

## **Matters arising from internal audit work for 2018/19 completed after 1 May 2019**

- 1.1 The matters arising from each of the audits completed during May and June 2019 are set out below. Progress reports to the committee throughout 2018/19 have included similar summaries for each of the audits reported during the year.

### **Preparation of the corporate risk register** (Substantial assurance)

- 1.2 The council's arrangements follow the principles set out in the International Risk Management Standard (ISO: 31000). Its risk and opportunity management policy, methodology and practice are described on the intranet, in the code of corporate governance and in the statement on risk appetite. Face-to-face training has been delivered to councillors and is available by webcast, and targeted training is delivered to services. Trained service risk champions are established and the information governance manager provides support to heads of service if required.
- 1.3 Heads of service produce a quarterly service risk and opportunity register, which must be cleared through directors and executive directors. These are moderated by the head of legal, governance and registrars, who reports an analysis to the corporate management team who review and update the corporate risk and opportunity register.

### **Performance management in the Lancashire Pension Fund**

(Substantial assurance)

- 1.4 The council's Governance Policy Statement sets out the roles of the Pension Fund Committee, Pension Board and senior post-holders in relation to the governance and oversight of the Fund. This includes oversight of the Fund's performance and particularly the performance of its investments.
- 1.5 The Pension Fund Committee takes the role of scheme manager and receives regular reports from the head of service for the Pension Fund and Local Pensions Partnership Ltd (LPP). The committee is advised by the Investment Panel and assisted by the Pension Board whose independent advisors and chair respectively have been appointed for their specialist expertise, and it is provided with sufficient, relevant information to assess and effectively challenge the performance of the Fund.

### **Construction of care packages**

(Moderate assurance)

- 1.6 The Care Navigation team is responsible for commissioning care for service users, primarily through the providers contracted to provide domiciliary, reablement and residential care. It receives approximately 1,300 referrals each month, of which 600 refer to requests for domiciliary care.
- 1.7 The audit addressed the 46 providers contracted to provide domiciliary care under the 165 contracts of the homecare framework covering older people and people with physical disabilities, learning disabilities and autism and mental health issues. The team's guidelines are followed when support is commissioned, and team leaders provide appropriate oversight and authorisation of the decisions made.

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- 1.8 Consent to share information is obtained where relevant, but there is a high level of non-compliance with data protection requirements. In 30% of the cases we tested, case details were not appropriately anonymised before being sent to the provider.
- 1.9 Providers are required to confirm their ability to meet the requirements of a care package in all cases submitted to them. If providers respond they do so within the timescales set, but a high percentage fail to respond at all, which contravenes the homecare framework. This is currently being addressed in conjunction with the contract monitoring team.

### **Use of the care portal by external care providers to claim payments for services provided to service users** (Moderate assurance)

- 1.10 The care provider portal allows domiciliary and residential care providers to input details of the services they have delivered so that they may be paid. It is accessible to more than 60 providers who each have been issued with a unique login user name and password.
- 1.11 Different teams within the council are responsible for commissioning care, inputting the rates payable and the providers' details into the Liquidlogic Adults System (LAS) finance module provided by ContrOCC, and for making any amendments to the care commissioned, for example where additional care is required in an emergency. There is therefore adequate segregation of duties.
- 1.12 Our testing of a sample of 30 payments to homecare framework providers and 20 payments to residential care homes indicated that they were all made correctly and in a timely manner. Further testing also verified the rates paid.

### **Adult Social Care training and development** (Substantial assurance)

- 1.13 The Skills, Learning and Development Service provides learning and development opportunities for all the council's staff, and more than 80 courses are available specifically for staff in Adult Services. In 2018/19 1,450 courses relating to social care and more than 320 courses on the LAS and LiquidLogic Children's System (LCS) systems were delivered, with over 9,500 course places taken by Adult Service's staff.
- 1.14 A forum of representatives from Adult Social Care and the Skills, Learning and Development Service oversees training plans, identifies where training is required, assesses and reviews existing courses and commissions new training. The Adult Social Care Academy has also been established to develop and support staff new to adult social care who meet predetermined criteria, and it supports newly qualified social workers through their first assessed and supported year in employment. In the majority of cases social care workers are allocated a place in the next available cohort after their start date.
- 1.15 Training courses and programmes are continually reviewed and revised, and are delivered through a range of approaches from traditional classroom training to e-learning, shadowing and mentoring. Comprehensive training plans are in place for adult social care services comprising essential service-specific and mandatory courses, information and guidance for accessing additional learning, and recommendations for training to support continuing professional development.

