Matters arising from internal audit work for 2019/20 completed to 31 December 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 31 December 2019 by the Internal Audit Service under the audit plan for 2019/20.

2 Work completed

2.1 Eleven audits have been completed during the last quarter and assurance has now been provided as set out in the table below. Reports on seven further audits have been drafted and are being discussed with management. Ten of the 92 audits originally on the plan (excluding follow-up work and grant certification) were removed from the plan before the end of September 2019 and three more audits have been removed, leaving 79 audits on the plan, of which 21 have now been reported. The reasons for the most recent changes to the plan are set out in section 3 below.

2019/20 assignments relating to:	Total	Assurance provided			
		Substantial	Moderate	Limited	None
Governance	-				
Business effectiveness	1	1			
Service delivery	15	4	8	3	
Service support	3	1	2		
Business processes	2	2			
2019/20 assignments: total to date	**21**	**8**	**10**	**3**	**-**
	100%	38%	48%	14%	-

2.2 Brief information about the outcomes of each of the audit engagements competed is set out below in section 5 onwards:

- Risk management
- Older People Service's audit and assurance arrangements
- Safeguarding service user finances in the Supported Living Service
- Shared lives recruitment
- Handling VIP enquiries within the Health, Equity and Partnerships service
- Safe Trader scheme
- Children's direct payments
- Children's Services' in-service audit framework
- Schools' procurement processes
- Management and monitoring of system changes
- Highways authority funding

Matters arising from audit work for 2019/20 to 31 December 2019

2.3 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 relating to work on corporate performance management, prevention of child exploitation and Oracle user access improvement.

Corporate performance management

3.2 Following the Full Council's agreement of the Corporate Strategy in February 2019, members of the council's scrutiny committees debated a suite of proposed key metrics by which achievement of the corporate objectives would be measured. These metrics were agreed by the Cabinet Committee on Performance Improvement in October 2019 and targets are now being identified for each. Whilst it was originally intended to report performance under the new measures from February 2020 this has been delayed. We will therefore defer this work and include it in the audit plan for 2020/21 when we will be able to consider the adequacy and effectiveness of the new arrangements using the revised metrics and targets.

3.3 Our previous review of corporate performance monitoring arrangements, which was completed in April 2017, confirmed that the controls in place to monitor and report the council's performance were adequate and effective overall.

Prevention of child exploitation

3.4 Following the arrival of new senior managers and directors, the council's responses to the risks of child exploitation have been reviewed and a revised action plan has been developed to address issues including practice improvement, arrangements for governance and management oversight, and internal HR issues. The actions that were agreed with the previous managers have therefore been amended and are no longer directly relevant, so they have been reported as superseded in the audit action log. The audit that was planned for the current year has been deferred into 2020/21 and, if any further actions are agreed as a result of that work, they will be logged and followed up at that point.

Oracle user access improvement plan

3.5 In July 2018/19, we completed a review of Oracle user access permissions, which provided moderate assurance that there is an adequate and effective control framework in place to protect Oracle against unauthorised access.

3.6 Since that time the council's Core System's team has been addressing some specific issues identified by both the external auditor and ourselves regarding access permissions, although we understand that these will now be subsumed into the overall Oracle Replacement project. This assignment has therefore been removed from the internal audit programme for 2019/20.

Matters arising from audit work for 2019/20 to 31 December 2019

4 Follow-up work

4.1 During 2019/20 the Internal Audit Service has begun to follow up the action reported by the council as having been taken. Managers' own assessments of the current status 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 September 2019		As at December 2019				
					Risk rating		
			Total		High	Medium	Low
Complete	314	75%	352	74%	20	203	129
Superseded	29	7%	35	7%	5	22	8
Incomplete	24	6%	38	8%	6	23	9
Awaiting responses	50	12%	51	11%	4	29	18
Total	**417**	**100%**	**476**	**100%**	**35**	**277**	**164**
Arising in: **2017/18**			**196**	41%	18	117	61
2018/19			**254**	54%	16	151	87
2019/20			**26**	5%	1	9	16

4.2 All the actions agreed in years prior to 2017/18 have been addressed or superseded.

Actions arising in 2017/18

4.3 In October six actions arising from 2017/18 had not been completed and the committee will receive separate reports explaining progress on the two actions that addressed high risks – the transition of service users from children's to adult services, and personal budgets for children's service users and direct payments to their carers – and the implementation of a case-load tracker within the adult services' system (LAS). The register of the risks to the council's capital programme has now been finalised.

