

Matters arising from internal audit work for 2019/20 completed to 30 September 2019

1 Introduction

- 1.1 This report highlights the 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 sets out the issues arising from the work undertaken during the period to 30 September 2019 by the Internal Audit Service under the audit plan for 2019/20.

2 Work completed

- 2.1 Ten of the 92 audits in the plan (excluding follow-up work and grant certification) have been completed and assurance has been provided as set out in the table below. Reports on seven further audits are being discussed with management.

2019/20 assignments relating to:	Total	Assurance provided			
		Substantial	Moderate	Limited	None
Governance	-				
Business effectiveness	-				
Service delivery	7	3	3	1	
Service support	1		1		
Business processes	2	2			
2019/20 assignments: total to date	10	5	4	1	-
	100%	50%	40%	10%	-

- 2.2 Brief information about the outcomes of each of the audit engagements completed is set out in section 5 onwards. As described in the audit plan for the year, audit work may be directed towards understanding the control framework of a service, system or process (the first phase of a full audit), testing the operation of an established control framework (the second phase of a full audit), or both (a full risk and control evaluation audit). Each audit in the plan has therefore accordingly been designated as 'type 1', 'type 2' or 'type 1+2', and this broadly indicates the scope of the assurance we can give.

3 Amendments to the audit plan for 2019/20

- 3.1 The audit plan must necessarily be flexible, as was noted when the audit plan was agreed, and a small number of changes have been made.
- 3.2 Following the decision not to extend the council's contract with BT Lancashire Services Ltd but instead to bring the services back into the council, the audit of the contract renegotiation process has become an audit of the arrangements being made to prepare for the return of services. We have already started work with the director involved to understand the council's approach to this.
- 3.3 A revised social care safeguarding model is being developed, with new funding from the Department for Education, which will considerably impact the

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allocation of social workers and the management of caseloads within Children's Social Care. We have therefore agreed to defer the audit of the control framework until 2020/21 when it will be better established.

- 3.4 The arrangements supporting renewed oversight of the contracts to operate the schools in Burnley under the former Building Schools for the Future programme are also still being developed. The senior managers involved are doing a lot of work to implement revised arrangements and the audit will therefore be deferred into 2020/21.
- 3.5 We had planned to undertake an audit to understand the improvements being made to the Property Asset Management System (PAMS) that would have been similar to the work we have previously done on the Highways Asset Management System (HAMS). However improvements to PAMS are being addressed at service level reflecting the different specialisms and nature of the work areas. This is informed by other ongoing audit work on the management and monitoring of changes to the council's core systems, as well as work reported in 2018/19 on the Design & Construction Service, where in both cases individual specialist modules have been implemented.
- 3.6 The programme of audit work on the council's ICT risks has been revised to focus more closely on service management arrangements within BTLS and the council's Core Systems Team, and on the operation of the Liquidlogic Adults System (LAS) as a fundamental system. The other audits on this ICT audit programme have therefore been removed from the plan. The two audits remaining from the 2018/19 ICT audit programme have been added to this year's plan and one has now been reported, on ICT Service governance (see below).

4 Follow-up work

- 4.1 During 2019/20 the Internal Audit Service will follow up the action reported by the council as having been taken and some of this work has begun. Managers' own assessments of these actions are as follows:

Numbers of actions agreed in 2017/18, 2018/19 and 2019/20 and now due							
Action status	As at June 2019*		As at September 2019				
	Total		Total		Risk rating		
					High	Medium	Low
Complete	255	77%	314	75%	16	184	114
Superseded	28	8%	29	7%	3	18	8
Incomplete	18	6%	24	6%	4	14	6
Awaiting responses	31	9%	50	12%	7	30	13
Total	332	100%	417	100%	30	246	141
Arising in: 2017/18			195	47%	18	117	60
2018/19			214	51%	12	127	75
2019/20			8	2%	-	2	6

* The figures published in June 2019 included 89 actions in total arising from work in 2016/17 that have been excluded from these figures.

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Actions arising in 2016/17

- 4.2 It was reported in July 2019 that there were just two actions still outstanding from 2016/17, both relating to governance of the Lancashire Enterprise Partnership. These have both now been addressed and managers are reporting that all actions arising in that year have either been completed (70 actions) or superseded (19 actions).

Actions arising in 2017/18

- 4.3 Some of the actions arising from 2017/18 are proving more intractable and at this point six remain incomplete, two of which were regarded as addressing high risks as set out in the following paragraphs.

