

# **Matters arising from internal audit work for 2019/20**

## **1 The nature of the audit work reported**

- 1.1 This report highlights the issues arising from individual audit engagements 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.
- 1.2 The work reported here is fully supported by evidence gathered by the internal auditors but the conclusions have not in all cases been discussed with the audits' sponsors, generally the council's directors. It is therefore possible that additional evidence is available to support or counter the auditors' conclusions, or that sponsors' views could differ from the auditees'. In some cases the auditors might have wished to undertake further testing but were unable to do so whilst the organisation was fully involved in responding to the Covid-19 pandemic.
- 1.3 However in late March and early April 2020 the Internal Audit Service finalised all of the audit work it had begun. We concluded wherever possible by providing assurance over the adequacy of design and/ or effectiveness in operation of the controls audited and that assurance is reported here.

### **The types of audit work undertaken**

- 1.4 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.
- 1.5 Where audit work has been reported below but not discussed, or not in any detail, with its sponsors it is highlighted as being 'not agreed'.

## **2 Audit work completed on governance controls**

- 2.1 Governance has been addressed as an element of a number of audits during the year. We have identified no matters that cause any concern for the governance of the council as a whole. Until the year end the council was continuing to identify further financial savings, address its structural funding gap effectively and reduce the long term need for support from reserves, but its financial resilience will clearly have been challenged by the onset of Covid-19 at the end of the year and early 2020/21.

### **Oversight of Local Pensions Partnership Ltd**

(Substantial assurance: type 1+2)

- 2.2 The council is the administering body for Lancashire Pension Fund and has outsourced the Fund's administration and investment functions to the Local Pensions Partnership Ltd group (LPP). With the London Pension Fund Authority it is one of LPP's two shareholders. At the same time the council/ Lancashire Pension Fund is LPP's client for LPP's investment and administration functions.

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- 2.3 LPP has been operational since 2016 but over the last two years has experienced some turbulence in its senior management team. Its members' administration function has performed variably and not always as the council and its other clients would have wished, although its effective investment performance has ensured that the Pension Fund fully met its liabilities as at 31 March 2019 (prior to the current instability in the markets associated with Covid-19).
- 2.4 A small team within the council is responsible for ensuring that LPP operates within the parameters set out by the council in its Governance Policy Statement and shareholders' agreement, and it does this effectively. Where matters require escalation within the council this is achieved and the most senior councillors as well as officers have become involved when necessary.
- 2.5 The governance framework set out in the Governance Policy Statement is effective and operates well both to drive and monitor LPP's investment function. The Investment Panel, formed of the head of the fund and two independent experts, provides expert professional advice in relation to investment strategy to LPP and the Pension Fund Committee, and holds LPP to account against clear benchmarks.
- 2.6 The issues within LPP's administration function over the last two years have necessitated a specific set of responses by the Pension Fund. These have involved the Pension Fund Committee, the Local Pension Board, a councillor-led performance review group, and various statutory officers. This has ensured that the council and Pension Fund have been aware of the issues and appropriately involved in resolving them effectively. As LPP's senior management team settles down again and the group begins to operate under its new corporate structure the council will be able to operate more systematic oversight.

### **The assurance provided by the Pension Fund's own internal auditors**

(Limited assurance)

- 2.7 During 2019/20 Deloitte has completed and reported four audits under the third year of its three-year risk-based audit plan, two of which relate to LPP's own operation rather than its work in administering the Fund or investing on its behalf. Because the scope of audit work on LPP's activities and the information available about it are both restricted, the council can take only limited assurance over LPP's work.

### **Planning for the return of services from BTLS to the council**

(Moderate assurance: type 1)

- 2.8 The ICT, Payroll and Recruitment Services are currently managed and operated by BTLS but will return to the council from 1 April 2021. The project needs to be carefully managed to ensure uninterrupted service delivery and a smooth transition, and will involve a range of the council's support services. SOCITM has therefore been appointed to manage the process and an Executive Programme Board meets monthly to oversee the transition.
- 2.9 Reasonable progress has been made and the council, SOCITM and BTLS have comprehensive plans in place, and these plans are now being aligned. Good project management practices are being followed.

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- 2.10 An effective control framework has therefore been established and will be put into operation over the coming months to ensure that the council is ready to manage the services and staff again.

### **3 Audit work completed on business effectiveness controls**

#### **Risk management** (Substantial assurance: type 1+2)

- 3.1 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.
- 3.2 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.

### **4 Audit work completed on service delivery controls: Adult Services and Health & Wellbeing**

#### **Mental health case management** (Moderate assurance: type 1+2: not agreed)

- 4.1 The specialist mental health teams provide social care and support for adults living with mental health conditions. They were previously managed by Lancashire and South Cumbria Foundation Trust and the council's staff worked to managers employed by the NHS.
- 4.2 New ways of working in adult mental health services were proposed in 2018, requiring the council to manage its own staff and implement a new service structure, to raise the standard of professional practice provided to those people with care and support needs, to improve the accuracy of data recorded on social care systems, and improve performance reporting. From 5 November 2018 case information was recorded on the Liquidlogic Adults System (LAS), and the changes to the council's staff structure were implemented between January and March 2019.
- 4.3 The new framework of control is adequately designed and effectively operated. In particular we observed team managers from the council and NHS working collaboratively and efficiently to assess and progress cases, using LAS and the NHS electronic care record system, assigning priority based on risk and case complexity, scheduling client appointments with workers, and reassigning cases as appropriate. We saw evidence that the new strength-based approach is being used and that assessments and support planning are completed thoroughly, identifying service users' abilities as well as needs.
- 4.4 Nonetheless some action has been agreed to improve the submission of cases to the mental health complex case forum, ensure the more timely review and closure of cases, and greater accuracy of case notes and information recorded.