5 Audit work completed on governance controls

Risk management   (Substantial assurance: type 1+2)

5.1 The council's risk management framework is based on international standards. It is embedded in the council's governance and decision making processes, identifies and reports key service and corporate risks and is periodically reviewed. It is supported by guidance, training and service-based risk champions, and effective action is taken to ensure service risk registers are updated quarterly. These, together with wider corporate and cross-cutting risks, inform the corporate risk register. Mitigating action is identified, reported and monitored.

5.2 Further improvements to the risk management framework are being trialled by Education and Children's Services. This will put directors at the centre of identifying strategic risks, and introduce more flexible reporting and a target risk rating.

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

Older People Service's audit and assurance arrangements

(Moderate assurance: type 1+2)

6.1 The Older Peoples' service provides 16 residential homes for older people throughout Lancashire. Each home has a registered care manager who is responsible for the regulated services provided by the care home and ensures that all staff comply with the council's policies, procedures and operational guidance, which are designed to comply with the requirements of the Care Quality Commission.

6.2 The service assures itself in a number of ways that its control of medication, support planning and supervision in its homes is adequate and effective. However the number of actions arising from the in-service audit work is generating significant numbers of actions for managers, which are becoming onerous: there may be more efficient ways to address the issues being identified.

Medication

6.3 Managers and staff are required to confirm that they have read and understood the medication policy and procedure document, which is clear about the checks to be performed and how these should be recorded, including manager unannounced inspection visits and senior manager audits.

6.4 Weekly medication audits are carried out in the four homes we visited, although the homes take different approaches, with some checking each medicine cabinet each week and others doing this on a sample basis.

Support planning

6.5 A new support plan policy is currently being implemented across each of the homes. All support plans are subject to review, whether in full or more lightly, and then potentially also further reviewed if they are selected during an unannounced inspection by a manager or during a senior manager audit.

Supervision

6.6 The supervision policy is available on the intranet but is out of date and inconsistent with current practices, and contains little information to support managers in supervising staff appropriately. Records of supervision are not consistently kept.

6.7 The senior operations managers regularly check the frequency of supervision meetings and are therefore aware that they are not currently being conducted for all staff or sufficiently frequently. Both the registered care managers and assistant care managers consider that they cannot complete the number of formal supervisions required without this impacting on their other duties. Routine qualitative checks on the content of supervision meetings are not currently being conducted.

Matters arising from audit work for 2019/20 to 31 December 2019

Safeguarding service user finances in the Supported Living Service
(Limited assurance: type 1+2)

6.8 Service users who do not have the capacity to manage their own finances are supported by staff in the Supported Living Service to live in the community in their own home under a tenancy agreement. Service users have their own Individual Financial Profile that sets out their weekly budget and incorporates costs for social activities.

6.9 We identified no specific issues in the records and receipts we examined to suggest that service users' funds have been misappropriated or inappropriately managed, but the lack of compliance with policy requirements in a number of areas and limited managerial checks expose service users to the risk that any misuse or mismanagement of their finances would be difficult to detect and address.

6.10 Policy and guidance documents are in place but have not been updated since they were issued in October 2015 and are not included in staff induction. This may contribute to the inconsistent application of policy in some areas. Individual Financial Profiles were in place for all service users we tested but some were incomplete or based on old information, indicating that they had not been reviewed as they should have been.

6.11 Whilst there is evidence that the team managers regularly review the personal account and housekeeping books, we found examples where the team manager had failed to identify instances of non-compliance with policy, and there is no evidence that managers conduct any further spot checks. In particular there is a high level of non-compliance with the requirement to highlight specific staff costs and for the area domiciliary manager to approve withdrawals of more than £500.

