

## Lancashire County Council internal audit plan 2017/18: progress as at 31 March 2018

| Service area  | Operational area of activity   | Audit work   | Type * | Progress/ findings   | Assurance                                     |
|---|--|--|--------|--|---|
| <b>Control framework: Governance and democratic oversight</b> |  |  |        |  |   |
| Democratic Services   | Decision-making within the corporate governance framework by elected members under delegated powers. | Assessment of the council's measures to ensure compliance with its procedures, authority and timescales for proper decision-making by members, including compliance testing.   | 1+2    | This work is nearing completion and a report is being prepared.  |   |
| Democratic Services   | Decision-making within the corporate governance framework by officers under delegated powers.        | Assessment of the council's measures to ensure compliance with its procedures, authority and timescales for proper decision-making by officers under the scheme of delegation. (This work will be continued from 2016/17).   | 1+2    | This audit will be undertaken alongside that on members' decision-making and is also nearing completion.   |   |
| Democratic Services   | Effective oversight of corporate governance by the Audit, Risk and Governance Committee.             | Re-assessment under the new administration of the constitution and operation of the Audit, Risk and Governance Committee against professional guidance and current best practice.  | 1+2    | The committee has considered the action plan arising from an assessment of its risk and control framework, and revised terms of reference have now been approved by the Full Council.<br>(Reported in September 2017)  | Not applicable to this work                   |
| Democratic Services   | Operational policy setting.  | Understanding the way in which the new administration will establish policies for the organisation and review its current policies.  | 1      | This audit had been scheduled to begin at the end of the audit year but, in light of the current pressures on the organisation, has been deferred into 2018/19.  | Not applicable                                |
| <b>Control framework: Business effectiveness</b>              |  |  |        |  |   |
| Risk management   | Preparation and use of the corporate risk register, after its first year of operation.               | Re-assessment after the first year in use of the principles and practical operation of risk management arrangements to produce a corporate risk register and respond to the issues it records. This will include compliance testing of the processes in place across the council's services. | 1+2    | The process by which the council's risk and opportunities register is prepared is currently adequate and effective, although it is heavily reliant on heads of service, and the head of legal and democratic services in particular, supported by the information governance manager. More senior management input has been reliant on the director of governance, finance and public services, whose post is not present in the new organisational structure from January 2018. This process identifies and records the council's risks and the mitigating action being taken, but it cannot then guarantee that risks are mitigated to an acceptable degree.<br>(Reported in January 2018) | Full  |
| Financial management  | Delivery of the council's financial strategy and budget reductions                                   | Understanding the council's financial position and the controls that will ensure that sufficient, or planned, savings will be made in addition to those already achieved under the three-year plan that will end 2017/18.  | 1+2    | Whilst we have sought to understand the council's current financial position, the next full round of savings has not yet been agreed. A preliminary risk and control framework has been developed and more detailed audit work will be done when a savings programme has been agreed and controls put in place to manage it, but this work is not now expected to take place during 2017/18. (Reported in January 2018)  | Not applicable as this work has been deferred |
| Corporate Finance   | Obtaining and understanding the assurance provided by the Pension Fund's own internal auditors.      | Assessment of the assurance proposed and, in due course, provided by Deloitte LLP over the Lancashire Pension Fund's administration and investment operations outsourced to the Local Pensions Partnership.  | 1      | Eight reports have now been provided in summarised form by Deloitte LLP and these are listed in appendix A. The opinion provided by Deloitte in all but one case is 'effective with scope for improvement'; benefit administration has been deemed 'effective'. In the council's terms this may be deemed to provide substantial assurance overall on the work of the Local Pensions Partnership.  | Substantial                                   |
| Corporate Finance   | Oversight of the Lancashire Pension Fund.  | Assessment of the council's governance framework to achieve corporate oversight of the Lancashire Pension Fund.  | 1+2    | There are effective structures in place to support governance arrangements within the Pension Fund Committee and the Lancashire Pension Board, and there is a sound system to ensure that key regulatory and legislative requirements are complied with.   | Substantial                                   |
| Corporate Finance   | Oversight of the Lancashire Pension Fund.  | Audit of the custodianship of the assets of the Lancashire Pension Fund.   | 1+2    | We have undertaken compliance testing to give assurance over the current custodianship arrangements and a report is being prepared.  |   |
| Corporate Finance   | Oversight of the Lancashire Pension Fund.  | Audit of the council's accounting for the Pension Fund through its general ledger.   | 2      | This work is almost complete.  |   |

\* Type of audit: In accordance with the explanation set out in the audit plan, '1' is consultancy only; '2' is compliance testing only; '1+2' is a full risk and control evaluation; 'F' is follow-up testing.

