

Matters arising from internal audit work completed during the period to 30 April 2019

1 Introduction

- 1.1 This report highlights issues that the Audit, Risk and Governance Committee should be aware of in fulfilling its role of providing independent oversight of the adequacy of the council's governance, risk management and internal control framework. It provides information about the issues arising from the work undertaken during the period to 30 April 2019 by the Internal Audit Service under the audit plan for 2018/19, and the service's progress against that plan.
- 1.2 The council's managers are asked at the end of each quarter to confirm that all remedial actions arising from audit work have been completed by their due date, or else are incomplete or superseded and these statistics are also reported here.

2 Key issues

- 2.1 Audit work has progressed well against an ambitious plan for the year and it is intended that the remaining audit work will be complete and reported by July 2019. Conclusions have been drawn across a sufficient range of the council's governance, risk management and control frameworks to support an overall opinion at this point, taking into account both work completed and still in draft. Moderate assurance has been given overall and more information about that overall conclusion is provided in the annual report.
- 2.2 Of the 79 audits now on the audit plan, 46, (58%) are complete and 12 (15%) are at the point where draft reports are being prepared and discussed with managers. A further 21 audits are still being progressed and should also be reported to the next meeting of the committee on 29 July 2019. Since January 2019, 11 audits have been removed from the plan.
- 2.3 Nineteen audits have been completed and reported during the last quarter and summaries of the findings from these are reported in section 5 below.
- 2.4 Operational managers are reporting that 73% of the actions agreed to mitigate risks identified through the audit process for 2016/17, 2017/18 and the current year that were due by 31 March 2019 have been completed. Only 3% have been reported as incomplete, although responses are outstanding for a further 11%, amounting to 50 in total.

3 Progress against the internal audit plan

- 3.1 Despite making a number of amendments to the original plan for the year, 79 audits remain on the plan (section 7 below provides more information), which is considerably larger than in the last two years and a 55% increase above the plan for 2017/18. In 2017/18 51 audits were completed, and in 2016/17 31 were completed.
- 3.2 Draft reports are currently being prepared and discussed with managers on:
 - Preparation of the corporate risk register
 - Hospital discharge and the use of short and long term residential care

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- Continuing healthcare funding (formerly reported as Community Health Care funding for the transition from children's to adults services)
- Prevention of child exploitation
- Children's Services improvement plan
- Heavy goods vehicle operator licences: compliance with licence requirements
- Commissioning, design and monitoring of the capital programme
- Contractors' compliance with legislative requirements
- Allowances claimed by officers
- Accounting for capital projects and the integrity of the council's financial statements
- New custodianship arrangements for the Lancashire Pension Fund
- Pension Fund cash flow management

3.3 Discussions are also continuing with Local Pensions Partnership Ltd (LPP) regarding Deloitte's internal audit work and the assurance that can be taken in respect of LPP's administration of the Lancashire Pension Fund.

4 The assurance available from completed audit work

4.1 A brief summary of the assurance provided for each of the audits relating to 2018/19 and completed to final report stage by 30 April 2019 is provided in the tables below.

2018/19 assignments relating to:	Total	Assurance provided			
		Substantial*	Moderate*	Limited	None
Governance	-				
Business effectiveness	2		2		
Service delivery	33	11	16	6	
Service support	4	2	1	1	
Business processes	7	5		2	
2018/19 assignments: total to date	46	18	19	9	-
	100%	39%	41%	20%	-
2017/18 assignments: total	51	5	34	12	0
	100%	10%	67%	23%	-
2016/17 assignments: total	31	3	24	4	0
	100%	10%	77%	13%	-

* For the purposes of comparison, where full assurance has been given in previous years this has been equated to substantial assurance in the current year; and where substantial assurance has been given previously, this is now recorded as moderate.