Shared lives recruitment
(Moderate assurance: type 1+2)

6.12 The Shared Lives Service recruits, supports and trains carers from across the local community to provide long term, short term, day support and emergency care for adults. Lancashire's service is the largest in the country and has been recognised as outstanding by the Care Quality Commission. Prospective carers undergo a lengthy application, training and assessment process and the recruitment process is effective and efficient, ensuring that newly appointed carers deliver good quality support, safely and consistently.

6.13 However there is a lack of evidence that some key steps have been taken including evidence for background checks, carer contracts, placement agreements, induction visits, and home fire safety checks

6.14 Carers are required to undertake mandatory training in several areas within 12 months of approval but, of ten families recruited between January 2017, and April 2018 there was no record that all training had been completed by seven, and five of these have been allocated long term placements.

Handling VIP enquiries within the Health, Equity and Partnerships service
(Substantial assurance: type 1+2)

6.15 Enquiries from councillors, MP's, MEP's and other prominent sources are designated as VIP enquiries and managed accordingly. Between January and June 2019 2,736 new enquiries were logged, of which 1,968 related to Highways and 250 to the Health, Equity and Partnerships service. The Senior Leadership Team Support team administers the system, monitors responses to

enquiries and produces reports for the Senior Leadership Team showing the time taken to respond.

6.16 The VIP communication system is adequately designed to manage and monitor enquiries received by the council, allocating an officer to address each enquiry, recording any action taken and scanning relevant documents. The dates on which enquiries are received, allocated and responded to can be logged to track progress. Reports can be produced to monitor outstanding enquiries and the time taken to respond for review by management.

6.17 At management's request we reviewed the operation of the VIP system specifically within the Health, Equity and Partnerships service where there was a backlog and more than 70% of enquiries between January and June 2019 exceeded the target response times of 10 days. However by July more than 90% of enquiries were being processed on time and we were informed that the service was catching up with the backlog. We identified no further changes that could be made to reduce the resources required within the service to respond to enquiries.

Safe Trader scheme   (Moderate assurance: type 1+2)

6.18 The Safe Trader Scheme accredits traders such as electricians, plumbers and builders who commit to providing good customer service and adhere to regulations. It is managed by the Trading Standards service which checks traders before they become accredited and then undertakes rolling checks.

6.19 The terms and conditions of the scheme and the extent of assurance provided by the council are clearly communicated to traders and consumers. Appropriate checks are undertaken on traders before they are accredited both by examining relevant documentation and site visits. We found that controls were operating effectively except in one case where a check was not properly undertaken and a trader was registered before confirming their mandatory external accreditation. An additional control will also be implemented to ensure that all accredited traders are appropriately invoiced.

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

Children's direct payments   (Limited assurance: type 2)

7.1 Personal budgets can be requested by the parents and carers of children and young people who have been assessed as needing an education, health and care plan, to fund services to support the outcomes for them. This can be administered through direct payments and approximately 400 young people receive direct payments from the council.

7.2 Progress is being made to address some of the issues raised during the last audit, which we reported in March 2018 (when we also gave limited assurance). Mandatory training has been introduced, the Inclusion Service has sound controls in place to produce, approve and review care plans, and there is improved recording of assessments, retention of financial agreements and evidence of manager oversight. However not all of the actions agreed have yet been fully implemented and we identified some further issues in addition.

7.3 The guidance for officers is being updated and improved in conjunction with Adult Services but it has still not been completed and published. The tool to assess service users' needs and budgets is not consistently used, financial

agreements are not always completed prior to setting up or adjusting a package of care, and not all service users are formally notified of their care package. Further, adjustments made to budgets are not always correctly implemented resulting in several overpayments.

7.4 It is also clear that there is a lack of adequate guidance regarding the application of direct payments within operational practice in Children's Social Care. Social workers are therefore applying their best judgement but there are inconsistencies in practice across the Education and Children's Services Directorate.

