

AUDIT COMMITTEE

30 JUNE 2010

OUTCOMES OF AUDIT ACTIVITY

Report from: Internal Audit

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Summary

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

1. Budget and Policy Framework

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

2. Background

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

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

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

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

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

3. Risk Management, Financial and Legal implications

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

4. Recommendations

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

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Background papers

None.

DEFINITIONS OF AUDIT OPINIONS

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

DEFINITIONS OF RECOMMENDATION PRIORITIES

High

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

Medium

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

Low

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

Completed Audit Activity

Activity ↓	Directorate →	Opinion	Authority Wide	Children and Adults	Regeneration Community and Culture	Business Support Department
Bar Stock Control – value for money		I			I	
Concessionary fares		S			S	S
Contact Point		G		G		G
Corn Exchange – Financial procedures		U			U	
Corporate Governance		S	S			
Fraud and Corruption Prevention arrangements		I	I			
Council Plan Monitoring		S	S			
Council Tax		G				G
Financial control self-assessment in primary schools (tranche 3)		●		●		
Financial control self-assessment in secondary schools		●		●		
Housing Benefits		S				S
Housing Repairs Contract Management		I				I
Housing Rents		I				I
NNDR		G				GI
Rainham Mark Grammar School – financial controls						
• Banking, Petty cash and Taxation		G		G		
• Financial management and Payroll		S		S		
• Purchasing, Income and Asset & information management		I		I		
Risk Management		S	S			
Security of social care records		U		U		
Social care case recording		I		I		
Asset Management at Central & Brook Theatres		I			I	

Key:

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

- Work carried out but no opinion provided in that area

Completed Audit Activity

Audit: Bar Stock Control

Opinion: Insufficient

Medway Council operates a number of bars across its leisure and culture sites. Differences have previously been identified at three locations in approach to stock control. The objective of this audit was to identify whether savings and efficiencies could be made through improving procurement practices, stock rotation and control.

The audit reviewed bar stock control arrangements at the Corn Exchange, Central and Brook Theatres, the Stirling Centre and Deangate Ridge.

Main Findings	Main Risk	Main Recommendations	Management Response
<p>The Leisure Centres have now combined their purchasing power by having common suppliers, who can provide a better and cheaper service. Potential savings are available if there were a similar review at the Theatres.</p> <p>The stock is well looked after at all venues and physical security of the stock is appropriate at all sites except Deangate Ridge, where the CCTV system should be reinstated.</p> <p>Although there are monthly stock checks at each site these do not provide all the information management need as the external stock valuer does not receive all invoices and delivery notes. At the Brook Theatre this is made worse by sporadic banking of vending machine income which creates month on month reported surpluses / losses of several</p>	<p>Theatre bar stock purchases may not be value for money.</p> <p>Theft may not be deterred.</p> <p>Theft or high wastage may not be identified.</p>	<p>One High and one medium priority recommendation identified improvements to the stock audit process.</p> <p>Eight other medium priority recommendations were made to address the following issues issues:</p> <ul style="list-style-type: none"> • Two recommendations to improve value for money achieved in purchasing. • Four recommendations to increase gross margins. • One recommendation to improve stock range / turnover. • One recommendation to deter theft at one site. 	<p>Theatres management agreed all recommendations. Leisure management did not agree to one medium priority recommendation as they felt the income and expenditure budget gives an overall gross margin target.</p> <p>Work to implement all recommendations will start by October 2010 but liaison with the theatres benchmarking group may not be complete until April 2011.</p> <p><u>Audit comment:</u> <i>Without calculation of the gross margin target as a percentage it is difficult to know if the sales price for each line has been set appropriately.</i></p>

Completed Audit Activity

Main Findings	Main Risk	Main Recommendations	Management Response
<p>hundred pounds.</p> <p>The stock turnover is significantly better at Deangate Ridge than the other venues, but it is not possible to identify definite improvements without target turnover ratios that take into account the special requirements of each site. Each site has a stock range that is tailored to its needs. The Corn Exchange has the widest range as each event is unique needs a different range of stock.</p> <p>Each site has an overall income target that has not been translated into a gross margin % target so set prices on an item by item basis. They take account of the local competition from pubs but are unable to monitor if the overall targets for the venue are being achieved. Additionally, sales prices at Theatres are not raised in line with costs.</p>	<p>Investment in stock may not be optimised.</p> <p>Gross profit margins may be too low to achieve the income targets.</p>		

Completed Audit Activity

Audit: Concessionary fares

Opinion: Satisfactory

The Concessionary Bus Travel Act 2007 amended the statutory responsibility placed on local authorities to provide travel concessions to people aged 60 and above and those with certain disabilities, most notably to enable free travel anywhere in England between certain hours and changing local authorities' responsibility for reimbursing operators for journey costs from those incurred against passes it has issued to all journeys made by pass holders beginning in an authority's area. Medway has approximately 37,000 'older persons' passes in circulation, plus around 120 'companion' passes (which are issued on payment of a nominal fee). In addition, Medway also offers half-price bus fares to students in full time education, on payment of a nominal fee – there are currently approximately 1,300 'young persons' passes.

Administration of the concessionary fares schemes and reimbursements to operators totalled just over £3.9 million in 2009/10. Some of the cost of the national 'older persons' scheme is offset by various funding streams from central government, but the 'young persons' scheme is an entirely discretionary activity so Medway bears the cost. Income from issue of 'young persons', 'companion' and replacement passes totalled £15,082 in 2009/10.

Three risks relating to Concessionary Fares were examined:

- Passes may be issued to persons who do not meet the qualifying criteria;
- Income due on issue of young persons, companion or replacement passes may not be received;
- Passes may be used by persons who do not meet the qualifying criteria.

(It was also intended to review a fourth risk, that reimbursement of operators' costs may not reflect accurately the cost of journeys commenced in Medway using older/disabled persons' passes or half the cost of journeys by holders of student passes. However, both schemes are administered by an external consultant and delays were encountered arranging a visit to evaluate their procedures – it is now proposed to conduct a separate audit during 2010/11.)