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| Business Intelligence                      | Corporate performance monitoring.   | Follow-up of the actions agreed following our review of this area in 2016/17.   | F      | It was intended that, following approval of a new corporate strategy, the existing performance measures would be reviewed to ensure that council is working towards common objectives and targets. However no new corporate strategy has been agreed and this action cannot therefore be completed by the Business Intelligence Service.<br>(Reported in January 2018)   | Not applicable to follow-up work              |
| Financial Management                       | Oversight and alignment of the council's establishment and staffing budget.                 | Continuation of the work begun in 2016/17 to review the process to capture workforce planning decisions and ensure that the council's establishment is properly supported by matching budgets, and that HR and financial records are aligned, complete, accurate and current. | 1+2    | Testing started only in March 2018 and this work is almost complete.   |   |
| <b>Control framework: Service delivery</b> |   |   |        |  |   |
| Operations and Delivery                    | Communication with staff across the council.  | Testing the dissemination of information up and down the management chain, to ensure that all staff understand the council's priorities and operating procedures and to ensure the escalation of matters of strategic or political importance.                                | 1+2    | Detailed testing began in January 2018 and will continue into 2018/19.   |   |
| Adult Services                             | Supervision and support to front line social workers and other social care support workers. | Work to build on the audit undertaken in 2016/17, with further assessment and compliance testing of supervision and support to front-line social workers and other social care support workers across a sample of geographical areas and services.                            | 1+2    | Action in response to our work in 2016/17 has been delayed by the principal social worker's absence during part of the year, but they will be undertaking work to assess the new supervision arrangements in the summer of 2018. Work on the supervision and support to non-registered care workers is now planned for 2018/19 but the work for 2017/18 has been removed from the plan.  | Not applicable as this work has been deferred |
| Adult Services                             | Complex case forums decision making process (formerly 'panel decision making processes').   | Audit of the panel decision making process specifically in relation to clients with learning disabilities and mental health issues, including compliance with approval thresholds and delegated responsibilities.   | 1+2    | The operation of the Adult Learning Disability, Autism and Mental Health complex case forums is robust: decisions are taken fairly and consistently, applications are challenged and decisions are reached appropriately. However it is not clear that all relevant cases are actually being submitted for consideration by the forums and therefore, although the process operates largely effectively for the cases that are considered by the forums, we can provide only limited assurance that the controls operated by the process are sufficiently effective.<br>(Reported in January 2018) | Limited                                       |
| Adult Services                             | Case management: occupational therapy services.   | Assessment of compliance with the arrangements in place over the referral process, timeliness of the assessment and agreement of packages of care, delivery of services, oversight and supervision arrangements.  | 1+2    | Testing is complete and our findings have been discussed with the Occupational Therapy team managers; a report is being prepared.  |   |
| Adult Services                             | Direct payments to service users and their carers.  | Assessment of compliance with the processes underpinning decisions to support care users with direct payments, the development and approval of the associated support plans.  | 1+2    | The service has undertaken a lot of work to improve its controls over direct payments. Procedures are in place and training has been mandated to ensure that all staff understand them. Care plans are reviewed annually to ensure they meet service users' needs and the service is planning to ensure that financial agreements with service users are renewed periodically.<br>(Reported in January 2018)   | Substantial                                   |
| Exchequer Services                         | Direct payment financial reviews.   | Audit of the scope, frequency and timeliness of reviews undertaken to determine that direct payments are being spent only on items identified in the support plan and that unspent funds are being effectively clawed back.   | 1+2    | We tested direct payment agreements with review dates between April and June 2017, including reviews conducted by different financial assessment officers for both adults and children's services, and covering all districts, client groups and direct payment pathways. We identified some areas for improvement, including delays in completing reviews resulting in backlogs, reassessments, and the consistency of information recorded in review checklists.   | Substantial                                   |

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| Exchequer Services  | Service user financial assessments.   | Assessment of the timeliness and accuracy with which service user's financial assessments are conducted and then revised as changes are made to approved packages of care.   | 1+2    | Some areas for improvement have been identified and actions have been agreed to address, in particular, delays in the completion of financial assessments and re-assessments resulting in backlogs, the consistency of information recorded in service user case files, and the timeliness of information uploaded to social care systems.  | Substantial                                   |
| Adult Services      | Contract monitoring: reablement service.  | Audit of the system to monitor contracts for the provision of the reablement service.  | 1+2    | This work was scheduled with the service for the final quarter of the year and is still ongoing.  |   |