Children's Services' in-service audit framework

(Moderate assurance: type 2)

7.5 The Children's Social Care directorate includes an in-service audit team and a range of audit activity is undertaken by the in-service auditors, senior managers and independent reviewing officers. A quality assurance framework sets out a systematic approach to quality assurance through assessing practice and identifying any improvement needs.

7.6 In June 2018 Ofsted acknowledged that improvements in children's services are supported by an increased focus on quality assurance and learning across the workforce. It recognised that the quality assurance framework has become more effective and reliable and there is a clearer focus on improving outcomes for children and developing 'purposeful practice'.

7.7 Management information is produced and distributed to senior managers, good and poor practice is identified, and remedial action is carried out in different ways, including training by advanced practitioners and weekly briefs produced by the principal social worker. However due to limited resources and the need to support additional external reviews, not all the assurance processes have operated effectively. Four of six audits in the thematic audit plan agreed in October 2018 have been delivered, as well as a fifth unplanned audit, but they were not all delivered within planned timescales and action has not been taken to complete the outstanding audits or follow up implementation of agreed actions. Paperwork is not always fully completed and reflective learning has not always taken place.

7.8 A review of the audit framework by the head of service will address some of these issues.

Schools' procurement processes (Moderate assurance: type 1+2)

7.9 Procurement activity in schools is governed by the council's Scheme for Financing Schools in Lancashire. We visited a sample of 15 schools across the county: nine primary, five secondary and one special school.

7.10 Schools are required to set out procurement policies and procedures in their financial regulations, and many based them on the council's model regulations, but not all schools maintain more detailed process notes, relying on the knowledge of key staff.

7.11 Registers of interest support transparent decision making and are completed annually by governors, but not by all staff with a significant involvement in purchasing.

7.12 Procurement is carried out based on the expected value of the goods or services and in most schools comparable quotes and appropriate approvals are

obtained, including from governing bodies. However, half the schools we tested did not consistently obtain three quotes when required to, and did not seek the approval of their governing body when selecting a supplier who had not submitted the lowest quote. One school did not obtain the approval of its governing body for building works of approximately £150,000 in value.

7.13 We have provided feedback to individual schools and produced a best practice guide for publication on the Schools' Portal.

8 Work completed on service support controls

Management and monitoring of system changes

(Substantial assurance: type 1)

8.1 The council has set out rolling three-year plans to develop 20 of its core IT systems, which enables the Core Systems Services and BTLS to act strategically when making technology investment decisions and managing projects. It also facilitates planning to enable better utilisation of resources needed to support projects. System changes are prioritised by Portfolio Review Boards and attended by managers from the services involved, strategic systems specialists from the Core Systems Service, and BTLS.

8.2 The Portfolio Review Boards request changes to core systems and BTLS produce a 'Request for Proposal' document which describes the change and ensures changes, and the costs, are clearly communicated and understood. Integration testing is undertaken by BTLS to ensure any interfaces are working correctly, and user acceptance testing ensures that changes are properly configured. The Core Systems Service satisfies itself about the functionality of the configuration in the test system before it approves the change to be implemented in the live version.

Highways authority funding   (Moderate assurance: type 1+2)

8.3 The Department for Transport has allocated capital funding for local authorities that can demonstrate, by completing a self-assessment, that they are delivering value for money in local highways maintenance. Each authority is required to score itself against 22 questions and place itself into one of three bands which determine how much funding they are allocated. It is the section 151 officer's responsibility to ensure they are satisfied that the evidence supports the funds their authority is claiming.

8.4 We examined the nine self-assessment questions addressed by various managers across the council; the other 13 questions are mainly addressed by the highway asset manager. On the basis of our work and his we concluded that it is likely that the council has selected an appropriate funding band. The evidence supporting the self-assessment in the areas we reviewed was not always relevant and up-to-date, and some lack of effective cross referencing to source documents coupled with a lack of explanatory notes means that in some cases it is unclear how the evidence demonstrates compliance with the individual banding requirements. However these issues are being actively addressed by management.