

# Internal Audit Additional Progress Report

## Contents

---

	Page
<b>Introduction</b>	<b>1</b>
<b>Key Messages</b>	<b>1</b>
<b>Internal Audit work completed in the period 1<sup>st</sup> June to 8<sup>th</sup> July 2016</b>	<b>1</b>
<b>Appendices</b>	
Appendix 1 – Assurance Definitions	<b>9</b>
Appendix 2 – Executive Summaries of reports giving Limited or Low Assurance	<b>10</b>

Contact Details:  
Lucy Pledge CMIIA  
Audit & Risk Manager



County Offices, Newland, Lincoln, LN1 1YG  
☎:01522 553692    ✉ [lucy.pledge@lincolnshire.gov.uk](mailto:lucy.pledge@lincolnshire.gov.uk)

## Introduction

---

1. The purpose of this report is to:

- Provide timely details of the audit reports issued during the period 1<sup>st</sup> June 2016 to 8<sup>th</sup> July 2016
- Advise on completion of the 2015/16 plan

## Key Messages

---

2. During the period we have completed 5 County audits to final report

3. This concludes completion of the 2015/16 with the following exceptions:

- The audits of the Better Care Fund and Safeguarding referrals have been moved into the 2016/17 plan due to delays in starting these audits. We have now agreed revised scopes and the audits are in progress.
- HR absence management has been put on hold due to HR work commitments – this will resume shortly.
- Key control testing – General Ledger is in the final stages of substantive testing

The outcomes of these audits will be reported to Audit Committee in due course.

## Internal Audit work completed in the period 1<sup>st</sup> June 2016 to 8<sup>th</sup> July 2016.

---

4. The following audit work has been completed and a final report issued:

High Assurance	Substantial Assurance	Limited Assurance	Low Assurance
<ul style="list-style-type: none"> <li>■ Integrated Community Equipment Scheme</li> </ul>		<ul style="list-style-type: none"> <li>■ Mental Capacity Act</li> <li>■ Accounts Payable</li> </ul>	<ul style="list-style-type: none"> <li>■ Payroll</li> <li>■ Pension and Other Pay Overs</li> </ul>

Note: The assurance expressed is at the time of issue of the report but before the full implementation of the agreed management action plan. The definitions for each level are shown in Appendix 1.

5. Since our last progress report we have issued 5 corporate final reports. 1 of these provides High Assurance:

### **Integrated Community Equipment Service**

The Integrated Community Equipment Service (ICES) provides short and long term loans of equipment, through a Joint Commissioning approach between LCC and the Clinical Commissioning Groups.

A competitive tendering has been undertaken and the new five year ICES contract awarded during summer 2015, commencing April 2016.

Our audit concludes that the Council's planned arrangements for managing and monitoring the ICES service under the new ICES contract represent a sound framework of control. In our view, implementation of these arrangements will put the Council in a good place to achieve effective and robust monitoring of the ICES contract.

6. The remaining 4 reports give either limited or low assurance. The management summaries of the Limited reports can be found at appendix 2, whereas the two Low assurance reports will be the subject of a separate meeting.

## Appendix 1 - Assurance Definitions<sup>1</sup>

---

<p><b>High</b></p>	<p>Our critical review or assessment on the activity gives us a high level of confidence on service delivery arrangements, management of risks, and the operation of controls and / or performance.</p> <p>The risk of the activity not achieving its objectives or outcomes is low. Controls have been evaluated as adequate, appropriate and are operating effectively.</p>
<p><b>Substantial</b></p>	<p>Our critical review or assessment on the activity gives us a substantial level of confidence (assurance) on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>There are some improvements needed in the application of controls to manage risks. However, the controls have been evaluated as adequate, appropriate and operating sufficiently so that the risk of the activity not achieving its objectives is medium to low.</p>
<p><b>Limited</b></p>	<p>Our critical review or assessment on the activity gives us a limited level of confidence on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>The controls to manage the key risks were found not always to be operating or are inadequate. Therefore, the controls evaluated are unlikely to give a reasonable level of confidence (assurance) that the risks are being managed effectively. It is unlikely that the activity will achieve its objectives.</p>
<p><b>Low</b></p>	<p>Our critical review or assessment on the activity identified significant concerns on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>There are either gaps in the control framework managing the key risks or the controls have been evaluated as not adequate, appropriate or are not being effectively operated. Therefore the risk of the activity not achieving its objectives is high.</p>

---

<sup>1</sup> These definitions are used as a means of measuring or judging the results and impact of matters identified in the audit. The assurance opinion is based on information and evidence which came to our attention during the audit. Our work cannot provide absolute assurance that material errors, loss or fraud do not exist.

