


Internal Audit

Committee Summaries



Declarations of Interest

Declarations of Interest				
Overall assurance rating	Audit findings requiring action			
 Moderate	Extreme	High	Medium	Low
	0	0	6	0

There are employees and members Codes of Conduct (the Code) in place for both officers and members. The Code is supported by guidance that includes the requirement to complete a declaration of interests, whether financial or personal, which might conflict or be seen to conflict with the council's interests. The employee Code is supported by the Statement of Ethical Standards (the Statement), which explains the requirements in more detail, though responses to our questionnaire to officers indicated a lack of awareness of how to declare interests. A reminder to consider the need to declare interests was published in Staff News in May 2023.

The Disciplinary Procedure provides for action to be taken in the event of breaches of the employee Code. Responsibility for policy on the Members Code of Conduct and declarations of interests sit with Legal and Democratic Services. Human Resources Services has responsibility for the Employees Code of Conduct and Statement of Ethical Standards and associated monitoring and oversight although this is yet to be formally confirmed and agreed.

Officers: Officers are personally responsible for declaring personal or financial interests. There is currently no requirement to submit Nil declarations, which may weaken the council's position should an officer not declare interests which conflict with their council role and increases the difficulty of monitoring compliance. We identified three cases where a potential conflict of interest had not been declared, although the two [directorships] and governorship were all required by their council roles. An annual discussion between officers and line managers as part of the performance engagement would allow managers to remind officers of the rules. New declarations or amendments are completed on Oracle Fusion and should be automatically notified to line managers, however this functionality was not working at the time of the audit, although this may be due to difficulties with Oracle Fusion implementation which are currently being addressed.

A register of interests report was created and run from Oracle Fusion in May and June 2023 but only for use within HR and this does not however support compliance monitoring. There is currently no compliance reporting of submitted declarations of interest to senior management.

Members: Members complete an online form on C-First within 28 days of appointment to declare interests including Nil returns. A record of members interests was available on the council website and committee meetings included an agenda item requesting members to declare interests. Guidance states that members will be emailed annually to review the register of interests, however there has been a delay in issuing the reminder due to a technical issue and this is expected to be issued imminently.

Declarations of Interest

Context

The openness, integrity and accountability of officers within a local authority is an important element of effective corporate governance. The reputation of the council depends on the standards of behaviour of everyone involved in the organisation including members, officers and contractors. The council's Code of Conduct requires that officers complete a declaration of interests which includes circumstances where there is a financial interest in a contract or other matter within the council to avoid any suspicion or impropriety. There were 62 declared interests by 42 officers on the corporate register of interests held on Oracle Fusion. This increased from 45 to 62 following a reminder on Staff News.


The Localism Act 2011 requires the council to "promote and maintain high standards of conduct" by its Members and establish registers for publishing on the council website. Members must disclose interests within 28 days of appointment and after becoming aware of any changes. If the disclosable interest has not been recorded on the register it must be disclosed at the meeting at which they are present.

Scope of Audit

In this audit we reviewed and tested the adequacy and effectiveness of the controls and processes established by management to mitigate the key risks relating to the following areas:

- Code of Conduct, guidance and training;
- Declarations of interest and process efficiency;
- Completeness and monitoring of the register of interests; and
- Compliance with legislative requirements.

Pension Payroll Processing

Pension Payroll Processing				
Overall assurance rating	Audit findings requiring action			
 Moderate	Extreme	High	Medium	Low
	0	0	1	0

Access to the Universal Pension Management (UPM) system is appropriately restricted with permissions appropriate to officer role and responsibilities. The system is configured to limit self-approval, such that two officers will always be involved with processing and approving a change that could result in a payment, and we confirmed separation of duties were maintained for all areas of our testing. The system includes an e-document facility where an audit trail of correspondence, supporting evidence and completed forms are retained. Most amendments to member records and transfer in/out of the scheme were processed promptly and accurately. Delays identified were generally due to failure or late responses from members/other schemes.