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- 4.2 It can be seen that, at this point and allowing for the possibility that the change in categorisation of assurance has resulted in a higher proportion of the most favourable opinions being given, a high percentage of audits are providing favourable assurance. The reports currently being drafted are subject to review, but are likely to provide a similarly favourable distribution of assurance as those already reported.
- 4.3 As the report accompanying the audit plan for the year made clear, there are some areas of the council's operations that are still subject to major improvement programmes. However the most significant of these has arguably been children's social care services. Whilst less internal audit work has been undertaken on Children's Services, Ofsted's work and its report in August 2018 indicate that clear improvements have been made. Although further improvement is still regarded as necessary, Ofsted's report has been interpreted as equivalent to 'satisfactory' or, moderate in the Internal Audit Service's classification of assurance.
- 4.4 The table appended to the annual report for 2018/19 provides a full list of the assurance provided during the year to date, and more details of each of the audits completed over the period since the last report to the committee are set out in section 5.
- 4.5 The Lancashire Pension Fund is administered and its pooled assets managed by Local Pensions Partnership Ltd (LPP). LPP has appointed Deloitte as its own internal auditor and, in addition to the work being undertaken by the council's Internal Audit Service, the council may choose to take some assurance from Deloitte's work on the framework of governance, risk management and control operating over the pension fund. Deloitte disclaims any liability to the council for any reliance it may place on this work but has agreed that its conclusions may be reported to the Audit, Risk and Governance Committee.
- 4.6 As reported in October 2018, Deloitte has completed an audit of the organisation's readiness for the introduction of the General Data Protection Regulations. It has now also reported the last audit relating to 2017/18, on investment operations, determining that it is effective with scope for improvement. More recently Deloitte has also given assurance over LPP's compliance with the Markets in Financial Instruments Directive ('MiFID II'), assessing this as effective. This directive is the European Union legislation that regulates firms who provide services to clients linked to financial instruments and the venues where those instruments are traded. It has been revised and took effect in January 2018.
- 4.7 Reports are being prepared and should be ready for July 2019 on the following:
- Core financial controls
 - Benefits administration
 - Cyber security
 - Third party oversight of investments
 - Investments' legal and regulatory compliance
 - LPP transformation project

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- 4.8 Deloitte's classification scheme differs slightly from that used by the Internal Audit Service, and an explanation of the assurance provided by both is set out in Appendix B. Deloitte's classification of 'effective with scope for improvement' might reasonably be regarded as similar to the moderate assurance provided by the Internal Audit Service.

5 Issues arising from completed audit work

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

Delivery of the council's financial strategy and budget reductions (Moderate assurance)

- 5.2 The council's senior managers and their teams have worked through the year on a 'service challenge process' culminating in £77 million of additional savings proposals being agreed by the Council in February, with some still subject to the outcome of specific consultations with final decisions to be taken at Cabinet. Savings plans previously agreed and relating to 2019/20 and future years amounting to around £43 million are also still being implemented and monitored. A forecast funding gap remains of £30 million in 2020/21 and £47 million by 2022/23, with work progressing on developing savings proposals focussing on cross-cutting areas for consideration by Cabinet later in the financial year.
- 5.3 Although reserves are still being used to support the council's revenue budget, the extent of this support has now fallen. There is therefore some scope for adjustments to savings plans as schemes are implemented, and time to take action if the actual savings made from any given scheme vary from the profile originally agreed.
- 5.4 This work has not taken the usual form of a risk and control assessment and detailed testing, but evidence has been obtained from senior managers to support an assessment that the council is making good progress towards financial sustainability.

Contract monitoring: direct payment support service (Limited assurance)

- 5.5 The Direct Payment Support Service is a countywide service delivered as Lancashire Independent Living Service, a consortium of two providers. This provides assistance to all service users who use direct payments in implementing their support plan as well as offering longer term help. Support can include information and advice about the direct payment user's roles and responsibilities in employing staff, financial issues, legislation, payroll, and managed bank accounts.
- 5.6 The Contract Management Team within the Patient Safety and Safeguarding service ensures that services are delivered in accordance with the providers' contractual obligations and service specifications. However no performance indicators are currently in place and no minimum service levels have been set. Whilst service delivery and compliance with the contract are reviewed each month, this is primarily based on activity reports submitted by the provider and the Contract Monitoring Team undertakes no independent verification to validate the number of service users being supported.

