Appendix B

Internal Audit

Committee Summaries

Lancashire County Council

Value Added Tax (VAT)

Value Added Tax (VAT)

Overall assurance rating

Substantial

Audit findings requiring action

Extreme	High	Medium	Low
0	0	0	0

The VAT team are experienced, qualified and able to provide sufficient guidance to council officers when creating payable and receivable invoices. As agreed in our previous report (Ref: 2021-67), action to update the council intranet page with guidance and a form for requesting VAT training sessions has been implemented. The VAT manager also confirmed that the intranet page will be promoted to raise awareness and encourage services to request training. We confirmed that officers are applying the correct VAT rates to accounts payable and receivable invoices.

Monthly compliance checks and reconciliations are completed promptly and most were approved by the VAT manager. VAT returns are accurate and always submitted by the due date. The partial exemption VAT position is regularly monitored and is within HMRC tolerances. VAT liability and rates in Oracle R12 are correct and up to date. Access to invoice entry permission is generally restricted, although four user accounts identified as inappropriate in the 2021-22 audit report had not been amended as agreed. We acknowledge that Oracle Fusion system is now live and consider this action superseded as the permissions structure will be different in the new system.

Context

The council is required to submit monthly VAT returns to HM Revenue and Customs (HMRC) declaring invoices it has raised for goods or services supplied and VAT charged (output tax), and purchases made and the VAT incurred (input tax). As input tax exceeds output tax, the council receives repayments from HMRC. The council adheres to partial exemption rules which allow eligible input tax to be claimed subject to exempt outputs not exceeding 5% of total outputs. The council's VAT team administer the preparation and submission of VAT returns, provide assurance over council compliance with VAT rules, publish guidance and give advice to council officers and schools.

Scope of Audit

In this audit we have reviewed and tested the adequacy and effectiveness of the controls and processes established by management to mitigate the key risks relating to the following areas:

- Policy, guidance and training
- Information systems
- VAT Liability
- VAT return

Blue Badges

Blue Badges

Overall assurance rating

Substantial

Audit findings requiring action

Extreme	High	Medium	Low
0	0	0	0

The Blue Badge scheme is administered in compliance with legislation, regulation and council policies and processes. The application process is clear and easy to follow as the Blue Badge application page on the council's website mirrors government guidance and advice, user rights and responsibilities, eligibility and assessment, and proof of identification requirements. It also provides a link to the GOV. UK online application portal and automatically updates the council's Blue Badge central management system, avoiding re-keying errors. Supporting eligibility and identification information are uploaded to the portal, and paper copies are accepted.

The Blue Badge Team (the Team) are achieving their 28 days processing target with the average processing time taking 12.5 days from application to badge issue. There are instances where processing exceeds the target, for example where applicants do not submit the correct documents. Applicants who do not meet the automatic eligibility criteria are assessed by experienced staff using the Matrix Assessment framework.

New, renewals and replacement badges are charged at a standard rate and payment is taken electronically online or by cheque. The Team are updated and informed by ongoing training, the Acorn database learning, information and advice sharing resource and undergo regular casework reviews and quality checks.

The Service operate a badge misuse policy enabling district enforcement officers to confiscate badges and the public alert of inappropriate badge use by phone and e-form on the council's internet. The complaints process aims to improve the customer journey and satisfaction providing users with guidance and assistance from staff who are appropriately trained with the required soft skills and competencies to de-escalate situations and manage customer expectations. Service performance reports and the Blue Badge Dashboard provide senior managers with details of service delivery and quality to inform decision making and provide strategic oversight.

Context

The Blue Badge service is administered by local councils under the Department for Transport's legislation, regulation and guidance. The scheme provides eligible users with severe mobility problems car parking concessions enabling them to park their vehicles close to their destinations.

The Customer Access Service includes the Blue Badge Team which processes applications and administer renewals and replacement badge requests using the Government's Blue Badge Central Management System (BBCMS). Applications are completed online using the GOV.UK website application portal and automatically transferred to local council systems dependent on applicant's postcodes.

Blue Badges

Scope of Audit

In this audit we have reviewed and tested the adequacy and effectiveness of the controls and processes established by management to mitigate the key risks relating to the following areas:

- Policies, procedures and guidance
- Application and eligibility
- Service delivery
- Anti-fraud controls
- Service quality
- Performance and risk management

Recording of Youth Referrals

Recording of Youth Referrals

Overall assurance rating

Substantial

Audit findings requiring action

Extreme	High	Medium	Low
0	0	1	0

The framework of control in place for recording youth referrals by the Child & Youth Justice Service (CYJS) is in the main adequately designed and effectively operated. New and existing staff are supported by guidance and training that incorporate referral treatment and information recording principles. Referrals are recorded in the Careworks system and uniquely referenced, detailed, and in the vast majority of cases assigned to a social worker and manager, and regularly updated.

