Control	Audit review and risk rating	Audit scope	Comments	Assurance
Corporate controls				
Governance				
	Officers' declarations of interests, gifts and hospitality. *Low risk.*	Follow-up of agreed action plan.	Our original review of this area was undertaken in October 2011 and resulted in an overall limited assurance and eight actions were agreed with management. We subsequently undertook a re-review of this area in May 2013 and found that although some control improvements had been implemented, we were still able to provide only limited assurance. We have again followed up the agreed action plan, and are discussing our findings with management.	Incomplete
Information governance				
	Overall corporate arrangements. *High risk.*	Information gathering and assessment.	As the Committee is aware, considerable efforts are now being made to improve the council's information governance arrangements, and the Internal Audit Service is actively supporting this work, including seconding a team member into the information governance team. During the year the council achieved the standards required by the NHS toolkit and to support data sharing, and an information governance manager started work in September 2014. However, at present, more than limited assurance cannot be given that the council's risks are adequately understood and managed. There have been 75 internally reported breaches during 2013/14 and the first two months of 2014/15, and eight serious breaches of information security have been reported to the Information Commissioner's Office.	Limited
Working in strategic partnership				
	Funds flow between LCC and OCL. *High risk.*	RACE-based review.	Our work focussed on the arrangements in place during the year between LCC and OCL, but also on ensuring robust controls over the new arrangements between LCC and BTLS. We have highlighted the controls that will need to be in place in future. Monthly charges between the two organisations largely relate to the costs of LCC's staff seconded into the company, but the controls in place could not ensure that these costs were complete and accurate: LCC did not hold adequate information about the costs and locations of its seconded staff and there were regular discrepancies between the lists of staff held by LCC and OCL. The checks undertaken by LCC could not identify significant changes to payments from month to month, for example payments of arrears or pay awards. Other charges relate to the costs of ICT equipment and systems' development, and reliance was placed on OCL to charge only when appropriate. Insufficient information was available to ensure that only valid charges made for goods and services.	Limited
	Performance data quality and monitoring of One Connect Limited (OCL) by LCC. *High risk.*	RACE-based review.	The arrangements for monitoring OCL's performance were established on the principle that LCC and OCL operated in partnership and limited resources were made available to undertake robust scrutiny of the detailed reports across the varied service areas provided by OCL. Not all performance targets were clearly defined, were not appropriate or complete, and did not adequately cover the breadth of the services provided. No performance targets were monitored and reported for the HR Service, and the ICT Service contractual targets should have been supported by agreed delivery milestones for key projects which could be more effectively monitored. The arrangements in place to check the accuracy of the figures reported were inadequate: one of the Payroll contractual targets for example was inaccurately calculated and reported, and was unquestioned although it showed 100% achievement. There were difficulties in validating a contractual performance target for the Procurement Service and the forecast savings for a number of procurement projects. Information on agreed performance targets provided to the Cabinet Committee for the Strategic Partnership was insufficiently detailed and limited the means by which the committee could effectively challenge and scrutinise the performance of the services provided.	Limited
Legislative compliance				
	Assessment of the council's compliance with the Working Time Directive. *Low risk.*	Data analysis and support to management.	We have undertaken data analysis that suggests that the council employs a number of staff on multiple contracts, or who have additional contracts with the county's schools, or who work additional hours above their contracted hours, and who therefore work on average in excess of 48 hours per week. In three cases we believe that members of staff have worked in excess of 60 hours per week. These findings were discussed with OCL's HR team but, to date and following the transfer back to LCC of the HR service, no further action has been taken to develop more effective controls and support to management.	Limited
Business continuity and emergency planning				
	Corporate arrangements for emergency planning. *High risk.*	Follow-up of agreed action plan.	A comprehensive emergency planning framework has been developed and, in particular, the risk assessment process and emergency planning carried out with the Lancashire Resilience Forum demonstrate good practice. Work is continuing to ensure that business continuity plans are effective and to develop the links between the council's business continuity arrangements and those of OCL relating to the services they provide to the council.	N/A: previously substantial

Control	Audit review and risk rating	Audit scope	Comments	Assurance

Cross-service controls

Lone workers

| | Health and safety of lone workers. *Moderate risk.* | RACE-based review. | Detailed guidance and procedures, and generic risk assessments are available relating to lone workers. Significant work has been undertaken by the Corporate Health, Safety and Wellbeing Team in certain operational areas of the council to assess the implementation and operation of arrangements relating to lone workers within services: specific audits of lone workers have been undertaken within the Environment Directorate as well as generic health and safety audits covering lone worker protocols across other directorates. Various local arrangements and procedures are in place across the council, although they do not cover every area that employs lone workers. These local arrangements establish different practices in different directorates and services, but these are generally appropriate to local circumstances. We have been unable to establish in all cases that staff members are aware of and compliant with the local procedures or that the procedures are kept under regular review and are therefore current. However there are some examples of good practice that could usefully be taken and implemented across the whole council under corporate procedures. We also found that a number of risk assessments for lone workers have not been undertaken.
There are a number of different support systems in place to monitor the safety of lone workers, using different hardware and software packages. It was intended that the project to rationalise telecare for vulnerable adults would also provide appropriate support to lone workers, but this project is currently in abeyance. | Substantial |