Transition from children's to adult services (High risk)

- 4.4 The actions agreed in July 2018 to improve the process by which children and young people make the transition from children's services and access adults' services were subsumed within a single action for the directors of Children's and Adult Services. It was agreed that they would consider the future strategic direction of transitions services including where key responsibilities should lie, and how information would be gathered and used to best effect. A new transitions strategy would articulate and coordinate the respective roles and responsibilities of Children's Services and Adults Services and a single set of policy and guidance notes would be produced and published for use across both services.
- 4.5 At this point the director of education and skills and the director of adult social care transformation co-chair a group that is overseeing both the implementation of this action plan and the county council's response to Ofsted's inspection of provision for children with special educational needs and disabilities (SEND). The aim of this group is to manage the interdependencies of improvement across three areas of transition – health, education and social care – and, where necessary, review the current outcome measures, identifying additional measures if necessary. The head of the Learning Disabilities, Autism and Mental Health Service also chairs a group addressing the transition to adulthood that reports to the SEND Partnership Board.
- 4.6 Additional capacity has recently been secured to accelerate progress. External specialist auditors have recently completed a thorough review of 40 transition plans to ensure that practice is improved by evidence and informed by the experiences of young people. Feedback will be provided to the officers who coordinate young adults' education, health and care plans and shared with external partners to inform improvement. An additional, experienced temporary officer has been employed to research best practice, draft a guide for young people, parents, carers and partners ('Steps to Adulthood') and to develop a detailed action plan to ensure greater coherence and accelerate the rate of progress. She is also working to co-produce a Preparing for Adulthood Strategy for the SEND Partnership Board.

Personal budgets for children's service users and direct payments to their carers (High risk)

- 4.7 In March 2018 it was agreed that Children's Services would liaise with Adult Services to ensure that their policies and procedures are aligned and

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communicated consistently. This would involve developing a single training programme to ensure consistency of service delivery across both services and a more effective use of training resources. As part of this process, guidance notes would be checked to ensure that they are factually correct.

- 4.8 Once agreed, policy, procedures and guidance would be made easily accessible on the pages of the intranet accessed by staff in Children's Services, who would be made aware of the revised guidance and the importance of complying with it (this was treated as a separate action to address a medium degree of risk).
- 4.9 The SEND Improvement Plan includes work to review the personal budget policy, analyse take-up of personal budgets and determine the future approach in partnership with parent carers. This has begun and will be informed by discussion with the Parent Carer Forum on 18 October 2019: progress will be reported to the SEND Partnership Board at its next meeting on 16 November. Current patterns and trends in the use of direct payments are also being analysed and the outcomes will be reported to the Education and Skills management team in November.
- 4.10 We have also done further compliance testing in the current year and are discussing a draft report with the managers involved.

Case management of occupational therapy services (Medium risk)

- 4.11 The only action remaining in relation to occupational therapy is to implement a case-load tracker within LAS, rather than using a set of spreadsheets. However it is unlikely that this improvement will be achieved in the foreseeable future.

Public health commissioning strategy (Medium risk)

- 4.12 It was agreed that a strategy would be developed to demonstrate a comprehensive evaluation of the needs and priority for the discretionary services most required to improve the health of the local population, and to allocate funds most effectively to these services. This will now be completed by the end of February 2020.

Commissioning, design and monitoring of the capital programme (Medium risk)

- 4.13 A lot of work has been undertaken on the asset management strategy that will underpin both the capital strategy and the development of a risk register for the capital programme. Having gained a more comprehensive understanding of the risks involved in the capital programme and the mitigating controls in place, senior finance managers will now finalise the risk register within the next three months.

5 Audit work completed on service delivery controls: Adult Services and Health & Wellbeing

Provider-led reviews (Substantial assurance: type 1)

- 5.1 The council has a legal duty to offer a free carer's assessment if it appears that a carer may need support. N-compass North West and Carers Link Lancashire have been selected to carry out statutory carers' assessments on our behalf and to provide support to adult carers.

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- 5.2 Practice guidance for assessors is being finalised and, once agreed, will be posted on the intranet with other relevant policies, procedures and guidance for social workers. Comprehensive templates for performance management and quality assessment have been developed.
- 5.3 A control framework has been designed but is not yet in operation. The contract monitoring arrangements' effectiveness in operation will largely depend on the quality of the routines employed to validate and verify the data that will be supplied by the providers.