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- 5.7 Service delivery and performance is assessed through feedback from key stakeholders within the council, including operational and commissioning teams, and contract review meetings have been taking place.
- 5.8 Some documents, including the event log and summary usage spreadsheet, that could provide key information in respect of contract usage, service delivery and performance are not routinely completed and are only produced or updated on an ad-hoc basis.

Ordinary residence

(Moderate assurance)

- 5.9 The place where an individual is ordinarily resident determines which local authority is required to meet their eligible care and support needs under the Care Act 2014. In most cases this will be obvious but issues arise when a person moves between two local authorities. Which local authority is responsible is dependent upon whether a person's care and support is being provided under the Care Act or under the Mental Health Act.
- 5.10 The Adult Services team is currently updating its policy and procedures to reflect the Care Act and statutory guidance. A steering group chaired by the director of adult social care transformation has been established and, amongst other things, is working to identify transfers in and out of the county council's area.
- 5.11 The recent work to establish new governance arrangements and revise the policy for ordinary residence has created an appropriate control framework to ensure that historic cases are reviewed at an appropriate level and that adult social care staff have an escalation route for any disputes. However approval of the revised policy has been delayed. No policy is therefore currently available on the intranet, although there is a link to the external care and support statutory guidance which staff can refer to.
- 5.12 The steering group oversees decisions regarding ordinary residence and will scope out the further work required to identify any historical disputes with other authorities. Until this work is complete there is a risk that that the council is unable to identify and transfer responsibility to other local authorities where this is justified, potentially resulting in financial loss to the council.
- 5.13 Once a local authority has accepted responsibility to fund a service user's package of care there is no national or regional guidance to determine the effective start date for that responsibility. The steering group has a negotiating strategy and aims to minimise the financial cost to the council. Whilst some of the historic cases are complex, the position is more straightforward for new cases since the introduction of the Care Act. Once they have been published, the new policy and accompanying case studies should be sufficient to enable staff to reach the correct decision, compliant with the Care Act Statutory Guidance.

Third party top-up payments

(Limited assurance)

- 5.14 Under the Care Act 2014 the council has a duty to arrange care and support for those with eligible needs and this includes residential care. However a charge for such care may be imposed, and this is determined under statutory regulations. Charges are restricted to a person's ability to pay, following an assessment of their finances, and may be no more than the costs incurred by the council on their behalf.

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- 5.15 The fees paid to residential and nursing care homes are set by the council but some homes may charge a higher fee and the difference must be paid by the service user, or on their behalf by a third party. The top-up should not be paid by the service user except during the first 12 weeks of residence where they own their own home or where they have been accepted onto the deferred payment scheme. As at April 2019 there are 1,079 third party agreements, amounting to £3.5 million of charges annually.
- 5.16 Since the costs of residential care are generally significant to a service user and their family there should be a clear formal agreement to incur those costs. The Care Act is explicit that the council must provide information and advice to ensure that a person understands the full implications of choosing to pay top-up fees, including that the service user may be moved to an alternative care home if the payments are not made.
- 5.17 Our testing of a sample of 20 relevant service users' records established that in eight cases there was no evidence that they or their families had been supplied with details of the financial implications of moving into a residential home. The arrangements should be subject to an annual review but we could find no evidence of this in 10 of 14 cases we tested. Copies of signed top-up agreements were not held on file in three out of 20 cases we tested, although there are references to the agreements in case notes. In each of the ten cases we tested where service users have entered into a deferred payment agreement a signed agreement was held on file, but in five cases the 12-week timescale set by the Department of Health had not been met.
- 5.18 Service users should be provided with a genuine choice of accommodation, including an affordable option that does not require a top-up. If no suitable accommodation is available within the individual's budget then more expensive care must be provided and funded by the council, and this is an increasing cost pressure. In four of 14 cases we tested there were no records on the system to suggest that a choice of affordable accommodation had been offered.
- 5.19 Several of the issues we identified will be addressed if the pilot scheme currently running within the Care Navigation Team is successful and is rolled out.