Main Findings	Main Risk	Main Recommendations	Management Response
<p>Overall, appropriate controls to mitigate the risks identified were found to be in place and operating effectively.</p> <p>However, a number of relatively minor anomalies were identified:</p> <ul style="list-style-type: none"> • No application form could be located for 1 of a sample of 20 orders for new 'older persons' passes and no proof of eligibility had been retained for 1 of the 5 	<p>The Council may incur costs for journeys made by people who are not eligible for older or disabled persons' passes.</p>	<p>5 medium priority recommendations, relating to:</p> <ul style="list-style-type: none"> • retaining evidence of application and proof of eligibility; • retaining evidence of payment with applications incurring a charge; • investigating the remaining NFI matches and ensuring data from similar exercises in future 	<p>Three of the medium priority recommendations were accepted by management, and will be implemented by the end of July 2010.</p> <p>The recommendation relating to banking income directly was not accepted, on the grounds that the amounts involved are small and the risk of loss is outweighed by potentially needing to process</p>

Completed Audit Activity

Main Findings	Main Risk	Main Recommendations	Management Response
<p>disabled applicants selected.</p> <ul style="list-style-type: none"> • No receipts could be located for 3 of a sample of 20 (apparently) chargeable card issues selected. • Although 70 'actual' matches resulting from the NFI exercise had been notified to the Finance Support Manager on 2.7.09, 22 of these had not been investigated as at 7.6.10. • Cheques received by cashiers for 'young persons' passes are forwarded to the Student Services Operations Team with the application and subsequently returned to the cashiers for receipting and banking. • No reconciliation carried out between the total of 'young persons' passes issued and income received. 	<p>Income due to the Council may not have been received and/or recorded accurately.</p> <p>Passes held by people who are no longer eligible may continue to be used, potentially incurring additional costs to the Council.</p> <p>Income not recorded or banked promptly.</p> <p>Payment may not be received for all passes issued.</p>	<p>is acted upon promptly;</p> <ul style="list-style-type: none"> • receipting and banking income received directly by cashiers; • reconciling the total of 'young persons' passes issued against income received by cashiers. <p>An additional 5 low priority recommendations also made to address less significant issues identified.</p>	<p>refunds if applicants are found to be ineligible.</p> <p>The recommendation that Student services should reconcile 'young persons' passes issued against income received was rejected on the grounds that Transport Procurement hold the budget.</p> <p>Although this fails to address the risk identified, the amount of income per pass is not significant.</p>

Completed Audit Activity

Audit: Contact Point

Opinion: Good

The Department for Children, Schools and Families has introduced a national children's database, ContactPoint. Medway Council is responsible for the administration of the scheme in its area. The DCSF have specified organisational accreditation criteria to ensure that the use of data held on the ContactPoint database is properly controlled and kept secure. As part of the accreditation process, Medway Council's Audit Services Manager needs to provide the Chief Executive with assurance that management controls in relation to ContactPoint are effective.

The audit was completed prior to the announcement by the Coalition Government that ContactPoint database was to be cancelled.

Main Findings	Main Risk	Main Recommendations	Management Response
<p>The DCSF's stringent ICT security requirements are laid out in the "Partner, Workstation and Infrastructure Security" document. The Authority's ICT security policies ensure compliance with the technical requirements in its operation of ContactPoint. The Authority has processes in place to ensure users take responsibility for their use of the system and to allow practitioners to access records when away from the office. A small enhancement has been identified in the token management process.</p> <p>It is in some children's or their parent(s)' interest to have some of their details "shielded" on ContactPoint. Appropriate procedures have been developed for these records.</p>	<p>Tokens missing from storage may not be identified.</p>	<p>Two medium priority recommendations were made to address the issues raised:</p> <ul style="list-style-type: none"> • Periodic stocktakes of ContactPoint tokens. • Capturing data to demonstrate quantifiable benefits for children (e.g. children helped back into education or faster delivery of service(s) to children). 	<p>Management agreed to implement both recommendations by the end of September 2010.</p>

Completed Audit Activity

Main Findings	Main Risk	Main Recommendations	Management Response
<p>The ContactPoint system includes a good set of reporting tools. Medway Council uses these effectively in order to identify and correct inaccurate data. Currently there is no data transfer from Medway Council into ContactPoint. Work is underway to ensure the integrity of this data when it is transferred.</p> <p>The Authority is completing the initial baseline survey in accordance with the DCSF guidelines. This will enable it to gain a good understanding of the benefits ContactPoint is providing practitioners and how practitioners feel the system is benefiting children. Capturing data on help provided to individual children could help to demonstrate the benefits of the system.</p>	<p>The Authority may not be able to demonstrate the positive impact ContactPoint is having on children's lives.</p>		

Completed Audit Activity

Audit: Corn Exchange – Financial procedures

Opinion: Uncontrolled

The Corn Exchange is a historic venue in the heart of Rochester, being available for various uses including conferences, civil marriages and social events. The venue offers bar and catering facilities and its expenditure and income budgets for 2009/10 are £397,366 and £315,485 respectively.

Management of the venue became the responsibility of the Head of Festivals, Arts and Theatres in autumn 2008. Revised operating procedures, aligned with those used in theatres, were implemented at the site during October 2009, management stating that this had taken longer than anticipated due to staffing, restructuring and financial issues/arrangements that were only finalised in September 2009. Audit testing was based on transactions performed during the period prior to implementation of these revised procedures, so findings do not necessarily reflect the current situation.

Four risks relating to compliance with the Medway Council financial rules were examined:

- Budget monitoring may be ineffective;
- Expenditure may be unauthorised, inappropriate or represent poor value for money;
- Income due may not be collected, retained securely or banked promptly;
- Assets may not be managed appropriately.

Main Findings	Main Risk	Main Recommendations	Management Response
<p>Budget monitoring spreadsheets were completed monthly, but coding errors had not been corrected promptly, purchase orders were raised retrospectively and the local income record reflected only payments received rather than expected income. Webreq orders were raised retrospectively and official orders were not used for other purchases. Invoices were endorsed to indicate that goods were received and prices correct, but delivery notes were not retained consistently.</p>	<ul style="list-style-type: none"> • forecast expenditure and income may be inaccurate; • supplied goods/services may not be appropriate and/or in accordance with ordered items and prices, or be for business use; 	<p>12 high priority recommendations, relating primarily to:</p> <ul style="list-style-type: none"> • raising Webreq or purchase orders immediately goods are ordered; • retaining evidence of checks against delivery notes and orders (where applicable) prior to approving invoices for payment; • confirming accuracy of fees charged, with formal approval of bookings at reduced rates/or no charge; • ensuring that daily income is recorded accurately, clearly 	<p>Management advised that the majority of actions recommended, or an appropriate alternative, had been fully or partially implemented by the time the final report was issued; 7 outstanding actions will be implemented by the end of September 2010 at the latest. However, 2 recommendations were not accepted, these relating to:</p> <ul style="list-style-type: none"> • the budget manager’s failure to formally accept the budget allocated, due to reservations about its achievability; • income received not being