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### **Service challenge governance**

(Substantial assurance: type 1+2)

- 4.5 Included within the corporate service challenge savings target of £77.171 million are 17 projects relating to adult social care, which aim to save a total of £42.532 million over the four years to April 2023, or 55% of the total. Some represent a continuation of the Passport to Independence programme and others represent the improvement of existing practices and performance.
- 4.6 There are some examples of good practice in managing the cost saving projects, including robust governance that facilitates decision making and reporting to the executive director. Some work is being done to more clearly distinguish between the delivery of savings through the project delivery boards, and normal business oversight by the performance boards, but both report to the Transforming Adult Social Care and Finance and Monitoring Board.
- 4.7 Although there are issues in meeting operational activity and savings targets – there have been fewer referrals, reviews and assessments than intended, which has resulted in savings being delayed – these have been raised and reported appropriately.
- 4.8 The Programme Office is responsible for facilitating the directorate in delivering its savings but has previously spent a lot of time obtaining and collating performance information, and in minute-taking, although this is being addressed. The use of the same accounting codes for savings generated by different projects has caused some problems in identifying the progress of individual projects, but this is being resolved.

### **Provider-led reviews**

(Substantial assurance: type 1)

- 4.9 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.
- 4.10 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.
- 4.11 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.

### **Older People Service's audit and assurance arrangements**

(Moderate assurance: type 1+2)

- 4.12 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.
- 4.13 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

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generating significant numbers of actions for managers, which are becoming onerous and there may be more efficient ways to address the issues being identified.

### ***Medication***

- 4.14 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. 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***

- 4.15 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***

- 4.16 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.
- 4.17 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.

### **Older People: financial practice for self-funders**

(Limited assurance: type 1+2)

- 4.18 The council provides residential and day care services for older people across Lancashire. There are 16 care homes providing both short and long term residential care and some nursing care, and some specialist units for people with dementia. Thirteen day care centres provide day care and some of these also provide specialist dementia services.
- 4.19 Any of these establishments is available to any older person in the county whether or not their care is funded by the council. However those who are not eligible for social care services or who are eligible but have savings above the current threshold (£23,250) may choose to self-fund their care in the council's establishments.
- 4.20 There are relatively few self-funders and staff are not generally familiar with the necessary financial administration procedures for these clients and insufficient guidance is available to them. Although some relevant guidance is available in respect of admissions, discharges and income collection, other documentation in use is out of date, particularly that on the intranet or at establishments. Staff

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struggle to navigate the relevant Adult Services intranet pages (Care Services) to locate the information they need.

- 4.21 Information and advice is available to prospective self-funding clients on the council's web-site and through discussions with staff at establishments. However limited evidence is retained of the information and advice being provided to them. In particular the customer enquiry form for residential services is not consistently used, although it could protect the council from complaints that self-funders are not adequately informed of the financial implications of accessing the council's services.
- 4.22 Self-funding service users are required to pay a deposit equivalent to eight weeks' fees before they enter into residential care. This is refundable when they leave or if there is a change in their financial circumstances that means they are eligible to claim a contribution from the council towards the costs of their care. However the information recorded by the council about these deposits is inadequate and a considerable piece of work is being undertaken jointly by Adult Services and the Finance teams to understand what funds the council holds for its service users. Information has not been properly recorded on all service users' files, and the descriptions on the accounting system are ambiguous and, in some cases, insufficient to identify the service user for whom the funds are being held.

### **Safeguarding service users' finances in the Supported Living Service**

(Limited assurance: type 1+2)

- 4.23 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.
- 4.24 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 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.
- 4.25 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.
- 4.26 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.

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### **Shared Lives recruitment**

(Moderate assurance: type 1+2)

- 4.27 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.
- 4.28 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
- 4.29 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.

### **Sickness absence management within the Disability Service**

(Moderate assurance: type 1+2)

- 4.30 Reducing sickness absence is key to achieving the council's savings target as well as to supporting its staff effectively. There are approximately 1,200 staff in the Disability Service, which is among the ten services with the highest levels of sickness absence across the whole council. The service has been challenged to reduce the number of days it loses to sickness to 14.75 days per year per full time equivalent employee.
- 4.31 There are a number of areas of good practice in sickness absence management across the services including generally accessible policies, reporting and active monitoring of sickness levels by managers supported by colleagues in Human Resources, and access to professional advice and treatment where appropriate. Case reviews are undertaken promptly.
- 4.32 However there are delays in holding return to work interviews and these are not always held face-to-face, which would be more effective in supporting sick employees and encouraging them to remain in work in future. There are discrepancies between the absence dates entered onto the Oracle HR system and those on local records, and documentation is not always properly completed and retained. This erodes the council's ability to take robust action where necessary and to defend the action it has taken to deal with repeated sickness absence.

### **Direct payments: adults' financial reviews**

(Moderate assurance: type 1+2)

- 4.33 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.

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- 4.34 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.
- 4.35 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.
- 4.36 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.
- 4.37 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).
- 4.38 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)

- 4.39 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 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.
- 4.40 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.
- 4.41 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.