Reablement service

| | The commissioning and provision of reablement. *Moderate risk.* | RACE-based re-review – previously limited assurance. | A review of the arrangements for the assessment of service users and the associated support plans started in early 2014 and a report is being prepared but will be completed in 2014/15. | Incomplete |

Transport

| | Safeguarding children's transport. *High risk.* | RACE-based re-review – previously limited assurance. | This work related to the 2012/13 audit plan and the controls in place are now satisfactory, where we were previously able to provide only limited assurance. The council comprehensively checks Disclosure and Barring Service (DBS) clearance of employees and drivers of taxis and buses who are involved in the transport of service users: our sample testing did not identify any exceptions. A database is maintained of cleared drivers which is used to monitor whether external operators have sufficient cleared drivers to operate their contracts, and random checks ensure that external operators are using DBS cleared drivers where required. | Substantial |

Capital programme management

| | Capital programme management. *Moderate risk.* | RACE-based review. | The scope of this audit was intended to include all services, but work has been undertaken only within the Environment directorate in 2013/14. Audit work addressing the other directorates will be undertaken in 2014/15 and the results of this work are included within the Environment Directorate below. | - |

Common controls

Financial controls

| | Accounts receivable and debt recovery. *Moderate risk.* | Compliance testing. | Our work was initially focused on the Oracle accounts receivable system but its scope was increased to consider the effectiveness of the processes for recovering debt owed to the council and the methods used for collecting income. Whilst we did not identify any significant issues in relation to raising invoices, there are a number of issues relating to the recovery of overdue debt. Debt has increased over a number of years to a total value of £48.4 million, of which £14.3m relates to debt over 180 days old, as at January 2014. This position has been accurately and appropriately reported to both senior managers and members within the Council within the last 12 months. A number of factors have contributed toward this increase, including a change in policy to collect client contributions to residential care costs, a fall in the number of direct debit agreements obtained from service users, difficulties in collecting income owed by the predecessors of the clinical commissioning groups, and limitations in the reporting functionality of the Oracle financial system. In addition, the automated income recovery actions, such as reminder letters, built into the Oracle financial system have not operated fully in practice. This has placed greater reliance for recovering debt on the Debt Management Team than initially intended, which itself has experienced periods of long term staff absence and unfilled vacancies during the year. The County Treasurer's management team has been proactive in addressing the rising level of debt. Requests have been made for improvements to the functionality of the Oracle system, efforts have been made to increase the number of payments secured by direct debit, and the contract for external debt collection services has been re-tendered. A new contract for corporate debt collection is in place and began in April 2014, although a contract for care debt has not yet been awarded. The council's debt management policy is being updated and supporting guidance developed to enable its implementation, although these are subject to implementation of developments to the Oracle system, a review of current collection strategies, and clarification of the roles and | Limited |

Control	Audit review and risk rating	Audit scope	Comments	Assurance
			responsibilities of the Debt Management Team and Legal Services in the recovery process.	
	Accounts payable. *Moderate risk.*	Compliance testing.	We have compliance tested orders raised throughout the year. In summary, across all directorates, we analysed 60 creditor invoice payments with purchase orders, 60 payments processed without a purchase order, and 15 individual payment requests through the Payment Request Online system (PRO). We have provided substantial assurance overall, but some minor control issues remain. In particular there are still delays in payment processing when an invoice does not match the order raised in the Oracle financial system and requisitioners do not respond in a timely manner to automated reminders to deal with the variance. It is also clear that the PRO system is not being used appropriately by some services. It should be used to initiate payments when there is no invoice, but it is also being used to avoid the council's 'no order no pay' policy, or when invoices could be processed as non purchase order payments.	Substantial
	Budgetary monitoring and control. *Moderate risk.*	RACE-based review.	Work on this area has only recently started and will be completed in 2014/15.	Incomplete
	Cash and banking. *Moderate risk.*	Compliance testing.	We have provided substantial assurance overall. The income identification and allocation process is effective, but there is scope to improve its efficiency, and to make better use of the IT system rather than manually printing, distributing and storing large volumes of information that is already held electronically.	Substantial
	Expense payments. *Low risk.*	Compliance testing directed by data analysis.	This work was initiated by concerns raised by an employee who realised that they were receiving payment for mileage claims at the incorrect rate: we have been unable to provide assurance that this system operates adequately. We analysed the mileage rates paid to employees and identified overpayments totalling approximately £300,000 relating to approximately 1,300 staff, caused by the use of outdated data tables for various groups of established posts. A recovery policy has been proposed and has been considered by the Management Team, and the tax implications for individuals will also be considered, but as at July 2014 no further action has been taken to recover the overpayments.	Nil
	Oracle release 12 - ongoing implementation and further work on the controls established in phase 1 and phase 2. *Low risk.*	RACE-based review.	Work has continued on this project, including work on the new fixed assets and procurement modules, and we have provided substantial assurance over the testing performed for both systems. However the contracts and sourcing modules have still not gone live as expected due to delays in agreeing ICT support arrangements.	Substantial
	General ledger. *High risk.*	Compliance testing.	Significant progress has been made in assigning responsibility for, and reconciling, balance sheet codes during the year, although this work is not yet complete. Action was agreed to improve controls over journals and this is already being implemented. It was also agreed that users' access permissions should be reviewed regularly, although the recent decision to implement an identity management system will also address this.	Substantial
	Payroll. *High risk.*	Compliance testing.	Unusual payments were made to OCL's former chief executive and, in addition, processes have not operated in accordance with county council policies in relation to three senior OCL managers below director level. This includes the appointment of three senior managers at salaries outside the county council's pay spine and the payment of mileage expenses to one of these which do not adhere to county council policy and are not supported by appropriate documentation. However our testing has indicated that these practices were limited to OCL and were not systemic throughout the council. In particular we can provide assurance that all permanent and temporary amendments to standing payroll data within our sample of the council's senior managers (grade 13 up to executive directors) were appropriate and supported by authorised documentation, and that we identified no other inappropriate high value or one-off payments. Improved controls are now in place over the monthly payroll, with the introduction in February 2014 by the County Treasurer's Directorate of a validation and authorisation process independent from BTLS. Adequate and effective procedures were in place for the payment of new starters during the year, and for the accurate and timely processing of information provided by external clients. However a number of processing errors have led to incorrect payments being made. Whilst the amounts involved are not high value, the number of errors identified has increased over the previous year. Of particular concern is the 9% error rate in our sample for terminations, given the increasing numbers of staff who will be leaving the council over the coming years.	Substantial
	Payroll data analysis – Oracle self-service, supporting additional payments to staff. *Low risk.*	Database interrogation.	This work was planned after concerns were brought to our attention relating to substantial payments made to staff in addition to normal salary payments, for example for overtime and work-related allowances. A report was issued and discussed with OCL senior managers in December 2013 and action has been agreed in principle to address the issues raised. A number of key controls are not being applied consistently across service areas and within the Oracle system, and there is a general lack of understanding amongst managers and staff regarding the operation of the self-service system. Our additional limited testing found a significant number of incorrect payments. Net overpayments of approximately £4,000 were made during the period January to March 2013 in three of the 10 teams we visited, including £2,000 of duplicate payments. Another investigation undertaken after this review identified overpayments of approximately £18,000 to three employees. (Continued on next page).	Limited