Completed Audit Activity

Main Findings	Main Risk	Main Recommendations	Management Response
<p>Booking forms and local records for room hire did not capture sufficient details (eg day, time and duration of function) to confirm that charges correct. Duties between billing, income collection and debt chasing were not separated.</p> <p>Although arrangements had been made for income to be collected from the venue under the cash collection contract, staff had been taking income to the Brook Theatre for collection from that location, but no handover procedures were in place.</p> <p>Cash variances on bar income are not monitored for trends and an overall shortage of £967 was incurred between April and September 2009.</p> <p>The asset register includes items in storage for the Events Team, but items removed/replaced were not monitored and the register not updated accordingly. Procedures for adding new purchases and deleting disposals had not been established. Assets had not been security marked to identify them as the Council's property.</p>	<ul style="list-style-type: none"> • all income due may not be received; • charges for room hire may be inaccurate; • all income collected may not be accounted for and may not be banked; • accountability for loss of income may not be established and the amount may be in excess of insurer's cash holding/carrying limits; • significant banking shortages may not be reported and trends not identified; • loss or theft of equipment may not be identified; • inability to support insurance claims for any stolen equipment; • Items recovered by Police in the event of theft are less likely to be identified as the Council's property. 	<p>and not combined with theatre income;</p> <ul style="list-style-type: none"> • ensuring that daily takings are banked intact, collected by CSS directly from the site and coded to the Corn Exchange income code; • establishing a threshold for variances to be reported to management, with these investigated and recorded so that trends can be monitored; • issuing sequentially numbered receipts for hire income received; • raising invoices for corporate clients via sales ledger and investigate the feasibility of using the 'Artifax' events booking system to invoice private clients; • introducing procedures for escalating recovery action and writing off irrecoverable debts, with action taken to identify unpaid amounts, recover outstanding balances and write off any debts considered unrecoverable. <p>An additional 9 medium and 1 low priority recommendations also made, relating primarily to:</p> <ul style="list-style-type: none"> • budget monitoring and forecasting expenditure and 	<p>collected directly from the site by the cash collection contractor.</p>

Completed Audit Activity

Main Findings	Main Risk	Main Recommendations	Management Response
		income; • correct identification and recording of VAT on income received; • raising invoices for corporate clients promptly after functions; • recording and security of assets.	

Completed Audit Activity

Audit: Corporate Governance

Opinion: Satisfactory

Corporate governance is a key issue for all local authorities, and impacts on the Annual Governance Statement. 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 2009/10 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>A Local Area Agreement is in place, setting out targets agreed by government to improve the quality of life for all Medway residents. This will be delivered by the Local Strategic Partnership, partnership governance arrangements having been approved by the LSP Board.</p> <p>Codes of conduct for both Members and employees form part of the Constitution. However, progress reports on, and outcomes of, local investigations</p>	<p>The Standards Committee may be perceived as failing to discharge its role effectively.</p>	<p>Two medium priority recommendations made, these relating to providing:</p> <ul style="list-style-type: none"> ▪ the Standards Committee with periodic updates on progress on local investigations into complaints of breaches of the member code of conduct and reporting the outcomes of investigations as quickly as possible. ▪ training on the role and responsibilities of audit committees to be provided to two current Audit Committee members who have not received it previously and potential substitutes from the Labour and Lib Dem groups. 	<p>Management agreed to implement both recommendations by the end of September 2010.</p>

Completed Audit Activity

Main Findings	Main Risk	Main Recommendations	Management Response
<p>into complaints of potential breaches of the member code of conduct have not been reported to the Standards Committee promptly. This delay is due to the time taken for the investigation to be completed.</p> <p>As the new chairman had not attended the training provided to audit committee members, he was provided with a high-level briefing on the role and responsibilities of the committee and chairmanship. In addition, as only one member of the Labour and LibDem groups have received training they do not have any members qualified to act as substitutes, but it is noted that none were required during 2009/10.</p> <p>Member training needs are determined by the Member Development Advisory Group and through the 1:1 process.</p>	<p>The Audit Committee may be unable to fulfil its role effectively.</p>		

Completed Audit Activity

Audit: Prevention of fraud and corruption

Opinion: Insufficient

Prevention of fraud and corruption forms an intrinsic component of corporate governance, and thus impacts on local authorities’ annual governance statement – as a result, Internal Audit carries out an annual review of the Council’s counter fraud and corruption arrangements. Fraud can be defined as “the intentional distortion of financial statements or other records …, carried out to conceal the misappropriation of assets (or otherwise) for gain” and corruption as “the offering, giving, soliciting or acceptance of an inducement or reward which may influence the action of any person”.

The audit was based on relevant sections of the Audit Commission’s Key Lines of Enquiry (KLoE) for demonstrating a strong ethical framework and culture and effective counter fraud and corruption arrangements. Two key risks were examined:

- The Council may fail to take sufficient measures to promote a strong ethical framework and culture;
- The Council may fail to maintain effective arrangements to counter the risk of fraud and corruption.

Main Findings	Main Risk	Main Recommendations	Management Response
<p>Many of the facets of an ethical framework are in place, but the Council fails to meet several of the KLoE expectations, in particular:</p> <ul style="list-style-type: none"> • no declarations of employee interests held for the two directorates, only two for BSD; • the 2009 register of gifts and hospitality for one directorate was not reviewed by the director; • registers of gifts and hospitality indicate that the general culture continues to be acceptance of gifts on the grounds that ‘refusal would offend’ and hospitality as considered necessary to ‘maintain relationship with supplier or contractor’. 	<p>The Council may be unable to demonstrate that a strong ethical culture exists - even where gifts accepted are donated to the mayor’s charity the current/ potential supplier/contractor making the gift will not be aware of this, so their perception remains unchanged.</p>	<p>2 high priority recommendations, relating to:</p> <ul style="list-style-type: none"> • reviewing, and revising if necessary, current guidance on declarations of employee business interests and acceptance of gifts/ hospitality; • developing appropriate procedures to ensure that the Council can comply with money laundering and terrorist financing legislation. <p>An additional 2 medium priority recommendations also made, relating primarily to:</p> <ul style="list-style-type: none"> • advising partners in the Local Strategic Partnership that they are expected to comply with Medway’s anti-fraud and corruption policy; • ensuring that application forms 	<p>Management advised that the majority of actions recommended, or an appropriate alternative, will be implemented by the end of September 2010 at the latest.</p>

Completed Audit Activity

Main Findings	Main Risk	Main Recommendations	Management Response
<p>Many of the arrangements expected to counter the risk of fraud and corruption are also in place, but the Council is unable to demonstrate that it meets a number of them, primarily:</p> <ul style="list-style-type: none"> • the term 'partner' does not appear in the anti-fraud and corruption policy and there is no reference to the words 'fraud' or 'corruption' in the governance arrangements for the Local Strategic Partnership; • notification to the public that their personal data may be shared to prevent/detect fraud is not prominent on the Medway website and is not mentioned on several of the Council's application documents; • the Council's anti-fraud and corruption policy makes no reference to money laundering and terrorist financing and there is a lack of clarity over who is the nominated Money Laundering Reporting Officer. 	<p>The Council is unable to demonstrate that its counter fraud and corruption arrangements extend to, and include, partnerships, as expected by the KLoE. Partners may not share the Council's expectations.</p> <p>Members of the public may be unaware that their personal data may be shared for the purpose of preventing and detecting fraud, with potential claims of breach of data protection legislation.</p> <p>Failure to comply with money laundering and terrorist financing legislation, leading to potential litigation and/or adverse publicity.</p>	<p>for benefits and housing and tenancy agreements contain a fair processing notice that is compliant with Audit Commission guidance.</p>	

Completed Audit Activity

Audit: Council Plan Monitoring

Opinion: Satisfactory

The Council Plan 2009-12 is the Authority's high level, strategic business plan that sets out the Council's priorities, outcomes and key actions over a three-year period. It forms an essential part of the Council's performance management framework, setting out the outcomes against which progress will be regularly measured over the coming years.