| Adult Services      | Contract monitoring: crisis support service.  | Audit of the system to monitor contracts for the provision of the crisis support service.  | 1+2    | This audit has been undertaken in association with that on the reablement service, and is therefore also still ongoing.   |   |
| Adult Services      | Use of the care portal by external care providers to claim payments for services provided to service users. | Audit of the system to manage payments to external care providers, focussing on information flows from providers and checks that ensure payments are accurate and valid.   | 1+2    | The Internal Audit Service had begun to understand the developmental work being undertaken by the service's managers, but the Core Systems team had also begun to review the same area and audit work has therefore been deferred. This is now likely to be included in the audit plan for 2018/19 instead. (Reported in January 2018)  | Not applicable as this work has been deferred |
| Adult Services      | Development of the workforce (training and guidance for staff across Adult Services).                       | Consideration of the arrangements to ensure mandatory and corporate training is properly undertaken by relevant staff, and that both training and broader guidance material are adequate.  | 1+2    | This work has been removed from the plan and may be undertaken in 2018/19 or later.   | Not applicable as this work has been deferred |
| Adult Services      | Mental health safeguarding.   | Assessment of the system the Learning Disabilities, Autism and Mental Health Service has introduced to manage mental health safeguarding alerts.<br>(Work added in January 2018).  | 1+2    | We have developed a risk and control framework and tested the service's compliance with it; our report has been drafted and is being discussed with management.   |   |
| Children's Services | Safeguarding through recruitment: selection and vetting procedures.   | Audit of the recruitment and vetting of staff, including agency workers, in a sample of service areas across Children's Services, in particular to ensure that credentials are confirmed and individuals are properly vetted to address the risks around safeguarding.   | 1+2    | Although the way employees and agency staff are recruited differs, all are subject to safeguarding checks. Some evidence was unavailable to confirm that Disclosure and Barring Service (DBS) information has been checked for all employees, and that references are obtained for all agency staff. There are inconsistencies in the way agency placements are managed by operational managers. (Reported in January 2018)                                   | Substantial                                   |
| Children's Services | Service improvement.  | Understanding the framework in place and the actions being taken to support improvement across Children's Services so that we will be better placed to provide support and to plan future assurance work. This work will specifically include activity supporting effective casework management and supervision. | 1      | Appropriate governance and operational delivery structures are in place to support the improvement action required by Ofsted. A review by Ofsted of the Special Educational Needs Service in November 2017 found a number of positive aspects in the service, which is run jointly by the county council and the area's NHS clinical commissioning groups but also found some areas of weakness in the local area's practice which are now being addressed.   | Not applicable to this work                   |
| Children's Services | Information security within parts of Children's Services.   | A number of data losses have been experienced in the Fostering, Adoption, Residential and Youth Offending Team and Safeguarding, Inspection and Audit Service so, working with those teams and the Information Governance team, we will assess the risks and controls in place to manage information.            | 1      | The control framework in both services is adequate in principle to mitigate the risks associated with information management, but breaches are occurring because individual officers are failing to adhere to the framework. More stringent disciplinary action has therefore recently been adopted.<br>Our opinion relates only to the adequacy of the design of the control framework – we have not undertaken compliance testing of the controls in place. | Substantial                                   |
| Children's Services | Contract monitoring: external residential placements.   | Audit of the Access to Resources Team's system to monitor external residential placement contracts.  | 1+2    | The Access to Resources team was established only early in 2017 so the audit was scheduled to take place in early 2018, and work is still ongoing.  |   |

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| Children's Services | Personal budgets for service users and direct payments to their carers. | An overview of the process by which personal budgets are established and reviewed, and direct payments are made to service users and carers including third party service providers.  | 1      | There are sound controls in place to manage the approval of care plans and to carry out reviews. However we were unable to find evidence of any agreements with service users' carers regarding the financial terms and conditions of direct payments. The Resource Allocation System is inconsistently used to assess clients' needs, and there is a lack of records on the Liquidlogic Children's System (LCS).  | Limited                     |
| Children's Services | Transition from children's to adult services.                           | Initial assessment of the controls to ensure service users' needs continue to be met as they make the transition from Children's to Adults' services. This work will include a focus on the Special Educational Needs and Disabilities Service. | 1+2    | This audit addressed both the adequacy and effectiveness of the controls in place across both Children's and Adults Services and not just the Transitions Service (which is located within Adults Services). There is a need for greater coordination of the transition process across Children's Services and Adult Services and for greater clarity over responsibilities for the key tasks: these should be set out in a single, consistent and current set of policies and procedures. Decisions on packages of care are often reactive rather than planned due to the lack of timely information on progress with individual cases. | Limited                     |