Control	Audit review and risk rating	Audit scope	Comments	Assurance
	Treasury management. *High risk.*	RACE-based review.	It is clear that managers are not consistently validating claims made by staff before approving them and a significant number of errors occur, including the use of incorrect element codes, incorrect calculations of hours worked, claims made against incorrect scale points for employees with multiple roles, and duplicate entry of claims. The Oracle system itself has inbuilt control weaknesses, in that weekend enhancements are able to be claimed on weekdays, and bank holiday enhancements can be claimed on non bank holiday dates, and there is a lack of validation controls within the system that could otherwise highlight inappropriate inputs. Managers generally lack proficiency and understanding in using the Oracle system. The Oracle e-learning facility relating to the input and approval of pay claims provides a good reference guide but completion of the e-learning modules is not compulsory, and the managers we contacted during this review were either not aware of them or had not been requested to complete them. During January 2014 courses were offered to managers and staff on the Oracle self-service system, although these are purely voluntary. We have provided substantial assurance over the majority of the controls operated in respect of the council's treasury management function. Bond transactions during this period complied with the investment strategy in terms of required credit rating, limits on individual transactions and total amount invested per instrument type. However there was insufficient oversight of the appropriateness of bond purchase and sale activity in the period April to June 2013. The chief investment officer arranges bond purchases and sales and, in the absence of adequate separation of duties over bond transactions, senior management oversight of weekly investment reports should provide a compensatory control. However reports of bond transactions were not submitted to the county treasurer and deputy county treasurer during this period. Investment transaction data is not aligned to the instrument groupings as defined by the investment strategy matrix, and no cumulative totals per instrument type are maintained. This information should be readily available to support regular investment decisions, to ensure that the maximum limits for each instrument type are not breached. We have suggested that the reporting and compliance arrangements operating for the Lancashire Pension Fund could also be used to support senior management to further improve the treasury management function's overall governance.	Substantial
	VAT. *Low risk.*	Compliance testing.	We have provided substantial assurance over the adequacy and effectiveness of the controls that identify, account for and recover VAT. We identified a small number of issues relating to updating the procedure notes and possible improvements to the VAT reports following the implementation of the Oracle release 12 system which will help to further improve control.	Substantial
HR controls				
	Hierarchies in the Oracle HR/ payroll system. *Moderate risk.*	Follow-up of agreed action plan.	This review was postponed a number of times during 2013/14, as problems with the system and its data were unresolved. These problems remain, although a solution could be made available in part if an identity management system is implemented. There is a general awareness that data held on the Oracle HR/ payroll system is unreliable and that there is no effective system to maintain it. Therefore, although we have been unable to conduct a full audit of this area, the council can take only limited assurance at best over the adequacy and effectiveness of this system.	Limited
	Leave and absence management. *Low risk.*	RACE-based review.	This work is contingent on obtaining appropriate reports from the Human Resource service, and discussions about these have now been on-going for approximately two years; they have still not been made available. On this basis, again, although we have been unable to conduct a full audit of this area, the council can take only limited assurance at best over the adequacy and effectiveness of this system.	Limited
ICT controls				
	Change management. Moderate risk.	Compliance testing.	Work on this area will be impacted by the planned implementation of an identity management system and has not been undertaken during the current year.	-
	Database security. *Low risk.*	Compliance testing.	We re-performed a number of tests on the ISSIS, Oracle Enterprise Resource Planning and EXOR databases, which support the council's work on social care, finance and human resources functions, and management information in the Environment Directorate respectively. Database security is just one element of information governance and, as we have reported previously there is a need to define overall security standards, for example requiring regular and systematic review of access rights. In the absence of such standards overall assurance cannot be provided over the security of the council's databases. Action has been taken to lock any user accounts using only default Oracle passwords. However there are still weaknesses in the logical access controls applied to key databases, in particular user privileges with potentially excessive access permissions. At the time of our work, database auditing was active for ISSIS, LIVE and Oracle ERP but not for EXOR, and the audit options for ISSIS were not consistent with those for LIVE and Oracle ERP. Clearly action to remedy the deficiencies in ISSIS would not have been productive during 2013/14.	Limited

