The assurance available from completed audit work

1.1 The matters arising from each of the audits completed since the last report to the committee are set out in the narrative below.

Decision-making within the corporate governance framework by elected members under delegated powers (Full assurance)

1.2 All executive decisions (key and non-key) are made collectively by Cabinet at scheduled monthly meetings, except when a decision is urgent and cannot wait until a meeting of the Cabinet. Urgent decisions are taken by the leader or, in their absence, the deputy leader, and the relevant cabinet member(s). Deadlines are clearly set for the submission of reports requiring decisions, through the online report management system.

1.3 There are several areas of good practice and the system is generally operating as intended.

Decision-making within the corporate governance framework by officers under delegated powers (Limited assurance)

1.4 The scheme of delegation to heads of service enables heads of service to take any decision relating to their service area not specifically reserved to the Council, a committee, the executive or by virtue of legislation or regulations solely to a statutorily appointed officer. Heads of service may allocate responsibility for exercising powers to other officers on their behalf as required but these officers may not further delegate the responsibility given to them.

1.5 The scheme of delegation rightly states that heads of service must maintain adequate records of the decisions they take. However, this aspect of the scheme's operation is of concern to the officers involved in administering it, and our work has confirmed their concerns. A meeting has been arranged to discuss this and agree an action plan.

Oversight of the Lancashire Pension Fund: custodianship of assets (Substantial assurance)

1.6 The Local Pensions Partnership Ltd (LPPL) was formed by the county council and the London Pensions Fund Authority to carry out certain pension functions, such as investment activity and administration, on behalf of the two authorities. To minimise operational investment risk, financial assets are held by a regulated, external custodian who keeps a register of holdings, collects income and distributes monies.

1.7 The custodianship contract expires on 31 July 2018 and the Lancashire Pension Fund is currently procuring a new contract. The custodian previously held significant assets on behalf of the Lancashire Pension Fund but in 2016/17 the global equity portfolio was transitioned into a single pooled vehicle and assets are now owned by LPPL under its own custodian, BNY Mellon. As the Lancashire Pension Fund now holds fewer assets the custodian role will focus more on accounting and performance reporting in future.

1.8 The data provided by the current custodian is appropriately reviewed and is reported consistently, reconciliations are undertaken and variances are identified and resolved.

Accounting for the Pension Fund through the council's general ledger
(Full assurance)

1.9 Lancashire County Council is the administering body for the Lancashire County Pension Fund (LCPF) and as such is responsible for its financial accounting arrangements.

1.10 We have provided full assurance that the controls in place to account for the Pension Fund on the council's general ledger are effectively operated. We considered access to the Oracle Financials system, the management of accounting codes on the ledger, posting and reconciliation of feeder files and sub-ledgers, authorisation of journal entries to the system, clearance of suspense accounts and system controls to prevent, correct or report imbalances, errors and invalid postings.

1.11 We also confirmed that each of the actions agreed during our previous audit in 2016/17 have been implemented.

Oversight and alignment of the council's establishment and staffing budget (Substantial assurance)

1.12 The Financial Establishment Team works with the Human Resources Service to jointly control the council's establishment and staffing budgets, to facilitate effective financial decision-making. Effective processes operate to ensure that the establishment and budgets are accurate, complete and reconcile to Oracle HR, and we confirmed that this was the case as at [when?].

1.13 Business cases to recruit to a service's establishment, or to amend it, were previously submitted to Management Team for approval but since 1 January 2018 these decisions have been taken by the head of financial management (operations) and the head of human resources in weekly meetings. In March 2018 it was agreed directors and heads of service will submit business cases to fill vacancies or amend their establishment only if they are beyond the agreed staff budget and/or establishment.

Case management: occupational therapy services (Substantial assurance)

1.14 The council provides care and support to help people achieve the outcomes that matter to them, enabling them to live as independently as possible and remain at home. Occupational therapists have a key role in preventing, delaying and reducing the need for care, which not only benefits service users but also provides an opportunity to reduce the overall cost of services required. Services range from providing a hand rail to major adaptations to a service user's home such as installing a stair lift or a wet room (through the Disabled Facilities Grant) or providing specialist clinical equipment via the loan store.