## Appendix 2 – Executive Summaries of reports giving Limited or Low Assurance

---

### Mental Capacity Act

#### Introduction and Scope

---

The Mental Capacity Act 2005, covering England and Wales, provides a statutory framework for people who lack capacity to make decisions for themselves. It sets out who can take decisions, in which situations, and how they should go about this.

The legal framework provided by the Mental Capacity Act 2005 is supported by A Code of Practice (the 2005 Code), which provides guidance and information about how the Act works in practice.

Whilst the Act does not impose a legal duty on anyone to ‘comply’ with the 2005 Code certain categories of people including social workers, care managers, etc. are legally required to ‘have regard to’ relevant guidance in the Code of Practice. They must be aware of the Code of Practice when acting or making decisions on behalf of someone who lacks capacity to make a decision for themselves, and they should be able to explain how they have had regard to the Code when acting or making decisions.

#### Scope and Coverage

Our review sought to provide assurance that the adult care workforce have regard to the Code when acting or making decisions.

In forming our assurance opinion we have reviewed the following areas:

- Training of the adult care workforce relating to the Mental Capacity Act 2005 and the Code of Practice
- Application of the code guidance in practice
- Monitoring the application of the code by senior management within adult services.
- Management of Deprivation of Liberty Safeguard (DoLS) risks.

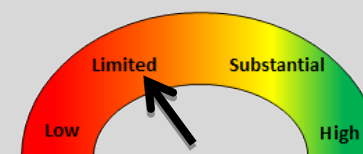
In accordance with the scope of this audit agreed with management our assessment of the management of DoLS risk is based upon a high level review and we have not undertaken any sample testing of applications required decisions.

## Executive Summary

---

### Assurance Opinion

Limited



### Application of Code of Practice

Arrangements have been put in place which taken together are intended to ensure that decisions taken on behalf of someone who lacks capacity consistently have due regard to guidance contained in the Code of Practice.

To achieve this managers have developed processes aimed at ensuring that the adult care workforce are suitably trained, have access to relevant guidance and that the quality of their work is properly monitored.

We are not confident however that these arrangements are presently sufficiently robust and consistently applied in practice to provide the necessary assurance that the Authority requires.

We found weaknesses in processes which could increase the risk of inappropriate care for service users and successful litigation against the Council;

- Training has been provided to the adult care workforce relating to the Mental Capacity Act 2005 and the Code of Practice, but not all practioners however have completed the mandatory training. Refresher training is required for practioners and although a known requirement a program of training has yet to be undertaken.
- Practice standards, including one specific to mental capacity, have been put in place and are the yardstick against which the quality of service delivery and compliance with legal requirements are measured. A system of Quality Practice Audits, essentially file

reviews of cases, was introduced at the same time as the standards in order to confirm that the standards are being followed.

We found a number of issues which undermine the value of the audit process;

- There is a continuing trend of fewer scheduled audits actually taking place, with rates of completion rising to 50% within some teams,
- Not all the audits performed were correctly undertaken leading to cases being wrongly designated as failing to comply with the mental capacity act. There is no common reason for this occurring.
- At the time that we reviewed the audit process quarterly rates of noncompliance with Practice Standard 6 over the previous 12 months ranged from 3 to 6% per quarter. The required standard for compliance is 100%. Managers do not presently have a complete understanding of the reasons for noncompliance.

These matters are considered more fully below.

### **Management of Deprivation of Liberty Safeguard (DoLS) risks**

Since the “Cheshire West” decision the number of applications received by the DoLS Team has increased from fifty-six applications per annum to forty-five per week. We conducted a high level review and established that processes are in place to manage increased numbers of applications effectively through the use of

- the ADASS risk model for assessing applications,
- clearly documented process and custom designed forms, and
- continuous monitoring of the status of applications.