Control	Audit review and risk rating	Audit scope	Comments	Assurance
	Email usage. *Low risk.*	Compliance testing and follow-up of agreed action plan.	We are able to confirm the substantial assurance we provided previously over the security of email usage by officers. We again found evidence of beaches of corporate policy, including the use of social media sites and online shopping and auction sites, but notably less than previously. We previously recommended that the risks associated with email usage be considered as the council's information governance arrangements are reviewed, and as noted above progress is now being made on this.	Substantial
	Help desk. *Moderate risk.*	RACE-based review.	Documented procedures are in place that provide an efficient and effective service to customers.	Substantial
	IT assets. *Low risk.*	Compliance testing.	Work on this area will continue into 2014/15 but, following work to locate various ICT assets during 2013/14 and discussions with the ICT Services team, it is clear that controls over ICT assets is inadequate.	Nil
	Network user management. *High risk.*	Compliance testing.	The ICT Services team is reliant on the council's managers to complete documentation accurately and on a timely basis to request enabling, amendment and deletion of users' Active Directory accounts. This is not happening. Of the network accounts for all the individuals whose employment with the council ended between 1 June and 31 August 2013, approximately 50% were not disabled and there is a risk of unauthorised access to council data. Of the new user accounts sampled 39% were enabled after the employee's start date. Incomplete or inaccurate achieve forms meant that only 22% of change records could be matched with any degree of certainty against Active Directory organisational units. The need for an identify management system has been identified as part of the council's improvement of information governance and security and no further actions have been agreed.	Limited
	Password security. *Moderate risk.*	Compliance testing.	Work on this area will be impacted by the planned implementation of an identity management system and has not been undertaken during the current year.	-
	Security of mobile devices. *Low risk.*	RACE-based review.	We are satisfied that the security products deployed for mobile devices are fit for purpose although it was not possible to confirm that every product has been implemented and thoroughly security tested. Whilst the council's information governance and assurance requirements are subject to review it will be important to ensure that the current and any future arrangements for mobile devices meet the appropriate standard.	Limited
Procurement controls				
	Procurement. *High risk.*	Compliance testing.	In light of the limited assurance we have previously given and the issues that arose during the year relating to the procurement of both fleet services and telecare contracts, amongst others that have been reported to members, we can continue to provide only limited assurance over the adequacy of the council's controls over procurement.	Limited
Service specific controls				
Adult Services, Health and Wellbeing				
	Care decision-making panels. *High risk.*	RACE-based review.	We sought to determine the adequacy and effectiveness of making adult social care decisions through the panel process focusing on panel membership, frequency of meetings, criteria used for making decisions, the consistency of decisions across client groups and geographical areas and the transparency of decision making within the case management system. We also considered the efficiency and effectiveness of how the panel process is managed, including the timeliness of decisions and the feedback of quality issues identified; and how these areas impact on the customer journey and staff development. Finally, we considered the robustness of the controls introduced to ensure that the panel process is used in all relevant cases in accordance with the scheme of delegation. Whilst we can provide substantial assurance over the adult social care panel decision making process and the associated administrative support function, we identified a number of areas where controls should be improved to address the quality issues identified by the panel, and to ensure that decisions made outside the panel are appropriate, transparent and consistent with the scheme of delegation. Although we have not identified any significant examples of non-compliance, given the intention to increase the financial responsibility of operational managers in the future, improvements in the management of quality issues will be necessary.	Substantial
	Direct payments initial assessments. *High risk.*	RACE-based re-review.	We have reviewed the progress made by in implementing the actions agreed following our previous internal audit work and our report issued in December 2012. Good progress has been made and the controls we tested were generally operating satisfactorily. However in a sample of 20 direct payments made to service users with learning disabilities, a mental capacity assessment had been completed in just three of 17 relevant cases. Furthermore, of nine direct payment agreements, only two were signed as approved by the relevant person. We have therefore again been able to provide only limited assurance over direct payments processes and controls, as there is still a significant risk that the council is failing appropriately to demonstrate compliance with its responsibilities under the Mental Capacity Act. The risk has been recognised by the directorate and action is now being taken to address it. We have agreed with the directorate that mental capacity will be given prominence in the mandatory direct payment training	Limited