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### **Transforming community equipment**

(Moderate assurance)

- 1.16 Community equipment plays a vital role in promoting the independence of many people with disabilities of all ages, helping them to carry out daily activities and preventing, reducing or delaying their need for additional care and support. Equipment may be prescribed following an assessment by a health or social care practitioner. It is funded by the council if it primarily meets an eligible social care need, by the NHS if it primarily meets a health care need, or jointly funded where it meets both health and social care needs.
- 1.17 The council and the county's six clinical commissioning groups have collaborated to jointly commission and procure a single community equipment service in pursuit of value for money and economies of scale.
- 1.18 Alongside this, a 'section 75' agreement in which the council will act as lead commissioner has been developed that will transfer responsibility from the six NHS bodies to the council. The agreement is currently still in draft pending its agreement by the partners and the pooled budget arrangements have not yet been implemented. Whilst financial contributions and the arrangements regarding annual under or overspends are documented in the agreement, the detailed financial monitoring arrangements are still to be clarified.

### **Children and Family Wellbeing Service core offer**

(Moderate assurance)

- 1.19 The Children and Family Wellbeing Service fulfils the council's statutory duty to provide local parenting and other family support. A wide range of services is offered including health services, parenting advice, access to specialist support, support for expectant parents, and play activities for young children. The council currently runs 57 children and family neighbourhood centres across all 12 of the county's districts, 32 of which are registered children's centres.
- 1.20 The service operates appropriate governance arrangements, being subject to both internal and external challenge, and is proactive in its approach to service and performance improvement. A framework of policies and procedures supports service delivery, promotes a consistent approach and sustains a safeguarding culture. There is a comprehensive training plan and effective performance management. Staff supervision and professional development opportunities drive continuous improvement within the service. The majority of staff have received mandatory training.
- 1.21 The service shares information and works with other agencies and professionals to target provision, reflecting families' wishes. Baseline data is captured and progress is tracked to achieve the desired outcomes for targeted families but the service's managers recognise that more could be done to obtain feedback and demonstrate stakeholder involvement in service changes. A majority of the closed cases we sampled had not resulted in intervention, predominantly due to families disengaging with the service, which is an inefficient use of resources and could leave vulnerable families at risk.

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### **Hospital discharge: case management and case audit process**

(Moderate assurance)

- 1.22 One of the aims of the Care Act 2014 is to ensure that people do not remain in hospital when they are medically fit to leave. Within each of Lancashire's teaching hospitals is a team of social workers and social care support officers who work alongside NHS staff to plan the timely discharge of patients with care and support needs.
- 1.23 Service users are placed at the heart of the process to build on their strengths and achieve the outcomes they desire. At the same time, the council's aim is to reduce its costs, ideally avoiding placing service users in residential care by enabling them to return to their own homes. Different pathways are used to assess a service user either in the hospital or at home and assessments are undertaken by an appropriate combination of social workers, social care support officers, occupational therapists and health workers.
- 1.24 The case management practices set up under the Passport to Independence programme are working well and their development has continued. The reintroduction of the formal case audit review process in October 2018 has encouraged staff to ensure that the LAS system is kept up to date and holds sufficient information to support decision making. Feedback from case audits is already beginning to have an impact, for example in identifying the need for refresher training within some teams.
- 1.25 Case notes are clear, concise and flow readily from admission to discharge and transfer to the community teams, but the broader set of records for service users could be strengthened to ensure that they include sufficient evidence of what care and support has been considered and to document the financial implications for all parties. Guidance has recently been issued to staff that should address this.