The monthly payroll is accurate, complete and approved by senior council officers prior to payment. We were unable to confirm ledger postings of the amounts at the time of review for the LCC scheme due to on-going technical difficulties with Oracle Fusion Finance & Procurement. This issue is due to be resolved shortly. Single payment runs were all supported by retained evidence and mostly processed promptly. Payments made outside of the UPM system were sufficiently documented and paid promptly, however, we noted one duplicate payment had been issued. Although this was immediately recalled the existing process could result in further duplicate payments if additional controls are not implemented.

Context

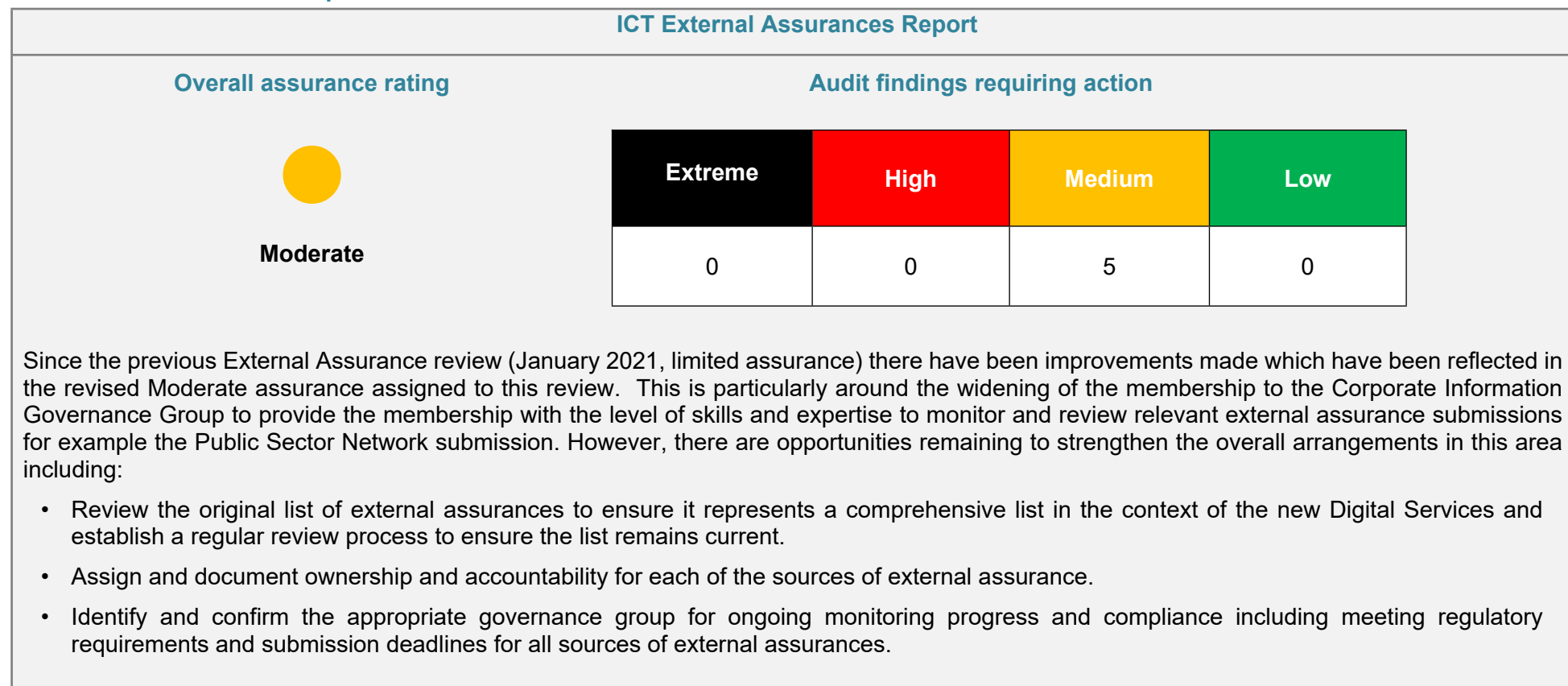
Local Pensions Partnership Administration (LPPA) administer member data and process pension payments and refunds on behalf of the fund. The following report refers to the UPM system, which was launched by LPPA in December 2022. This coincided with the launch of Oracle Fusion Finance and Procurement in January 2023, which has led to some exceptions to usual processes as teething issues are addressed. Our review sample from the Lancashire County Council (LCC), Lancashire Fire & Rescue service (LFRS) and Lancashire Police authority (LPA) pension schemes.