This audit examined the accuracy of five Council Plan performance measures. The indicators and individual opinions are shown below:

NI 67	Child protection reviews	Good
NI 88	Percentage of schools providing access to extended services	Insufficient
NI 135	Carers receiving needs assessment or review and specific carer's service, or advice and information (Adult social care)	Satisfactory
NI 157	Planning applications completed to timescale	Good
NI 198	Children travelling to school - mode of transport usually used	Good

Two of these indicators (NI 67 and NI 157) are reported monthly. Three indicators (NI 88, NI 135 and NI 198) are annual indicators.

Main Findings	Main Risk	Main Recommendations	Management Response
<p>Definitions for each indicator tested are recorded on Covalent. The responsible officers understood the definitions for the indicators, including pertinent inclusions, exclusions and cut-off dates.</p> <p>For all indicators tested, the methodology adopted is sound but is not documented formally. We confirmed the calculations followed the prescribed methodologies for all indicators tested.</p>	<p>Without formal documentation there is a risk of inconsistency in reporting indicators, especially those like NI 135 where several steps are taken to obtain the final figure.</p>	<p>One medium priority recommendations was made to improve documentation of methodologies across the Authority.</p> <p>In addition, one high priority recommendation was made to support the figures reported for NI 88.</p>	<p>Management agreed to implement recommendations by the end of April 2010.</p>

Completed Audit Activity

Main Findings	Main Risk	Main Recommendations	Management Response
<p>There are systems in place to capture and ensure the quality of data for each indicator.</p> <p>The information recorded in the Covalent performance management system was accurate for four of the indicators. NI 88 is an annual indicator, but ongoing performance is reported monthly. Records had not been retained to support the indicators reported each month.</p>	<p>The Council's performance may not be understood properly. For NI 88, this risk has minimal impact for the statutory annual reporting, but is more significant monthly progress monitoring.</p>		

Completed Audit Activity

Audit: Council Tax

Opinion: Good

This is an annual audit, undertaken on behalf of the council’s external auditors. The objective of this audit was to provide an opinion on management arrangements to mitigate the risks that:

- Property data may be incomplete, inaccurate or not updated promptly;
- Rates chargeable (ie bandings) may not be billed accurately or in a timely manner;
- All income received may not be accounted for accurately and promptly;
- Arrears may not be calculated accurately or recovered effectively;
- Income due and received may not appear in the main financial records accurately or promptly.

Main Findings	Main Risk	Main Recommendations	Management Response
<p>Access to the system is password protected and restricted to authorised officers only. Arrangements ensure regular liaison with the Valuation Office Agency and the IWorld system is promptly, regularly and accurately updated.</p> <p>Arrangements ensure consistency of property bandings with the VOA and there is compliance with controls relating to discounts and reductions. Reviews are also regularly undertaken although not always supported by the required documents. IWorld calculates charges to reduce risks of errors. Bills are also dispatched in time.</p> <p>Income collected is easily identified and daily electronic interfacing between Radius, IWorld and Integra ensure prompt</p>	<p>Management may not always be certain that review visits had actually been made.</p>	<p>Two recommendations were made, relating to evidencing property inspections and finalising/formalising debt write-off authorisation levels.</p>	<p>Management agreed to and have implemented all the recommendations except one which will need to be the subject of a Diversity Impact Assessment which also requires committee approval. This will be completed by December 2010.</p>

Completed Audit Activity

Main Findings	Main Risk	Main Recommendations	Management Response
<p>allocation to the correct account and promptly reflected in the Council's financial records. Regular reconciliations of the key systems are undertaken and items held in suspense checked and clearly weekly.</p> <p>Accounts in arrears are regularly extracted from the system and recovery action is promptly undertaken. The current corporate debt policy is, however, only in draft and does not specify the officer responsible for approving arrears to be written off or the authorisation process.</p>	<p>Officers may fail to comply with senior management instructions due to lack of knowledge on how to deal with writing off unrecoverable debts.</p>		

Completed Audit Activity

Audit: Financial control self-assessment in primary schools (tranche 3) **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 third of these consisting of 17 primary, junior and infant schools which were scheduled to meet FMSiS by 31st March 2010.

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 3 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 2009 and February 2010. However, although issue of the audit report was delayed until mid-June to allow schools more time, completed questionnaires have been received from only 10 of them, with another school having not yet submitted the final two modules.

We understand that only one of the schools has engaged a DCSF-accredited external assessor, the remainder 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 FCSA questionnaires received and providing feedback to Finance staff to contribute towards their 'light touch' FMSiS assessment where appropriate. No control weaknesses that would individually prevent schools from meeting the FMSiS standard were identified, but it should be emphasised that schools have not been visited to verify the accuracy of their responses

There is, however, some concern that six schools in this group (35%) do not appear to have yet completed all the necessary steps to provide evidence that they meet FMSiS, which they should have achieved by the end of March 2010.

Completed Audit Activity**Audit:** Financial control self-assessment in secondary schools**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), all secondary schools were scheduled to meet FMSiS by 31st March 2007. On the basis that FMSiS accreditation needs to be renewed every three years, it was anticipated that Medway's schools would need to apply for re-accreditation in 2010 - however, we are aware that only six of them met the initial target so the remainder are not due to re-apply this year.

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.

Regardless of whether FMSiS re-assessment is due, the 17 secondary schools were required to complete the eight modules 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 2009 and February 2010. However, although issue of this report has been delayed to allow schools more time, completed questionnaires have been received from only six of them, though a further two schools submitted only three of the eight modules.

We have not been advised as to how many secondary schools (requiring initial or re-assessment) have opted for the 'light touch' approach rather than engaging a DCSF-accredited external assessor. The former 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. Regardless of this, we have reviewed the FCSA questionnaires received and provided feedback to Finance staff to contribute towards any 'light touch' assessment required. No control weaknesses that would individually prevent schools from meeting the FMSiS standard were identified, but it should be emphasised that schools have not been visited to verify the accuracy of their responses.