Out of 508 referrals received in 2022 there were two requesting a support service received in February and March 2022 that had been left in Careworks as 'pending allocation' without assessment due to the related team managers leaving their post at the time of receipt. Following investigation by a CYJS Senior Manager, both cases have been closed in Careworks as no further action was required in each after communication with the initial referrer. CYJS have reviewed their processes to ensure that at least three managers have access to and regularly review the mailbox into which referrals are received. Core+ that will replace Careworks in April 2023 is expected to provide functionality that will help the service better identify, monitor and progress the status of all referrals, including through enhanced reporting.

Context

The Child & Youth Justice Service (CYJS) aims to improve outcomes for children, parents/carers and families, and prevent and reduce the risk of offending and harm, leading to safer communities and fewer victims of crime. The service offers early support to prevent children aged 8 -17 from entering the criminal justice system. It seeks to achieve this through a stepped approach, offering a range of targeted interventions, group work, bespoke pieces of support and professional consultation.

Referrals for children may be received from internal CYJS practitioners, Children's Services and external partner agencies such as Her Majesty's Courts & Tribunal Service ("Youth Courts"), Police and schools. All referrals are screened at the point of receipt to consider the most appropriate support to be provided. The treatment of referrals is based on and informed by relevant national guidance including the Youth Justice Board Standards for Children in the Youth Justice System (2019).

CYJS received 508 referrals in the 2022 calendar year that required assessment.

Scope of Audit

In this audit we have reviewed and tested the adequacy and effectiveness of the controls and processes established by management to mitigate the key risks relating to the following areas:

Recording of Youth Referrals

- Receiving, recording and updating referral information;
- The review and oversight of referral cases;
- Monitoring referral data; and
- The provision of relevant guidance and training.

Transition from Children's to Adult Services

Transition from children's to adult services

Overall assurance rating

Moderate

Audit findings requiring action

Extreme	High	Medium	Low
0	0	2	1

Overall, we can provide moderate assurance on the processes and controls operated by the Transitions Team in relation to the referral process, timeliness of the assessment and supporting young people moving from Children's to Adult Services.

A comprehensive Transitions Policy has been developed and is expected to be approved by the Adult Quality, Improvement and Safety Board on 15 February 2023 and presented to the Cabinet on the 2 March 2023 for final approval.

Significant progress has been made in most areas since the last audit. However, it is still evident that better co-ordination needs to be in place between Children's and Adult Services over the referring of cases to the Transitions Team on a timely basis and the ceasing of payments for care packages by Children's Services. Actions will be raised directly with Children's Services to address these issues.

The Team has introduced a bi-weekly transitions discussion forum and allocation meeting which provides consistent screening of each referral. Young people are allocated to a transitions social worker or transitions worker dependent on the complexity of the case. Referrals are made in a timely manner to the continuing health care lead, to ascertain if they are entitled to health care funding, and accommodation needs are logged, which allows various options to be considered and plan for future needs. A case load tracker has been created which records all cases allocated to each worker and allows the Transitions Manager and workers to monitor the progress of each case against the agreed process and in accordance with the Transitions Policy.

Context

The Care Act 2014 primarily sections 58 to 66 Transition from children to adult care and support requires the council to undertake assessments where there is a significant benefit to do so and at the most appropriate time to ensure a smooth transition from Children's to Adult Services.

The Transitions Team operates within the Adult Community Social Care, Mental Health, Learning Disability and Autism Service and provides support to young people who are transitioning from Children's to Adults Services. Referrals may be made for young people from the age of 14 which allows the Team to plan and commission appropriate places particularly for complex cases in advance of the young person turning 18 and moving into Adult Services. There are currently over 770 young people who are managed by the Team and will transition to Adult Services over the next six years. The number of young people that will be transitioning over the next couple of years has increased and current projections anticipate about 150 young people will transition in each year group compared to 2021.

A report to Cabinet in November 2022 has recognised the increase in numbers being referred to the team and as part of the budget review they have been recognised as an invest to save option. Several children's cases have a significant financial value in terms of care and support costs and the

Transition from Children's to Adult Services

earlier these cases are referred for transition planning the more time is available to consider and plan along with Children's Services and Health to commission suitable adult care and support.

Scope of Audit

In this audit we have reviewed and tested the adequacy and effectiveness of the controls and processes established by management to mitigate the key risks relating to the following areas:

- Policy, procedures, guidance and governance
- Case management
- Financial approval and payments

Schools Thematic Audit Asset Management

Schools Thematic Audit Asset Management

Overall assurance rating

Moderate

Audit findings requiring action

Extreme	High	Medium	Low
0	0	0	0

Most schools maintain an asset management policy which include roles, responsibilities, processes, record keeping and disposal requirements for its key assets, and these are approved annually by Full Governing Board. In the main these are based on the model asset management policy produced by the Schools Finance Team which is accessible on the Schools Portal, although some schools are unaware of it. Procedural guidance to support policy is not held consistently in all schools and, while its absence may restrict awareness and completion of key tasks, policies are often sufficient to address this.