Scope of Audit

In this audit we have reviewed and tested the adequacy and effectiveness of the controls and processes established by management to mitigate the key risks relating to the following areas:

- Data quality is poor and/or request for amendments are not processed promptly or accurately leading to delayed, missed or incorrectly calculated payments;
- Inadequate separation between key tasks potentially resulting in inappropriate use of the system and misappropriation of pension funds;
- Ineffective or no oversight over payment processing could lead to inaccurate, duplicate or fraudulent payments being made.

ICT External Assurances Report



Context

The review will aim to identify and map sources of external assurance that the council relies upon, to demonstrate it is meeting its regulatory requirements and is operating a secure ICT environment. In addition, the review will evaluate the mechanisms the council has in place for the oversight, scrutiny and reporting of such assurances.

This review was undertaken and reported in 2020/21 and assigned limited assurance with two high and three medium risk issues identified. Management action to address the issues was agreed with an implementation date of 31 July 2021. However, at the time of the review, ICT services were delivered under a contractual arrangement until 31 March 2021, with British Telecom Lancashire Services (BTLS). With effect from April 2021, BTLS staff became LCC employees and consequently ICT services have undergone a significant reconfiguration and have been renamed Digital Services. In the light of this, senior management commissioned this second external assurance review with a similar scope, to take account of the organisational change and as part of their ongoing assurance activity.

The council is a large and complex organisation that relies heavily on interconnectivity provided by its IT infrastructure, systems, applications, and devices. To ensure there is a secure and controlled environment the council relies on key external assurances, where it can, to inform the status of the operating environment. Some external assurances can be taken from mandatory compliance for example, but not limited to, Public Service Network (PSN) Security Standards, Data Security and Protection Toolkit (DSPT) and Payment Card Industry Data Security Standards (PCI DSS). Whereas

ICT External Assurances Report

others maybe self-imposed for example Cyber Essentials and ISO 27001 Information Security Standards, Local Governance Association (LGA) 360 Framework. Therefore, it is essential that these external assurances are identified, categorised and clearly mapped, thus exposing any gaps where further assurance mechanisms need to be adopted.


Scope of Audit

The overall objective of the review is to identify and map all the sources of external assurance that the council relies upon in the context of the in-house ICT service delivery under the responsibility of Digital Services and provide assurance around the internal mechanisms in place for checking the ongoing validity and currency of those assurances. This will take account of the reconfiguration of ICT service delivery since 1 April 2021.

The focus of the review was to:

- Identification of all sources of external assurance
- Check validity and currency.
- Ownership and accountability
- Oversight and scrutiny
- Reporting

Older Peoples Finances – Cravenside Home

Older Peoples Finances – Cravenside Home				
Overall assurance rating	Audit findings requiring action			
 Limited	Extreme	High	Medium	Low
	0	0	6	0

There are inadequate and ineffective controls in place for the financial arrangements at Cravenside Care Home. Key council financial procedures have not been implemented or have been bypassed. It is concerning that cash and accounts cannot be appropriately accounted for, as supporting evidence and audit trails were incomplete, and there was a lack of management oversight, control, and challenge.

Residents agreed financial arrangements were not clearly documented. Temporary savings were appropriately documented on official forms, however, receipts were not retained to justify expenditure. Petty cash imprest and banking did not operate in compliance with financial procedures, audit trails, petty cash bank statements and transaction receipts were incomplete, inconsistently retained or missing, and there were no reconciliations and management checks.