We are, however, concerned that 65% of Medway's secondary schools failed to submit completed FCSA questionnaires for all eight modules.

Completed Audit Activity

Audit: Housing benefits

Opinion: Satisfactory

The external auditors have a statutory duty to examine the Council’s key financial systems annually and, to assist in this process, Internal Audit has been asked to carry out an audit of key controls within these systems. Benefits payments totalling £104.6 million were processed in 2009/2010.

Five risks relating to benefits payments were examined:

- Claims for benefits may not be valid and/or assessed promptly;
- Benefits payments may not be calculated or paid accurately, to the correct recipient;
- Change of circumstances notifications may not be actioned accurately and/or promptly;
- Overpayments may not be identified, or may not be recovered in an appropriate manner;
- Benefits payments may not appear in the main financial records accurately or promptly.

Main Findings	Main Risk	Main Recommendations	Management Response
<p>Appropriate controls to minimise risks were found to be in place and, generally, operating effectively. However, the following issues were identified:</p> <ul style="list-style-type: none"> • No follow up action had been taken for two of a sample of 10 aged debts and no recent action had been taken on a further five; • The proportion of new claims and changes of circumstance checked to January 2010 was above the target specified, but was being calculated against the population at November; • No Interim Award reports produced between April and October 2009; • 3 debts apparently recommended for write-off over a year ago not yet actioned, 	<p>Benefit overpayments may not be recovered.</p> <p>Performance against target is not reflected accurately and insufficient claims may be checked.</p> <p>Potential overpayments due to long-running interim awards.</p> <p>Benefit write-off levels understated as there is very little</p>	<p>One high priority recommendation, relating to improving recovery action on overpayments. An additional three medium priority recommendations also made, relating to:</p> <ul style="list-style-type: none"> • accurately calculating performance against target for claims checked; • checking claims subject to interim awards at least monthly • identifying overpayments where recovery action proving ineffective in a timely manner and taking write-off action promptly. 	<p>All actions recommended, or an appropriate alternative, accepted by management for immediate implementation.</p>

Completed Audit Activity

Main Findings	Main Risk	Main Recommendations	Management Response
some long-standing overpayments with no recent recovery action.	chance of recovering such overpayments.		

Completed Audit Activity

Audit: Housing Repairs Contract Management

Opinion: Insufficient

All the Authority’s procurement is subject to an overall duty to secure value for money but the council’s financial and contract rules set out specific operational requirements to ensure goods, services and works are procured at competitive rates; and applied arrangements protect the council’s interests. These requirements vary according to the values involved but basically require that at least 3 quotations are obtained for all purchases over £15,000; and over £100,000 a formal tendering process, or alternative means of procurement set out in the contract rules, is applied. An audit of housing procurement was carried out in 2007/08, our overall opinion being that control was unsatisfactory.

Four risks were reviewed to determine the effectiveness of controls:

- Value for money may not being obtained for works, services and goods procured.
- Works, goods and services may not be good quality.
- Works, services and goods may not be completed on time.
- Budget monitoring may be ineffective.

Main Findings	Main Risk	Main Recommendations	Management Response
<p>The procurement process was followed and an experienced project manager was recruited in 2009/10 to ensure that value for money is obtained for the works, services and goods procured for the Decent Homes Standard (capital works-planned).</p> <p>Mears are the main contractor for reactive repairs but they cannot carry out all the work. A list of specialist contractors is maintained for these jobs but no formal process was followed in putting this list together.</p> <p>Orders for all works are raised on Academy at an agreed price, but</p>	<p>The Authority cannot demonstrate value for money when its main contractor is unable to perform the work.</p> <p>Variation orders may not be authorised appropriately.</p>	<p>11 medium priority recommendations were made, these relating to;</p> <ul style="list-style-type: none"> • Standardising tender procedures. • VFM process to be followed for work that Mears cannot perform. • Informal risk assessment should be carried out at the start of the procurement process, between £15,000 and £100,000. • Works done by specialist contractors should be subject to quality inspection prior to payment of invoices. 	<p>Housing have implemented changes as part of their restructure programme and because of this 4 out of the 11 recommendations were implemented prior to the issue of the draft report and 1 of these actions need to be further strengthened which management have agreed to do by 30th April 2010.</p> <p>Recommendations to mitigate the remaining risks were agreed and will be implemented by June 2010.</p>

Completed Audit Activity

Main Findings	Main Risk	Main Recommendations	Management Response
<p>are subject to variation orders arising from site discoveries. Testing showed that 5 out of 20 variation orders were not authorised appropriately.</p> <p>Failed work for the Decent Homes Standard (capital works-planned) can be identified and feedback of work is obtained from the tenants. The defects period ensures work, goods and services are good quality and problems will be raised at the contract meeting. The effectiveness of this process was not tested as the contract had only been let.</p> <p>For the HRA capital works programme there are good procedures in place to identify failed repairs and customer satisfaction surveys identify concerns that customers have but these are not used for works done by specialist contractors. Although the results to the customer satisfaction surveys feed in to the monthly performance matters, we identified concerns that significant numbers of customers have raised (e.g. arranging/keeping appointments, rudeness, failure to clean up after jobs) but there was</p>	<p>Dissatisfied customers/tenants.</p> <p>There is no assurance that work done by specialist contractors is to a satisfactory standard.</p>	<ul style="list-style-type: none"> • Reflecting concerns that tenants have raised in the minutes of meeting. • Work completed by specialist contractors to be subject to quality control inspection and concerns to be reported back to the specialist contractor. • The list of outstanding jobs should be reduced. • Overspends should be justified as part of the monthly budget monitoring process. • Monitoring of variances between estimate and actual price of work. 	

Completed Audit Activity

Main Findings	Main Risk	Main Recommendations	Management Response
<p>no evidence that these were raised with the contractor.</p> <p>For the Decent Homes Standard (Capital works-planned) Mears are paid for the total work and not the days taken for the job to be completed, work is planned for 9 months giving a contingency of 2 months. There is however monitoring of the completion days and concerns can be raised in the customer satisfaction forms.</p> <p>For the HRA capital works programme target completion times are specified for each job but there have been significant numbers of outstanding jobs (i.e. 1860 outstanding jobs on 29/06/09). Management should be commended on the work done to reduce this to 93 by the end of November 2009 but we are concerned that since then the number of outstanding jobs had risen to 273 by the end of January 2010. Tenants may face unreasonable delays in the completion of repairs.</p> <p>There is continuous monitoring of the capital works and the PM highlight report(s) includes a</p>	<p>The council do not know how long tenants are waiting to complete non-urgent jobs and may not be meeting its obligations to tenants.</p> <p>Housing not providing an effective or efficient service to tenants.</p>		

Completed Audit Activity

Main Findings	Main Risk	Main Recommendations	Management Response
<p>section dedicated to finance.</p> <p>Weekly budget monitoring spreadsheets were introduced for the HRA capital works and action has been taken for significant overspends on void properties. A number of overspends have been identified for sheltered housing without explanation other than the works are reactive. Additionally, variances between estimates and actual price of work are not monitored.</p>	<p>Overspends may not be justified.</p> <p>Costs of jobs may not be controlled.</p>		

Completed Audit Activity

Audit: Housing Rents

Opinion: Insufficient

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 last audit of Housing Rents was carried out in 2008/09, our overall opinion being that control was “Satisfactory”.