### **Information security within the Fostering, Adoption, Residential and YOT Service (FARY) and the Safeguarding, Inspection and Audit Service (SIA)**

(Moderate assurance)

- 1.26 The FARY and SIA teams record, use and retain personal sensitive information on children, young people and families in need of help and support. This is held both as physical records such as birth certificates, and electronically on the LCS and Documentum.
- 1.27 Of the ten cases reported by the council to the Information Commissioner's Office (ICO) in 2018, two arose in SIA and two in FARY, but no cases have been reported to the ICO as at June 2019. Internally, FARY reported 23 incidents in 2018 and six in the first six months of 2019, and SIA reported 37 and 18 incidents respectively. In both services incidents are properly logged, investigated and reported, including the outcomes and action taken.
- 1.28 The services' managers have played a positive role in reducing incidents arising from human error, which was previously the most common cause of breaches. Both FARY and SIA have introduced additional controls to reduce the risk of error, such as checks of postal and email addresses by a second officer.

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- 1.29 FARY and SIA information governance champions and service managers actively communicate key messages and promote information security. The two services' champions carry out their roles slightly differently but good practice could usefully be shared. For example the champion in FARY conducts site visits to assess compliance with policy on issues such as clear desks, use of emails and confidential waste, and a similar approach could be more widely adopted.
- 1.30 LCS gives officers access to all service user records except where specific restrictions are in place. We reviewed a small sample of cases and confirmed that access to them appears legitimate and reasonable.

### **Continuing healthcare funding**

(Moderate assurance)

- 1.31 The council is the corporate parent to the approximately 2,000 children in its care. It has collective responsibility with its partner agencies, including those in health and education, to work together to assess and address each child's needs and to provide them with the best care and protection. Where these needs cannot be met by universal services such as health, education and other community services available to all without specialist assessment or resources, agreement should be reached over how services will be delivered and any financial costs shared between the partners.
- 1.32 Multi-agency care planning responsibilities were agreed in January 2019 and the multi-agency care planning protocol has recently been published, but it had not reached that stage at the time of our audit work. We therefore audited only the adequacy of the controls framework being developed and not its effectiveness in practice. The protocol combines the council's care planning protocols and scheme of delegation with statutory regulations and imposes a framework across locality teams that promotes a consistent approach to multi-agency decisions, supports agreement on financial contributions for the provision of non-universal services and sets expectations about the timing of care planning and the frequency of decision making
- 1.33 Action is also being progressed under Children's Services' Getting to Good Plan, which is designed to strengthen existing multi-agency strategic partnerships and will be delivered through 2019.

### **Prevention of Child Exploitation**

(Limited assurance)

- 1.34 Child exploitation is the act of using a minor child for profit, labour, sexual gratification, or some other personal or financial advantage. Child exploitation often results in cruel or harmful treatment of the child, as the activities he or she may be forced to take part in can cause significant emotional, physical, and social problems. Exploitation may specifically be categorised as sexual, criminal, or modern slavery and in March 2019 the council was addressing 152 child exploitation cases.
- 1.35 A multi-agency approach to safeguarding and protecting children from exploitation is currently taken through the three safeguarding children's boards for the county council and two unitary councils. These include representatives from the police, NHS, district councils, the third sector (voluntary, charitable and faith organisations) and schools.

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In September 2019 the boards will be replaced by a single safeguarding children partnership which will be led by the county and unitary councils, with the police and NHS clinical commissioning groups as statutory partners.