An amenities fund ledger was completed, however there were no receipts to confirm and justify transactions, and the account could not be reconciled. Personal possessions and effects were documented in the official register, although there were occasions when items receipted were not consistently signed and witnessed by residents and staff.

The service did not complete and escalate performance and financial information to inform senior managers.

Context

Cravenside Care Home is one of 16 care homes managed by the council. The home can accommodate up to 46 older people, including those who live with dementia as well as residential and short-term respite stays.

The Care Quality Commission who are responsible for the registration and inspection of social care services in England rated the home as good overall, in its latest inspection report published in October 2020.

The Adult Services – Older People Care Services Financial Procedures, dated September 2021, notify designated officers of their responsibilities for the effective and appropriate implementation of the care home's financial administration.

Scope of Audit


In this audit we have reviewed and tested the adequacy and effectiveness of the controls and processes established by management to mitigate the key risks relating to the following areas:

- Policy, procedure and guidance
- Service delivery

Older Peoples Finances – Cravenside Home

- Management Overview
- Performance management

Older Peoples Finances – Broadfield House

Older Peoples Finances – Broadfield House				
Overall assurance rating		Audit findings requiring action		
 Limited	Extreme	High	Medium	Low
	0	0	5	0

There are inadequate and ineffective controls in place for the financial arrangements at Broadfield Care Home. Key council financial procedures have not been implemented or have been bypassed. It is concerning that cash and accounts cannot be appropriately accounted for, as supporting evidence and audit trails were incomplete, and there was a lack of management oversight, control, and challenge.

The Register Care Manager has been in post since November 2022, and she has begun making changes to improve the care and administration processes and procedures. There was no senior management oversight or checks of key processes such as reconciliations of the petty cash, amenity fund, cash and bank, and resident's temporary savings.

Residents agreed financial arrangements were not documented. Temporary savings were appropriately documented on official forms, however, receipts were not retained to justify expenditure. Petty cash imprest and banking did not operate in compliance with the financial procedures, audit trails and transaction receipts were incomplete, inconsistently completed or missing, and there were no reconciliations and no regular management checks.

An amenities fund ledger was completed, however, there were no receipts or paying in books to confirm and justify income raised and banked, and the account could not be reconciled. Personal possessions and effects were documented in the official register, although there were occasions when the receipt, disposal and return of items to residents were not consistently signed and witnessed by residents and staff.

Context

Broadfield House is one of 16 care homes managed by the council. The home can provide care services for up to 45 residents, including those who live with dementia as well as residential and short-term respite stays.

The Care Quality Commission who are responsible for the registration and inspection of social care services in England rated the home as good overall.

The Adult Services – Older People Care Services Financial Procedures, dated September 2021, notify designated officers of their responsibilities for the effective and appropriate implementation of the care home's financial administration.


Scope of Audit

In this audit we have reviewed and tested the adequacy and effectiveness of the controls and processes established by management to mitigate the key risks relating to the following areas:

Older Peoples Finances – Broadfield House

- Policy, procedure and guidance
- Service delivery
- Management Overview
- Performance management

Direct Payments

Direct Payments				
Overall assurance rating	Audit findings requiring action			
 Limited	Extreme	High	Medium	Low
	0	6	0	0

There are some fundamental weaknesses in the design and / or operation of the framework of control that could result in failure to achieve objectives or put achievement of objectives at risk.

It is concerning that since the last audits of direct payments in both Adults and Children's Services there has been no improvement in some of the areas highlighted in these audits. These include review and update of policy, procedures, guidance and training; consistent approach when recording information in service user case files; as well as obtaining consent and interactions with LILS; practices for dealing with exceptional circumstances and employing a household member. Also, administration of care package line items (CPLI's), and quality assurance / review of cases.