### **Adult social care complaints**

(Moderate assurance: type 1+2: not agreed)

- 4.42 The council is statutorily required to have arrangements in place to deal with complaints in relation to social care, and if the complainant is not satisfied with



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the response they may refer it to the Local Government Ombudsman. The council has a dedicated complaints team dealing with adult social care and between April 2018 and October 2019 269 service users had made complaints. Of these, 92 generated potential points for improvement.

- 4.43 An annual report of complaints and customer feedback is considered by the Cabinet Committee on Performance Improvement. The Health Scrutiny Steering Group also receives a more specific report of the learning points raised through adult social care complaints that describes how the council had responded to the findings of the Ombudsman.
- 4.44 A quarterly report is produced that summarises the learning from complaints, and this is shared with managers and the principal social worker, and informs the work of Adult Services' Learning and Development Group. However there is no single point of responsibility for learning from complaints and promoting changes to operational activity, or for assessing the outcomes of any such changes.
- 4.45 A complaints policy is in place and training is provided for staff who are responsible for processing complaints. The guidance includes a standard letter template to ensure that complainants are notified of the action taken as a result of their complaint and informed of their right to escalate their complaint to the Local Government Ombudsman. However these templates are not consistently used and a review of the policy documentation is overdue.
- 4.46 The complaint handling process sets out timescales for responses and these are generally met, but the process does not address cases in which deadlines are missed and reminders are ignored.
- 4.47 The potential for lessons to be learned where complaints are made jointly about the council and NHS bodies is not fully exploited because they are not always reported to the Lancashire Joint Complaints Forum.

### **Contract monitoring: 0-19 years' health care professionals**

(Moderate assurance: type 1+2: not agreed)

- 4.48 Since April 2019 the council has engaged Virgin Care Services Ltd to provide public health nursing services for young people aged 0 to 19, or 25 in some circumstances.
- 4.49 The contract establishes the quality outcomes expected from the service and sets out performance indicators which are regularly monitored by the council. There have been challenges in migrating data from the previous service provider and in implementing a new system, but action has been taken to resolve these issues and to obtain performance information manually. By the third quarter of the year key performance data was being produced from the system.
- 4.50 The integrity of the performance information is checked but more could be done to verify the services provided, perhaps through access to the service provider's online dashboard.
- 4.51 Payments under the contact have been made only after being appropriately approved.

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### **Handling VIP enquiries within the Health, Equity and Partnerships service**

(Substantial assurance: type 1+2)

- 4.52 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.
- 4.53 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.
- 4.54 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 2019 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)

- 4.55 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.
- 4.56 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 by examining relevant documentation and through 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.

### **Educational off-site visits**

(Moderate assurance: type 1+2)

- 4.57 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.
- 4.58 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

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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.

- 4.59 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.
- 4.60 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.
- 4.61 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.

## **5 Audit work completed on service delivery controls: Education & Children's Services**

### **Delivery of the Children's Services improvement plan**

(Moderate assurance: type 1+2: not agreed)

- 5.1 The Children's Services Improvement Plan is focussed on implementing the recommendations made by Ofsted in June 2018 and the actions arising from the directorate's own self-assessment to ensure the delivery of consistently good services. It sits alongside other strategies and plans including the Purposeful Practice Framework and Corporate Parenting Strategy. The plan for September 2019 to April 2020 sets out actions across six key areas and is supported by more detailed action plans to drive specific service improvements.
- 5.2 Three delivery boards (Transforming Children's Services, Family Safeguarding and Multi Agency Early Help) connect the overarching Getting to Good and Family Safeguarding Board and the operational delivery groups.
- 5.3 Both the Getting to Good and Family Safeguarding Board and the delivery boards meet regularly and performance data is produced that accurately reflects progress against the six key themes. However it is not clear that progress is being actively monitored or that remedial action is being taken where targets are not being met. Of 112 actions, 35 (31%) were either on target or closed, but nine (8%) which were due before December 2019 were either not rated or rated as 'red' with no explanation.

### **The Sufficiency Strategy for children looked after**

(Substantial assurance: type 1: not agreed)

- 5.4 The Lancashire Children Looked After Sufficiency Strategy 2017-2020 describes how the council ensures that sufficient suitable, local accommodation is available to meet the needs of children in care at an acceptable quality and cost. Work to develop a new three-year strategy is planned but is likely to be

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affected by the Covid-19 pandemic. The current strategy is supported by the Securing Permanence policy of August 2019 which aims to reduce the number of children looked after. As at 30 June 2019 2,096 children were being looked after by the council.

- 5.5 The strategy has been periodically reviewed and amended by the Start Well Team to ensure it remains aligned with policies securing permanence for children, protecting them and strengthening families. Action has been taken to deliver the policy and identify the operational relationships and independencies between services. A service risk assessment is used proactively to identify, manage and mitigate the risks to achieving the strategy's objectives.
- 5.6 Social care professionals assess the needs of each child looked after and develop care plans, and these are confirmed by practice managers: a variety of placements are used to meet the planned outcomes. Cases are regularly reviewed, progress is monitored and outstanding issues are addressed, whilst health, education and other specialists ensure that specialist therapies, complex cases and ongoing placements are funded and delivered. Key performance information includes monthly finance reports and budgets are monitored as well as care outcomes.

### **Payments to external care providers** (Limited assurance: type1: not agreed)

- 5.7 The council has a statutory duty to ensure that there are sufficient residential placements available to meet the needs of children and young people in its care. Suitable placements are commissioned, and the council aims to support the provision of placements in the county through market management and intelligence.
- 5.8 Various teams in the Children's Social Care and Finance Directorates work together to ensure payments to external placement providers are properly made. However the teams have not agreed understanding of their responsibilities for resolving queries on outstanding invoices and, at the beginning of April 2020, there were 839 unpaid invoices with unresolved queries totalling almost £2 million.