Section 17 payments

(Limited assurance)

- 5.20 Payments under section 17 of the Children Act 1989 can be used very broadly on a wide range of solutions to support children in need and their families to prevent family breakdown or admission into care. In 2017/18 the council spent £4.05 million on such payments.
- 5.21 Because the statutory objectives in incurring this expenditure are so wide ranging it is important that there is clear guidance on what expenditure is appropriate. The council's guidance has been reviewed recently and is now subject to further review, but wide disparities remain in culture and practice across the county. Different managers and social workers have different views on the circumstances in which payments should be issued and the type of support that can be given, which are reflected in the different types and amounts of payments made in similar circumstances.

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- 5.22 Managers review and approve expenditure as it is incurred but the information available to them on the Liquidlogic Children's System (LCS) is often insufficient to inform their decisions, and in those cases they cannot review whether the expenditure is appropriate. It is possible that other sources of financial assistance to service users would be more appropriate but no assessment is made, for example of cases involving significant or recurring payments, to consider alternative sources of support. Any attempt to do this would be hampered in any case by the unreliability of the management reports available from LCS because payments are regularly miscoded.
- 5.23 There are occasions when legitimate payments need to be made outside working hours, but until very recently there has been no process to facilitate this. The lack of reliable management information means it is not clear how often this has occurred, but we understand that in some cases social workers have made payments from their own funds before being reimbursed. It has recently been acknowledged that it is unreasonable to require officers to fund these payments themselves in the absence of any other means to do so, and payments can now be facilitated by the Emergency Duty Team.

Commissioning and procurement of expert assessment and therapy provision (Limited assurance)

- 5.24 As part of care planning and pre-proceedings, expert assessments and other services are commissioned to address a child's or their parents' needs, and to inform decisions about future action. The Children and Families Act 2014 introduced more stringent tests on the use of expert witnesses to streamline care proceedings and reduce unnecessary delays. The services commissioned include psychological and psychiatric assessments, cognitive assessment, parenting assessment, testing for alcohol and substance misuse and DNA testing.
- 5.25 In 2017/18 approximately 800 therapies and assessments were purchased at a cost of almost £501,000. A quarter of these by value related to psychological services, and approximately £120,000 was spent by the Child Protection Team on psychological assessments in care proceedings.
- 5.26 The need for assessments and therapy is generally documented on care plans but evidence supporting the specific response was recorded in only 60% of the cases we sampled. In common with our findings on our audit of section 17 payments there is insufficient information to support managers' informed approval for these services. The ongoing need for services, even in cases involving significant spend or reoccurring payments, is not generally monitored. However, since in the majority of cases we reviewed there was evidence of the need for an assessment, the need to use a specific service and/ or provider and of management review, we have given limited assurance rather than none.
- 5.27 The way in which providers are procured breaches the council's contract and procurement financial limits relating to quotations and tenders. The repeated use of known providers and the lack of a framework from which to select them has contributed to more than half of the total expenditure between April and December 2018 being with four providers.

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5.28 Accreditation and safeguarding requirements are not reviewed before assessments and therapy providers are selected and services commissioned from them. We found only one reference to a provider's formal statement of experience in a sample of twenty. Disclosure and Barring Service (DBS) checks are not undertaken. Reliance is effectively placed on the social worker's previous experience of working with providers or on their appearance on a court list of approved providers, which we were unable to obtain.

Children's Services' in-service audit framework (Substantial assurance)

5.29 Children's Services introduced a quality assurance framework and audit team in 2016 to assess the quality of practice and identify any improvement needs by systematically sampling files. A range of audit activity is undertaken by the audit team, senior managers and independent reviewing officers, using both quantitative and qualitative information.

5.30 The Ofsted re-inspection in June 2018 acknowledged that improvements in Children's Services were supported by an increased focus on quality assurance and learning from audits, disseminated across the workforce. Ofsted also acknowledged that the framework was more effective and reliable than previously and that there was a clearer focus on improving outcomes for children and developing purposeful practice.