To enhance and improve aspects of the control framework, including where practices and processes could be strengthened to address issues identified, we have proposed actions which include:

- review, update and re-issue of policy, procedure and guidance documentation, re-establishing training, and introducing a consolidated corporate approach for direct payments to ensure consistent delivery and to support workers through all of the process. This includes highlighting that the temporary COVID guidance has ceased.
- determining the rationale, eligibility and restrictions for direct payments, including the key aspects of capacity and consent
- improving awareness and role of the Direct Payments Forum
- establishing procedures for employing a household member, employment of personal assistants, applicable rates, short break options and the responsibilities of recipients completing the financial agreement
- developing clear requirements for good practice when completing service user case files, particularly support plans
- improving the understanding of the need for review of direct payments packages, including risk assessments to ensure interaction with the service user and ability to identify any issues or concerns
- enhancements to the contract monitoring arrangements for the direct payments support service to better understand the support / advice offer provided by Lancashire Independent Living Service (LILS), and independently verify the number of clients supported against each service.

Direct Payments

Context

The objectives of the audit were to determine whether the processes underpinning decisions to support individuals with direct payments were operating effectively ensuring that direct payments were only offered to eligible service users and that packages of care were appropriate, safe, legal, met needs and achieved outcomes. Also, to consider the direct payments financial review process including the scope and extent of reviews undertaken to determine that the direct payment is being spent only on items identified in the support plan, and whether the frequency and timeliness of reviews is dependent upon the assessed risk attached to the payment.

Direct Payments are one of the ways individuals can choose to receive their personal social care budget and use it to meet their assessed eligible care needs. The legislative context is set out in the Care Act 2014 and the Children and Families Act 2014. Currently, there are approximately 3800 adults and 430 young people that receive a direct payments package.

If a person or someone they care for get help from social services, they can apply for direct payments. The direct payment lets them choose and buy the services they need, instead of this being provided by the council. The direct payment gives the person more choice. If a direct payment is appropriate for an individual, then a monetary payment is made to named individuals in order that they can purchase care to meet some or all of their eligible care as detailed in their support plan.

Service users, their representatives, or families, can choose to receive direct payments onto a prepaid card or to a separate bank account that they have set up. Some of the direct payment can be used to pay an independent company who can arrange for any employees to receive their wages and pay any invoices, and also prepare paperwork for auditing by the council. Some people use the money to recruit and employ a personal assistant and/or buy support from an agency or organisation of their choice.

The person receiving and / or managing a direct payment signs an agreement (FIN 107) that sets out the responsibilities between themselves and the council. The key responsibilities they have include keeping records to show how money has been spent and ensuring money is spent as detailed and agreed in the support plan. Also, understanding that if they employ a personal assistant, they will become an employer and ensuring and understanding contractual obligations when buying services from a care agency or another service.

Within the Corporate Finance Service are four teams of assessment staff who perform assessments and direct payment reviews in the geographic areas: North, South, East and Central. The Personal Budget Team specifically deal with the direct payment administration and review process including booking reviews; ordering cards; making payments; and dealing with queries.

All direct payments are assigned risk-based review levels which may be revised at any time, particularly where concerns are raised, or service user's financial circumstances change.

Approximately £5.5 million per month paid out for direct payments. As such the Direct Payment system is a key financial system for the Council. Approximately 63% of adult recipients receiving their direct payment onto a prepaid card, 20% have a managed bank account, and 17% use a separate bank account. Approximately 75% child recipients receive their direct payment onto a prepaid card, 5% have a managed bank account, and 20% use a separate bank account.

Approximated figures for the recovery of direct payment monies through clawback were £17.1 million for 2021/2022 and £16.3 million for 2022/2023, with the majority of this being surplus funds.

Direct Payments


Scope of Audit

In this audit we have reviewed and tested the adequacy and effectiveness of the controls and processes established by management to mitigate the key risks relating to the following areas:

- Oversight, Governance and Training
- The Direct Payments process
- Review processes and frequency
- Quality Assurance and monitoring
- Direct Payments Support Service contract – provided by Lancashire Independent Living Service (LILS)
- Case management – sample testing

We have tested a small sample of cases to determine the adequacy of controls in place although the sample size was not large enough to assess overall effectiveness.