Direct payments: adults' financial reviews (Moderate assurance: type 1+2)

- 5.4 Direct payments are one of the ways individuals can choose to receive their personal social care budget and use it to meet their assessed eligible care needs. Some of the direct payment can be used by service users to employ a personal assistant or to pay someone to manage their responsibilities as an employer. The person receiving and/ or managing a direct payment is responsible for keeping records to show how money has been spent and ensuring money is spent as agreed in the support plan.
- 5.5 Around 4,100 service users – 3,700 adults and 400 children – receive direct payments totalling approximately £4.8 million per month or £57.6 million per year.
- 5.6 Financial assessment officers in the Finance Directorate follow robust procedures supported by process checklists, policies and guidance, and are comprehensively trained although other than normal supervision processes there is no formal quality assurance of the reviews. It has been agreed that team leaders will periodically undertake dip-sampling of completed reviews to assess the quality of the information recorded and of the judgement regarding level of review, and to identify any issues or training requirements.
- 5.7 Direct payment agreements are scheduled for review in accordance with their assessed risk. Although there will always be a number of reviews outstanding at any point, the backlogs that had built up are now being addressed and review schedules are monitored and managed. Where reviews are significantly overdue this is generally beyond the control of the financial review team.
- 5.8 The primary record of details relating to the direct payment reviews is held on the finance software for adult social care (ContrOCC). Where it is clear to the financial assessment officers that social workers should be aware of any information relating to the reviews they also record this on Liquidlogic Adults System (LAS) or Liquidlogic Children's System (LCS).
- 5.9 A finance team leader attends the monthly Direct Payments Forum which is led by operational managers and also attended by operational and commissioning staff. It addresses any issues relating to direct payments including training, case anomalies and complaints.

Policy development

(Moderate assurance: type 1)

- 5.10 Following the introduction of the Care Act in 2014 the Policy, Information and Commissioning team has reviewed and updated the council's policies relating to adult social care. There is some good practice in current policy development and a good basis to establish a more robust and structured framework going forward. This includes oversight of policy development by a group involving

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finance, operations and legal staff as well as social care professionals, and the involvement of officers from the Policy, Information and Commissioning team who ensure that policy documents remain consistent with legislative requirements.

- 5.11 Mechanisms are in place to identify changes to legislation that might affect policy, and efforts are being made to build professional links with other teams around the council to ensure a consistent approach is adopted. The format and content of policy documents are being standardised where possible, and they are drafted to be easily read and understood.
- 5.12 However action will also now be taken to rationalise the pages on the intranet addressing adult social care policies, and to develop an overarching policy development strategy that clarifies what a policy document should be and how they are quality assured and maintained.

Educational off-site visits

(Moderate assurance: type 1+2)

- 5.13 The Educational Off-Site Visit team is part of the Health, Safety & Resilience Service. It ensures that educational off-site visits are risk-assessed, planned, approved, carried out and evaluated in accordance with statutory requirements and the council's policy.
- 5.14 The systems in place are well designed and continually reviewed by the team and an advisory board: the actions arising from this audit are largely enhancements, aimed at improving the quality of management information. Although the team has numerous tasks to prioritise, sometimes with conflicting deadlines, its members are all clear about their individual priorities and manage them well. There are several areas of good practice including a comprehensive training programme, a system that supports effective monitoring and control as well as a helpful reporting and information tool, and good dissemination of lessons learned.
- 5.15 Where visits have not been recorded on the system by schools they cannot be subjected to the same dip sampling, compliance checks or monitoring. There is therefore a risk that some visits are incorrectly classified by schools and that the council does not have a complete picture of all the visits being carried out or an accurate number of incidents, accidents or near misses that may have occurred on these.
- 5.16 The team relies on schools and other establishments submitting information about their planned visits but a significant proportion of even relatively high risk visits are submitted late (40% within four weeks of the visit). However in the majority of cases the team is able to respond before the visit takes place.
- 5.17 An audit was undertaken by the team itself in mid-2018 to determine which establishments were using the system and whether they recorded all visits, higher risk visits only, or none at all and, if so, why. This work identified establishments that routinely misclassified visits or made unapproved visits, and those without an educational visit coordinator, and the team made direct contact with them.

6 Audit work completed on service delivery controls: Education & Children's Services

Special Educational Needs and Disabilities (SEND) Partnership improvement plan

(Substantial assurance: type 1+2)

- 6.1 Ofsted and the Care Quality Commission jointly inspected the local area's special educational needs and disabilities service in November 2017. They identified 12 areas of significant concern across the area including strategic leadership and vision, understanding of the local area, joint commissioning and engagement with parents and carers.
- 6.2 A partnership was formed of all the relevant agencies to address the issues, and its board includes representatives from the education and health sectors, parents and carers, young people and the county council. It is accountable to the Lancashire Health and Wellbeing Board, the Joint Committee of the Clinical Commissioning Groups, and Lancashire County Council's Cabinet.
- 6.3 A written statement of actions was initially developed by the partnership to address the 12 areas of concern and this has since been supported by a longer term improvement plan. This addresses four key priorities across 27 areas supported by 94 specific actions which directly address Ofsted's findings.
- 6.4 The partnership's governance structures, decision making and monitoring processes are sufficient to facilitate the management and implementation of the improvement plan. This control system is operating as intended and, as at September 2019, most of the actions have been reported as delivered or are progressing. Ten have been delayed and the reasons, with updates, are being reported to the board. Detailed evidence and data are retained by the SEND Partnership team within the council's Education & Children's Services.