1.15 The Community Occupational Therapy Service has been subject to significant change in recent years and the appointment of two temporary Occupational Therapy Team Managers has been instrumental in improving the way the service is managed. This includes the development of a screening tool to prioritise referrals and ensure that high-need service users are dealt with quickly, which has also been used to data-cleanse the backlog of referrals and to log referrals consistently across the county. A weekly case progression and allocation meeting has been introduced for each geographical area.

1.16 Referrals had been assigned and an assessment completed on a timely basis for a majority of the cases we examined. The exceptions were generally where the service user had been referred for adaptations under the Disabled Facilities Grant or placed on the occupational therapy waiting list primarily for a bathing assessment. Telecare and/ or equipment was provided to the service users in the interim where applicable.

1.17 There are some significant time lapses in entering case notes onto LAS, and a disparity in the extent of case notes entered onto the system. Additionally there is little indication that service users are being contacted to advise them when there is going to be a delay in their assessment or in obtaining the necessary package of care.

1.18 Senior managers have recognised that the council's current training provision is geared towards the needs of social workers rather than occupational therapists, who have different training requirements. A Training Needs Analysis Group is addressing this and a record created of all mandatory training required by occupational therapists. Mandatory training for social care support officers is currently provided by an external trainer under the Trusted Assessor course but no regular refresher training is available to ensure the core skills required for the role are maintained.

Mental health safeguarding (Limited assurance)

1.19 After a review of the approach to mental health safeguarding by the Lancashire Safeguarding Adults Board in 2017, a new enquiry pathway was introduced to record adult safeguarding concerns for individuals in receipt of NHS mental health services (or those who had received services within the last six months) and who meet the criteria of the Care Act 2014 Section 42 Duty of Enquiry.

1.20 The safeguarding adult enquiry pathway introduced in December 2017 for these clients has been documented, and a spreadsheet has been developed to record details of safeguarding enquiries and to track the progress of each enquiry including referrals to community mental health teams and outcomes.

1.21 Whilst most alerts and enquiries are initiated promptly following receipt of the alert, there are inadequacies and inconsistencies in the way information is recorded, both in the LAS safeguarding module and on the case tracker spreadsheet used by Lancashire Care Foundation Trust to manage and monitor case progress. Although details of the current status or outcome of an enquiry can be obtained from the client's LAS safeguarding record, numerous professionals are often involved and it is not always clear whose responsibility it is to undertake specific tasks and progress an enquiry. Safeguarding action plans have been developed in all cases, although the way safeguarding action plans are progressed following the initial strategy meeting is unclear and there is no adequate audit trail between the initial strategy meeting and the ultimate case outcome.

1.22 Management will take action to strengthen controls in some areas, including providing guidance to workers using the pathway process, improving the quality and content of information documented from initial recording of a case to its outcome, and improving the speed of information-sharing between different teams and individuals.

Transition from children's to adults' services   (Limited assurance)

1.23 Transition to adulthood is a key milestone for all young people. Across the county the Transitions Service supports approximately 900 young people between 14 and 25 years of age who have complex needs and are highly likely to meet criteria for adult social care support. The service delivers statutory services for children and young adults including those with special educational needs and disabilities.

1.24 Although the Transitions Service maintains a five year forecast of transitions cases, this does not support timely planning as it does not set out what stage of the process the young person is at, or what action will be required and when. The service is often not involved until a young person's seventeenth year and support plans are frequently not in place until after their eighteenth birthday, and as a result the most cost efficient packages of care are not always provided.

1.25 Concerns have also been raised by senior managers in both Children's and Adult Services about the lack of the engagement of all stakeholders, and carers and parents have complained about the council's ineffective communication. Although some information is available on the public-facing internet this is limited in scope and does not clearly communicate the transition process.

