

Matters arising from internal audit work completed during the period to 31 December 2021

1 Introduction

- 1.1 This report highlights key issues that the Audit, Risk and Governance Committee should be aware of in fulfilling its role of providing independent oversight of the adequacy of the council's governance, risk management and internal control framework. It highlights the issues arising from the work undertaken during the period to 31 December 2021 by the Internal Audit Service under the audit plan for 2021/22.

2 Progress against the internal audit plan

- 2.1 Work to deliver the audit plan is ongoing and a number of audits are reported below. Risk and control frameworks are being developed with service managers and detailed testing is already under way, with more being planned at present. More information is provided at section 3 below.
- 2.2 Excluding follow-up work and ad hoc grants, there are 70 audits on the audit plan. Two audits have been removed from the plan. The reasons for the changes to the plan are set out below at section 6.

Stage of audit process	Number	Percentage
Complete and reported to committee	18	26%
At draft report stage	2	3%
Progressing	33	47%
Not yet started/ at the planning stage	17	24%
Total number of audits	70	100%

- 2.3 At this point, over three quarters of the work on the annual audit plan has either commenced or has been fully completed. Work is progressing well for the audits which have commenced. Draft reports are also being prepared and discussed with managers for the audit of School Balances on oracle and the Capital strategy audit.
- 2.4 Summaries of the findings of the eleven audits completed and reported to the county council during the last quarter are reported below. Three audits relating to health and safety in depots have been completed and reported below together.

3 The assurance available from completed audit work

- 3.1 A brief summary of the assurance provided can be found in the table below.

Control area	Assurance
Business effectiveness: Resources	
Financial planning - data controls	Substantial
Service delivery: Resources	
Financial Assessment Teams	Moderate
Business processes: Resources	
Treasury Management	Moderate
Governance and democratic oversight: Resources	
Administration of the Scrutiny Function	Moderate
Business effectiveness: Adult Services, Health & Wellbeing	
Lessons learned from the organisation's response to covid-19	Substantial
Service delivery: Adult Services, Health & Wellbeing	
Contract monitoring – provider-led reviews	Limited
Supervision within the Quality, Contracts and Safeguarding (Adults Service)	Moderate
Service delivery: Education & Children's Services	
Supervision and support arrangements (Children's Social Care)	Moderate
Service delivery: Growth, Environment & Transport	
Health and safety at operational depots: <ul style="list-style-type: none"> • Waste Management Service • Highways • Integrated Transport Service 	Moderate Moderate Limited

Grant certification and testing

- 3.2 In addition to providing assurance to the council, some audit work is required by various central government departments, to provide them with assurance over the council's use of grant funding and attainment of funding conditions.
- 3.3 Continuous audit work is required by the Department for Levelling Up, Housing and Communities on the Supporting Families Programme, formally known as the troubled families programme. Internal audit certifies 10% of the outcomes being claimed by the council under the programme.

4 Issues arising from completed audit work

- 4.1 The matters arising from each of the completed audits are set out in the narrative below.

Financial Planning – Data Controls

(Substantial assurance)

- 4.2 The council is required to set a balanced and robust budget in advance of each financial year, and to have a Medium Term Financial Strategy (MTFS) that projects its likely income and expenditure over at least three years. A three-year MTFS is presented to Full Council annually for approval, and updates are presented to Cabinet throughout the year. This provides the context within which

the budget is set and a projection of the likely revenue resources available to the council over the medium term, taking account of the financial consequences of the demand for its services.

- 4.3 The development of the MTFS is overseen by the Chief Executive and Director of Resources (s151), and the council's financial forecasts are robust, being based on realistic and current spending and income data, assumptions and estimates. The information in the MTFS reported to the Council in February 2021 was supported by working papers maintained by the Financial Management (Operational) team, a sample of which we have validated against source information. Projections for future financial years, scenario analysis and assumptions were clearly recorded in working papers and were accurately reported.

