspects of performance and effectiveness	Senior officer with responsibility to the authority for ensuring that agreed procedures are followed and that all applicable statutes, regulations and other relevant statements of good practice are complied with	3.11	The functions and responsibilities of the Monitoring Officer form part of Article 11 of the Constitution.	Constitution	Yes	None
		Training for members	3.12	Induction training was provided for newly-elected members and training sessions are held for new/revised initiatives such as planning and licensing.	Records of training	Yes	None



CIPFA/SOLACE				Medway's current position	Evidence	Sufficient?	Recommendation
Principle	Effective arrangements required for:	Suggested requirements					
Integrity	Demonstration of integrity by ensuring a proper balance of power and authority	Clearly documented protocols governing relationships between members and officers	3.13	The protocol on member/employee relations forms part of the Council's Constitution.	Constitution	Yes	None
		Clear definition of the relative roles and responsibilities of executives and other members, members generally and senior officers	3.14	The Constitution covers Responsibility for Functions, including an Employee Delegation Scheme.	Constitution	Yes	None
		Adoption of clear protocols and codes of conduct to ensure that the implications for supporting community political leadership for the whole council are acknowledged and resolved	3.15	The Constitution also includes Codes of Conduct for members and employees.	Constitution	Yes	None
Openness	Demonstration of openness	Document structures and process and communicate them	3.16	The Constitution is viewable by staff, councillors, and members of the public with internet access.	Medway's website	Yes	None
Inclusivity	Demonstration of inclusivity	Document structures and process and communicate them	3.17	as 3.16	as 3.16	Yes	None
Up to Date	Updating of structures and processes	Updating of structures and processes Adaptation to accommodate change	3.18	The organisational structure was revised during 2005/06 to take account of the implementation of the Children Act 2004.	Revised organisational structure	Yes	None

**Dimension 4: Risk Management and Internal Control**

**LAs should establish and maintain a systematic strategy, framework and processes for managing risk.**

CIPFA/SOLACE				Medway's current position	Evidence	Sufficient?	Recommendation
Principle	Effective arrangements required for:	Suggested requirements					
Accountability	Making public statements to stakeholders on the authority's risk management strategy, framework and processes to demonstrate accountability	Publication on a timely basis, within the annual report, of an objective, balanced and understandable statement and assessment of the authority's risk management and internal control mechanisms and their effectiveness in practice	4.1	The Statement on Internal Control formed part of the Statement of Accounts for 2004-05. It commented on the Council's systems of internal control and risk management.	Statement on Internal Control 2004-05	Yes	None

CIPFA/SOLACE				Medway's current position	Evidence	Sufficient?	Recommendation
Principle	Effective arrangements required for:	Suggested requirements required for:					
Effectiveness	Monitoring and reviewing effectiveness against agreed standards and targets and the operation of controls in practice	<p>Effective risk management systems, including systems of internal control and an internal audit function. These arrangements need to ensure:</p> <p>a) compliance with all applicable statutes, regulations and relevant statements of best practice</p> <p>b) that public funds are properly safeguarded and are used economically, efficiently and effectively and in accordance with the statutory and other authorities that govern their use</p>	4.2	<p>Systems of internal control are set up/maintained by managers and the effectiveness of controls for key business systems is reviewed periodically by an established internal audit function.</p> <p>The Council continues to develop its risk management strategy and risks + mitigating controls should be identified as part of the service planning process.</p> <p>A scheme of delegation and Financial Rules are included in the Council's Constitution.</p>	<p>Internal Audit reports</p> <p>Risk Management Strategy</p> <p>Service plans</p> <p>Constitution</p>	Not fully	Addressed in Risk Management audit report 05047

CIPFA/SOLACE				Medway's current position	Evidence	Sufficient?	Recommendation
Principle	Effective arrangements required for:	Suggested requirements					
Effectiveness (contd)	Monitoring and reviewing effectiveness against agreed standards and targets and the operation of controls in practice (contd)	Delivery of services by trained and experienced people	4.3	<p>Job description/person specifications in place for each post.</p> <p>The Performance &amp; Development Review (PDR) process should ensure that development needs are identified at least annually.</p> <p>A Learning &amp; Development course programme is maintained.</p>	<p>Medway Managers Personnel Handbook</p> <p>Course details and timetable</p>	Yes	None
Integrity	Demonstration of integrity by robust systems for identifying, profiling, controlling and monitoring all significant strategic and operational risks	Robust systems for identifying and evaluating all significant risks, which involve the proactive participation of all those associated with planning and delivering services	4.4	<p>The Council continues to develop its risk management strategy and the Finance &amp; Corporate Services O&amp;S Committee has now assumed responsibility for monitoring risk management activity.</p> <p>Risks + mitigating controls should be identified as part of the service planning process.</p>	<p>Risk Management Strategy</p> <p>Service plans</p>	Not fully	Addressed in 'Risk Management' audit report 05047