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
<p>There are generally sound controls over the set up of recurring charges and system parameters on the Academy system, but there are lapses in some of the checking processes that occurred when a key post became vacant. The system is also exposed to risks arising from weaknesses in access controls.</p> <p>Tenant rent accounts are automatically updated with regular charges every two weeks. Other adjustments are authorised appropriately and subject to independent verification. Appropriate information is sent to tenants.</p> <p>Automatic processes ensure credits are applied correctly to tenant accounts is current and</p>	<p>Errors in rent or service account charges may not be identified.</p> <p>Staff may have inappropriate access to the Housing system (Academy).</p>	<p>2 high priority recommendations were made, these relating to:</p> <ul style="list-style-type: none"> ▪ Independent verification checks of start and termination dates on Academy to source documents. ▪ Production of write -off lists, independent verification of system input. <p>8 medium priority recommendations were made, these relating to;</p> <ul style="list-style-type: none"> • Independent review of charges loaded on Academy. • Review of Academy access rights. • Improving Supporting People and Refund reconciliations. • Pursuit of former tenants’ arrears, sub account and garage debt. 	<p>All recommendations, were accepted, with a completion date of June 2010 at the latest (with the exception of review of Academy user profiles due to current restructuring and will start with housing repairs authorisation limits (which are in a test phase on a new Academy module) and will therefore be ongoing.</p>

Completed Audit Activity

Main Findings	Main Risk	Main Recommendations	Management Response
<p>correct. Where necessary refunds are issued after appropriate management authorisation.</p> <p>Each of these processes is subject to reconciliation by the Housing Finance Officer and review by the Neighbourhood Housing & Tenancy Service Manager. Whilst cash receipt and Housing Benefit reconciliations had been completed regularly, the Supporting People income reconciliation was infrequent and the refund reconciliation contained an error. Neither is in a format that facilitates management review.</p> <p>There are appropriate arrangements for the pursuit of debt, with automated reminders of overdue debt being sent periodically to tenants and each Neighbourhood Housing Officer having responsibility for debt on their patch. They are aided in targeting recovery action by regular reports on debt. Action taken is subject to appropriate management review.</p> <p>Although the system allows suppression of automatic reminders; management have not</p>	<p>Errors may not be identified.</p> <p>Suppressed actions and relevant trends may not be identified</p>	<ul style="list-style-type: none"> Management review of suppressed arrears actions. 	

Completed Audit Activity

Main Findings	Main Risk	Main Recommendations	Management Response
<p>reviewed the use of this facility consistently this year.</p> <p>Whilst there are appropriate processes for the write-off of unrecoverable debt, they stopped being used when a key post became vacant.</p>	<p>Unrecoverable debt may not be identified.</p>		

Completed Audit Activity

Audit: NNDR

Opinion: Good

This is an annual audit, undertaken on behalf of the council’s external auditors. The objective of this audit was to provide an opinion on management arrangements to mitigate the risks that:

- Property data may be incomplete, inaccurate or not updated promptly;
- Rates chargeable may not be billed accurately or in a timely manner;
- All income received may not be accounted for accurately and promptly;
- Arrears may not be calculated accurately or recovered effectively;
- Income due and received may not appear in the main financial records accurately or promptly.

Main Findings	Main Risk	Main Recommendations	Management Response
<p>Access to the system is password protected and restricted to authorised officers only. Arrangements ensure regular liaison with the Valuation Office Agency and the IWorld system is promptly, regularly and accurately updated.</p> <p>Controls relating to empty property discounts and relief for small businesses (SBR) are in place but not always complied with. No review of continued eligibility for SBR has been undertaken, as there has been no obligation to do so since 2007. IWorld ascertains accuracy of the charges and annual bills were also found to be dispatched in time.</p> <p>Income collected is easily identified and daily electronic interfacing between Radius,</p>	<p>Some commercial properties may have been billed incorrectly or receiving the discount/SBR in error.</p>	<p>One low priority recommendation made regarding validating eligibility for discounts.</p>	<p>Management have agreed to implement all recommendations by June 2010.</p>

Completed Audit Activity

Main Findings	Main Risk	Main Recommendations	Management Response
<p>IWorld and Integra ensures prompt allocation to the correct account and the Council's financial records. Regular reconciliations of these systems are undertaken and items held in suspense checked and clearly weekly.</p> <p>Accounts in arrears are regularly extracted from the system and recovery action is promptly undertaken – with additional focus on higher valued arrears.</p>			

Completed Audit Activity

Audit: Rainham Mark Grammar School – financial controls

Opinions: Separate opinions given for each of the 8 FCSA modules:
 Good Banking, Petty cash and Taxation
 Satisfactory Financial management and Payroll
 Insufficient Purchasing, Income, Asset & information management

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. Medway's Finance Manual for Schools, which is available on the school forums section of the Council's website, sets out the control framework with which schools are expected to comply in order to achieve and demonstrate effective financial control.

The CFO obtains assurance on the effectiveness of financial controls through schools undertaking financial control self-assessment (FCSA), with subsequent internal audit review, but this audit of financial controls was carried out due to a number of apparent concerns over the effectiveness of controls, relating particularly to financial management, payroll and asset management, being identified when the school was last audited in 2007.