There are a number of areas where processes need improvement:

The adult care workforce have been provided with training relating to the Mental Capacity Act 2005 and the Code of Practice in several formats including e-learning (9modules) via Lincs2Learn from February 2015 to present.

- Completion of the e-learning modules is mandatory but not all staff have completed the modules. Operational Managers should ensure that all of their staff undertake all mandatory training on a timely basis.



- In addition face-to-face courses were offered via Lincolnshire Safeguarding Adults Board – “Mental Capacity Act Awareness” and “Mental Capacity Act Application to Practice” from Sept 2014 to June 2015, but none of the Council’s staff attended any of the sessions.

In October 2013 Adult Care introduced its Quality Practice Standards setting out best practice for assessment and care management activity across 14 key elements of practice, including mental capacity. These were revised in April 2015 to reflect better the Care Act and introduce a 15<sup>th</sup> standard specifically for Carers. The Quality Practice Audit process was introduced to accompany the standards requiring supervisors and line managers to undertake a continuous programme of reviews of randomly selected cases for each practitioner against the standards, to determine the extent to which the practice standards were evident in their case work and recording.

As well as providing quality assurance for the directorate management team, the quality standards and audit process aims to provide a framework for the examination of practice on an individual and team level, enabling managers to support individual staff with learning and professional development and highlight trends indicating wider learning and development issues to inform workforce and practice development work.

The outcomes of these audits are summarised on a quarterly basis which is shared with the Quality and Safeguarding board and distributed to operational management teams and all teams involved in quality and development activity.

We found that;

- There has been a continued decline in the percentage of audits being completed and returned. There are 3 teams which have over 50% of their audits still to be returned with one of those teams only completing one audit out of 17.

This requires further investigation and addressing by operational management teams.

- An inconsistent approach to audits undertaken has led to cases being wrongly designated as failing to comply with the Mental Capacity Act. We re-performed a sample of practice audits undertaken and concurred with conclusions drawn. Our limited testing, did not identify any instances where cases were wrongly assessed as being compliant.

Management should identify the reasons for inconsistencies and take action to ensure through training to a consistent approach to audits in the future.

- The proportion of cases where Practice Standard 6 has not been met, is in the range of 3% to 6% which managers consider to unacceptably high given the potential risks to the Council associated with failing to comply with legal obligations and the possible impact on vulnerable service users.

Managers need to gain an understanding of the reasons for noncompliance and take necessary action to ensure consistent and full compliance.

We did note areas of good practice during the course of our review. We found that;

- All staff have access to online guidance concerning all aspects of social care including Mental Capacity.
- Since 2013, Adult Social Care has put in place Practice Standards that set out the standards which all practitioners are expected to follow. Practice Standard 6 specifically deals with mental capacity.
- The Quality and Safeguarding board, operational management teams and all teams involved in quality and development activity receive a report produced by the Quality Development Team each quarter which summarises compliance with the practice standards including Practice Standard 6.

We would like to thank the Safeguarding Commissioning Manager, Lead Professional and the DoLS Coordinator for their help in undertaking our work.

## Management Response

---

There have been some delays in the roll out of the relevant training in the Mental Capacity Act across Adult Care.

Adult Care DMT has identified this training as a mandatory requirement for relevant teams and training has now been scheduled to be completed in 2016.

Adult Care have developed a number of practice standards and a programme of audits to monitor and improve practice standards. This process should be recognised as good practice and is not common across all Local Authorities.

The Quality Practice Standards are monitored and reviewed with a focus on continuous improvement and ongoing professional development. The spreadsheet based tool is now being developed to operate online which will provide greater flexibility and consistency in application and help reduce transaction costs across Adult Care.

100% compliance with each practice standard is the ambition of Adult Care but practically there will be some instances where the practice standards have not been fully met. In such instances additional training and support will be provided to teams.

There have been some capacity constraints within Adult Care Management to facilitate the volume of Audits requested by Adult Care DMT. However the process has now been reviewed to allow greater flexibility. The Quality Practice Standard Audits have now also been made a mandatory requirement.

Quality Practice Audits will be monitored and performance managed via supervision and line management arrangements and via the Adult Care Quality and Safeguarding Board,

The recommendations within this Audit are accepted and will be addressed via Adult Care DMT.