- 1.36 The three safeguarding children's boards have jointly developed a pan-Lancashire child sexual exploitation multi-agency strategy and operating protocol, setting out procedures for professional practice. The protocol is overseen by a strategic group supported by operational groups in the three safeguarding board areas.
- 1.37 However not all partners are fully engaged and attending meetings, and there is no coordinated approach to ensure that risks to children across the county are identified and managed.
- 1.38 The current pan-Lancashire child sexual exploitation multi-agency Strategy and Statement of Practice do not drive practice in the council as might be expected, largely due to perceived shortcomings in the current approach. There is a lack of consensus amongst board members as to the scope of their work and inconsistency of interpretation by the partners.
- 1.39 In June 2018 the county council replaced its locality-based model for managing child exploitation casework with a centralised hub and teams covering the three operational areas of the county. This centralised hub management structure is not yet operating effectively and its performance is a specific concern. While we saw evidence that cases were being assessed and progressed, there is minimal management oversight of performance, inconsistent case working practice, limited performance information, and completion of key tasks is routinely late. Senior management also accept that the centralised structure has not demonstrated its effectiveness, with concerns over the loss of local area knowledge
- 1.40 The acting director of children's social care has asked the acting head of central children's social care to review the current arrangements and develop options for the future, and in July 2019 this review is still progressing.

### **Children's Services' improvement plan** (Substantial assurance)

- 1.41 In June 2018 Ofsted re-inspected the council's services for children in need of help and protection, children looked after and care leavers, which had been judged inadequate in the autumn of 2015. It reported significant improvements and its judgement in all three areas moved to 'requires improvement'. The inspections also included adoption and fostering, and in 2018 the adoption service was considered to be 'good'.
- 1.42 Children's Social Care's Getting to Good Plan focuses on the actions required to deliver Ofsted's recommendations and other key priorities identified in the directorate's self-assessment to ensure the delivery of consistently good services. It was published in January 2019 and across six key areas sets out the expected outcomes, improvement measures, lead officers, targets and due dates. The plan sits alongside a number of strategies and plans to deliver improvement for children including the Purposeful Practice Framework, Corporate Parenting Strategy and more detailed action plans addressing specific service improvements.

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- 1.43 Implementation of the plan is the responsibility of the Getting to Good Board, chaired by the executive director of education and children's services. Delivery of actions in the six priority areas is managed through five delivery boards, led by heads of service or the director, and the Children's Partnership.

Progress is actively monitored and all but seven of the 131 actions have been delivered or are due to be delivered within the agreed timescale. The management of risk is still at an early stage, and risk registers are not yet in place for all delivery boards. A planned self-assessment of progress has been delayed and some structural changes are to be made, including a new operational group to monitor progress, and representation on the board from the police, schools and NHS.

### **Exclusions from school**

(Moderate assurance)

- 1.44 Head teachers of maintained schools can decide to exclude a pupil from the school either for a fixed number of days or permanently. Exclusions must be for disciplinary reasons and be lawful, reasonable and fair. A school's governor disciplinary committee hears any initial appeals against exclusions, and an independent review panel hears any subsequent appeal. Legislation requires the council to return children to school or to make alternative provision from the sixth day of exclusion.
- 1.45 The council publishes procedures and plentiful guidance for schools and parents/carers on exclusions and appeals, provides training for school staff and governors and administers independent review panels which support statutory compliance. The Pupil Access Team administers the exclusion process, managing and monitoring fixed and permanent exclusions, and works well with schools and other council services to ensure the process is applied correctly.
- 1.46 It also works to enrol excluded pupils in alternative educational provision, which the council must provide from the sixth day after exclusion (and the first day for children looked after). However in June 2019 there were delays of between seven and 41 days in enrolling 74 (41%) of the 168 students excluded due to a lack of availability of local provision and budgetary constraints. The council provides daily one-to-one provision for a small number of these children, but for most there is no regular contact from council officers to ensure their wellbeing until alternative provision is found.
- 1.47 Exclusions data is reported annually to Education Scrutiny Committee but performance targets and indicators are not set.

### **Contractors' compliance with legislative requirements** (Limited assurance)

- 1.48 The Design and Construction Service enters into contracts for the servicing, repair and testing of fixed engineering installations and other equipment in premises owned or occupied by the county council to ensure compliance with health and safety regulations. The team then monitors the contractors' performance to ensure that they are fulfilling the technical specifications and the legal requirements of their contracts. In March 2019 the team was responsible for 29 contracts with a combined value of £5.2 million.