5.31 Guidance is in place to support the quality assurance framework, although it will be reviewed and revised again. Training was provided to managers before the framework was implemented, and further training and support is given by the audit team when required. Targets are set for the number of case audits undertaken and a thematic audit plan is also agreed by senior managers. Feedback on findings and associated actions are recorded and given to the social worker and manager. Implementation of actions is followed up and compliance testing is carried out on a sample.

5.32 Management information is gathered by the service's audit manager and distributed to senior managers as well as being reviewed as part of locality practice improvement meetings. Themes of good and bad practice are identified and remedial action is carried out in different ways, including training and a weekly brief produced by the principal social worker.

Child protection pre-proceedings and care proceedings (Moderate assurance)

5.33 'Pre-proceedings' are entered into when there are concerns about a child's welfare, to avoid the child being taken into the council's care through court proceedings. However if this preventative action is unsuccessful then effective pre-proceedings streamline the process through the court system. Ofsted has acknowledged that the county's performance has improved but that the quality and timeliness of pre-proceedings work remains inconsistent. To address this, and also to contribute to the service challenge savings, revised pre-proceedings guidance has been introduced with input from both the Child Protection Legal Team and Children's Social Care.

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- 5.34 The guidance was rolled out in February 2019 after a successful pilot. The Child Protection Legal Team has carried out training sessions in each of the Children's Social Care District court teams and these have also sought to improve working practices. More training is due to be carried out later in the year.
- 5.35 The framework of controls has been adequately designed to address the need for very different teams to work together to take cases to court promptly. Although we assessed only the design of the controls framework and not its effectiveness in practice, it is clear that information is not always passed between the teams as quickly as necessary. However information is prepared by the Child Protection Legal Team to enable Children's Social Care managers to track and challenge delays.

Implementation of the Prevent strategy

(Substantial assurance)

- 5.36 The Counter Terrorism and Security Act 2015 imposes a statutory duty on local authorities and other public bodies to support vulnerable individuals and safeguard them from harming themselves or others. The aim is to promote joint working across sectors and institutions to address the risks of radicalisation, and there is a widely drawn multi-agency governance and leadership structure across Lancashire.
- 5.37 The council's Prevent Strategy and Delivery Plan describes how it meets its statutory duties, including actions to understand local risks, build capabilities and partnerships to address them and raise awareness. Roles and responsibilities have been allocated, including to sufficiently senior officers. Quarterly dashboards are reported through the pan-Lancashire structure and an annual self-assessment against the Lancashire Prevent Delivery Partners' checklist is reported to senior management.
- 5.38 Home Office e-learning is mandatory for staff with computer access and those without this are briefed by their managers.

Schools' payroll arrangements

(Substantial assurance)

- 5.39 We visited a sample of 15 schools across the county, including primary, secondary, specialist schools and colleges, to obtain assurance over their payroll arrangements. Overall, the schools we visited have effective procedures in place to support their payroll processes although we found some minor weaknesses in some of the controls operated in individual schools. We have reported these to those schools, and have also produced a best practice guide for publication on the schools' portal.
- 5.40 All schools have pay policies in place, most of which are based on the council's model policy and are reviewed and approved by the schools' governing bodies. Systematic processes are in place for preparing, reviewing and approving staffing budgets which involve key stakeholders and approval by governing bodies. Establishment lists are maintained by secondary schools, as required by the model pay policy, to support payroll reconciliations and the identification of starters and leavers, although most primary schools do not hold them. All schools undertake monthly payroll reconciliations. Most schools use appraisals to inform pay progression and the award of honorariums and these are approved by governors.