| Community Services  | Provision of transport for children.                                    | Audit of the arrangements made to safeguard children being transported by the council to educational or other facilities.   | 1+2    | The council's safeguarding policies and procedures are communicated to staff, service users and operators, and safeguarding incidents are reported, recorded and addressed. Safeguarding requirements are built into operators' contracts, with controls to test compliance. Some action will be taken to further strengthen control, including checking operator statements, licence and insurance documents before admitting operators to the procurement framework. (Reported in January 2018)  | Substantial                 |
| Community Services  | Contract monitoring.  | Audit of arrangements to monitor Community Services' contracts to ensure proper contract delivery by the supplier and appropriate payment by the council.   | 1+2    | Following initial discussions with the director of community services we will audit the waste landfill contract and contracts in the Highways Service and this work is continuing. We have provided some support to the service regarding monitoring the contract with Network Rail relating to the Skelmersdale Rail Link.  |                             |
| Community Services  | Operation of the Highways Asset Management System (HAMS).               | First assessment of the operation of the system since its introduction to replace a number of other systems during 2016/17. Mapping of the system into a risk and control framework.  | 1      | The intended efficiencies in managing highways assets, recording and responding to reported defects, raising orders and invoices, and paying supplier invoices have not yet been realised. However officers within the Highways Service and Core Systems Team are committed to identifying and addressing the remaining issues. A review group meets weekly and an action plan is actively managed to address the issues raised. (Reported in January 2018)  | Limited                     |
| Community Services  | Hire and return of vehicles by the Highways Service.                    | Support to management to assess the risks and controls associated with hiring and returning vehicles.   | 1      | A risk and control framework has been developed and the necessary controls agreed with the Highways head of service. At this point advice but no assurance has been provided. (Reported in January 2018)   | Not applicable to this work |
| Community Services  | Waste management arrangements   | Work to understand arrangements for managing waste.   | 1      | Discussions with the head of service have taken place to understand the current arrangements and are continuing as we audit the contract monitoring arrangements specific to the waste landfill contract. (Reported in January 2018)   | Not applicable              |
| Community Services  | Pre planning application advice service.                                | Assurance over the traded service recently introduced and offered to developers to improve the quality of their planning applications.  | 1+2    | This work is almost complete and a report is being prepared.   |                             |
| Community Services  | Registrars' income.   | Audit of service delivery including arrangements for charging and income collection.  | 1+2    | The service's managers have agreed to review their financial procedures to ensure they are suitable and all sites are able to comply, and include reference to processes such as refunds and procurement. The service also intends to reintroduce site inspections to ensure that all sites are compliant. (Reported in January 2018)  | Substantial                 |

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| Customer Access Service     | Customer Access Service management assurance processes.                            | Assurance over the service's activity to ensure the quality of its service delivery including monitoring responses, follow-up action, data system input, and treatment of any feedback or complaints. | 1+2    | The service's management oversight to ensure the quality of its service delivery is comprehensive and corrective action is taken to address any issues identified, whether identified through proactive monitoring or through customer feedback. In addition, we considered a range of related management issues and found that they too are addressed well by the service. In particular workforce planning operates well to make best use of available resources, and recruitment and retention issues are being actively addressed. Work is ongoing to align the Customer Access Service's and corporate information systems.<br>(Reported in January 2018)   | Substantial                      |
| Customer Access Service     | Blue badge applications.   | Assurance over the applications process and compliance with policy, including charging and accounting for income.   | 1+2    | Controls are generally adequately designed but we found a number of errors in processing and issuing blue badges and in dealing with badges returned to the council. Management operates monitoring processes intended to pick up errors such as these and, although they did not identify the matters we found in our sample testing, it is unclear what further action could be taken to address these human errors.<br>(Reported in January 2018)   | Substantial                      |
| Public Health and Wellbeing | Commissioning and oversight of public health service provision.                    | Assessment, with the service, of the effectiveness of its commissioning to achieve outcomes.  | 1      | This work is almost complete and a report is being prepared.   |                                  |
| Public Health and Wellbeing | Commissioning and oversight of public health service provision.                    | Follow-up of actions agreed in 2016/17.   | F      | This work has been undertaken at the same time as the audit above and is almost complete.  | Not applicable to follow-up work |
| Public Health and Wellbeing | Quality Assurance Improvement Programme: residential care and nursing homes.       | Consideration of the adequacy and effectiveness of the quality assurance programme in driving improvements in service delivery across the regulated care sector.                                      | 1      | The service's revised quality and assurance programme is not yet ready to implement, but auditors are providing constructive input to the service as it develops this. No further audit work will be undertaken in 2017/18.<br>(Reported in January 2018)  | Not applicable                   |