Financial Assessment Teams

(Moderate assurance)

- 4.4 The Financial Assessment Service supports the council's social care teams for both adults' and children's services in funding service users' assessed care needs. The Financial Assessment Service is made up of a number of individual teams which include four area teams dealing with assessments in the geographic areas: North, South, East and Central, and a specific Reassessment Team.
- 4.5 Assessment officers are trained using a common framework, and comprehensive guidance is available. Established procedures are in place that ensure consistency and compliance with the Care Act. The policy and procedures are reviewed and updated periodically.
- 4.6 Financial assessments are undertaken in line with guidance and regulations and generally completed on time, although some reassessments are subject to delay, resulting in backlogs. However, the service actively monitors its performance, and these reassessment backlogs are being resolved.
- 4.7 Whilst financial assessment and reassessment information is available on the Controcc system, the content and quality of updates to service user case files on the Liquidlogic Adults System varies greatly. Although financial information can be identified, there are inconsistencies in the way that information is recorded, and case files updated. It is unclear that financial documentation is issued to all service users and the charges explained to them, and not all staff can view the relevant documentation in Controcc. To improve the operation of the service, management will provide training and remind staff via email / team briefings that updates to service user case files should be clear, consistent and contain sufficient detail including involvement of each Financial Assessment Officer

Treasury Management

(Moderate assurance)

- 4.8 The council's Treasury Management Strategy for 2021/22 was approved in February 2021 by Full Council and complies with CIPFA's treasury code. The Strategy is supported by a policy statement and Treasury Management Practices and incorporates the prudential indicators.
- 4.9 Cash flow forecasting is carried out daily to identify cash available for investment or identify any need to borrow. Independent advisors are involved in advising on treasury management activity.

4.10 Investment and borrowing activity are carried out in accordance with the requirements in the Strategy. Appropriate records are retained for all transactions. While authorised indicators are complied with, the operational limit for borrowing had been breached due to the timing of long-term loans. However, we take assurance from the fact that the Director of Finance and the Audit, Risk and Governance Committee were notified in the regular reports produced on treasury management activity. These reports also include information on cash flow, investments, borrowing and economic position.

Administration of the Scrutiny Function

(Moderate assurance)

4.11 Scrutiny committees have formal terms of reference and approved work programmes and meet in accordance with scheduled timetables. Committee meetings are quorate, and attendance is generally good. The Democratic Services Team are working to fill a vacancy and encourage improved attendance for one co-opted member on one committee. An item had been removed from a work programme without being documented, however, action is being taken to correct this.

4.12 The following actions have been agreed by management that will further enhance the operation of the Scrutiny committees.

- Consideration will be given to including the role and responsibilities of the Statutory Scrutiny Officer in their job description.
- Consideration is being given to establishing a separate budget to cover additional costs such as venue costs, expert advice and special reports.
- The 'Think Scrutiny!' guidance will be promoted further. This will increase the likelihood that all officer reports to Cabinet are submitted to scrutiny officers for input before submission.
- Monitoring arrangements regarding the responses to committee requests are to be improved, including the maintenance of a record of progress to address actions and recommendations.

4.13 We also support management's proposals to set up an officer and Member coordination group, which should improve awareness and facilitate progress with delivery of committee actions and recommendations.

Lessons learned from the organisation's response to covid-19

(Substantial assurance)

4.14 In the summer of 2021 the Health, Safety & Resilience Service worked with most members of the Corporate Emergency Response Team (CERT) and their management teams to capture the learning from the council's internal response to the pandemic. The work covered the council's responses during the initial phase of the pandemic until July 2020, and then the period between July 2020 and July 2021.

4.15 The feedback covered a wide range of issues including governance, cross-service working, information, resources and communication, and has been collated into a single debrief report with 16 recommendations. These have been prioritised and allocated owners, and progress will be formally assessed in December 2021. While most of the council is still in recovery mode, CERT will

monitor progress, and thereafter this action-tracking will form part of normal corporate performance monitoring. Actions include reviewing corporate communications and retaining the benefits of more flexible and remote working.