CIPFA/SOLACE				Medway's current position	Evidence	Sufficient?	Recommendation
Principle	Effective arrangements required for:	Suggested requirements					
Integrity (contd)	Demonstration of integrity by robust systems for identifying, profiling, controlling and monitoring all significant strategic and operational risks (contd)	Maintenance of an objective and professional relationship with auditors and statutory inspectors	4.5	<p>PwC's Report on the audit of the 2004/05 Financial Statement includes "thanks to the management and staff for the assistance given to us during the course of our work".</p> <p>The letter from the CSCI + OfSTED covering the 2005 Annual Performance Assessment states "We are grateful for the information ... provided ... and for the time made available by yourself and your colleagues to discuss relevant issues".</p>	<p>External audit report</p> <p>Annual Performance Assessment</p>	Yes	None
Openness	Display of openness	Involvement of all those associated with planning and delivering services, including partners	4.6	See 2.9		Yes	None
Inclusivity	Display of inclusivity	Involvement of all those associated with planning and delivering services, including partners	4.7	See 2.9		Yes	None

CIPFA/SOLACE				Medway's current position	Evidence	Sufficient?	Recommendation
Principle	Effective arrangements required for:	Suggested requirements					
Up to Date	Monitoring of the risk management and control process to ensure that it is complied with, that changes in circumstances are accommodated and that it remains up to date	Objective review of risk management and internal control, including internal audit	4.8	<p>Systems of internal control are set up/maintained by managers and the effectiveness of controls for key business systems is reviewed periodically by an established internal audit function. There is also an annual internal audit review of the risk management process.</p> <p>The Council continues to develop its risk management strategy and, providing the draft strategy is approved, the effectiveness of risk management activity will be monitored periodically.</p>	As for 4.2	Yes	None

**Dimension 5: Standards of Conduct**

**Members and Senior officers should a) exercise leadership by conducting themselves as role models for others within the authority to follow; and b) define the standards of personal behaviour that are expected from members and staff and all those involved in service delivery.**

CIPFA/SOLACE				Medway's current position	Evidence	Sufficient?	Recommendation
Principle	Effective arrangements required for:	Suggested requirements					
Accountability	Accountability through establishing systems for investigating breaches and disciplinary problems and taking actions where appropriate, including arrangements for redress	Development and adoption of formal codes of conduct defining the standards of personal behaviour to which individual members, officers, and agents of the authority are required to subscribe	5.1	Codes of Conduct for Members and Employees are included in the Council's Constitution.  The Council approved an Anti-Fraud and Corruption Policy in 1998, but this has never been reviewed and is not currently published on the intranet or in any personnel procedures.  The Council's complaints procedure is published on the website.	Constitution  Anti-Fraud and Corruption Policy  Complaints procedure	Not fully	Addressed in 'Prevention of Fraud and Corruption' audit report 05053
		Whistleblowing arrangements to which staff and all those contracting with the council have access	5.2	The Council has a whistleblowing policy which is readily available to staff on the intranet and in the employee handbook, but not to contractors.	Whistleblowing policy	Not fully	Addressed in 'Whistleblowing Arrangements' audit report 05069





CIPFA/SOLACE				Medway's current position	Evidence	Sufficient?	Recommendation
Principle	Effective arrangements required for:	Suggested requirements					
Integrity (contd)	Demonstration of integrity through maintenance of objectivity and impartiality in all relationships (contd)	Arrangements to ensure that procedures and operations are designed in conformity with appropriate ethical standards	5.5	Policies and Codes of Practice are drawn up by independent units, ensuring that ethical standards and legal requirements will be met.	The Council's policy units; procurement unit; contracting unit.	Yes	None
Openness	Display of openness	Documentation of standards and making sure they are understood	5.6	as 5.1 and 5.4	as 5.1 and 5.4	Not fully	as 5.1 and 5.4
Inclusivity	Display of inclusivity	Documentation of standards and making sure they are understood	5.7	as 5.1 and 5.4	as 5.1 and 5.4	Not fully	as 5.1 and 5.4
Up to Date	Keeping standards up to date	Regular review and updating of the standards	5.8	Codes of conduct, and processes to be followed to investigate complaints, are updated to reflect any revised requirements emanating from the Standards Board for England.	Regular reports from the Monitoring Officer to the Standards Committee	Yes	None



**DEFINITION OF AUDIT OPINIONS**

- 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 that 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.