Control	Audit review and risk rating	Audit scope	Comments	Assurance
			programme that is currently being developed.	
	FACE ('Functional Analysis in Care Environments') – resource allocation within individual budgets. *Moderate risk.*	Follow-up of agreed action plan.	FACE is a company that designs assessment tools for social and health care, and the council has purchased FACE software which sits within ISSIS. The key element of the new software is a resource allocation model linked to the overview assessment, with the aim of producing a more objective and efficient calculation of individual service user budgets. We have reviewed the progress made in addressing the actions agreed in our report of July 2013. This has been slower than was originally anticipated and as a result revised dates for implementation have been agreed. One of the key concerns at the time our original report was being finalised was that a high number of staff were not routinely using FACE, despite having completed the relevant training. We understand however, that this position is now improving since staff have been given the clear message that failure to utilise the FACE software will affect the volume of data that is able to be migrated to the Liquid Logic Adult Services system. We are also aware that the learning disability resource model has recently gone live.	N/A: previously substantial
	ISSIS replacement: advice and support re controls over configuration, security and implementation. *Moderate risk.*	Advice and support.	The Internal Audit Service was represented on the project board. During the year our input was coordinated with work on the CYP project board.	-
	Non residential care system ('NRCS'). *Moderate risk.*	Compliance testing.	We tested a sample of 25 new non residential care and 25 residential care agreements approved during the period April 2013 to August 2013 to confirm that financial approval was timely and appropriate, payment was at the correct rates and related to the service provided, adjustments to payments were reasonable and accurately processed, and the assessment and approval of the care package were undertaken by different officers. In addition we verified that a sample of 10 non residential care case payments and 10 residential care case payments were correctly reflected in the Oracle accounts payable and general ledger systems.	Substantial
	Payment and monitoring system ('PAMS'). *Moderate risk.*	Compliance testing.	This work identified no significant issues. However one advance payment had been made to a care provider but not reflected on the residential care payment system, and the care home itself brought this to the team's attention. Very few payments in advance are made and the implementation of the Liquid Logic system will result in changes to the process. We have therefore been able to provide substantial assurance over the financial controls over the residential and non-residential care systems.	Substantial
	Social care case referrals management. *Moderate risk.*	Compliance testing.	Compliance testing has been undertaken on a sample of 25 referrals and 25 closed cases during the period April 2013 to November 2013 covering all three ASHW geographical areas. All referrals in the sample had been allocated to an appropriately qualified worker based on the nature of the cases, and all the closed cases were closed by an appropriate officer.	Substantial
	Social care supervision. *Moderate risk.*	RACE-based review.	We can provide only limited assurance that controls designed to ensure staff in the Personal Social Care (PSC) and the In-House Adult Disability Provider (IHADP) teams are supported in maintaining their professional and personal development by the consistent application of appropriate supervision arrangements. There are a number of areas of good practice, including the availability of comprehensive policy and procedure documentation, the development of supervision frameworks to support newly qualified social workers and the mental health professionals managed within the NHS, the frequency and documentation of senior manager supervision, and access by the PSC staff to a well developed 'learning circle' programme. However testing of a selection of formal supervision records from both the PSC and IHADP services shows inconsistent operational compliance with policies, most notably in terms of the frequency of appropriate one-to-one supervisions, the rescheduling of cancelled meetings due to sickness or work commitments, the lack of supervision contracts, and the failure to ensure that all formal and any informal supervision meetings are recorded. Specifically in relation to PSC, we also noted the absence of a documented audit approach, including the completion of case critiques as required by the Quality of Recording policy. This has been partially recognised by the directorate and actions have already been taken in a number of areas to address the issues raised in this report. A supervision training course and evaluation programme within the IHADP service for all managers with supervisory responsibility has been commissioned, and 'Good Practice Guidance and Policy for Supervisory Managers' has been developed. The decision to use the Advance Practitioner resource within PSC across the directorate should allow more equal access to professional case supervision, and a joint ASHW/CYP supervision policy framework has been agreed. The current policy framework is ambitious, but compliance is clearly not being achieved in practice. As the new joint ASHW/CYP supervision policy framework is implemented and the directorate supervision policies are updated, the type and frequency of supervision arrangements that can realistically be delivered should be considered, especially as resources are further reduced. In particular there may be a need to promote more team or group supervision.	Limited
	Support planning. *Moderate risk.*	RACE-based review.	This review was added to the plan during the year and began in January 2014. It is still ongoing, and its scope has been increased to cover alternative methods of provision of support planning.	Incomplete