Contract monitoring – provider-led reviews

(Limited assurance)

- 4.16 In September 2019, we provided substantial assurance over the adequacy of the control framework being introduced for the provision of a carer's assessment and support service in Lancashire by the Carer's Link and N-Compass North West partnership. These assessments are known as 'provider-led reviews'. We have now assessed whether these contract monitoring arrangements have been effective in ensuring that good commissioned services are provided that comply with statutory requirements.
- 4.17 Effectively all contract monitoring activity was unavoidably suspended during the pandemic and, whilst some restricted monitoring has now recommenced, the Contract Monitoring Team has not yet returned to business as usual. The checks to verify that carers have received a good quality assessment have not been undertaken, but our testing suggests that assessments have continued to be appropriate and prompt. Contracts Team also completed an evaluation in July 2021 and found no issues with service delivery, and no reported concerns or complaints about the provider.
- 4.18 However, we found that few outcomes were recorded against support plan objectives and the quality of recording within the Liquidlogic Adults System (LAS) could be improved.
- 4.19 To improve the process management have agreed that:
- Improvement to management information will be made; this will include the development of a report that would provide details of all carers assessments and reviews completed in the monitoring period. KPI returns will be received and recorded on the provider event log.
 - Prior to the recommissioning of the contract, the contract monitoring officer will undertake routine checks. This will include obtaining assurance that assessments and reviews have been completed appropriately. The Quality Assessment Framework will be validated to appropriate supporting documentation. A satisfaction survey will be completed to measure the level of satisfaction carers have in the service they receive.
 - The service will work closely with the providers via contract review meetings being held in accordance with the contract review meetings schedule. Actions arising from contract review meetings will be clearly assigned and then 'signed off' when they are complete.

Supervision within the Quality, Contracts and Safeguarding Adults Service

(Moderate assurance)

- 4.20 Supervision is associated with higher levels of job satisfaction, improved retention, reduced turnover and staff effectiveness. It also supports quality improvement, risk management and accountability.

- 4.21 The Quality, Contracts and Safeguarding Adults Service includes several roles that are required to undertake continuing professional development and supervision to maintain and develop their capacity to practise safely, effectively and legally, and to maintain their registration with the Health and Care Professions Council.
- 4.22 A supervision policy is in place and is stated as being applicable to all members of the QCS service, both social work and non-social work staff. The policy is comprehensive, current and sets the framework for an effective and consistent approach. This framework is, however, more relevant to Social Workers, and compliance with the framework, frequency of supervisions, and quality of the overall supervision documents for the Social Workers was in the main Good, although one of six individuals who were subject to the additional, tighter, supervision framework for social workers in their first 'assessed and supported year in employment', did not receive their supervision in accordance with the intervals set out in the policy. The policy has however, been inconsistently applied for non-social work staff and most of the supervisions reviewed were not completed within the timeframe set by the policy. Whilst monitoring controls had been implemented previously, these have not operated effectively during the pandemic.
- 4.23 However, we also found examples of good practice including action planning and tracking. Where supervision records are held, they are of a good quality. All the staff that responded to our request for information gave at least one example of alternative supervision or professional development to complement their individual supervision, and good practice is shared across the teams within the service.
- 4.24 The service has agreed to review the supervision policy with consideration being given to applying the corporate performance engagement framework, rather than the ACS supervision policy for roles that are appropriate. The supervision policy will be revised in accordance with the outcome.
- 4.25 The Head of Service will work with managers to ensure they are all fully aware of the requirements of the supervision policy and are able to comply with the policy.