### **The Corporate Parenting Strategy** (Moderate assurance: type1: not agreed)

- 5.9 The Corporate Parenting Strategy approved in December 2018 sets out the council's approach to corporate parenting and is underpinned by the Department for Education's seven corporate parenting principles. It was informed by consultation with relevant partners and children in care and identifies nine objectives in areas such as housing, health and education. These objectives are supported by the Corporate Parenting Strategy Delivery Plan which is monitored by the operational Permanence and Children in Our Care Board.
- 5.10 Governance arrangements have been put in place, including the statutory Corporate Parenting Board and an operational board, to oversee and monitor the effective delivery of the strategy. The statutory board is chaired by a county councillor and includes officers, care leavers and external partners including the police, schools and housing providers. However wider representation of children in care is required along with a more structured approach to engaging with young people at board meetings, and attendance by external agencies is lower than anticipated. Managers have also recognised that improvements are

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necessary to establish a clearer link between the strategic and operational boards and to improve reporting.

### **Special Educational Needs and Disabilities (SEND) Partnership improvement plan**

(Substantial assurance: type 1+2)

- 5.11 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.
- 5.12 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.
- 5.13 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.
- 5.14 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.

### **Children's direct payments**

(Limited assurance: type 2)

- 5.15 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.
- 5.16 Progress is being made to address some of the issues raised during our 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.
- 5.17 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.

## **Matters arising from audit work for 2019/20**

5.18 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.

### **Special guardianship orders** (Limited assurance: type 1+2: not agreed)

- 5.19 The Special Guardianship Regulations 2005 allow close relatives of children needing permanent care outside their birth family to seek parental responsibility under a special guardianship order (SGO) which offers security for the child without absolute legal severance from the birth family. This arrangement often follows temporary foster care of the child by their extended family; it offers the child and family more security than foster care, but is less financially rewarding for the carers. The council has approximately 900 children in 600 SGO placements.
- 5.20 Prospective special guardians' financial resources and the need for any additional financial support are assessed promptly and accurately. The amounts payable under SGOs should be reassessed periodically but the process supporting this has not yet been properly aligned between the finance and social care teams, and the reassessments that have taken place have not been actioned.
- 5.21 Where the family will be financially disadvantaged by a move from higher foster payments to lower SGO payments, social workers may award enhanced payments to cover some or all of the difference. The reasons for these and other enhanced payments are not always recorded on the system and there is not always evidence of managers' agreement to these higher payments. In some cases there are no end dates on the system, which may mean that they are never reviewed.
- 5.22 If enhanced payments are not awarded there are sometimes delays in implementing the newer, lower payments, resulting in overpayments. Overpayments are not always recovered promptly and in some cases are not recovered at all. Conversely, there are sometimes delays in initiating payments to guardians.

### **Children's Services' in-service audit framework**

(Moderate assurance: type 2)

- 5.23 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.
- 5.24 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'.
- 5.25 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

## **Matters arising from audit work for 2019/20**

by the principal social worker. However due to resource limitations 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.

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

### **Lancashire Safeguarding Children's Board (LSCB) governance of expenditure** (Limited assurance: type 1+2)

- 5.27 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.
- 5.28 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.
- 5.29 We understand that similar arrangements are in place to support the Lancashire Safeguarding Adults Board. The council's senior managers are therefore now taking action to ensure that board's financial arrangements are strengthened and that there is appropriate transparency in its use of funds.
- 5.30 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.

### **Transition to new local safeguarding arrangements**

(Limited assurance: type 1: not agreed)

- 5.31 In response to the revision of the Children and Social Work Act 2017, the county council and two unitary authorities, Lancashire Constabulary, and the eight local NHS clinical commissioning groups have been working together to establish a new multi-agency Children's Safeguarding Assurance Partnership. Their mutual aim is to strengthen child protection and safeguarding.
- 5.32 The three local safeguarding children's boards have now been replaced by one, and this Safeguarding Children Strategic Board has adopted a new structure

## **Matters arising from audit work for 2019/20**

which will provide greater independent challenge to its work and a focus on learning.

- 5.33 However the new partnership arrangements and governance structures have not yet been fully defined. Key decisions still need to be made and, in February 2020, it has still not been agreed which organisation will host the partnership and provide the business support structure. There is no plan to transition to any new arrangements. A communication strategy is in place but there has been no ongoing communication between stakeholders about their responsibilities.
- 5.34 A comprehensive overarching board governance structure was agreed at the outset but, although the terms of reference have been agreed for the Executive Board and Tactical Board, the sub groups' terms of reference have yet to be agreed. No business plan or risk register has been developed although a training plan has been developed for all stakeholders. It is not yet clear how the partnership will be funded in 2020/21.