Accounts payable central controls

Accounts payable central controls				
Overall assurance rating	Audit findings requiring action			
 Moderate	Extreme	High	Medium	Low
	0	0	3	0

Purchase orders are raised following an approved requisition and are only processed if they meet pre-determined criteria for order value. Requisitions are raised and approved in line with HR hierarchy and approval limits which are programmed into Oracle. Payments are made once an item has been received, however in a number of cases orders were made retrospectively following the receipt of goods and services though in most cases this occurs in a timely manner.

User access rights are configured within Oracle and permissions can only be granted with approval from an individual manager. Segregation of duties is maintained through the appropriate use of Oracle user access responsibilities, the division of duties between teams and through policy and business processes. Bank account changes are supported by appropriate documentation verifying iSupplier record amendments, either retained on supplier records or via PAYEE registers maintained by the Procurement service.

Due to Finance staff resources being diverted from normal business operations to support the council's transition to Oracle Fusion, we were unable to audit some aspects of the process which we would normally test, specifically counter-fraud activity, duplicate payment monitoring, performance monitoring and reporting to senior management. Despite this, the testing we have carried out, together with findings from previous audits, is sufficient to support an overall assurance opinion. As operational activity in these areas will have been impacted by the move to Fusion in any case, we will focus on these areas in our 2023/24 audit.

Context

The council uses the Oracle Financials system to process invoices and payments. Users are required to raise and approve requisitions for expenditure wherever possible. Exchequer Services match invoices to approved requisitions and process them for payment. Non-purchase order invoices are manually batched and authorised before Exchequer Service process payments. Non-invoice payments are made using the PRO system.

During 2022 the council replaced the Oracle R12 system with the cloud-based Oracle Fusion system to support HR, Payroll, Finance and Procurement Processes. To prepare for the launch of Oracle Fusion, activities ceased in R12 on 25 November 2022 and Fusion launched for Finance and Procurement on 1st December. Our audit is focussed on transactions performed in Oracle R12.


Accounts payable central controls

Scope of Audit

In this audit we have reviewed and tested the adequacy and effectiveness of the controls and processes established by management to mitigate the key risks relating to the following areas:

- System Access and Separation of duties
- Invoice Processing
- Supplier Maintenance

Accounts Receivable

Accounts Receivable				
Overall assurance rating	Audit findings requiring action			
 Moderate	Extreme	High	Medium	Low
	0	0	3	0

The compliance testing carried out for Accounts Receivable did not identify any areas of weakness in controls for the areas tested. However, due to Finance staff being diverted from normal business operations to support the council's transition to Oracle Fusion we were unable to audit all aspects of the process, specifically service investigations into unallocated receipts.

There is a current debt management policy dated October 2021 which details the debt recovery procedures and principles. Debtor Invoices raised on the Oracle R12 system are coded appropriately, and the invoice descriptions are consistent with services we would expect to be delivered by the council. We did not find any undue delays in receipts being uploaded and allocated to the debtor invoices. For the sample tested we were able to verify that reminders are issued, in accordance with the debt management policy and there is good adherence to segregation of duties.

As we restricted testing to April to October 2022 transactions in Oracle R12 we conducted more data analysis on the full population of transactions and less sample testing to inform our overall conclusions. We have been unable to provide a separate assurance opinion on the council's debt management processes, however we have included actions from the previous report which we will review in our 2023/24 audit.

Context

Prior to the implementation of Oracle Fusion from 1 December 2022, Oracle R12 Financials was the council's corporate accounting system, and our audit tested. Invoices raised to customers were processed through the Collections Agent module. Invoices were raised by the Accounts Receivables team for services following notification of goods or services provided to customers and include ongoing packages of care, which are billed four-weekly. Incoming monies are regularly monitored by the service who allocate funds to the appropriate debtor transaction.