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- 1.49 Through its contractors, the council ensures that the engineering installations and other equipment in buildings it occupies are compliant with health and safety regulations: testing takes place and remedial work is undertaken without undue delay. However there are significant weaknesses in the management of these contracts.
- 1.50 Although contracts are periodically re-tendered the schedules of rates remain largely constant. Lines are added or deleted from the schedules to meet marginal changes in requirements, and the costs are generally increased at a standard 3% each year. One contract from our sample of five had expired but has been formally extended by the Procurement service; however the schedules of rates used for two of the other four contracts date from 2014, and one dates from 2016 (and the contract associated with this schedule has not been signed but has been in operation since April 2017).
- 1.51 The contracts include performance measures but these are not proactively monitored, either through regular meetings with the suppliers or by reviewing reliable performance data. Contract monitoring meetings take place but are sporadic. In three of five cases performance data has not been provided regularly. Their contracts stipulate that inflation will be applied to the rates charged by the suppliers if they meet their key performance targets but it is not clear how this is being assessed and, as noted above, the rates have nonetheless been increased. Where performance data have been provided they have not been independently verified by the council.
- 1.52 The contractors' invoices are processed for payment as and when they are received but are not robustly checked. However we found no evidence that inappropriate charges have been raised.

### **Contract monitoring: contracts with Atkins and Jacobs**

(Moderate assurance)

- 1.53 The council has entered into framework agreements with two suppliers – Atkins Ltd and Jacobs UK Ltd – for technical and professional services in relation to civil engineering, landscape and ecology, traffic modelling and transport planning. The frameworks are used by the Design and Construction, Highways, and Planning and Environment services when resources are not available internally. The total value of commissions under the 2017-20 agreements between July 2017 and September 2018 was £3.7 million.
- 1.54 Commissioning activity is appropriately authorised and projects are allocated to the suppliers in accordance with the terms of the framework agreements. Payments are appropriately authorised and the commissioned work is monitored to ensure it happens within budget and in a timely manner. There is regular communication between representatives of the council and Jacobs UK Ltd at the appropriate levels. The relationship with Atkins is being strengthened with more frequent board and group meetings being scheduled than previously.

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### **Heavy goods vehicle operator's licence: compliance with conditions**

(Moderate assurance)

- 1.55 Under the Goods Vehicles (Licensing of Operators) Act 1995, the council requires a licence to operate heavy goods vehicles. It is an offence to operate without a licence and retention of the license is conditional on appropriate fleet management practice, which is monitored by the Driver and Vehicle Standards Agency. In the event of non-compliance the licence can be restricted or withdrawn, severely restricting the council's ability to deliver its services. License conditions include ensuring vehicle safety through regular inspection, servicing and maintenance schedules, and safe and effective workshop operating conditions.
- 1.56 The Public and Integrated Transport Service and the Highways Service between them operate approximately 120 vehicles under licence. There are systems in place to manage compliance with license conditions, although evidence of the operation of some key controls is not consistently available. The driver's manual for each vehicle records the vehicle's checks, servicing and maintenance as well as providing useful advice and guidance on road and vehicle safety. Drivers are required to check vehicles in accordance with the manual before using them, but do not always sign to record that they have done so. Work is scheduled on each vehicle but is not always carried out on time, which risks the effective operation of the vehicle as well as reducing the efficiency of the workshop.
- 1.57 Separate lists of drivers are maintained by the Public and Integrated Transport Service and Highways Service and there is no single list recording all drivers, which could otherwise facilitate corporate compliance checks on driving licences and training requirements. The council's policy does not currently allow for drug and alcohol testing of any staff including drivers, but this is being reviewed and would strengthen controls over the operation of the council's vehicles.