1.26 Although a policy and guidance are in place, different versions of the same documents are recorded on the Children's and Adults Services intranet webpages and it is unclear whether they both comply with all current policy and legislation. The policy and guidance are unclear on the roles and responsibilities of those responsible for transitions work and the lack of clarity has led to key tasks not being completed.

1.27 For example duplicate payments have been made where payments to young people or their carers have not been ended on Liquidlogic Children's System (LCS) when they have also later been set up on Liquidlogic Adult System (LAS). Locality board meetings held to discuss transition cases do not always take place and are inconsistently recorded.

Contract monitoring: landfill waste   (Substantial assurance)

1.28 A contract is in place with Suez (formerly SITA) for the receipt of municipal waste at the Whinney Hill landfill site for the period 1 April 2010 to 31 March 2025 and the Waste Management service is responsible for managing and monitoring compliance with the contract. The contract clearly defines responsibilities, service provider obligations, and governance mechanisms.

1.29 Effective processes are in place to monitor compliance with the contract, validate invoices, and ensure any issues are raised with Suez and addressed. There has been some slippage in the regularity of the required formal progress meetings with Suez, whilst management of the household waste recycling centres has been brought back in house, but these are due to return to the expected schedule during 2018/19. The contracts and partnerships manager liaises frequently in any case with Suez and ensures that any issues are promptly addressed.

Pre planning application advice service: highways and flood risk
(Limited assurance)

1.30 The highways and flood risk management pre-application advice service was launched in September 2017 to support developers by providing advice on the implications for highways and flood management on proposed developments before full planning applications are submitted. It is expected to improve the quality of planning submissions and therefore the likelihood of a successful and speedy outcome for developers. The service is offered at cost based on the size and nature of the proposed developments, and is intended to recover its costs.

1.31 The service is still very new and take-up by developers has not yet reached the level anticipated: only one pre-application had progressed to the statutory planning application stage at the time of our work. Work to promote the services is already taking place but the service's managers have agreed an action plan to increase uptake by developers and facilitate monitoring of the benefits realised. It will take some time before the intended benefits are delivered and can be assessed.

1.32 Processes, procedures and supporting guidance have been produced and are generally being followed. Additional guidance is necessary to establish the basis of charging when the scale or complexity of a development changes and to cover the circumstances in which additional fees are to be charged.

Commissioning and oversight of public health service provision.
(Substantial assurance)

1.33 Local authorities' statutory responsibilities for public health services are set out in the Health and Social Care Act 2012 which requires local authorities to improve and protect public health. Other regulations, including those made under the NHS Act 2006, make provision for the exercise by local authorities of mandatory public health functions. These include services in relation to substance misuse, sexual health, health checks, active lives and healthy weight and health visiting. Lancashire's allocation of public health grant money for 2017/18 was approximately £70 million, 80% of which is used for mandated services.

1.34 The general duty to improve public health includes the provision of facilities for the prevention or treatment of illness and alongside the mandated functions are a range of discretionary services, the commissioning of which should be guided by joint strategic needs assessments and the Public Health Outcomes Framework. Whilst information from joint strategic needs assessments and other sources is obtained, this is primarily for the purpose of compiling data packs for prospective tenderers. It is not currently used as a basis for identifying the most efficient and effective portfolio of discretionary services that should be delivered nor to consider whether the overall grant is being spent on mandated services according to the greatest need or benefit.

Planning to address emergencies and civil contingencies: central planning and planning within services   (Substantial assurance)

1.35 The Civil Contingencies Act sets out a single framework for civil protection in the UK. Part 1 of the act focuses on local arrangements, establishing a statutory framework of roles and responsibilities for local responders. The council is a 'category 1' responder and therefore central to responses to most emergencies and subject to the full set of civil protection duties defined by the CCA. These

duties include the assessment of risk, maintaining emergency response plans, business continuity management, communicating with the public, and advising and assisting business and voluntary sectors.