| Public Health and Wellbeing | Making Safeguarding Personal.  | Assessment of the council's framework for ensuring compliance with its statutory requirements under the Care Act 2014.  | 1      | The Safeguarding Service's staff is fully committed to the Making Safeguarding Personal programme but, although a substantial amount of work is currently ongoing to shape the service's operations around the programme's priorities, the service's working practices are not yet fully aligned with these priorities.<br>Service users' lack of mental capacity is not always addressed and supported with advocacy where required, and it cannot always be demonstrated that a decision has been made in the best interests of the adult concerned.<br>There are issues in the handling of safeguarding enquiries, and a backlog of safeguarding alerts (although additional resources have been provided to address this).<br>(Reported in January 2018) | Limited                          |
| Public Health and Wellbeing | Contract monitoring: sexual health service.  | Audit of the system to monitor contracts for the provision of the sexual health service.  | 1+2    | This work is almost complete and a report is being prepared.   |                                  |
| Public Health and Wellbeing | Planning to address emergencies and civil contingencies: central planning.         | Follow-up of the work completed by the Emergency Planning Team since the audit in 2016/17 to understand the team's progress in completing its action plan.  | F      | Work on this area began in March 2018 and is still ongoing. It has incorporated work on individual services' plans and has therefore subsumed the audit below.   | Not applicable to follow-up work |
| Public Health and Wellbeing | Planning to address emergencies and civil contingencies: planning within services. | Audit undertaken through the Emergency Planning Service of operational services' resilience plans and the work to both support these and to integrate them across the council's work.                 | 2      | This work has been combined with the audit above.  |                                  |

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| Schools' Financial Management | Oversight of schools' financial management.                          | Follow-up of the actions agreed in 2016/17.  | F      | Part of this work has been addressed within the two audits below and work is ongoing with the head of service for financial management (development and schools) to address the remaining actions, but this will continue into the summer term and therefore 2018/19.  | Not applicable to follow-up work |
| Schools' Financial Management | Schools Financial Value Standard (SFVS) self-assessments.            | Review of a sample of SFVS self-assessments submitted by schools for 2016/17 to ensure that their assertions are supported by adequate evidence.   | 2      | The schools we tested had completed self-assessments of their financial controls under the Schools Financial Value Standard as required and were able to provide sufficient appropriate evidence to support the statements they made for 2016/17. Some points of good practice have been drawn out and will be published on the Schools Portal by the Schools Financial Service to support general improvement across all schools.<br>(Reported in September 2017) | Substantial                      |
| Schools' Financial Management | Financial and governance controls within the county's schools.       | Following work to understand the council's central oversight of the county's schools in 2016/17 and the outcome of our audit of SFVS self-assessments, we will carry out a thematic audit in a sample of schools across the county of policies, processes and compliance in a specific area. | 1+2    | Work is under way and visits have been undertaken to a number of schools, but the report will not be complete before the year end.   |                                  |
| Financial Management          | Recovery of costs/ available income from partner organisations.      | Assessment of controls across a sample of service areas to address the risk that the council does not fully recoup appropriate costs or income from partner organisations, including NHS contributions to care packages, or else takes on their roles at its cost.                           | 1+2    | This audit has begun but work is still ongoing.  |                                  |
| Corporate Commissioning       | Commissioning, design and monitoring of the capital programme.       | The first phase of this audit was undertaken in 2016/17 and will be continued in 2017/18, with compliance testing of the controls in place as they become embedded during the year.  | 1+2    | This significant piece of work is almost complete.   |                                  |
| Corporate Commissioning       | Health and safety of the council's properties (premises compliance). | Assurance over the process to ensure that statutory and other necessary checks on the health and safety of the council's properties are carried out. This will include compliance with corporate strategy, policies and procedures and the use of the new Property Asset Management System.  | 1+2    | As this is a relatively new team and controls were being developed we have restricted our work to an assessment of the adequacy of the risk and control framework in place. We have agreed an action plan to enhance the controls in place and will audit this again in 2018/19.   | Limited                          |
| Corporate Commissioning       | Better Care Fund.  | Maintaining a watching brief over the governance arrangements for the council's use of the improved Better Care Fund.  | 1      | This work is ongoing and will not result in specific audit assurance during 2017/18.<br>(Reported in January 2018)   | Not applicable                   |
| Economic Development          | The framework of economic development across Lancashire.             | We will gain an understanding of the work of the Economic Development team so that we are better able to support the service and, in due course, provide appropriate assurance over its operation.   | 1      | We have drafted a framework for our internal use to support our understanding of the work of the Economic Development team and inform our audit planning for 2018/19.<br>(Reported in January 2018)  | Not applicable to this work      |