### **Capital programme: commissioning, design and monitoring**

(Moderate assurance)

- 1.58 The capital programme has a variety of funding streams including government grants, receipts from the sale of capital assets, revenue funds and borrowing. On the Cabinet's recommendation the full Council approves an updated four-year programme for investment in capital projects annually. Cabinet also receives and considers quarterly capital monitoring reports, and approves additions and changes to the capital programme. A number of directors and other officers from across the council form the Capital Board, which supports this cycle of reporting and decision-making.
- 1.59 The Programme and Project Management System (PPMS) is used to manage capital programme projects. This is an online system designed to provide a "single, unified and fit for purpose tool" to standardise how council projects are managed to improve project control and reporting.
- 1.60 There are effective processes in place to develop and implement the capital programme: to assess and approve projects, respond to political, policy and service decisions, ensure the availability of funding, and align work with other organisations.

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1.61 The Capital Board is overseeing the ongoing completion of a number of actions in response to an audit in 2017/18. In particular, a dashboard of performance indicators and a risk register are being developed although problems with PPMS's reporting functionality have delayed progress. It is also intended to provide the system's users with refreshed guidance. The board is also implementing an action plan from an external review undertaken during 2019, which is designed to promote the consistent use of PPMS for monitoring and forecasting.

### **New custodianship arrangements for the Lancashire Pension Fund**

(Substantial assurance)

1.62 The Pensions Act requires the Pension Fund to have adequate internal control mechanisms in place, including arrangements for safe custody and security of the assets of the scheme. The Pension Fund therefore requires a custodian to hold its assets.

1.63 The custodian appointed by the council (Northern Trust) holds £1.6 billion of the £7.9 billion of assets belonging to the Pension Fund: the remaining assets are held by the custodian for LPP (BNY Mellon). Northern Trust obtains information from BNY Mellon and presents information on the whole fund to the council.

1.64 We identified no unmitigated risks in the course of our audit and no further action is required of management.

### **Oracle user access**

(Moderate assurance)

1.65 Oracle access controls are adequately designed but some action is required to enhance them further. Officers within the Core Systems team are able to use the Oracle hierarchy to confirm that requests for access have been submitted by an appropriate line manager, but there should be greater clarity about what permissions are appropriate and any conflicting permissions should be identified.

1.66 Senior officers in BT Lancashire Services Ltd (BTLS) have super-user permissions in the live system across all modules in Oracle. We understand this is required for trouble-shooting technical issues and for certain tasks such as amending errors on BACs files, but in future the council's Core Systems team will monitor the need for and use of such permissions.

1.67 Whilst there are controls in place to remove access permissions from users when they leave the council, the same processes do not apply when an officer moves within the council. Consideration will be given to the introduction of a transfer checklist to be used by line managers as officers leave their team.

### **Liquidlogic Adults System (LAS) & Liquidlogic Children's System (LCS) user access**

(Moderate assurance)

1.68 LAS and LCS are primarily used to administer adults' and children's social care service users' data including sensitive personal information, and the case work of social workers and support staff. The council's policies and procedures must therefore comply with the Data Protection Act 2018 and the Caldicott principles, and user access permissions should be carefully managed. In June 2019 there were more than 2,500 LAS user profiles and more than 4,000 user profiles on LCS, which includes user profiles of the recently implemented Early Help Module.

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- 1.69 The majority of user access permissions we sampled are appropriate to officers' roles and responsibilities, although two users of the 35 we tested appear to hold a higher access than required. We were unable to confirm in all cases that access requests had been properly approved and that all users had completed the relevant e-learning modules, but understand that this is due to the migration of users' data from the previous system.
- 1.70 Three super-user accounts are held by officers who have left the council, although there are controls in place to remove access permissions from users as they leave. These processes do not apply when an officer moves within the council and action will be taken to strengthen a range of controls, including reviewing the guidance available to staff.