1.36 The council's Emergency Planning, Resilience and Response Framework defines its plans and these involve working closely with the emergency services, other local authorities, voluntary agencies and industry.

1.37 There are adequate and effective arrangements in place to respond to emergencies, ensure continuity of business and comply with the CCA. In particular, risks are identified and assessed on an ongoing basis; emergency response plans are developed and updated; and the council is a fully active member of the Lancashire Resilience Forum and engages with other organisations. Its Corporate Emergency Response Plan defines its standard response should an emergency occur, public communication arrangements are appropriately documented and published, and a training prospectus has been published to provide key officers and members with access to appropriate training.

1.38 The actions agreed in 2016/17 have largely been completed, but the service has been unable to devise hazard-specific response plans as intended and now plans to do so.

Financial and governance controls within the county's schools
<div align="right">(Substantial assurance)</div>

1.39 The council's Scheme for Financing Schools in Lancashire sets out how the individual school budget is distributed to maintained schools, using an agreed formula. The budget share is delegated to the schools' governing bodies which, subject to the scheme's provisions, may spend for it any purposes of their school. The council may suspend the right to a delegated budget if the scheme's provisions are breached or if the budget share is not managed satisfactorily. In managing delegated budgets schools must comply with the council's financial control and monitoring requirements.

1.40 Overall, the schools sampled have effective procedures in place to support budget management. All have appropriate arrangements for setting annual budgets that comply with the scheme, and regular monitoring is undertaken by the relevant committee and full governing body (although minutes do not always sufficiently record governor challenge, discussion and decisions), supported by termly monitoring reports which identify and explain variances. School improvement plans link to budgets where actions need to be funded. Schools are responding appropriately to avoid deficits and those schools in deficit have agreed a recovery plan with the council.

Recovery of costs/ available income from partner organisations
<div align="right">(Limited assurance)</div>

1.41 The council's Adult Services Directorate agrees care packages with NHS clinical commissioning groups (CCGs) and arranges for them to be delivered internally or through external providers. The council pays the providers and recovers contributions from the CCGs for jointly-funded care packages.

1.42 In January 2017 a new team was established in Exchequer Services to recharge and recover NHS contributions, and this team is successfully recovering recent

contributions with a collection rate of 98%: older debt is more problematic. There is no evidence of agreement for some historical care packages, and changes to some packages have not been properly recorded as 'care package line items' (CPLIs), resulting in incorrect billing. In addition, £300,000 of duplicate payments have been made to providers by the NHS, and the council is in talks with them to agree recovery.

1.43 Effective controls have been in place since March 2017 to identify healthcare packages where an NHS contribution has been agreed, and four additional officers joined the team in April 2018. Further, the Care Navigation team now inputs all CPLIs, so that accurate and consistent recording is more likely.

1.44 However as at 1 March 2018 £1.4 million of NHS contributions were outstanding, and only £282,000 related to 2017/18: a review of unpaid debt is planned. Similar controls have not yet been adopted though to address jointly-funded care packages for mental health services, which transferred to the council in May 2018.

Commissioning, design and monitoring of the capital programme
(Substantial assurance)

1.45 A Capital Board, whose membership includes directors from across the council and representatives from the finance and commissioning teams, is responsible for ensuring that: the draft capital programme is developed in line with corporate priorities, statutory responsibilities and financial regulations; capital projects are managed and delivered in accordance with agreed timescales and financial allocations; and changes to the capital programme are identified and reported in a timely manner.

1.46 Cabinet scrutinises and the Council approves a four year capital investment programme annually. The Cabinet also considers quarterly capital monitoring reports, and approves additions and changes to the capital programme.

1.47 There are effective processes in place to develop the capital programme, including the evaluation and funding of proposed projects, co-ordinated by the Capital Board and supported by the Finance and Commissioning teams. The financial aspects of development and delivery are also overseen by the Board, but although there is a focus on financial performance measures, non-financial key performance indicators should also be used to monitor delivery of the programme.