Control	Audit review and risk rating	Audit scope	Comments	Assurance
Benefits service				
	Care and Urgent Needs Support Scheme administration of community care grants and crisis loans. *Low risk.*	Compliance testing.	Although we were unable to undertake a full RACE-based review as intended, we assessed the user acceptance testing programme undertaken before the new ICT system went live. The timescale for this project was very compressed as the software was unavailable until very close to the go-live date and there was therefore insufficient time to complete a full testing programme. As a result, we can only provide limited assurance that the system met the service's requirements before implementation. However, we understand that the system is now operating satisfactorily.	Limited
Customer service centre				
	Care Connect. *Moderate risk.*	RACE-based review.	We have provided substantial assurance over the adequacy and effectiveness of the controls in place in respect of the Care Connect Service contact centre, which has been delivered under the management of OCL. Good practices are in place to ensure that the screening and referral of enquiries/ contact by service users of child and adult social care are timely and appropriate. There is just one contractual performance target in place, and this is the number of telephone calls answered by the Care Connect Service. This does not reflect the work undertaken in respect of emails, which would be a more appropriate indicator of the Service's performance. This issue is also addressed by the review of LCC performance management of OCL.	Substantial
Children and Young People				
	Adoption and fostering allowances. *Moderate risk.*	Follow-up of agreed action plan.	Although some progress has been made, a number of actions remain outstanding, in particular the need to ensure that a regular review of allowances is undertaken to ensure the needs of the child and/ or families continue to be met.	N/A: previously substantial
	Case file audit process. *Moderate risk.*	RACE-based re-review.	We were previously able to provide only limited assurance over this area, and our work has now been delayed until the second half of 2014/15 whilst the service implements the actions agreed. It is intended that the implementation of the second phase of the Liquid Logic system will resolve the control issues previously identified, but until then we can still provide only limited assurance.	Limited
	Child mental health provision. *Moderate risk.*	RACE-based re-review.	We were previously able to provide no assurance over this area and, since we have been advised that a further review of this area will demonstrate that the planned improvements, in particular in the information provided to effectively monitor the service, have not been completed during 2013/14, we can continue to provide no assurance.	Nil
	Children's centres performance monitoring. *Low risk.*	Due diligence.	We are undertaking a due diligence audit of a number of Children's Centres which are in the process of transferring to LCC from the NHS, but this work will continue into 2014/15.	Incomplete
	Children's centres. *Low risk.*	Follow-up of agreed action plan.	Several of the agreed actions are no longer applicable due to changes in funding arrangements, but where appropriate, action has been taken by management.	N/A: previously substantial
	Children's residential homes. *Low risk.*	Follow-up of agreed action plan.	This work has begun but will be completed during 2014/15.	Incomplete
	Independent Reviewing Officers. *Moderate risk.*	RACE-based re-review.	The actions agreed following our last audit review have not yet been fully implemented and, in addition, further issues have been identified. In particular we noted previously that high priority ('starred') recommendations are not fully logged and the log is not adequately monitored to ensure that actions are taken as required. It is still the case that not all actions on the log are fully documented or implemented in a timely manner, although we understand that all the recommendations had been implemented. Other outstanding matters relate to the need for Independent Reviewing Officers to complete actions within the required timescales. Further, there is a need to ensure that cases are not allocated to ceased workers or managers. A similar issue has previously been raised in a separate report on Case Management. We found two service users allocated to a Quality and Review Manager who had left the council but the cases had not been reallocated. These cases have since been reallocated and we understand that a report will be produced in future to identify all cases allocated to staff who have left the council.	Limited
	Lancashire Music Service. *Low risk.*	RACE-based review.	This work was added to the audit plan following concerns raised with the Internal Audit Service by the directorate. Lancashire Music Service provides tuition in schools and music centres throughout the county and provides curriculum support, music workshops and specific music programmes for schools in Lancashire. The service uses a number of specialist self-employed music tutors who have been paid on the production of invoices for the work undertaken. However the HMRC's Employment Status Indicator tool suggests that the HMRC may consider these workers to be employees with the consequent risk of financial penalties for the council. The physical security and maintenance of the musical instrument assets is generally good, but the storage and disposal of IT equipment are insecure.	Limited
	Lancashire Safeguarding Children's Board – financial administration.	RACE-based re-review.	Limited progress has been made to implement the actions agreed to support the more effective financial management of the LSCB.	Limited