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Customer Access Centre business continuity (Moderate assurance)

- 5.41 The Customer Access Service is the first point of contact for all enquiries relating to the council's services, providing customer contact via telephone, e-mail and social media through two separate services: the Social Care Service and the Customer Contact Centre.
- 5.42 A business continuity plan has been produced to ensure that the critical functions of the department continue to operate as normal as far as possible in an emergency, and to facilitate the re-establishment of services following an incident. The plan sets out the actions that will be taken, the decisions that will need to be made throughout the recovery process and the key personnel required to undertake these actions. A business impact analysis prioritises the services to be recovered in the event of an emergency although decisions regarding which services would be delivered will depend on the nature of the incident. Once it has been enhanced and embedded, the plan will provide an adequate framework for business continuity, but it has only recently been updated and is still subject to further improvement.
- 5.43 There is a database of emergency contacts and a business continuity team, but specific responsibilities have not yet been documented. Disaster recovery arrangements, including alternative means to operate whilst ICT is recovered, are not yet documented but will be addressed. An alternative site is available for up to 16 people but no formal arrangements have been made to ensure that staff with the skills to deliver critical services will be accommodated there.
- 5.44 An agreement is in place with BT Lancashire Services (BTLS) dated May 2016 to test the disaster recovery plan annually but, at the time of our review, only partial testing of the disaster recovery functionality had been undertaken. We understand that monthly testing to align the disaster recovery system with the live system is now undertaken, and BTLS have doubled the system storage capacity available, making it more robust.

Highways Asset Management System (HAMS) operational effectiveness (Limited assurance)

- 5.45 HAMS was introduced in April 2017 to deliver a number of ambitious objectives. In particular, as an integrated corporate solution replacing numerous ageing and obsolete systems, it was intended to provide a streamlined end-to-end workflow supporting lean, efficient business processes and good quality data for decision-making.
- 5.46 The key services that use HAMS include the Highways Service, Design & Construction, and Customer Access Service. System support is provided by the Core Systems Team and the Programme Office, which also co-ordinates the development of the system with stakeholders and BTLS.
- 5.47 We have provided limited assurance over HAMS' operational effectiveness and functionality in managing corporate assets, improving service delivery and reducing costs. Although progress has been made since 2017/18, issues remain across a number of areas. Action is still required to address issues with data quality, delivery of the system's functionality including generation of management reports, and the alignment of service processes to functionality. Further, users' knowledge, skills and confidence in using the system are still not adequate.

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If these issues are addressed then HAMS' functionality should enable the council to achieve its objectives as intended.

- 5.48 It is generally recognised by the services using HAMS that data within the system's asset register is not fully up to date. An action plan has been developed to track asset-related issues and their resolution but, until the system contains current asset information, the council's ability to manage its assets and undertake planned and reactive maintenance effectively is at risk.
- 5.49 HAMS' effectiveness depends on users understanding its functionality and complying with agreed processes, and on its functionality working as intended. A schedule of workshops is therefore underway that will develop revised work instructions and process guidance documentation for all users. As at March 2019 training was on schedule and, of the 20 workshops held, revised instructions had been produced and published for three.
- 5.50 The Highways Service has recently met the system's provider to begin to develop improved management information and reports, but until the required reports are available and populated with reliable and accurate information the ability to monitor the service is still at risk.

Highways Asset Management System (HAMS) improvement programme (Moderate assurance)

- 5.51 As noted above, a lot of work is going on to improve the operational effectiveness of the HAMS system. A cross-service governance structure is in place to manage the delivery of the improvement programme, supporting decision-making and monitoring action. Senior and operational managers are represented from the key stakeholder services: Highways, Core Systems, Programme Office and the Customer Access Service.
- 5.52 The Governance Board oversees the separate work-streams of the programme's delivery, covering communications, service controls, training and business as usual. The Review Group has met regularly to manage operational activity, and action is being delivered on data cleansing, training, guidance/ instructions, analysis of informal customer complaints, the external reporting module, and the use of mobile devices. The group is also overseeing the development of the Highways co-ordination function that will eventually monitor the completion of cyclical work and responses to defects, provide performance management information, and monitor compliance with the revised operational processes.
- 5.53 A range of actions have already been delivered and more are planned, but there is a risk to their delivery arising from increasing demands and competing priorities elsewhere in the council, particularly on the Core Systems team.

Highways Service vehicle hire and return (Moderate assurance)

- 5.54 When additional vehicles are required to supplement the council's own fleet they are leased using a framework agreement for the hire of vehicles and plant, following the council's normal procurement and payment processes. In 2018/19 143 vehicles were hired by the Highways Service for an average of 35 days once returned but, of these, the 25 vehicles not returned had been hired on average for 153 days by the year end.