1.48 Since July 2016, the Programme and Project Management System (PPMS) has been used to manage the capital programme. This is designed to provide a 'single, unified and fit for purpose tool' to standardise the management of projects and improve project control and reporting. The data held in PPMS should be key to this but it is not being regularly updated by officers and is therefore incomplete and inaccurate. Without reliable, complete and accurate data officers and members are unable to properly assess the delivery of the programme.

1.49 The Capital Board's terms of reference as well as good practice require the development of a capital programme risk register. We understand that this is being developed, but there is little reference to it in the board's minutes and it does not yet exist.

Children's Services LCS Helpdesk (Substantial assurance)

1.50 The Core Systems' Support Team operates the online LCS Helpdesk function which provides day-to-day support for LCS account holders who have system issues or enquiries. The team uses the Redmine software to record all the calls they receive, which include requests for instructions on using the system, data amendments, permissions changes and service improvement, functionality faults and sharing best practice. In the ten months from April 2017 to February 2018 the Helpdesk recorded 9,829 calls.

1.51 We confirmed that calls are generally responded to within one day unless more time is needed due to the complexity of the issue, and on average they are closed after 2.6 days. There is an effective process to identify, record and address issues with the operation of LCS. A board has been established to represent the operational services, providing a forum to review and improve system issues, concerns and best practice.

1.52 Access to the LCS system access is generally well controlled, although we found a number of individuals with live access rights that are no longer required but which the LCS Support Team had not been asked to remove. The Support Team normally requires confirmation that staff have completed an e-learning course before granting access to LCS, although there are exceptions. Procedures, policies, process maps, guidance and knowledge based articles are easily accessible on the intranet, although some guidance and links need updating.

Apprenticeship Levy (Substantial assurance)

1.53 From April 2017 the Government introduced the Apprenticeship Levy with the aim of funding three million apprenticeships in the UK by 2020. All employers with a total payroll greater than £3 million pay 0.5% of the value of their gross monthly pay bill to HMRC. In return, the organisation receives credit in a Digital Apprenticeship Service (DAS) account operated by the Education Skills Funding Agency to pay for staff training through apprenticeships.

1.54 The Council's SL&D Service manage and operate the DAS account, which provides the only access to this funding for the Council and for its Schools. They also work with Lancashire schools through the Lancashire Schools Forum to establish working practices to maximise the utilisation of the Schools element of the Apprenticeship Levy.

1.55 There are effective controls in place to administer the Apprenticeship Levy and to ensure that its use is in line with government requirements.

1.56 We focussed on the procedures and processes developed by the Skills, Learning & Development Service to promote the levy, provide support and advice, ensure compliance with government requirements, arrange for the provision of courses with training providers, and to monitor levy payments and credits. The work already being undertaken by the service is key to maximising the use of funds before they expire. This includes work with services across the council, schools, and training providers to promote use of the levy, develop qualifications that better meet the council's and schools' needs. However the scale of the levy credits received, and the current restrictions on their use mean that there is an inherent risk that they expire before they can be used.

Oracle general ledger (Substantial assurance)

1.57 The council operates Oracle Financials as its corporate accounting system. The general ledger system supports production of the financial accounts and inputs to it are made through interfaces from feeder files and manual journals.

1.58 A list of control accounts is maintained and reconciled by the Corporate Finance (Control) team and the reconciliation and review processes are completed by separate officers to ensure segregation of duties. Accounts are reconciled promptly and there are no longstanding queries or unreconciled amounts. An annual closure timetable is followed to support the timely and accurate production of the financial statements.

1.59 In 2016/17 management agreed to take two medium risk actions: one has been implemented. The Core Systems team agreed to review user access permissions but this has not yet been done and a review will be undertaken by the end of June 2018 with support from the Internal Audit Service.