Control	Audit review and risk rating	Audit scope	Comments	Assurance
	Low risk.			
	Liquid Logic and ContrOCC system implementation. *Moderate risk.*	Advice and support.	As previously reported, the Internal Audit Service was represented on the project board and our input was coordinated with work on the Adult Services, Health and Wellbeing project board.	N/A
	School budget formula. *Moderate risk.*	Follow-up of agreed action plan.	We have completed our follow-up work and all agreed actions have been implemented.	N/A: previously substantial
	School Performance and Financial Monitoring. *Moderate risk.*	Follow-up of agreed action plan.	We have completed our follow-up work. The actions agreed to improve controls over monitoring schools in financial difficulty and identifying schools approaching financial difficulty have yet to be fully implemented.	N/A: previously substantial
	Targeted youth support. *Low risk.*	RACE-based review.	Targeted Youth Support exists to offer additional appropriate support to vulnerable young people with complex needs. Although our testing was limited, we can provide substantial assurance on the effectiveness of the arrangements in place. We identified a small number of areas where controls should be strengthened, in particular the need to ensure that all 'tier1' and 'tier 2' cases have a caseload adviser, and that the adviser has active access permissions to the management information system. We were unable to confirm that caseload management and staff supervision are undertaken sufficiently frequently but plan to undertake a more substantial review of professional supervision in 2014/15.	Substantial
	Working Together With Troubled Families programme. *Moderate risk.*	RACE-based review: second phase.	Only limited progress has been made in addressing the actions agreed in 2012/13, leaving some unmitigated risks to the programme. We previously provided limited assurance over the processes supporting the programme, in particular data management and the need to obtain access to data from different organisations including central government. The second phase of our work confirmed this assessment. Although significant steps have been taken to improve data extraction for the payment-by-results claim and to maximise the claim, certain criteria for the programme have yet to be finalised and agreed with central government. The programme was aiming to have begun working with 1,841 families by 31 March 2014. As at 30 September 2013, the programme had begun working with 1,136 families and was therefore at risk of receiving delayed or reduced funding for 2014/15. Families participating in the project should, where appropriate, provide written consent that their details can be shared with partner organisations, but there are inconsistencies in the processes to obtain and record consent. Tracker forms should also be completed by the lead professionals to identify initial needs and then to track performance against agreed targets, but only two tracker forms were completed in a sample of ten. We understand that the management team is now addressing the actions arising from our work, and a follow-up audit is scheduled in 2014/15.	Limited
	Working Together With Troubled Families programme – funding claim submitted in January 2014.	Grant certification audit.	At the request of the Department for Communities and Local Government we have audited the figures in the January 2014 funding claim. After some adjustment of the claim we have been able to state that the claim is accurate and made in accordance with the Financial Framework for the Troubled Families Programme. We have since been asked to undertake audits of the earlier claims too, and that work is ongoing.	N/A
Schools and sixth forms				
	School reviews. *Moderate risk.*	Whole-school reviews.	Work has been completed as follows: (table below) We identified three schools where there are significant control weaknesses and we can give no assurance. In these cases our audit report has been shared with the School Improvement Challenge Board (SICB) and a decision made on whether the school should be given special support: such support will be provided to one of these three schools. This school will be subject to additional support and monitoring, and if appropriate action is not taken then the council may consider removing its delegated financial responsibility.	
	Follow-up of school reviews. *Moderate risk.*	Follow-up review.	We follow up the implementation of all agreed actions where we have given a school limited or no assurance. The majority of such schools have been audited in full during the year and the remaining schools are scheduled to be audited before the end of the current school year.	-

School type	Number of audits	Level of assurance			
		Full	Substantial	Limited	None
High school	14	0	13	1	0
Primary school	32	0	25	5	2
Special school	4	1	2	0	1
Nursery school	2	0	2	0	0
Total	52	1	42	6	3

Control	Audit review and risk rating	Audit scope	Comments	Assurance
	Schools with public sports facilities. *Low risk.*	Thematic review	This work was carried forward from 2012/13 and is now complete. Our findings were shared with all schools with sports facilities during September 2013, but the circumstances of each school we visited were specific to those schools and we identified no common themes.	-
	Schools operating a non-LCC payroll. *Low risk.*	Thematic review	This work is nearing completion but will be completed during 2014/15.	Incomplete
	Schools opening a bank account. *Low risk.*	Thematic review	This work has begun and but will be completed during 2014/15.	Incomplete
	Online payments. *Low risk.*	Thematic review	Preparatory work on this review began, but is now awaiting the results of a pilot study being done with schools by the Schools Financial Services team.	-
	Education Funding Agency grant certification.	Grant certification audit.	The County Treasurer is obliged to confirm that all the funding received by the council from the Education Funding Agency (EFA) and Skills Funding Agency (SFA) for transfer to the local authority controlled learning providers and maintained school sixth forms has been accurately and fully paid to them. We therefore undertook work at a high school and a sixth form college to assess the completeness and accuracy of their data returns to the Education Funding Agency, and we reviewed the Bursary Fund records to ensure that adequate systems were in place to administer the 16-19 Bursary Fund payments to learners in accordance with the EFA's guidance. Although we were able to provide full assurance over the school's data, the data provided by the sixth form college was inaccurate and subject to a number of errors, and we can provide no more than limited assurance. This will be reported by the County Treasurer to the EFA at the end of the financial year and has already been reported to the college. We have previously issued a newsletter to all schools with sixth forms advising them of common errors and best practice, and we will refresh and re-issue this guidance to schools in advance of the next census return.	N/A
Environment				
	Capital programme management. *Moderate risk.*	RACE-based review.	For the period prior to January 2014, active monitoring of the capital programme was limited to its maintenance elements only (approximately 40% of the total). Definitive lists of the schemes included within the programme were not available, and no record of the external funding agreed to support schemes was not provided to the Commissioning and Capital & Grants teams to enable them to claim it. Although the IT system ('CMS') is capable of recording multi-period projects and costs over more than one financial period, this facility is not currently used, and multi-period capital projects outside CMS amount to £16.2 million. The only figures on CMS that are reconciled to the council's financial system are the highways maintenance schemes (and at the time of our work there was a discrepancy of more than £2 million between the two systems), and there is a resulting risk that the figures being monitored through CMS are inaccurate. Projected expenditure reported on CMS is not routinely re-forecast during the course of the work, and it is not clear that overspends are, or can be, adequately identified on a timely basis. The directorate's management team ('EDMT') recognised deficiencies in this area some time ago and put in additional staff resources to ensure that data on the capital monitoring position is of good quality and is considered by EDMT on a regular basis. This has taken some time but confidence in the information is now high within the directorate. It is recognised however that this is due to a high level of staff resource, and that the current IT systems are not wholly fit for purpose. EDMT has commissioned a new project management system for implementation in April 2016 which, together with the introduction of Oracle Projects, will improve the position further in the longer term.	Limited
	Waste contract performance measures. *High risk.*	RACE-based review.	We can provide substantial assurance over the arrangements operated by Global Renewables Lancashire Ltd (GRLL) in liaison with LCC to report GRLL's performance under the waste PFI contract. GRLL has established adequate controls to ensure that any non-compliance with performance standards is correctly reported and the appropriate deductions made to contract payments, and our testing confirmed that these controls are generally operating effectively. Members of LCC's own waste management team have worked with GRLL to ensure that the performance reporting system is effective, both by sharing their observations of areas of potential non-compliance, and in setting up the online report that helps to ensure that any non-compliance is reported promptly. This opinion is based on the procedures in place during 2013/14, when the Memorandum of Understanding between LCC and GRLL was operating and both parties were working during to address disputed areas of the contract. At this point, it should be noted that the contract with GRLL has been terminated, and the ownership and responsibility for running the two waste processing facilities has been taken over by the council and Blackpool Council.	Substantial
	Use of contractors by the Highways Service. *Moderate risk.*	RACE-based review.	This work is ongoing and has been further complicated by a related whistle-blowing case. It will be completed during 2014/15.	Incomplete
	Grant audit: Citizen's Rail.	Grant certification audit.	This work has been completed.	N/A