<b>Management Actions</b>	<b>No</b>	<b>All to be completed by:</b>
High Priority	4	31/12/2016
Medium Priority	1	31/12/2016

## Financial Control Systems Work – Accounts Payable

### Background and Context

Agresso was implemented at Lincolnshire County Council in April 2015. Since that time the authority has identified and experienced significant operational and control issues around the Accounts Payable system. More recently information produced has suggested that the system has become more stable with improved performance and reduction in backlogs. However, issues continued to occur and the risk of fraud and error remained high.

Consequently, our role during much of 2015/16 was to provide advice, support and analytical work to assist in error identification and/or system faults. For example, we have been involved in matching and analysing datasets to identify duplicate payments made through the Accounts Payable system.

In quarter 4, Serco and LCC management reported an improved control environment and we commenced this audit review of Accounts Payable with an increased focus on key control and transaction testing to help provide a greater degree of assurance over the financial accuracy of the 2015/16 accounts.

### Scope

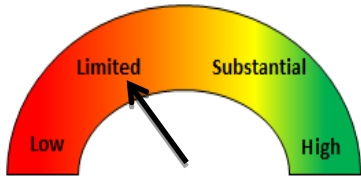
Our main focus was to provide assurance on the risks associated with the application of key controls and the completeness and accuracy of transactions in the following areas:

- Supplier creation and maintenance
- Exception Reporting
- Payment Runs (including system workflow, purchasing card use, duplicate payments and use of Faster Payments and CHAPS)

As part of this review of the Accounts Payable system we performed the following audit work:

- System documentation / mapping, evaluation and walkthrough
- Key control testing
- Analytical Review – data matching / trend analysis / exceptions
- Substantive testing
- Sample testing of error correction for accuracy / completeness
- Error resolution – review feedback from Schools / LCC Directorates





**Limited Assurance**

Management Actions	Number	All to be completed by:
High Priority	5	31 December 2016
Medium Priority	4	31 December 2016

**Key Messages**



The Financial Control Environment (Status Report) produced in September 2015 and subsequently presented to the Audit Committee in September 2015 highlighted significant issues in the system for Accounts Payable since the implementation of Agresso. Particular issues of concern raised included the processing of duplicate payments and the increase in backlogs of tasks leading to delays in payments to suppliers.

This review of key controls around Accounts Payable and the 'direction of travel' of those control issues raised in September 2015 has confirmed significant progress made in the intervening period although there remain some areas of concern – hence, we are only able to give a Limited assurance opinion.

Our review verified that the level of outstanding tasks within the accounts payable workflow have significantly declined in recent months with the result that payments are generally being made more promptly and without the severe delays previously experienced.

The frequency of critical payments using CHAPS and Faster Payment routes i.e. outside of the Accounts Payable system has also fallen (in the case of CHAPS to a 'business as usual' level). The level of duplicate payments being identified has also decreased. These improvements provide positive assurance that progress is being made and the direction of travel is encouraging. It is clear that issues still remain around the process for Accounts Payable, particularly around stakeholder confidence. This view was reinforced by a user feedback survey we carried out as part of this review. The survey identified that 76% of respondents felt the level of service provided

## Key Messages



around Accounts Payable had been unsatisfactory. The same survey identified that 63% of respondents ranked the level of improvement as 'poor'. Whilst this type of response was probably to be expected, it is clear that further improvements are required to win back faith in the service offered.

The attached action plan seeks to recommend improvements over the control environment of the Accounts Payable system. Those of most significance are:

### **Duplicate payments:**

Over 1000 duplicate payments (value over £3m) have been identified since Agresso implementation to date. It is recognised that in terms of the total accounts payable activity this amount is not material – around 0.003% of payments affected. However, the issues are significant and action is required to instigate further improvement in this area.

We found that many of the duplicate payments made have been instigated by human error i.e. the actions of suppliers and users. Therefore, a key consideration moving forward has to be the promotion of 'ownership' among users and suppliers to ensure that the impact of not following correct process is fully understood. The development of exception reporting such as a duplicate payment report would also help prevent such payments being made.