Main Findings	Main Risk	Main Recommendations	Management Response
<p>In general, controls are in place and operating effectively, but exceptions identified included:</p> <ul style="list-style-type: none"> ▪ Reports from Medway's financial system are reconciled against the school's own financial records only once a year; ▪ Costs of supply teaching and staff training courses are not recorded at the point of commitment; ▪ Orders are not consistently raised for goods and services procured and orders covering quotes do not specify description and prices; ▪ Delivery notes (where retained) rarely show evidence 	<p>Financial records held by the school and Medway may not agree and variances may remain undetected.</p> <p>The budget may become overspent.</p> <p>Inaccurate charges may not be identified or challenged.</p> <p>Payment may be made for goods/ services that have not been</p>	<p>7 high priority recommendations, relating to:</p> <ul style="list-style-type: none"> ▪ raising purchase orders at the point expenditure is committed; ▪ ensuring that evidence of receipt of goods is obtained before passing invoices for payment; ▪ issuing receipts for letting deposits received; ▪ independent verification of Z readings for catering income, monitoring sequential production and differences between recorded and banked income; ▪ updating the asset register, verifying its accuracy and maintaining it as current; 	<p>All recommendations were accepted by school management, with an undertaking to implement all recommended actions. The majority of actions will be completed by the end of Term 6 and the remaining recommendation by December 2010.</p>

Completed Audit Activity

Main Findings	Main Risk	Main Recommendations	Management Response
<p>of deliveries being checked and are not matched to orders and invoices to support payment;</p> <ul style="list-style-type: none"> ▪ Specified rates for facilities hire are not applied to regular users and/or 'special arrangement' clients; ▪ The bookings record is incomplete, and not checked by an independent person to confirm all bookings are invoiced and at the appropriate rate; ▪ Receipts are not issued for rental deposits received; ▪ Z readings for catering income are not checked by an independent person to ensure they are produced sequentially, that recorded and banked income agrees and that differences are identified and monitored formally; ▪ The general asset register is not up to date, ie obsolete items are not removed, asset details and value are not consistently shown and IT equipment (for which a separate record is held) is also included; ▪ The last asset check, performed in December 2009, covered only a very small sample of assets. 	<p>received and/or inaccurate charges may be paid.</p> <p>Loss of income through inaccurate or inappropriate rates being charged.</p> <p>Charges may not be raised for all income due.</p> <p>All income received may not be accounted for.</p> <p>Ownership of assets cannot be proven in the event of an insurance claim arising from theft or fire/flood and it may not be possible to recover the value of items lost or stolen.</p> <p>Loss or theft of assets may not be identified.</p>	<ul style="list-style-type: none"> ▪ recording purchase date and cost of all assets; ▪ completing a full check of assets on an annual basis. <p>An additional 4 medium priority recommendations, relating to:</p> <ul style="list-style-type: none"> ▪ reconciling the school's financial records to the Council's records monthly; ▪ committing supply teaching and staff training expenditure promptly; ▪ detailing description and prices on orders where quotation obtained; ▪ specifying hire rates for facilities in the school's finance manual, or obtaining management approval for reduced rates. 	

Completed Audit Activity

Audit: Risk Management

Opinion: Satisfactory

Risk management forms an intrinsic component of corporate governance, and thus impacts on local authorities' Annual Governance Statement. 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 controls to minimise the risks that:

- 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 consistently, or reviewed periodically.
- Risks may not be mitigated effectively.

Main Findings	Main Risk	Main Recommendations	Management Response
<p>Corporate risks continue to be well managed, though the following issues were identified:</p> <ul style="list-style-type: none"> • Risk management training for Members and staff was last provided in February 2008. However, further training for Members is scheduled for June 2010 and training for staff will be arranged in due course. The Business Quality Assurance Manager is currently working with Learning & Development to identify officers that need such training. • Risks relating to partnerships are identified in the corporate risk register. At Local Strategic Partnership level, risks relating to partnership working are documented in a LAA risk log, but this has not been updated since November 2008. 	<p>Those responsible for risk management may not possess sufficient awareness of the topic.</p> <p>Risks relating to partnership working may not be identified and/or managed effectively.</p>	<p>Five medium priority recommendations were made, these relating to;</p> <ul style="list-style-type: none"> ▪ reviewing and revising the Local Area Agreement risk log; ▪ reminding report authors that reports to Cabinet on projects and procurement exercises should include actions mitigating risks identified; ▪ producing directorate risk registers for 2010/11, with these reviewed by DMTs; ▪ reporting management of directorate/portfolio specific risks to relevant O&S committees; ▪ clarifying whether the mitigating actions recorded in service plans are existing controls or additional actions required. 	<p>All recommended actions, or an appropriate alternative, were accepted by management, to be implemented by September 2010.</p>

Completed Audit Activity

Main Findings	Main Risk	Main Recommendations	Management Response
actions required and, if the latter, who is responsible for implementing the actions and the date by which they should be taken. This was also unclear in the AD quarterly reports reviewed.	taken.		

Completed Audit Activity

Audit: Security of Social Care Case Records

Opinion: Uncontrolled

The security of social care case records has been identified as an audit area because of the sensitive nature of such records and the potential impact of their loss or misuse. As there is a parallel audit of content of case records in other areas of Social Care, the Physical Disability and Learning Disability areas of Adult Social Care were chosen to avoid any unnecessary strain on resources. This audit considered the security of computer records, paper files and storage areas of these two client groups with lessons to be learned across the whole of Social Care.

Main Findings	Main Risk	Main Recommendations	Management Response
<p>Access to the CareDirector system is restricted to staff who have been CRB checked, nominated for CareDirector training by social care management and subsequently undertaken the training. However, CareDirector access profiles give wide access to records for all Social Care practitioners and admin staff, including finance. The log file does not monitor which user is accessing a file, only that a change has been made. Previous investigations into unauthorised access have relied on this information as evidence. In addition, Medway Council still has a legacy system (V98). It has not been possible to establish the number of users.</p> <p>The majority of electronic social care case records are held on Medway Council's network. Access to social care files is restricted to social care staff but teams can access other team's</p>	<p>There may be inappropriate access to social care case records.</p> <p>Access to Care Director cannot be effectively monitored to detect inappropriate access.</p> <p>There may be inappropriate access to historic social care case records.</p>	<p>Four high and eight medium priority recommendations were made to address the issues raised. The high priority recommendations were:</p> <ul style="list-style-type: none"> • Review access rights to Care Director to ensure staff have only the access required to perform their role. • Raising the inadequacies of the Care Director audit log with the supplier and seeking a full trail of activity to be retained. • Fitting locks to the archives entrance. • To ask facilities to resolve the issues concerning confidential waste destruction as a matter of urgency. <p>The medium priority recommendations were:</p> <ul style="list-style-type: none"> • Obtain a report of leavers from the payroll system to ensure their access have been removed. • Review the business criticality of V98 and ensure business critical data is available in a 	<p>Management agreed to implement all recommendations by the end of September 2010.</p>

Completed Audit Activity

Main Findings	Main Risk	Main Recommendations	Management Response
<p>folders. The propriety of this arrangement has not been considered fully.</p> <p>The audit identified inconsistencies in the control of adult social care manual records:</p> <ul style="list-style-type: none"> • The Physical Disability team retain their live case files securely. • The Learning Disability team's files are kept in lockable (but unlocked) cabinets in the attic at the Lordswood Healthy Living Centre. Health Authority staff, cleaners and maintenance engineers can access. • Archived social care records are retained in an unlocked room in the Gun Wharf basement. <p>The Authority has a clear policy on retention of documentation. Audit testing showed that of These one third of the manual files and two thirds of the CareDirector records did not have a destruction date entered. Both Learning Disability and Physical Disability teams use confidential waste bins to hold documents prior to destruction. The Health Authority ensures</p>	<p>There may be inappropriate access to social care case records.</p> <p>There may be inappropriate access to Learning Disability client files.</p> <p>There may be inappropriate access or loss of archived manual files.</p> <p>Files may be retained for longer than needed.</p>	<p>controlled format.</p> <ul style="list-style-type: none"> • Requiring staff to agree in writing to abide by the confidentiality policy. • Documenting procedures for retention and storage of current manual case files. • Locking the cupboards that contain the Learning Disability case files. • Reminding Learning Disability staff of the clear desk policy. • Improvements to the management of case files due for destruction. • Retention of destruction certificates for confidential waste. 	