| Economic Development          | Lancashire Enterprise Partnership: governance and accountability     | Follow-up of the actions agreed during 2016/17.  | F      | The action plan agreed in 2016/17 has been largely completed and the remaining actions are progressing.  | Not applicable to follow-up work |

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| <b>Control framework: Service support</b>                                |   |  |        |   |   |
| Corporate Services (Programmes and Project Management from January 2018) | Core systems for managing capital projects – PPMS, PAMS, HAMS.  | Work to understand the core system central controls supporting management of the council's assets: Programme & Project Management System (PPMS), Property Asset Management System (PAMS), Highways Asset Management System (HAMS). This work will be closely linked with work on the capital programme and in Community Services.  | 1      | This work will be completed in conjunction with the work on the capital programme and will be reported once discussed with the director of property services.   |   |
| Corporate Services   | Recruitment: the process from start to finish to bring new staff productively into the council.   | An overview of the recruitment process from start to finish to document the steps and timeline to recruit and equip new staff. This will involve a number of different services and will be undertaken in conjunction with work that Corporate Services staff are also undertaking.  | 1      | The Human Resources team's own review of the current recruitment process has not progressed but other work is now starting, and the Internal Audit Service intends to be closely involved in this over the coming year. However no further audit work will be undertaken during 2017/18.  | Not applicable as this work has been deferred |
| Corporate Services (Programmes and Project Management from January 2018) | Children's Services' LCS system helpdesk.   | Audit of the provision by the helpdesk of advice and guidance to social workers in the use of the LCS system, and correction of their errors on request, to ensure data on LCS is accurate.  | 1+2    | This work is nearing completion.  |   |
| Corporate Services   | Amendments made to both the LAS and LCS systems (for adults' and children's services respectively) to support changes to working practices. | Work to gain an understanding of the system developments made as operational working practices are reassessed and changed, so that we will be better placed to provide support and to plan future assurance work.  | 1      | A risk and control framework has been drafted and is ready for review, but no further work is planned for the current year.<br>(Reported in January 2018)   | Not applicable to this work                   |
| Democratic Services  | Management of surveillance system recorded data.  | Assessment of the council's compliance with the council's revised overt surveillance policy (including the use of CCTV) addressing the gathering, storage, use and disposal of data recorded through the surveillance system.  | 1+2    | A risk and control framework has been developed, and the managers involved are now developing an action plan to implement a more effective control framework. Further audit work will take place only once management is satisfied that the management of surveillance data is adequate.<br>(Reported in January 2018)  | Not applicable as this work has been deferred |
| Programmes & Project Management (Corporate Services from January 2018)   | Apprenticeship Levy.  | Initial advice to assist the service to establish the risk and control framework associated with control of use of the Apprenticeship Levy by the council and the schools whose staff is employed by the council, followed by evaluation of compliance.  | 1+2    | Final compliance testing is being done in the fourth quarter so that there is sufficient activity from which to select a sample, and a report will be prepared during April 2018.   |   |
| <b>Control framework: Business processes</b>                             |   |  |        |   |   |
| Systems Control  | Access controls and system security.  | A single audit, across Oracle as a whole, of controls over user access to the council's financial systems, including access by non-LCC staff.  | 1+2    | This work will be deferred into early 2018/19 and will be done to support the Core Systems team, which is also now planning to undertake work to ensure that access to Oracle is properly controlled.   | Not applicable as this work has been deferred |
| Systems Control  | Accounts payable: central controls.   | Audit of the controls in place over the central accounts payable function, including oversight of the accounts payable process as a whole. We will address the system configuration and, as appropriate, controls over feeder file transfers, separation of duties, splitting of orders, receipting, authorisation of requisitions and payments, duplicate payments, changes to masterfile standing data and timeliness of payments. | 2      | We audited the controls in place to ensure that: payments are appropriately authorised and only made for council services; duplicate payments are avoided and detected; invoices are processed in a timely manner; and changes made to a supplier's bank account details are appropriately controlled. Controls are in place and generally operating effectively. | Substantial                                   |

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| Public and Integrated Transport    | Accounts payable: service-based controls<br>Caring and Responsive Transport (CART) payments to taxi operators | Audit of the controls in place within CART as an accounts payable feeder system, to ensure that the transactions recorded represent valid charges for goods and services received, and are authorised on a timely basis in accordance with the relevant scheme of delegation. | 1+2    | This system is adequately designed and effectively operated, although a number of actions have been agreed to further mitigate some risks. These include the need to ensure that signed agreements are held with all taxi operators to confirm contractual arrangements, and to review and amend access permissions.<br>(Reported in January 2018)   | Substantial                                   |