### **Information security and management** (Substantial assurance)

- 1.71 Information security management involves protecting information from unauthorised access, disclosure, modification or destruction and is vital to compliance with the General Data Protection Regulation. A suite of information governance and security policies is accessible on the council's intranet and is supported by mandatory training.
- 1.72 A network of service-based information governance champions supports the Information Governance team in communicating key messages and promoting information security. Raised awareness of the importance of information security and a simple reporting process have increased the numbers of incidents reported to the Information Governance team from 152 in 2016 to 347 in 2018, although not all breached policy and very few were reportable to the ICO. In 2018 ten breaches were reported to the ICO.
- 1.73 At the same time, guidance, training and communications have helped to reduce the number of incidents categorised as being caused by human error from 62% of the total in April 2018 to 40% in the three months to 31 March 2019. (Incidents may also be caused by theft/ loss, misconduct, technical issues or external factors.)

### **Allowances claimed by officers** (Moderate assurance)

- 1.74 The council pays officers below a certain grade enhanced hourly rates in certain circumstances including hours worked at night, over the weekend, on bank holidays and on weekdays in weeks when more than 37 hours have been worked. Enhancements are also paid in certain roles for sleeping in and for being on standby.
- 1.75 The council's policy and procedures in relation to enhancements are available on the intranet, but detailed information is not readily accessible to officers. Claims must be submitted on Oracle, which has some inbuilt validation controls but also requires managers' authorisation. Between them these controls have neither prevented nor detected a number of errors although they are unlikely to be significant in the context of the council's expenditure.
- 1.76 We used computer software to analyse the whole population of 102,000 claims, amounting to £6.6 million between November 2017 and September 2018, to identify potentially incorrect claims. From the results we selected 132 claims for further testing, identifying 22 breaches of four policy rules and 17 duplicates where second claims had been submitted covering the same period and

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managers had approved both claims. The value of these errors amounted to approximately £5,000. A review of allowances is currently being conducted as part of the second phase of the council's 'service challenge' cost saving exercise and the issues identified here will inform that work.

### **The use of contractors through personal service companies and compliance with IR 35** (Moderate assurance)

- 1.77 IR35 is tax legislation designed to combat tax avoidance by workers supplying their services through an intermediary (for example a limited company) but who would otherwise be their client's employee. It requires that tax and national insurance are deducted and failure to comply may lead to fines being imposed on the council by HMRC.
- 1.78 Work is ongoing to develop and implement a control framework that will ensure the council complies with IR35 and there are a number of areas where improvements could be made. In particular, we have advised on how planned action to assess the council's existing suppliers against IR35 can be undertaken effectively, a legal indemnity for suppliers of off-contract agency staff should be developed and used, and the guidance for the council's services should be developed and communicated.

### **Capital programme: accounting** (Moderate assurance)

- 1.79 The financial information presented to Cabinet includes the budget and forecast outturn for the financial year but the Capital Finance Team is required to make a significant number of adjustments to the data generated by PPMS. This is resource-intensive, places reliance on the key finance staff who understand the adjustments they are making, and risks introducing inaccuracies to the data provided to Cabinet arising from the extensive use of spreadsheets.
- 1.80 However our testing of a sample of five projects confirmed that the general ledger accurately reflected the expenditure recorded in PPMS.

### **Accounts payable: central and counter fraud controls** (Substantial assurance)

- 1.81 The council uses the Oracle system to process invoices and payments, and controls over the system and the wider payments process are adequate and effective overall. Action is being taken corporately to address delays in services recording the receipt of goods or service on Oracle, which can unnecessarily delay payments to suppliers.
- 1.82 Any duplicate payments are proactively identified by specialist software provided by Fiscal Technologies and these are reviewed, investigated and reported to the originating services. The Finance team intends to review the functionality of the Fiscal Technologies software because it is likely it could be used to do more to monitor the risk of fraud, for example by identifying orders that are split across a number of different purchase orders to circumvent financial authorisation limits, false invoices and unusual transactions, and unusually high invoice values for regular requisitions.
- 1.83 Changes to suppliers' bank account details on the Oracle iSupplier module are not always supported by sufficient evidence, which exposes the council to the risk that supplier details are fraudulently amended.