### **Child safeguarding practice reviews** (Limited assurance: type 1: not agreed)

- 5.35 The Children and Social Work Act 2017 requires that, where the council knows or suspects that a child has been abused or neglected and the child then dies or is seriously harmed, it must notify a child safeguarding practice review panel. Revision to the Act in 2018 allows for a pragmatic approach in deciding whether a case requires a practice review or another form of learning opportunity.
- 5.36 Following the transition to the new arrangements under the Children's Safeguarding Assurance Partnership the guidance supporting child safeguarding practice review panels has not been formally agreed or publicised and is not yet fully in operation.
- 5.37 During the transition, case review groups in each of the three councils are overseeing child safeguarding practice review panels and the action plans arising from them. Sub groups were established late in 2019 to deliver work-plans on specific themes, but these have not yet met and their terms of reference have not been agreed. Once these groups are operational, the Children's Safeguarding Assurance Partnership Case Review Group will oversee and consider learning opportunities from local and national cases, and the Quality and Performance Sub-Group will oversee implementation of the actions.
- 5.38 Case reviews that took place under the old arrangements are being monitored to ensure that no learning is lost and the statutory timelines are met.

### **Re-imagining the Harris Museum** (Substantial assurance: type 1: not agreed)

- 5.39 The Harris Museum opened in 1893 and is a Victorian Grade 1 listed building owned by Preston City Council, which operates the museum and art gallery, whilst the county council leases 40% of the building to operate its largest library service. The Re-imagining the Harris project is a partnership between the two councils to reposition the Harris as an arts, culture, heritage and learning hub for the community and as a key regional visitors centre.
- 5.40 A vision and project master plan were developed in 2016 by the two councils, working with consultants, with estimated costs of £18.6 million. These will be funded by contributions from the councils and grants from other stakeholders,



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principally the Heritage Lottery Fund, Lancashire Enterprise Partnership and the Arts Council England.

- 5.41 A formal project management methodology and a governance structure have been established to deliver the master plan. Partners and key stakeholders are fully involved in the development of the project. County councillors provide political representation on the Joint Members Group, the council's head of libraries, museums, culture and registrars sits on the Programme Board, and her service manager is a member of the project team. Other council officers are actively involved in delivery of the project.

### **Safekeeping of heritage assets held in museums and libraries**

(Substantial assurance: type 1)

- 5.42 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.
- 5.43 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.

### **Schools' procurement processes**

(Moderate assurance: type 1+2)

- 5.44 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.
- 5.45 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. Registers of interest support transparent decision making and are completed annually by governors, but not by all staff with a significant involvement in purchasing.
- 5.46 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.
- 5.47 We have provided feedback to individual schools and produced a best practice guide for publication on the Schools' Portal.

## Matters arising from audit work for 2019/20

### 6 Audit work completed on service delivery controls: Growth, Environment and Transport

#### Management of the Highways Service cost savings

(Moderate assurance: type 1: not agreed)

- 6.1 To achieve financial sustainability for the council the Cabinet approved £77.171 million of savings to be delivered over the four years to April 2023. Within this the Highways Service has a savings target of £3.8 million, to be achieved through 16 separate projects.
- 6.2 At the end of March 2020 seven projects were on target to achieve the expected savings on time, accounting for £2.7 million of savings. However for various reasons the other projects are expected to be implemented a year later than intended and it is still too early for the service to confirm whether the expected savings will be made. Progress is being monitored by the Growth, Environment and Transport Finance Monitoring Board and this is supported by the Programme Office and Finance Directorate.
- 6.3 We checked the evidence to support the progress being reported to the Finance Monitoring Board but found that one project had incorrectly been reported as complete due to a misunderstanding between the service and finance teams, although it had not been completed.
- 6.4 Otherwise we found that the narrative in the progress reports provided to the board is generally fair. However a 'RAG' rating is also provided to indicate whether or not activity is progressing as intended and the 'RAG' ratings for four of the 16 projects have incorrectly reported that progress has been sufficient when in fact it appears to have slipped.

#### Highways stocks and stores

(Limited assurance: type 1+2: not agreed)

- 6.5 The Highways Service provides a range of services including street lighting, flood risk management and highways works and these are supported by supplies available from eight storerooms in depots across the county, maintained by a single operative at each location. At the end of January 2020 these stores held stock valued at £2.3 million.
- 6.6 Stock is held securely and access to high value and hazardous items is restricted. However at the end March 2019 the discrepancy between the value of stock on the council's records and the value of the stock physically held in the stores amounted to £293,000 (13% of the value on the accounting records), and this was written off. Stock is counted annually but the variances identified are not investigated or reported and no approval is sought for the write-offs.
- 6.7 All staff working in the stores complete induction training including a module on safety, and the staff we spoke to appear to understand their roles and responsibilities. There are 13 stores-specific mandatory training courses but no members of staff have completed all of them and, on average, have completed only eight. The Health, Safety and Resilience Service has also reported this in their annual quality audits of each depot.
- 6.8 Policies, procedures and guidance are available but not readily accessible on the intranet, covering stores operations, stocktakes and health and safety and the control of substances hazardous to health, but there are some gaps in coverage, in particular relating to the management of stock records. A new

## **Matters arising from audit work for 2019/20**

Highways intranet site is under development that may eventually make the existing documents more accessible.

- 6.9 Stock is managed and controlled on the Oracle Inventory module. This is capable of managing minimum and maximum stock levels, but this functionality was deactivated when the system was introduced. Oracle does not flag hazardous items, and individuals rely on their own knowledge to identify and store these items appropriately.