The process to identify and recover duplicate payments made is currently 'on hold' due to other year end priorities and therefore recovery action has stalled. Over £392k in confirmed overpayments remains outstanding from enquiries completed to November 2015 and this will rise once the full year's data is reviewed. It will be necessary to decide on an approach of how to pursue these amounts once the exercise resumes.

### **Accounts Payable Workflow:**

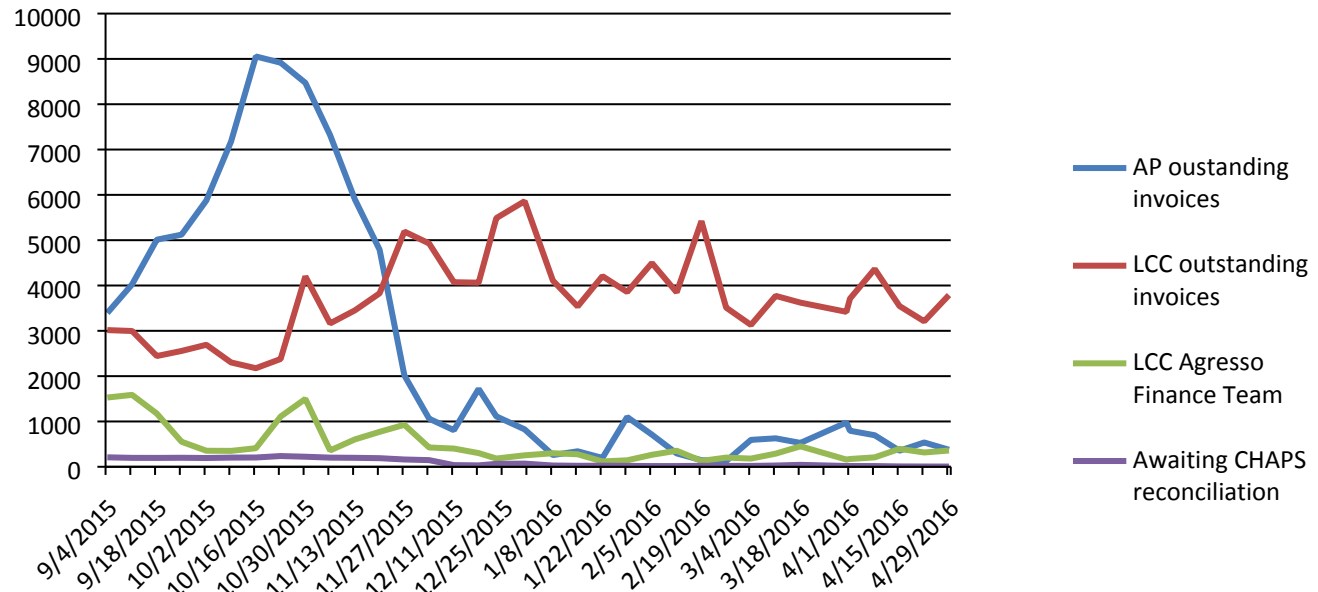
While there has been encouraging progress made in all areas against the backlogs previously identified within the workflow, the results relating to outstanding LCC officer tasks have not shown the levels of improvement noted among Accounts Payable team cases – this is demonstrated in the chart below.

Key Messages



This is inevitable to a certain extent due to the volume of users (requisitioners and budget holders). However, review of supporting statistics provides evidence that necessary action to clear and address tasks is not taken promptly in some cases. As a result, backlogs occur and the consequence is delay in payment made to suppliers.

**Outstanding tasks - Accounts Payable workflow**



It is clear that the numerous issues experienced with Agresso have affected stakeholder confidence in the system and this has led to a degree of disengagement. It is important that improved communication and training is provided to ensure that faith in the system is restored. This would promote ownership among officers responsible for the smooth progression of payments through the system wherever possible, and would help officers understand the impact of delaying action on tasks. Any education of users should also include the importance of correct processing in preventing errors requiring rectification in the first place.