| Public and Integrated Transport    | Accounts payable: service-based controls<br>Repair and Maintenance Programme (RAMP) system payments           | Audit of the controls in place within RAMP as an accounts payable feeder system, to ensure that the transactions recorded represent valid charges for goods and services received, and are authorised on a timely basis in accordance with the relevant scheme of delegation. | 1+2    | Controls ensure that purchases for vehicle parts represent valid and appropriate expenditure and that payments are consistent with the orders raised. However there are some weaknesses in the wider control environment, and in particular a lack of segregation of duties, high expenditure limits and insufficient review of expenditure that together leave the risk of inappropriate expenditure inadequately mitigated.<br>(Reported in January 2018)  | Limited                                       |
| Public and Integrated Transport    | Accounts receivable: service-based controls<br>Repair and Maintenance Programme (RAMP) system receipts        | Audit of the controls in place within the RAMP system, as one of the accounts receivable feeder systems, to ensure that all income due is invoiced and received on a timely basis.  | 1+2    | Services and repairs for external customers are appropriately recorded and invoiced. At present these are not adequately supported by contract documentation so that there are inconsistencies between the amounts actually charged and the rates agreed.<br>(Reported in January 2018)  | Substantial                                   |
| Exchequer Services                 | Accounts receivable and debt management: central controls.  | Audit of the controls in place, including system configuration, to support the central accounts receivable and debt management functions, with compliance testing of those controls and follow-up of the actions agreed in 2016/17 where relevant.                            | 1+2    | The centrally managed controls over the council's accounts receivable and debt are generally adequately designed and effective in operation. Invoices are raised within operational services but many are raised some weeks after the service has been provided. The central debt collection team has also been subject to some staff vacancies and there have been delays in the debt recovery process, but the overall focus of debt management has shifted to address debt at an early stage when it is more readily collectible.<br>(Reported in January 2018) | Substantial                                   |
| Exchequer Services                 | Cash and banking: central controls including checks over completeness and compliance in other locations.      | Compliance testing of the key controls over the central cashiers function, and by cashiers over cash taken and held in other locations. The work will include follow up of actions agreed following the 2016-17 audit review in this area.                                    | 2      | Compliance testing has been interrupted by staff sickness and will continue in 2018/19, but work for 2017/18 has now been cancelled.<br>(Reported in January 2018)   | Not applicable as this work has been deferred |
| Financial Management (Operational) | Management information and budgetary control.   | Gaining an understanding of, and confirming by testing, the way key budgets are managed, to connect with the need to achieve cost savings.  | 1+2    | The annual revenue budget is accurately recorded in Oracle and high-level budget reporting informs member and senior manager oversight. Budget monitoring by service managers is supported by regular reporting and officers from the Financial Management team. However the council's broader financial position remains extremely challenging, and projections of the overall position in future years are subject to significant variations from quarter to quarter.<br>(Reported in January 2018)  | Substantial                                   |
| Corporate Finance                  | Oracle general ledger.  | Compliance testing of the key controls, including system configuration.   | 2      | Each of the areas of financial control addressed wholly centrally have been undertaken during the fourth quarter of the year, but before the finance teams become busy with their year-end closure work. Work on the general ledger has begun and is continuing.   |   |
| Corporate Finance                  | Oversight of payroll payments.  | Compliance testing of the key controls operated by the council to ensure it properly oversees the processing of transactions on its behalf by BTLS.   | 2      | This work is almost complete and is being addressed with the work on payroll processing.   |   |

Lancashire County Council internal audit plan 2017/18: progress as at 31 March 2018

| Service area                                       | Operational area of activity   | Audit work  | Type * | Progress/ findings   | Assurance                                     |
|--|--|---|--------|--|---|
| Corporate Finance                                  | Treasury management.   | Compliance testing of the key controls, including system configuration. The review incorporates the following elements - investment management and oversight and compliance with the Treasury Management Strategy. The review will also include follow up of the agreed actions from the 2016-17 audit. | 2      | The Council has approved a Treasury Management Strategy which is being consistently and correctly applied in respect of investment and borrowing decisions. There is timely and accurate reporting of treasury management activity to senior management and councillors for monitoring.  | Substantial                                   |
| Corporate Finance                                  | VAT.   | Compliance testing of the key controls, including system configuration. The review will also include follow-up of the actions agreed in 2016/17.  | 2      | This work will not be complete until after the year end.   |   |
| Health and Safety                                  | Health and safety compliance.  | Assessment of the compliance service – the second line of defence – in assuring controls over health and safety across the organisation. This will specifically incorporate testing of arrangements in Highways and Design and Construction.  | 1+2    | This work is nearing completion.   |   |