In schools, responsibility for maintaining the asset register is delegated to either the school business manager, bursar or IT technician. In most schools only IT assets are recorded on the register. Some schools followed best practice, with registers maintained in line with policies and recording asset item type, condition, status, location, purchasing value and serial number recorded to assist identification. Annual checks of the register against assets are not conducted consistently at all schools to confirm the register's accuracy and completeness.

Obsolete assets are generally recorded for management and Governor sign-off, however, Governing Board approval is not routinely sought for the disposal itself and the method of disposal, and this process should be included in the asset management policies.

Context

The Internal Audit Service reviewed a sample of the County's schools to obtain assurance over the design and operation of asset management controls. Summarising reports highlighting the key findings for each school have been provided following audit visits. Internal Audit's remit with regard to schools is described in the Scheme for Financing Schools in Lancashire, para. 2.6 (April 2022).

Scope of Audit

In this audit we have reviewed and tested the adequacy and effectiveness of the controls and processes established by management to mitigate the key risks relating to the following areas:

- Policies and Procedures;
- Asset Registers;
- Disposal of Assets; and
- Insurance and Security.

Highways Equipment Hire

Highways Equipment Hire

Overall assurance rating

Limited

Audit findings requiring action

Extreme	High	Medium	Low
0	1	3	0

In principle, we support the reasons for relocating the Plant Coordination Team (PCT) from Highways to Fleet Services, including providing independent challenge over procurement and hire decisions. However, both services accept that this oversight function is not operating as originally intended. There was an inconsistent interpretation between Highways and PCT staff of expectations, responsibilities and information flows of the equipment hire process, and the new hire procedure omits the responsibility for the PCT to establish assets utilisation and availability before processing hire requests. Other processing concerns include not retaining and monitoring proof of delivery for new hires and off-hired returning equipment documents, and no standard or consistent process to notify and monitor hire term extensions.

The recently implemented Dynamic Procurement System framework, mini tender agreement and updated procedure note facilitate key tasks and responsibilities and were consistent in scope and content with the council's health and safety policies. Highways and Fleet services Information Management Systems (IMS) intranet sites provide staff and operatives with relevant advice, guidance, task and equipment specific risk assessments and regular team meetings provide appropriate updates. All equipment hire requests were appropriately approved and processed through the Procurement Framework supported by a valid purchase order, and invoices were matched and paid on a timely basis on Oracle Financials. However Local practices involve staff transferring mailbox requests to individual work browsers, which increase the risk of potential document losses and delays in processing hire requests.

Hire equipment is processed on the Highways Asset Management System and monitored on various local Excel spreadsheets detailing equipment information, location, utilisation and responsible officers. The PCT are formally notified when hire agreements expire and equipment is off hire. We found on occasion equipment details on the monitoring spreadsheets were omitted or did not reconcile to the timecards. Documented proof of equipment delivery at the start of the hire period and collection at the end of the hire were not consistently retained and monitored, and there was no procedure or standard process to notify and manage hire term extensions. Claims of equipment damage, abuse and loss are escalated to Highway's managers to investigate and appropriately resolve however hire companies, not staff, alert the PCT which increases the risk of false damage claims.

Operational managers work collaboratively meeting regularly to discuss and resolve issues impacting service delivery and quality. Highways and Fleet senior managers regularly review and provide oversight of the Fleet Report which analyses vehicle utilisation for informed strategic decision making, and the report is presented to the Fleet Services Management Team informing them of supply chain issues, capital resources and service improvements.

Highways Equipment Hire

Context

The council's Highways Service are responsible for the majority of orders for hire of equipment and vehicles for both long and short-term works, lasting from a week or for longer terms up to four years depending on the activity. Equipment and plant requirements range from general power tools such as angle grinders and chainsaws, operated and non-operated plant through to 20 tonne excavators and trucks.

The Plant Coordination Team (PCT) transferred from Highways to Fleet Services in November 2020. The team work collaboratively processing highways equipment requests with the Procurement Service to commission vehicle, plant and equipment from an agreed supplier framework on the Dynamic Procurement System (DPS).

The team facilitate the hire process from initial requests and equipment delivery, through to contract expiry and collection managed on the Highways Asset Management System (HAMS) and various service spreadsheets.

Scope of Audit

In this audit we have reviewed and tested the adequacy and effectiveness of the controls and processes established by management to mitigate the key risks relating to the following areas:

- Policy, procedure and guidance
- Service delivery
- Monitoring process
- Service quality
- Performance and risk