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- 5.55 Checks on vehicle condition are made when vehicles are delivered and returned, although supporting evidence of these is not always held. Vehicles are regularly monitored through the lease period to ensure they are being used and are still required, but the initial and ongoing need for additional vehicles should be more actively challenged to ensure value for money.
- 5.56 Arrangements for securing depots, vehicles and keys are in place and when not in use vehicles are generally stored at a Highways depot.

Business Growth Hubs

(Substantial assurance)

- 5.57 The Boost programme offers growing Lancashire businesses simple access to support and help, so they can achieve their potential, funded jointly by the European Regional Development Fund (ERDF) and the county council (through its subsidiary company, Lancashire County Developments Ltd). It is now in its third phase, operated through contractors procured through an Official Journal of the European Union open procedure, who have agreed the business growth business growth outputs and outcomes required.
- 5.58 We have found nothing that would have a significant adverse impact on the delivery of the programme. Effective budget monitoring and a timely submission of claim forms have ensured that the funding allocated for the second phase of the programme has been properly expended. The Business Growth Boost team has worked closely with Lancashire Procurement Service's category manager (corporate) to ensure that the contract procured for the Boost 3 programme meets the procurement requirements set out by ERDF and are within the council's policies and procedures.

Implementation of the new corporate lone working system

(Substantial assurance)

- 5.59 In January 2017 the Health, Safety and Resilience service raised its concern that there was no standardised approach to the safeguarding of lone workers and a reliance on informal practices and personal relationships that could have left the council open to legal challenge in the event of an incident. Possible solutions were investigated and a system was purchased from an accredited industry expert.
- 5.60 This system is now being implemented and we assessed the control framework established to implement and then operate the new corporate lone working system: we identified no significant weaknesses in the design of the control framework. We will undertake a further audit in 2019/20 to obtain assurance that a number of key operational services comply with the revised working practices.

Treasury management

(Substantial assurance)

- 5.61 At the end of December 2018 the council's total borrowing amounted to £1,176.3 million and it held investments worth £450.7 million in total, consisting of £171.8 million in bank and local authority deposits and £278.9 million in bonds. In the three months from 1 October to 31 December investments worth £766 million matured and £643.2 million was reinvested.

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5.62 The council has approved and complies with a treasury management strategy, policy statement and detailed practices. This framework is compliant with CIPFA's code of practice and therefore with statutory proper practice. Treasury management activity is supported by daily forecasts of the council's financial position and decisions are subject to appropriate delegation limits. The director of finance receives regular reports.

Financial processes: general ledger (Substantial assurance)

5.63 The council operates Oracle Financials as its corporate accounting system. Inputs to the general ledger are made through both manual journals and interfaces from feeder files, which are processed through the error correction system. Coding errors are posted to suspense accounts for review and are regularly cleared. The general ledger system supports the effective production of the council's financial accounts.

5.64 We noted only insignificant issues in demonstrating segregation of duties and approval for action taken, and in retaining evidence supporting journals.

Financial processes: cash and banking (Substantial assurance)

5.65 The council's financial regulations, its income and debt management policy, and the Finance team's procedures are clear and comprehensive. Work is undertaken by staff who have a clear understanding of their roles and responsibilities, and there is an operating rota for daily tasks which includes absence cover.

5.66 Cash and cheques are receipted and banked promptly, and chequebooks and cheques received are retained securely in safes until the next available deposit with the bank. Income credits relating to invoices raised by the council are identified daily and transactions that cannot be allocated are investigated and resolved. Suspense and control accounts are reconciled monthly in a timely manner and these are verified by a second officer.

5.67 The cashier's team allocates bank account credits to remittance advices sent to the team's mailbox, ensuring that income is properly receipted on Oracle. Other income is allocated through different sources, and is registered on maintained documents held by the team. Where supporting information is insufficient to correctly allocate any cash or cheques received, income credits are placed on an 'unallocated register' and investigated regularly by officers interrogating the feeder systems, until the issue is resolved.