Lancashire Safeguarding Children's Board (LSCB) governance of expenditure

(Limited assurance: type 1+2)

- 6.5 The Lancashire Safeguarding Children Board was a statutory body with an independent chair, accountable to the county council's chief executive. Its members were senior managers from all the agencies in Lancashire with statutory safeguarding responsibilities and its purpose was to ensure these agencies work together effectively. It did this for example through reviewing cases where a child has died or been significantly harmed, and by providing guidance and training. It was supported by a team within the council's Safeguarding, Inspection and Audit Service and the council's Oracle financial system is used to record the board's budgets and financial transactions.
- 6.6 However the board has had no effective financial management arrangements and the absence of an adequate financial control framework has created conditions in which illegitimate or uncontrolled spending, or error, could occur. Nor has there been adequate oversight and scrutiny of the board's expenditure. We did not identify any illegitimate or inappropriate spending but it is likely that this lack of oversight contributed to the unchallenged accumulation of £307,000 of reserves at the end of 2018/19.
- 6.7 We understand that similar arrangements are in place to support the Lancashire Safeguarding Adults Board. The council's senior managers are

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therefore now taking action to ensure that board's financial arrangements are strengthened and that there is appropriate transparency in its use of funds.

- 6.8 The LSCB was replaced in September 2019 by new statutory area safeguarding arrangements across the whole of Lancashire under the Blackburn with Darwen, Blackpool and Lancashire Children's Safeguarding Assurance Partnership and its financial arrangements will be different from those for the LSCB.

Schools' Financial Value Standard (SFVS) self-assessments

(Substantial assurance: type 2)

- 6.9 All schools submitted self-assessments for 2018/19 reflecting their governance and financial arrangements, and the ones we tested were supported by evidence.
- 6.10 Schools' governing bodies review and approve annual budgets prior to submission to the council and regularly monitor progress, with variances explained in reports and challenged during meetings. Full governing board meetings are professionally clerked and capture governor challenge and scrutiny, and key approvals. Most schools were able to provide governor competency matrices identifying key skills and development needs, and meeting minutes confirm that they are actively used to assess and address governors' training requirements.

Safekeeping of heritage assets held in museums and libraries

(Substantial assurance: type 1)

- 6.11 Heritage assets are items with historic, artistic, cultural or information value and the council has an extensive collection displayed or stored in its own and partners' museums, libraries and archives. It is important that they are managed effectively to reduce the risk of damage, theft or loss.
- 6.12 The Collections Management Strategy is comprehensive and sets out strategies for collections' information, access, care and conservation. Supporting policies include information on asset storage, display, security and transport. Further procedures and guidance cover insurance, loans and donations, building security, CCTV, and counter terrorism amongst other things. Staff expertise is concentrated in museums and the archive office, where the majority of significant cultural items and collections are displayed and stored.

7 Work completed on business process controls: financial systems and processes

VAT

(Substantial assurance: type 2)

- 7.1 The council's statutory activities are outside the scope of VAT but special rules mean it can recover VAT on goods and services purchased for non-business activities and VAT incurred on exempt supplies such as property or certain education services, provided that it is not significant (not more than 5% of the total VAT incurred).
- 7.2 There are effective procedures to ensure that the council's VAT returns are accurate, reconcile to source data and submitted on time to HMRC. The VAT team checks the accuracy and completeness of returns monthly, and

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compliance with HMRC's rules for reclaiming VAT on exempt supplies is regularly monitored by the VAT manager.

8 Work completed on service support controls: technology

ICT Service governance

(Moderate assurance: type 1+2)

- 8.1 The service provision agreement sets out heads of terms for the service provided by BTLS and is supported by detailed service-specific schedules and performance management arrangements. Reports on projects, payroll, and recruitment as well ICT service delivery are shared at a monthly service governance meeting. The contract's key performance indicators have recently been amended to become more robust before the contract ends in March 2021.
- 8.2 The council's oversight of and support for BTLS's work and ICT service delivery are achieved through a number of different groups although, taken together, they perhaps form an unnecessarily complex framework of governance. Assurance over various aspects of ICT service provision is available from a number of sources but this is not routinely collated and considered.
- 8.3 Until October 2019 the council lacked the key policies – a Digital Strategy and IT Strategy in particular – which should support a strategic view of its current and future business needs. It is expected that, as they become available, ICT services will be aligned with them.