Completed Audit Activity

Main Findings	Main Risk	Main Recommendations	Management Response
<p>Learning Disability confidential waste from the Lordswood Healthy Living Centre is destroyed. Evidence of destruction is retained. There is no equivalent assurance that other records have been destroyed.</p> <p>In addition, there are no standard procedures for closing, archiving and deleting files in CareDirector or on social care V: drives.</p>	<p>Confidential client records may not be destroyed appropriately.</p> <p>Client records may not be destroyed appropriately.</p>		

Completed Audit Activity

Audit: Social Care Case Recording

Opinion: Insufficient

The audit examined controls to mitigate the following risks:

- Confusion about the records that should be kept.
- Confusion about who should maintain the records.
- Inappropriate or delayed action because records are inadequate.
- Inaccessibility of records to those who need them.
- Poor liaison with external individuals or agencies because records are inadequate.
- Poor compliance with the recording system.

Main Findings	Main Risk	Main Recommendations	Management Response
<p><u>Risk1.</u> There were many problems with the functionality and usage of Care Director, the recording system that replaced Raise in October 2009. During the audit ICT were gradually correcting a number of data migration errors and omissions, and there were 246 open queries with the ICT Helpdesk, many of which were awaiting action from the supplier, Careworks. Initial training had been sketchy and in-house training had not yet been put in place.</p> <p><u>Risk 2.</u> Systems and procedures were found to be good in relation to this risk.</p> <p><u>Risk 3.</u> The summary information on clients was not as helpful to “receiving” teams as it could have been, and Care Managers were not routinely looking at Care</p>	<p><u>Risk 1.</u> Unless Care Director is rapidly improved staff may become increasingly resistant to it and it will fail to generate its potential benefits.</p> <p><u>Risk 3.</u> “Receiving” Care Managers could fail to pick up Important information on clients.</p> <p><u>Risk 4.</u> a) There could be confusion during the gap between official handover of cases and receipt of the paper files in receiving teams.</p> <p>b) The good will between council and NHS colleagues might fail.</p> <p><u>Risk 6.</u> Failures in compliance with record keeping requirements may not be discovered.</p>	<p><u>Risk 1.</u> Recommended that consideration should be given at directorate level to attaching greater priority to getting Care Director fully fit for purpose.</p> <p><u>Risk 3.</u> Specific procedural recommendations were made on: inputting and viewing information on Care Director; the content of In-house Training; the design of the “Handover” sheets; the protocols regarding verbal liaison between teams on transfer of clients</p> <p><u>Risk 4.</u> Recommended:</p> <p>a) review of the paper file transfer system to see whether anything could feasibly be done to speed it up.</p> <p>b) encouragement to NHS staff to train for and use Care Director, and to input their own records.</p>	<p><u>Risk 1.</u> The Assistant Director agreed to take this forward via the Care Director Board in June.</p> <p><u>Risk 3.</u> Several of the recommendations had been implemented by the time the audit report was finalised. Work on the client transfer protocols is to be led by the Service Managers in July.</p> <p><u>Risk 4.</u> Service Managers agreed to review the logistics of the file transfer system in the next few weeks, and to introduce a maximum handover time of 7 days.</p> <p>Little can be done regarding b) because NHS staff are required to use their own systems and not only would using Care Director be a duplication for them, it is not available on their NHS computers. Although work is underway to</p>

Completed Audit Activity

Main Findings	Main Risk	Main Recommendations	Management Response
<p>Director when allocated a transferred client.</p> <p><u>Risk 4.</u> a) Transfer of paper files was often slower than it should have been. b) Many NHS staff did not have access to Care Director and council staff were regularly looking up information on Care Director and carrying out inputting tasks on their behalf.</p> <p><u>Risk 5.</u> Systems and procedures were found to be good in relation to this risk.</p> <p><u>Risk 6.</u> No routine supervisory process was found to specifically include record quality.</p>		<p><u>Risk 6.</u> Recommended that the checking of record quality should be made a routine procedure, as part Team Managers' responsibilities.</p>	<p>introduce a common IT system for all members of integrated teams, there is no solution in the short term.</p> <p><u>Risk 6.</u> Random checking of case files will form part of the 1:1 supervision process to be undertaken by Team Managers and Senior Practitioners as from 1 July.</p>

Completed Audit Activity

Audit: Asset Management at Central & Brook Theatres

Opinion: Insufficient

Medway's two main theatres, the Central & Brook are situated in Chatham and respectively offer 960 and 400 seat entertainment venues to the public. They are used to present shows and regular folk and jazz evenings. Dance classes, exhibitions and arts workshops are also conducted. They also involve the use of valuable items of equipment. Asset Management at the Central & Brook Theatres was audited in 2008/09 and the audit opinion was 'Unsatisfactory'.

The audit focussed on controls to ensure that valuable equipment is protected from loss and/or misuse.

Main Findings	Main Risk	Main Recommendations	Management Response
<p>Significant progress has been made since the last audit and a comprehensive record of assets has now been compiled.</p> <p>However further action is needed for the process to be fully effective in respect of formal procedures and authorised documentation (which is currently in draft) that supports:</p> <ul style="list-style-type: none"> • Additions and deletions from the record (including sales and write-offs). • Loans / returns of items and transfers between sites. • Marking of assets as theatre property. 	<p>The asset register is not up to date and write-offs or items sold may be inappropriate.</p> <p>All items removed may not be authorised, recorded and/or returned.</p> <p>Theft may not be deterred.</p>	<p>Seven medium priority recommendations were made to address the issues raised:</p> <ul style="list-style-type: none"> • Art should be valued and where appropriate, entered on the register. • Five recommendations involved updating procedures and forms for additions, deletions and write-off of items from the inventory. • Removals and returns should be independently checked by a person other than the one responsible for removing/returning the items and the check should be evidenced on the relevant form. • Access to edit the record should be appropriately restricted to the person responsible for maintaining the record with a password. 	<p>Management agreed to implement all recommendations by the end of June 2010.</p>