### **Operation of the non-HGV vehicle fleet**

(Limited assurance: type 1+2: not agreed)

- 6.10 Services across the council collectively operate more than 650 vehicles on public roads, including minibuses, vans, four-wheel drive vehicles and motorbikes, as well as specialist vehicles such as ambulances, gritters, tippers and road sweepers. The Public and Integrated Transport Service is responsible for procuring, maintaining, servicing, repairing and disposing of these vehicles, and uses the Repair and Maintenance Program (RAMP) vehicle management system to support this work.
- 6.11 The council may be held legally responsible for accidents caused by council vehicles and drivers, and the Vehicle Operator Standards Agency will consider such incidents, alongside the general framework of fleet controls, when considering the council's HGV (heavy goods vehicle) operator's licence.
- 6.12 However there is no single set of readily accessible policy, procedures and guidance that addresses issues such as drivers' eligibility and fitness to drive, and vehicle roadworthiness and safety. Other than in the Highways and Transport Directorate, managers and drivers generally have a limited and inconsistent awareness of the council's requirements, and compliance with them is therefore variable. Some services impose additional requirements that may be more widely relevant; for example the Highways and Transport Directorate requires drivers to complete annual declarations of medical fitness to drive.
- 6.13 Service managers check drivers' licences, but some check only new starters, whilst others review licences annually. There is a general lack of awareness of the mandatory online training for driving at work and this is not therefore completed by all drivers, although other training is completed, for example through the Minibus Driver Awareness Scheme.
- 6.14 The Public and Integrated Transport Service now intends to compile and publish all relevant policy and guidance in a single location on the intranet and in a single document to facilitate its accessibility and compliance with it.
- 6.15 There are effective controls in place to ensure the fleet is roadworthy. In particular RAMP holds records of the vehicles, and schedules their servicing, repair and annual tests. However the vehicle tracking system fitted on many vehicles is not routinely used by all services to ensure vehicles are efficiently utilised and driven appropriately.

### **The Countryside Service**

(Limited assurance: type 1+2: not agreed)

- 6.16 The county council owns and manages a range of green spaces and the Countryside Service looks after 88 sites including country parks. It is required to comply with the Occupiers' Liability Act, which requires the council to "take such

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care as is reasonable in all circumstances of the case to see that none suffer injury on the premises by reason of the danger concerned".

- 6.17 During 2019/20 the Countryside Service has operated with limited resources and, although the sites' availability has not been affected, the volume and scope of the inspections and maintenance it can undertake have been limited. However site visits are made and works are done when issues are reported – the countryside asset manager and his team are quick to respond to anything reported to them. The framework of controls to mitigate the risks arising from the use of green spaces and country parks has not therefore been adequate during 2019/20, but we are not aware of any incidents, complaints or reportable accidents by users of the sites and the risks do not appear to have materialised.
- 6.18 In the coming year the top 20 sites based on visitor footfall will be subject to periodic inspection and an external contractor will conduct site surveys for 21 sites which contain buildings or other structures

## **7 Audit work completed on service delivery controls: Lancashire County Pension Fund**

### **Collection of employee and employer contributions**

(Substantial assurance: type 1+2)

- 7.1 As at 31 March 2019 the Pension Fund included 167 scheduled bodies and 142 admitted bodies. In 2018/19 the county council contributed £57.8 million in employee and employer contributions, and the Fund received £170.9 million in total.
- 7.2 The staff in the Lancashire County Pension Fund team are responsible for collecting employers' contributions and reconciling the amount they have received, and LPP is responsible for collecting and recording payroll data for individual employees.
- 7.3 Although the council's team and LPP should ensure they share information more effectively about the queries they raise with employers as these are often the same, controls over the collection and recording of employees' and employers' contributions to the Pension Fund are adequate and effective.

## **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 enable the Core Systems Service and BTLS to act strategically when making technology investment decisions and managing projects. This also facilitates planning to better utilise the resources needed to support projects. System changes are prioritised by portfolio review boards 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

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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.

### **Health and safety in properties managed by the council**

(Limited assurance: type 1+2: not agreed)

- 8.5 The council manages 1,113 premises, of which 635 are educational establishments of various types. Each of them has a designated premises manager who should complete an annual statement that the property they manage is compliant with health and safety requirements and, in addition, the Compliance Team within the Asset Management Service audits premises to confirm that they are compliant with health and safety regulations.
- 8.6 During August 2019, the Compliance Team asked the managers of 966 premises to complete an annual statement of compliance for 2018/19, and 238 returns were submitted indicating that premises were fully compliant, leaving 875 premises (79%) whose compliance is unknown.
- 8.7 The Compliance Team has undertaken 122 audits between April 2017 and December 2019 and concluded that 63 premises were compliant (52%) and 59 (48%) were non-compliant. In a sample of 13 premises deemed to be non-compliant, 121 corrective action requests were raised, of which 92 (76%) are outstanding.
- 8.8 The Compliance Team relies on the Property Asset Management System (PAMS) to access the data from inspections undertaken by the Design & Construction Service, but PAMS does not always hold current and relevant information and the compliance officer is therefore unable to undertake a full assessment. There is no mechanism to upload audit findings to PAMS which could enable collaborative working between the services.
- 8.9 A draft policy document has been produced setting out the Compliance Team's role, responsibilities and its approach to audit work. It categorises the council's properties in accordance with their risk profile, and will introduce a more robust

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reporting process. Associated with this, the Asset Management Service also intends to ensure that the Compliance Team is adequately resourced.

### **CCTV surveillance conducted from the council's estate**

(Limited assurance: not agreed)

- 8.10 The council's arrangements for the use of CCTV span more than one service, none of which takes overall control. Audit work has therefore been problematic over a number of years and, again, we have been unable to progress work in 2019/20. Although this conclusion has not been agreed with the council's senior managers, on this basis no more than limited assurance that the council is compliant with the relevant regulations can be taken.