Supervision and support arrangements (Children's Social Care)

(Moderate assurance)

- 4.26 Child exploitation is defined as 'the act of using a minor child for profit, labour, sexual gratification, or some other personal or financial advantage', and often results in cruel or harmful treatment causing emotional, physical, and social problems. It may be categorised as sexual, criminal, or modern-day slavery.
- 4.27 The Children's Social Care teams from the county council and the two unitary authorities, combined with the police and NHS bodies, form the Contextual Safeguarding Team. This is divided into three areas that cover the whole county and work closely with colleagues in education, youth offending, the voluntary sector and commissioned services. As at March 2021 the whole team was working with 140 children at risk of exploitation.
- 4.28 Early in 2019 we reviewed the action being taken to combat child exploitation and, at that time, we could provide only limited assurance over its adequacy and effectiveness. Considerable improvement has been made since then and the

Contextual Safeguarding Team is working effectively to address the areas where further improvement is still necessary.

- 4.29 Cases are now generally managed in accordance with a new Complex Safeguarding Protocol and there is a comprehensive and effective performance management system in place at both the operational and strategic level, although cases are still not being managed quickly enough. Only 30% of assessments for the cases we tested had been completed within the agreed timescale of 30 days. The team works with other services to address complex safeguarding needs, and there is evidence of active engagement with partners through daily intelligence meetings and monthly multi-agency meetings.

Health and safety at operational depots:

Highways - (moderate assurance)

Waste Management Service - (moderate assurance)

Integrated Transport Service - (limited assurance)

- 4.30 The Highways Service operates from 13 depots to carry out a wide range of activities related to the management and maintenance of the county's highways. These include carriageway and footway repairs, road gritting in winter, maintaining street lighting and delivering capital programmes. The depots provide a base for Highways staff and are used to store vehicles, equipment and materials.
- 4.31 The Integrated Transport Service operates from ten depots, where the Fleet Services team repairs and maintains 708 council vehicles and mobile plant.
- 4.32 The Waste Management Service treats and disposes of over half a million tonnes of waste collected annually by the district councils, 15 household waste and recycling centres, a community recycling and reuse centre, a reuse 360 hub and two reuse shops.
- 4.33 The health and safety arrangements within all depots are the service managers' and operatives' responsibility. They are supported by the council's Health, Safety and Quality (HS&Q) team, which delivers health and safety audits to an annual plan for each service. Health and safety risks are identified, reported and managed through risk assessments and the services' risk registers. Health and safety procedures, roles and responsibilities are set out in comprehensive policy and guidance supported by formal training in all services, although mandatory training has not been completed in either the Highways or Integrated Transport Services. To address this the current mandatory training requirements will be reviewed and reconsidered to ensure they are still relevant and meet the needs of the Service and staff.
- 4.34 Occupational Health and Safety Standard International Organization for Standardization (ISO) 45001 is the industry standard. The Waste Management Service is working towards this, and the Highways Service is accredited to this standard and its compliance is regularly assessed. The Integrated Transport Service is not similarly accredited although the HS&Q audit plan covers aspects of the standard. Although, management have agreed to consider the benefits of achieving the ISO 45001 accreditation, in order to provide the council with ongoing and independent assurance over compliance with regulatory health and safety requirements and best practice.

- 4.35 Managers in the Highways Service carry out daily checks on the use of personal protection equipment (PPE) and vehicle and equipment safety, whilst in the Integrated Transport Service daily checks are the operatives' responsibility. No role-specific list of required PPE is maintained by either service. To improve the effective use of PPE management have agreed to establish a formal list of PPE required for general and specific roles, to be used to allocate new and replacement PPE. The Service's PPE procedure will be amended to include this change. Staff in the Waste Management Service are issued with appropriate PPE and managers perform daily health, safety and quality checks to ensure it is used, and that mobile plant, machinery and appliances are safe. Non-compliance is identified, resolved and reported.
- 4.36 The Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 (RIDDOR) require that all non-conformances, near misses and issues are reported. The Highways Service reports accordingly but the Integrated Transport Service reports only the reportable incidents it deems to be significant. Going forward reports will be made, which include all near-misses, incidents and occurrences rather than solely those that are considered significant or serious. This will ensure minor issues are quickly dealt with and reduce the risk of escalation.