Oversight of payroll payments (Limited assurance)

1.60 Comprehensive checks are carried out on the monthly payroll by the Financial Resources Control and Compliance Team, before it is processed for payment by BTLS and oversight of the council's payroll by the council is therefore adequate overall. The Finance team confirms each service's established staff at least annually with the heads of service as budgets are set, and issues monthly payroll reports and establishment hierarchies for heads of service to check accuracy and completeness. However, we found some lack of awareness of these reports and that management's checks are not always carried out. More detailed oversight of the payroll at the level of service areas and individual employees is less effective and has allowed overpayments to continue, in some cases for over three years.

1.61 As we have separately reported, the council's controls to ensure that data is input correctly and in a timely manner for individual payments are less effective: overpayments continue to occur, mainly due to late notification by managers of salary changes and particularly when employees leave the council.

VAT (Substantial assurance)

1.62 The council reclaims around £100 million of VAT annually and effective arrangements are in place to ensure that VAT returns are complete, accurate and submitted on time. Control accounts are reconciled and the VAT manager undertakes monthly compliance checks to validate returns and identify and investigate areas susceptible to incorrect treatment, as well as monitoring compliance with HMRC's partial exemption criteria. Officers in the VAT team are knowledgeable and experienced, and provide easily accessible, comprehensive and current guidance to officers.

1.63 VAT on invoices to the council's customers is treated correctly and processed appropriately; input tax charged by suppliers is correctly entered onto Oracle and is supported by evidence. VAT has been incorrectly processed by new staff on a small number of very low value creditor transactions, indicating some lack of awareness of proper processes but plans to re-establish staff training should help to address this.

1.64 However VAT on Barclaycard purchase card statements continues to be overstated on the Oracle general ledger. A manual adjustment process was agreed in 2016/17 until a system-based solution can be found, but this also overstates input tax and in 2017/18 the over-claim amounts to £37,000, which should be declared to HMRC.

Health and safety compliance (Limited assurance)

1.65 A health and safety management system applicable all council employees is provided by the Health, Safety and Quality Team (HSQT). Comprehensive information is available on the intranet setting out the responsibilities of individual officers in relation to health and safety and providing guidance about how to meet them. Senior managers across the council are reminded of important changes on the site and a helpdesk function is also provided, although few calls are logged.

1.66 Service-specific health and safety risks are identified and addressed within individual services. External accreditation is sought only where necessary to support services' commercial activity and only two services – Highways, and Design and Construction – are now externally accredited. The HSQT has developed an in-house audit and support programme for services, prioritised by a risk assessment, but implementation of this programme is behind its original schedule and has not yet progressed to the stage where it can provide assurance that health and safety requirements are being adhered to throughout the organisation.

1.67 Health and safety risks relating to the premises from which services are provided are addressed by a combination of services in different directorates operating independently from the HSQT. The Facilities Management Service acts as premises manager for the council's properties and it checks that premises-related health and safety requirements are being met. Where remedial work is required it is commissioned from the Design and Construction Service. The Compliance Team in the Asset Management Service then checks the work undertaken by Facilities Management.

Central procurement: compliance with legislation, financial regulations and standing orders (Substantial assurance)

1.68 A Procurement Board – the head of procurement and various service directors – is responsible for setting the council's strategic direction for procurement and for ensuring that efficient and effective procurement practices are followed.

1.69 The Procurement Service's category management teams procure goods and services, and the purchase to pay teams undertake low value sourcing activity, working within existing frameworks, contracts and catalogues, and placing orders with suppliers.

1.70 The ten procurement exercises we tested followed the council's applicable procurement rules. However from a sample of 20 purchase orders, the details of three resultant contracts had not been entered in the contracts register. The Procurement Service recognises the need to continually monitor, review and keep up to date the contract register to enable procurement exercises to be properly planned to avoid unnecessary contract extensions and achieve value for money.

1.71 Just one medium-risk action was agreed during audit work in 2016/17 and this has been implemented: the Procurement Service has worked to ensure that all suppliers have been subject to a procurement exercise before further orders are placed with them.