Outstanding debts are chased in line with the county council's debt management policy, with first reminder and final notice letters automatically issued to customers via Oracle. Should debt remain outstanding, debt collectors within the service will introduce further manually intervened strategies.

During 2022 the council replaced the Oracle R12 system with the cloud-based Oracle Fusion system to support HR, Payroll, Finance and Procurement Processes. To prepare for the launch of Oracle Fusion, activities ceased in R12 on 25 November 2022 and Fusion launched for Finance on 1st December. Our audit is focussed on transactions performed in Oracle R12.


Scope of Audit

In this audit we have reviewed and tested the adequacy and effectiveness of the controls and processes established by management to mitigate the key risks relating to the following areas:

Accounts Receivable

- System Access and Separation of duties
- Debt Management Policy
- Invoice Processing
- Income Allocation

Becon - Building Maintenance Repairs

Becon - Building Maintenance Repairs				
Overall assurance rating	Audit findings requiring action			
 Moderate	Extreme	High	Medium	Low
	0	1	0	1

The Intranet page clearly details how premises managers refer issues, and there is effective controls, processes and training in place within the Customer Access Service (CAS) in receiving and forwarding the instruction for repairs or maintenance to the Property Group Surveyors and Engineers Team. However, there is no Service Level Agreement or a Memorandum of Understanding in place between the CAS and the Property Group Surveyors and Engineers Team.

The Property Group Surveyors and Engineers Team has a quality assurance control document in place which describes the process and procedures when an instruction is received. This was last updated in March 2017 and is still the current process. The Team supports the Older Peoples Service in different ways this included a teams' channel to monitor high level issues on an ongoing basis as well as providing training on the management of PAMS as part of a service away day. It is hoped that there will be further development of these teams' channels with other services within the council such as the Looked After Children and Leaving Care Service

Once instructions have been forwarded from CAS to the Property Group Surveyors and Engineers Team there is a lack of monitoring to confirm if the issues are being resolved in a timely manner. This may result in premises being left non-compliant. For the period January to May 2023 only 20% of jobs were closed within the priority timeframe, whilst 69% of jobs were completed over the time frame or had incorrect dates and 11% of the jobs were still open. Within this time frame they responded to 6% of the instructions in the priority time frame. However, testing of some of these cases highlighted that incorrect dates had often been recorded in PAMS. Therefore, we cannot rely on the accuracy of the information. There is no effective performance monitoring carried out by the Team to highlight significant areas of concerns they need to address.

Context

The audit was to determine if there is adequate and effective management of building maintenance repairs through Becon. The audit has been conducted in conformance with the Public Sector Internal Audit Standards.

The council have a duty to ensure that buildings under their control comply with appropriate statutory, regulatory, and corporate health and safety standards. Failure to comply with these may result in action, either under health and safety legislation or otherwise.

The Becon service is responsible for arranging repairs and improvements to LCC owned buildings. CAS is the first point of contact for Becon and handles calls from the council's premises managers and external contractors.

Once the call has been completed by a CAS officer depending on the type of referral it is, the instruction will go out to the contractor or to the Property Group Surveyors and Engineers Team via PAMS.

Scope of Audit

Becon - Building Maintenance Repairs

The overall objective of our audit was to review and determine if there is adequate and effective management of building maintenance repairs through Becon, and in particular to assess;

- That there is an agreement in place between the CAS and the Property Group Surveyors and Engineers Team and regular performance meetings takes place.
- All related staff are appropriately trained, and processes or procedures are in place to correctly take instructions and accordingly forward them on to the responsible service. The responsible service then takes appropriate action to ensure that the instruction is addressed.
- Monitoring and reporting take place of the instructions received, that they are addressed within the priority timeframe, and instructions that have been delayed over this timeframe is monitored and there is a valid reason. The monitoring is then populated into a performance report and reported to management.