### **Sickness absence management** (Substantial assurance: type 1: not agreed)

- 8.11 Improving the health of the council's workforce and reducing sickness absence are appropriate objectives in themselves. However, on average, 12 days are lost each year per full-time equivalent member of the council's staff, and this figure has remained consistent over the last 18 months. The estimated cost of this as at February 2020, arising from the need to cover long-term absences, was almost £13 million per year. Three services alone are estimated to cost of £3.5 million per year and one of these lost more than 20 days per full-time equivalent member of staff in the year to February 2020. Another five services together cost almost another £3.2 million. It is clear why reducing sickness absence is a key element of the council's plan to achieve financial stability.
- 8.12 The Human Resources Service's efforts are being focussed on services with both a high rate of sickness absence and a large number of staff. In particular, in addition to the processes that all managers are expected to understand and follow using the information available to them, and advice if it is sought, two HR officers have been temporarily employed to ensure that managers take appropriate action where their services are experiencing high levels of sickness absence.
- 8.13 However it is clear that sickness absence is not being reduced. We originally intended to continue this audit and test managers' compliance with the control processes in place which may have identified some of the issues contributing to this failure, but we were unable to complete that testing due to the onset of the coronavirus pandemic.
- 8.14 We have assessed only the framework of controls in place to manage sickness absence and, if operated effectively by managers across the council, it appears adequate to manage sickness absence.

### **Procurement**

(Substantial assurance: type 1+2)

- 8.15 The council's constitution includes Procurement Rules that ensure the council complies with legislation and achieves value for money. The Procurement Service procures goods and services in three main areas – care, construction and assets, and corporate goods – but the same corporate processes are followed for each.
- 8.16 The processes in place are adequate to ensure compliance with the Procurement Rules and each of the ten procurement exercises we reviewed had followed them. One significant supplier of agency staff (who has been paid over £1 million since March 2018) has been used consistently but has not been

## **Matters arising from audit work for 2019/20**

procured through the corporate system, instead having been selected by a former senior employee, but the Procurement Service is aware of this and is considering how to proceed.

### **9 Work completed on business process controls: financial systems and processes**

#### **Payroll processing** (Substantial assurance: type 2)

- 9.1 The Payroll Service processes approximately 38,000 payments each month to the council's staff and staff working in schools, amounting to £42 million per month.
- 9.2 Payroll policies are in place and up to date, process guides are accessible by council staff and BTLS staff receive appropriate training. Closure timetables are published on the council's intranet page to ensure that staff are aware of payroll data submission deadlines. New starters, leavers, voluntary deductions and honoraria and other pay changes are processed in a timely manner, supported by appropriate authorisation and paid correctly. Tax and National Insurance are calculated correctly by the payroll system.
- 9.3 Excessive and potentially duplicate payments are monitored monthly and explanations are sought from the relevant heads of service. We found that two payments for sickness and maternity had been incorrectly calculated by the council's service managers, and the reasons for these will be investigated further.

#### **Payroll overpayments** (Moderate assurance: type 2)

- 9.4 In 2019/20 the council made 823 individual payments amounting to £522,250. Most are attributed to late notification of payroll changes by the council's managers or errors in the data they submit but, although action has been taken to address the issue since our last audit and budget holders have been reminded of their responsibilities, overpayments have increased by 69% over the previous year. Information to help prevent overpayments being made is regularly posted on the intranet in HR Bulletin updates, including payroll closure deadlines.
- 9.5 Overpayments are regularly reviewed by Payroll Services, who agree a recovery plan with employees or raise invoices against former employees, and most overpayments are recovered.

#### **Accounts payable: central controls over manual invoices and non-invoiced payments** (Substantial assurance: type 2)

- 9.6 The council uses the Oracle system to process invoices and payments. In the period April 2019 to January 2020 the council paid 84,812 invoices totalling over £737 million, and £26.5 million of non-invoiced payments.
- 9.7 Requisitions, orders and non-invoiced payments are approved in Oracle by appropriate levels of management, invoices are paid if they match an order, and the related goods and services are receipted. All payments over £50,000 are held and checked by a finance officer before being paid.

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### **General ledger** (Substantial assurance: type 1+2: not agreed)

- 9.8 The council uses Oracle Financials as its corporate accounting system and inputs to the general ledger are made through interfaces from feeder files and manual journals. The controls over the transactions posted to the ledger are adequate and effective, and in particular the control accounts are accurately maintained and reconciled monthly.
- 9.9 There have been some minor changes to the manual controls around the system during the year to improve their efficiency and to identify the sources of any persistent errors.

### **Accounting for the Pension Fund through the council's general ledger** (Substantial assurance: type 1+2: not agreed)

- 9.10 Lancashire Pension Fund uses the same general ledger system as the county council and the same controls are applied to both sets of balances and transactions, although they are operated by different individuals.
- 9.11 As noted above, the controls over the transactions posted to the ledger are adequate and effective, and control accounts are accurately maintained and reconciled monthly.

### **VAT** (Substantial assurance: type 2)

- 9.12 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).
- 9.13 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 compliance with HMRC's rules for reclaiming VAT on exempt supplies is regularly monitored by the VAT manager.