One of the consequences of delayed payments has been the requirement to use the Faster Payment method to ensure 'critical' payments are made. Over 4000 payments have been made via

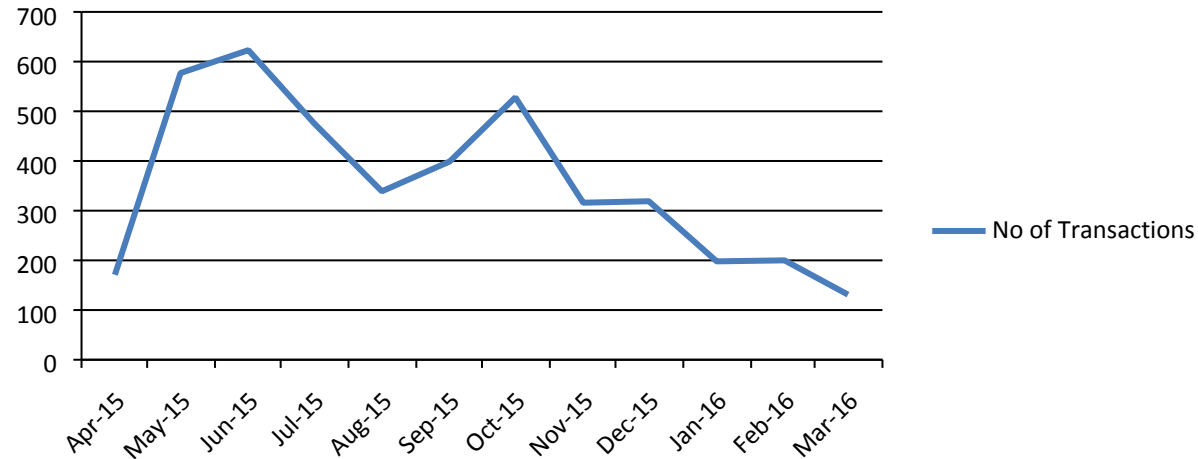


Key Messages



this 'bolt on' solution. The situation is improving (please see the chart below) – there were less than 200 such payments made in April 2016. However, this is not a sustainable payment option and its use could be reduced through improved payment performance.

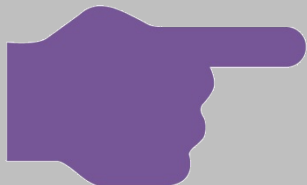
Number of Transactions



**System Issues:** A feature of the Agresso system since implementation has been the unexplained system anomalies and peculiarities that have required reactive action and 'fixes' to correct them. Examples include payments 'falling off workflow' for no known reason and the recent increase in items in the 'workflow with no step' category. These 'black holes' ultimately cause delays through not allowing the payment to progress through the workflow and in some cases have caused issues such as duplicate payments.

These system issues affect user confidence in the system and supplier confidence in the Council's ability to pay in accordance with payment terms.

## Areas of Good Practice



**Compliance with key controls:** Our sample testing found that key controls within the Accounts Payable system to ensure authorisation and completeness of payments are complied with and generally operating in an effective manner. Particular areas of good practice included the process for payment runs and supplier masterdata.

**Fraud Controls:** Clearly the control environment since Agresso was implemented has been affected and the risk of fraud and error has increased as a result. The issues around errors on the system (e.g. duplicate payments etc) has been well documented. However, our data analysis and substantive testing aimed at identifying possible fraud has not highlighted any major issues. We have identified a possible conflict of interest between an officer and supplier but our enquiries on that issue are ongoing.

**Purchasing card use :** In view of the increased risk of fraud we selected an extensive sample of purchasing card items for analysis. No fraudulent transactions were identified and advice to users was only required in a limited number of cases.

**Accounts Payable Team :** The SERCO team in place includes some experienced officers knowledgeable in accounts payable systems and processes – this has helped limit the impact of some of the payment issues. We understand that the Accounts Payable Team Leader is due to retire in August 2016 so succession planning will be vital in building upon the recent improvements made.

The findings and recommendations included in the Action Plan below are designed to improve and strengthen the control arrangements and effectiveness of the Accounts Payable system.

## Management Response

This is a timely and constructive report. Whilst the overall position is not yet acceptable there has been sustained real improvement in the system and related business processes over the past year. The conclusions and related recommendations are accepted in their entirety. Delivery of the agreed actions will result in a return to a 'business as usual' environment later this calendar year. In that regard the planned update to release 4.7 of Agresso combined with continued guidance and education of system users are key activities. Work on improving overall user 'confidence' in the system applies to a far wider range of Agresso functionality and will be dealt with in that context.

This page is intentionally left blank