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### **Pension Fund cash flow management**

(Substantial assurance)

- 1.84 The Pension Fund disburses approximately £20 million each month as pensions and other expenses are paid, offset by contributions and other income. The Pension Fund's policy is to maintain a cash balance of £70 million, held in cash or other highly liquid assets. This is managed by the council and is separate from the funds invested by LPP. Any surplus cash should be invested in accordance with the investment strategy to minimise risk and ensure liquidity.
- 1.85 As at 1 January 2019 the balance of cash and short-term liquid assets was £154 million. The additional balance has arisen due to payments in advance by employers to address deficits following the last valuation in 2016: employers were offered a discount on their deficit payments if they paid these in 2017, and many employers took up this offer. LPP is still working to invest this in longer term assets.
- 1.86 The Pension Fund Treasury Management Strategy sets out how surplus cash is managed in the short term and we confirmed that surplus cash is managed in accordance with this strategy.

### **Accounts receivable and debt management: central controls**

(Moderate assurance)

- 1.87 The council's income and debt management policy covers each stage of the income cycle from initial charging through to debt collection, enforcement and write-off where necessary. The functions are managed using Oracle, and debt collection strategies are programmed and operating to generate action appropriate to the type of debt.
- 1.88 The debt management function has been subject to considerable reorganisation recently. The team was disestablished in April 2018 and its functions redistributed, although its restoration is now being considered.
- 1.89 As at June 2019 more than 48,000 invoices totalling £63.5 million were being managed through Oracle and, of these, 24,600 invoices worth £17 million (almost 27% by value and more than 51% by number) had been outstanding for over a year. The corporate debt position has been previously reported to councillors in the quarterly corporate performance report to the Cabinet Committee for Performance Improvement, but the last report was for the second quarter of 2017/18 in December 2017.
- 1.90 At this point though, appropriate action is being taken to resolve the high level of outstanding debt. The backlog is being assessed by officers whose work has been redirected to determine the appropriate course of action for each case. High value debt is being prioritised and action to pursue low priority debt has been deferred.

### **Data Security Protection Toolkit Review**

(Moderate assurance)

- 1.91 As a provider of children's and adults' social care the council must submit a self-assessment return to NHS Digital annually via the NHS Data Security Protection (DSP) toolkit. As part of its working arrangements BTLS provides some of the answers and supporting evidence for this return.

## **Matters arising from internal audit work for 2018/19 completed after 1 May 2019**

- 1.92 An adequate framework for information governance and specifically for submission of the DSP toolkit has been implemented. However as noted above in paragraphs 1.65-1.67, there are some issues relating to the council's control of user access to LiquidLogic's systems. Controls are in place to ensure unused accounts are deactivated, but no assessment of current user accounts and their assigned privileges has been undertaken by the council on either LCS or LAS in the last twelve months as required by the toolkit.
- 1.93 Appropriate technical controls are in place and operated by BTLS. However it is recognised that these need to be formalised, and they will be documented as BTLS prepares for ISO certification. It is not clear that there are adequate mechanisms to share findings of technical risk assessments between BTLS and appropriate council teams such as Information Governance, for example in relation to the decision to allow members of the public the facility to use single sign-on for Wi-Fi.

### **IT asset management**

(Limited assurance)

- 1.94 Robust arrangements are in place for the receipt, secure storage and disposal corporately of the council's desktops and laptops. Physical access to them is appropriately restricted to a degree depending on whether the assets are new, recyclable or to be disposed of. However the ability to monitor them is limited because neither the council nor BTLS holds adequate information on their custodianship or location.
- 1.95 The secure configuration of desktops and laptops allocated to individuals, combined with the unique Active Directory (AD) user name and password means that data on any device cannot be accessed by anyone other than the device's legitimate user. The deployment of software is well managed and the risk of unlicensed or unpatched software being utilised on the council's network is therefore significantly reduced.
- 1.96 However the council lacks a number of key policies which are fundamental to the overall provision and management of IT assets. These include the approval and deployment of a digital strategy, IT asset lifecycle policy, agile working and a single device policy, which are all in various stages of development but not yet formally adopted and implemented. The council cannot therefore fully realise the potential benefits in terms of different ways of working and in supporting its plans to rationalise its accommodation.