### **Mileage allowance claims** (Limited assurance: type 1+2: not agreed)

- 9.14 Employees can claim reimbursement for journeys made on council business in their own vehicles. All claims are made and approved in the Oracle system, and information on the intranet sets out the circumstances in which claims can be made and the rates at which they are paid. Between 1 April and 31 August 2019 6,308 council employees (excluding those employed in schools) submitted 149,000 claims for business, training and excess travel, authorised by 1,245 managers, and claimed £1.8 million in total.
- 9.15 Policies relevant to driving on council business are recorded in a number of documents and on various intranet pages, which makes them difficult to grasp and may contribute to a general lack of compliance. However the disparate policies do not address some pertinent areas and may leave the council exposed to risk, for example where an employee's driving license carries endorsements, when an employee drives on council business but is uninsured or unlicensed and makes no mileage claims, or if a private vehicle is not roadworthy.
- 9.16 Oracle processes claims for payment once they are approved by a manager but the number of duplicate claims and other issues we found indicate that



## **Matters arising from audit work for 2019/20**

managers are not generally checking claims effectively before approving them. Some managers receive large numbers of claims and do not have the capacity to check them all closely, but there is no guidance for managers on what pre-approval checks, or how many, they should carry out. In the five months we tested, 207 individual managers each authorised 50 claims or more each month on average; 45 managers authorised 100 claims or more each month.

- 9.17 In the absence of adequate checks by managers, there are no compensating controls in the Oracle system to prevent or identify input errors, such as excessive or inflated mileage, late submissions or potentially duplicate claims.
- 9.18 The Human Resources Service is planning to review the council's business travel policy and the issues raised by our work should be considered in that review.

### **Treasury management** (Substantial assurance: type 1+2: not agreed)

- 9.19 At 31 December 2019 the council held investments totalling £514 million, consisting of £95 million in bank and local authority deposits and £418 million in bonds, and its total borrowing was £1,253 million.
- 9.20 The council has a treasury management strategy, policy (including prudential indicators and key performance indicators) and detailed operational policies and this framework complies with CIPFA's code of practice 'Treasury Management in the Public Services'.
- 9.21 Treasury management activity is supported by daily forecasting and decisions are subject to appropriate financial delegation. The council complies with the authorised indicators but, with the director of finance's weekly approval, the operational borrowing limit was breached for several months until February 2020 to take advantage of favourable interest rates. In October 2019 the Audit, Risk and Governance Committee recommended an increase in the authorised borrowing limit and this was approved by the Council in February 2020.

### **Schools' Financial Value Standard self-assessments**

(Substantial assurance: type 2)

- 9.22 All schools submitted self-assessments for 2018/19 reflecting their governance and financial arrangements, and the ones we tested were supported by evidence.
- 9.23 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.

## **10 Work completed on service support controls: technology**

### **ICT Service governance** (Moderate assurance: type 1+2)

- 10.1 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

## Matters arising from audit work for 2019/20

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.

- 10.2 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.
- 10.3 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.

### **IT service management**

(Moderate assurance: type 1+2)

- 10.4 BTLS's ICT service strategy clearly documents its approach to ICT service management and its service delivery is aligned with the industry-standard Information Technology Infrastructure Library (ITIL) best practice guidelines.
- 10.5 BTLS regularly reports its service management performance in real-time dashboards, fortnightly management reviews and an annual review which is shared with the council. It complies with well-documented policies for dealing with incidents, knowledge management, and continuous service improvement which meet best practice standards and are supported by robust processes. Its change management policy is comprehensive but would benefit from some refinement around definitions and prioritisation criteria.
- 10.6 However the roles and responsibilities between BTLS and the council are not formally defined, documented or communicated to users, who therefore see a confusing picture of services.
- 10.7 At this point there is no strategy for the council's ICT service management, and limited policies and procedures underpin its service management activity. Its change management process is managed through various portfolio review boards and BTLS. There are no management reporting arrangements, no key performance indicators, and we have seen no evidence of customer feedback. The council's service management catalogue is available for staff on the council's intranet site, including some provision for knowledge management, but its content is limited.

### **Critical application: LAS**

(Moderate assurance: type 1+2)

- 10.8 The council uses the Liquidlogic Adults System (LAS) to support the delivery of its adult social care services. Liquidlogic provides support and maintenance for the software in addition to the support provided locally by BTLS. The system's infrastructure has recently been upgraded to provide a robust and resilient platform for the application, its database and the server.
- 10.9 A suite of documents sets out the system's infrastructure and security, providing technical details to ensure that information is available in-house to support the system. These include the Architectural Vision, Operational Definition and (draft) Service Recovery plan. Access to LAS is facilitated by robust password protocols linked to the council's Active Directory (for internal users) or a remote access solution (for external users).

## **Matters arising from audit work for 2019/20**

- 10.10 Robust backup arrangements provide resilience and ensure that data can be recovered in the event of disruption or system failure. An emergency resilience exercise has recently tested the arrangements and a number of lessons were learned including the need to decide which staff will be prioritised as access is re-established, and to establish local business continuity plans. Penetration testing was undertaken in 2018 and 2019 to ensure the council's systems remain secure and are compliant with the Public Sector Network requirements and this included LAS.
- 10.11 Vulnerability scanning software has recently been deployed. The results of a recent scan highlighted a number of security issues including network authentication, and the need to ensure that security patches are more promptly identified and deployed. Individual users' activity on the LAS system is not currently subject to any proactive monitoring which could identify unusual or inappropriate activity, although this is required fully to comply with the requirements of the Data Security and Protection Toolkit.
- 10.12 Although out of the scope of this review, it should be noted that BTLS has prepared an options appraisal for the former adult social care system (Integrated Social Services Information System, or ISSIS) which still holds data that has not been migrated to LAS. The council should resolve the system's ownership and management oversight, its accessibility, and user logging and monitoring and, at some point, it should be decommissioned.