6 Managers' progress in implementing actions

6.1 At 31 March 2019 363 actions agreed following audit work during 2016/17, 2017/18 and 2018/19 were due for completion. Their current status is set out on the following page.

6.2 The process of following up actions during the year has caused some of them to be questioned and rejected, sometimes in favour of an alternative, sometimes as no longer relevant, or occasionally as too ambitious (in particular where they require amendments to software and systems).

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- 6.3 It is creditable that 86% of the actions agreed over the last couple of years have been addressed or have been superseded, but there are some now long-outstanding or unconfirmed actions. Most are intended to address only low and medium risks but six are intended to mitigate high risks, five arising from audit work undertaken more than a year ago. These have generally been recorded as single actions but in practice require significant and senior input to resolve, and they have clearly taken longer than anticipated to implement. They relate to children's direct payments and residential placements, the transition from children's to adults' services, supervision of adults' social workers, adult social care case quality and decision-making, and the capital programme.

Numbers of actions agreed during 2016/17, 2017/18 and 2018/19							
Action status	December 2018		March 2019				
	Total		Total		Risk rating		
					High	Medium	Low
Complete	230	76%	267	73%	18	141	108
Superseded	39	13%	46	13%	7	24	15
Incomplete	16	5%	11	3%	4	6	1
Awaiting responses	17	6%	39	11%	2	21	16
Total	302	100%	363	100%	31	192	140

7 Amendments to the audit plan

- 7.1 The head of internal audit, chief executive and director of resources, and the director of finance, reviewed the council's framework of internal control and the audit plan during the course of the year. As would be expected as the year progressed, a number of audits were added to the plan, removed from it or amended. These changes have been reported through the year and in particular in January 2019.
- 7.2 Since then, the following audits have been removed from the plan:
- The LEP assurance framework. The assurance framework will change again in April 2019 (having been amended for April 2018) so this work will be included in the plan for 2019/20 but may take a different form as the LEP itself is being reconstituted.
 - Corporate performance management. The revised corporate strategy and performance monitoring framework will need time to embed and the audit has been deferred into 2019/20.
 - Contract monitoring: operation of the new homecare contract for domiciliary care services. During the year, the Internal Audit Service has acted as a critical friend to the non-residential contract monitoring team as it has been developing a quality assurance framework to apply to providers on the new homecare contract. This revised assurance framework will supersede the current supplier monitoring arrangements, which have therefore not been audited. An audit of the revised quality assurance arrangements is included in the 2019/20 audit programme.

Matters arising from internal audit work completed to 30 April 2019

- Quality Assurance and Improvement Programmes for residential and non-residential care. As with the audit above, since the frameworks of assurance over the quality of care being provided to adult service users are still being developed this audit has not been undertaken.
- Case management: mental health services. This work was always likely to fall towards the end of the year, but the service has now confirmed that this would be more appropriate in 2019/20, when new end to end case management arrangements have been embedded, following the transfer of mental health service provision back into the council.
- Individual service funds. The council's future policy in relation to this funding is under review and audit work has therefore been deferred until the position is clearer.
- Safeguarding vulnerable adults. Following the commissioning of an external review into the council's safeguarding arrangements, changes are being introduced into the safeguarding adults' processes, which will not become fully embedded until 2019/20. The audit has therefore been deferred and included in the 2019/20 audit programme.
- Highways: health and safety. This has been deferred into 2019/20 when it will become a broader audit than originally planned and will cover transport and waste as well as highways work.
- Teaching partnership: governance and financial arrangements. This audit has been reprioritised and is now no longer required.
- Health and safety of individuals in commercial properties managed by the council. This work was intended to address arrangements to ensure staff and contractors' safety in council-managed, commercially let properties, but has been reprioritised.
- Health and safety of individuals in properties managed by the council. This audit was to focus on the process by which compliance with statutory and other requirements is assured by the newly-established compliance team supported by PAMS across properties managed by the council. However the service has some inherent capacity issues which have been exacerbated by health and other personal issues, and the development of its assurance framework has therefore not progressed as intended. This work has been included in the plan for 2019/20.