5 Follow-up of actions agreed arising from earlier audit work

- 5.1 The Internal Audit Service normally aims to follow up the action plans agreed by managers to address the risks identified through the audit process, to confirm that action has been taken. The plan for the year therefore includes an allocation of time for this work and the actions agreed in earlier years are being reviewed with the responsible officers. Managers across the council have been focussed on responding to the pandemic and in some cases systems and processes have been changed to accommodate different requirements or are still being changed.

Action status	As at March 2020		As at 31 December 2021				
			Total		Risk rating		
					High	Medium	Low
Complete	396	76%	299	65%	11	159	129
Superseded	39	7%	27	6%	4	20	3
Incomplete	26	5%	15	3%	0	7	8
Awaiting responses	61	12%	121	26%	16	73	32
Total	522	100%	462	100%	31	259	172
Arising in:							
	2018/19		280	61%	17	160	103
	2019/20		160	34%	12	87	62
	2020/21		11	2%	2	8	1
	2021/22		10	2%	0	4	6

- 5.2 All the actions agreed in years prior to 2017/18 have been addressed or superseded.

6 Amendments to the audit plan for 2020/21

- 6.1 The audit plan must necessarily be flexible, as was noted when the audit plan was agreed, and a small number of changes have been made to the plan. These relate to Building Schools for the Future (BSF) and the School catering service.

An audit in these areas is not seen as helpful right now, but the committee should be aware of the reasons for this.

Building Schools for the Future (BSF)

An audit was intended to, "assess the procedures in place to monitor the BSF contracts; their financial performance and health and safety in school buildings, particularly in the context of covid-19."

- 6.2 We had included an audit on the plan for 2021/22 of the procedures by which the contracts under the BSF programme are monitored. However, we have been asked to defer that work until 2022/23 as there is currently no contract manager in post, following the previous post-holder's retirement. The contracts are particularly complex, therefore specialist consultants have been appointed to provide the Council with support and commercial advice relating to the contract management arrangements.
- 6.3 Further, whilst the schools in Burnley continue to be operated under the BSF programme, those operated in Fleetwood under an earlier type of private finance initiative agreement are working towards a managed return to the council's direct management. The Asset Management Service are working with the Infrastructure and Projects Authority (IPA) in their preparations for the contract expiry. Therefore, the Asset Management Service are under some pressure right now and an audit would not be seen as beneficial.

School catering service

- 6.4 We had included an audit of the school catering service on the 2021/22 audit plan. We now intend to defer that work until 2022/23 as the service has been and continues to be under some considerable pressure during the current year.
- 6.5 Contracts for frozen food and grocery were retendered during 2020 and 2021. The initial tender resulted in a lack of competitive bids so had to be readvertised. The combined value of the contracts is approximately £5.5 million per annum. The new contracts were awarded on 3 August 2021 to commence on 1 September 2021. This was understood to be an extremely tight timescale for the new contractor and, at the same time, changes were made to distribution arrangements to reduce the number of delivery vehicles on the county's roads.
- 6.6 The relaxation of controls imposed in response to Covid impacted on both the food production and delivery industries, and the goods and drivers required were generally unavailable, both locally and nationally. The result has been the widely publicised national shortage of food products and distribution capacity. The county's catering service for both schools and care homes operates on such a scale that the ability to source and distribute products from alternative suppliers is limited.
- 6.7 The two contracted suppliers have sought to work with each other and with the council to alleviate the situation. Other contingency arrangements have been explored but have been found to be largely unachievable due to the size of the service. The same issues are being encountered across all other food sector organisations. The catering service has had to intervene to ensure that foods have been received by kitchens, utilising mobile staff and managers to increase deliveries to school and care home kitchens.

6.8 For 18 months from October 2021 new delivery arrangements have been agreed and the catering service is working with the suppliers to ensure that menus are appropriate and designed to protect against further supply chain interruptions as far as possible. Therefore, whilst an audit of the controls that ensure the nutritional value of meals is balanced with their cost may be appropriate during 2022/23, this objective has clearly, to some extent, been superseded for the current year by the need to focus upon the consistent delivery of meals to the county's schools and care homes.