Control	Audit review and risk rating	Audit scope	Comments	Assurance
	Grant audit: CIVINET.	Grant certification audit.	This work has been completed.	N/A
	Grant audit: ENVIREO.	Grant certification audit.	This work has been completed.	N/A
	Grant audit: Interreg IVB SusStations (NWE).	Grant certification audit.	This work has been completed.	N/A
	Grant audit: Local Transport Capital	Grant certification audit.	This work has been completed.	N/A
Lancashire County Commercial Group				
	Building cleaning. *Low risk.*	RACE-based review.	We have provided substantial assurance over the internal controls supporting the Building Cleaning service.	Substantial
	School catering: stock control, consumption and performance management. *Low risk.*	RACE-based review.	We have provided limited assurance over the processes and controls in place to manage school catering. Although controls within school kitchens are good, the more central controls were not operating as effectively. A number of reports are available within the IT system that would assist in stock and performance management, but these are not being fully utilised and could help detect unapproved products and products charged at non-contract prices.	Limited
	School catering: income. *Low risk.*	RACE-based review.	We have provided limited assurance over the effectiveness of the controls in place to securely collect, bank and record income from catering services provided to schools. As above, although controls within school kitchens are good, the more central controls were not operating as effectively. Our testing confirmed that the majority of income recorded as collected is banked in full, daily basis with only immaterial differences. However the income recorded in the service's IT system, and that recorded on the general ledger has having been banked is not reconciled, and any discrepancies will not therefore be identified. LCCG's cash handling procedures designed to protect members of staff from allegations of impropriety are not consistently followed. The income due for catering support to events is not fully invoiced, and information provided both to schools (for example setting out any rebates applied or additional charges incurred) and to LCCG's managers (particularly for cash sales data) are occasionally inaccurate. One of the schools visited was operating an overdraft facility, which contravenes LCCG's policy.	Limited
	Bus service operators grant.	Grant certification audit.	This claim is made twice-yearly and both claims have been audited.	N/A
Counter fraud service				
Counter fraud				
	School income testing.	Compliance testing directed by data analysis.	This work has identified schools that have not banked income for a particular period, and an unannounced visit has been made to one school.	N/A
	Review of supplier payments.	Compliance testing directed by data analysis.	We have analysed suppliers with consecutive invoice numbers to identify whether there are any suppliers who appear only to work for LCC (as was the case in an earlier fraud against the council). None have been identified.	N/A
National Fraud Initiative				
	National Fraud Initiative testing.	Investigation of data matches.	Historically the NFI exercise has identified matches between the council's pensioners and the DWP's list of deceased persons. The number and value of the pension errors/ frauds is less than in previous years, although the Your Pensions Service is still investigating a number of the matches. In addition, the council is participating in real time NFI matches and therefore errors and frauds are being detected at an earlier stage. The NFI exercise has also identified two council employees who were also working for other organisations. When these cases have been investigated we have identified concerns that the individuals have claimed to be working for both organisations at the same time. However, due to poor time recording records we have not been able to prove this. Recommendations have been made for the services concerned to improve their supporting records. The NFI exercise is run every two years and council data will be submitted later this year as part of the 2014/15 exercise.	N/A
Reactive work				
	Responsive work to support management.	Individual investigations.	We have supported management, and continue to provide on-going support, on a number of investigations and disciplinary procedures.	N/A