| ICT systems  | Determination of the appropriate areas for audit.  | External support is required to work with BTLS as well as Corporate Services to properly assess the ICT audit work that is appropriate and achievable.  | n/a    | Support to the Internal Audit Service from a specialist provider is being sought through a procurement process. An initial assessment was made in March of tender submissions by potential suppliers and a number have been invited to tender. The final selection will take place in early May 2018.  | Not applicable                                |
| Information management                             | Information governance.  | Assessment of the controls in place to ensure that the statutory requirements of the Freedom of Information Act and Data Protection Act are met, with compliance testing.   | 1+2    | There are many examples of good practice within the team. It processes requests and provides appropriate responses effectively, although not all are issued within the statutory timeframes. The case management system is not currently configured to realise the benefits of an integrated case management system, but the team is working to change this.<br>(Reported in January 2018) | Substantial                                   |
| Payroll processing by BTLS using LCC's information | Effectiveness of inputs to the system: the inputs required and how they are processed.       | Audit of the revised processes within the council to provide BTLS with appropriate inputs to the payroll system, focusing on changes.   | 1      | This area was intended to be subject to improvement work during the year and, although begun, the audit was delayed whilst this developmental work took place. However that work has also now been halted and this audit has been deferred to 2018/19.   | Not applicable as this work has been deferred |
| BTLS: payroll processing                           | Processing of payments by BTLS, using information supplied by the council.                   | Compliance testing of key controls only, following full assurance over this process in 2016/17.   | 2      | BTLS continue to operate a strong control environment over processing the council's payroll.   | Full  |
| BTLS: payroll processing                           | Payments on account and over-payments.   | Audit of the processes by which payments on account are made, and the ways in which over payments occur.  | 1+2    | BTLS operate strong controls and have implemented measures to reduce the numbers of payments on account and overpayments, although late notification to the Payroll Service by the council's managers mean that these continue to be made.   | Full  |
| Procurement  | Central procurement: compliance with legislation, financial regulations and standing orders. | Follow-up of the actions agreed in 2016/17.   | F      | This work is almost complete and has been undertaken at the same time as the compliance checks below.  | Not applicable to follow-up work              |
| Procurement  | Central procurement: compliance with legislation, financial regulations and standing orders. | Compliance checks on a selection of key contracts let during the year.  | 2      | This work is almost complete.  |   |
| Procurement  | E-tendering.   | Assessment of the ease of use of iSupplier for potential suppliers, to inform an understanding whether the council is fully compliant with procurement regulations.   | 1      | We have developed a risk and control framework and concluded that the system is adequately designed to achieve its objectives, but have not undertaken further testing of the system's effectiveness in operation.<br>(Reported in January 2018)   | Substantial                                   |

Lancashire County Council internal audit plan 2017/18: progress as at 31 March 2018

| Service area                           | Operational area of activity  | Audit work   | Type * | Progress/ findings  | Assurance      |
|--|---|--|--------|---|----------------|
| Procurement                            | Purchase cards.   | Audit of the use of procurement cards.   | 1+2    | Guidance is accessible to users of procurement cards, who acknowledge their responsibilities and agree to comply with the policies for the use of the card. The Procurement Information Management and Systems team monitors trends and total expenditure and users' managers monitor the appropriateness of individual items of expenditure. | Substantial    |
| <b>Funding and grant certification</b> |   |  |        |   |                |
| Economic Development                   | Growth Hub Grant 2016/17.   | Verification that £328,000 BIS funding has been spent in accordance with conditions set by the Department for Business, Innovation and Skills funding. | n/a    | The work has been completed and a grant certificate issued.<br>(Reported in September 2017)   | Not applicable |
| Economic Development                   | Growth Deal 2016/17: Local Growth Fund.   | Verification that Growth Deal monies have been spent in accordance with conditions set by the Department for Communities and Local Government.         | n/a    | The work has been completed and a grant certificate issued.<br>(Reported in September 2017)   | Not applicable |
| Economic Development                   | Local Transport Capital Block Funding (Integrated Transport and Highway Maintenance)            | Verification that £27.208 million has been spent in accordance with the conditions set by the Department for Transport.                                | n/a    | The work has been completed and a grant certificate has been issued covering both these allocations of grant funding.<br>(Reported in January 2018)   | Not applicable |
| Economic Development                   | Pothole Action Fund.  | Verification that £1.241 million Challenge Fund Grant monies have been spent in accordance with conditions set by the Department for Transport.        | n/a    |   |                |
| Economic Development                   | Highways Maintenance Challenge Fund: upgrading of street lighting and M65 motorway maintenance. | Verification that the £5 million combined allocation of funding has been spent in accordance with the conditions set by the Department for Transport.  | n/a    | The work has been completed and a grant certificate issued.<br>(Reported in January 2018)   | Not applicable |
| Public Health and Wellbeing            | Verification of claims made under the Troubled Families Programme.                              | Testing of 10% of all claims made, as stipulated by the Department for Work and Pensions.  | n/a    | Testing for each of the claims made during 2017/18 is complete.   |                |