

# Internal Audit

## Grant Audit and Consultancy Committee Summaries

2022/23

### Liverpool Combined Authority Local Energy Hub – Q4 2022/23

#### Grant certification and verification

We have examined payments made in Quarter 4 of the 2022-23 financial year, submitted by Lancashire County Council to the Liverpool City Region Combined Authority in relation to the Local Energy Hub grant programme. The objective of this review was to perform checks to provide assurance that the grant conditions have been met.

We confirmed that all expenditure incurred complied with grant conditions. In line with grant conditions (see page 3, clause 2.1; and page 18, clauses 4 and 5), Lancashire County Council employs a Senior Project Officer (Low Carbon and Renewable Energy). Employment costs for the period reviewed include applicable travel expenses to support the role. A Grade 12 member of staff associated with payroll costs as part of this grant funding left the organisation in November 2022. A decision on recruitment to fill the vacancy is to be taken in the near future.

#### Context

This audit has been conducted to provide assurance to the Liverpool City Region Combined Authority that the Internal Audit Service consider that information and evidence provided by the External Funding and Investment team in support of the grant claims submitted for quarter 4, is complete, accurate and that grant terms and conditions have been complied with.

The audit covers the period January 2023 to March 2023 and has been conducted in conformance with the Public Sector Internal Audit Standards.

Grant funding was allocated to Lancashire County Council to support the establishment of the North West Local Energy Hub and further development of local energy strategy. Liverpool Combined Authority, as the accountable body, secured funding from the Secretary of State for Business Energy and Industrial Strategy (BEIS) for the period of July 2021 to March 2024.

Schedule 3 of the grant conditions state payment will be made to Lancashire County Council within 20 working days of receipt of each quarter's claim forecast, subject to satisfactory audit assurances that payments comply with grant conditions and reconciliation of any previous quarter's payment. A quarterly certificate confirming this must be signed by the S151 Officer and the Head of Internal Audit and submitted for each claim.

Grant funding for the sum of £260,000 plus £10,000 in respect of expenses was allocated to Lancashire County Council to support the establishment of the North-West Local Energy Hub and further development of local energy strategy. Liverpool Combined Authority, as the accountable body, has secured funding from the Secretary of State for Business Energy and Industrial Strategy (BEIS) for the period of July 2021 to March 2024.

#### Scope of Audit

The scope of our work was to verify the accuracy of the grant submissions and to verify that the expenditure incurred was in accordance with the terms and conditions attached to the grant.

## Community Renewal Fund

### Community Renewal Fund

#### Grant certification and verification

We can provide substantial assurance on controls around the administration of the Community Renewal Fund grant. The correct amount of money was claimed from the Department for Levelling Up, Housing and Communities (DLUHC). This money was forwarded correctly to organisations who were selected to deliver the projects that were approved by the DLUHC. The total money awarded to the council by DLUHC was £3,411,352. Controls were in place to ensure the money was spent on eligible expenditure. The framework of controls was adequately designed and effectively operated. These controls included verification of expenditure claimed by the project deliverers and audits of the organisations involved.

#### Context

The Community Renewal Fund is part of a government programme to support people and communities most in need across the UK to pilot programmes and new approaches. It invests in skills, local businesses, community and places, and supports people into employment. Following a two-stage application process Lancashire was awarded a total of £3,411,352 for nine projects. The Business Growth Department within the council manages the administration of these grants.

#### Scope of Audit

A funding agreement is signed with DLUHC and agreements are signed with each project deliverer outlining the conditions and requirements attached to the grant.

- Payments are made to organisations in accordance with the amounts approved by DLUHC and checks are made to ensure the money is spent on eligible expenditure.
- Claim forms are correctly completed and sent to the DLUHC within deadlines.
- Project outcomes and outputs are monitored and reported to the DLUHC.

## Biodiversity Net Gain Grant

### Statement of Grant Usage assurance

To the best of our knowledge and belief, and having carried out appropriate investigations and checks, in our opinion, in all significant respects, the conditions attached to the biodiversity net gain grant No 31/6499 have been complied with.

The expenditure incurred predominantly relates to the cost of the time of a Principal Ecologist involved in preparatory work relating to biodiversity net gain grant related activities.

The grant money has not been received yet, but the Department of Environment, Food and Rural Affairs (DEFRA) require assurance that the related expenditure has been incurred before reimbursing this cost.

### Context

Biodiversity net gain is an approach to development that leaves biodiversity in a measurably better state than before. This means protecting existing habitats and ensuring that any lost or degraded habitats are compensated for by enhancing or creating habitats that are of greater value to wildlife and people.

The Environment Act 2021 includes provisions that make the achievement of 10% biodiversity gain mandatory for most developments under the Town and Country Planning Act 1990. The requirement is due to come into force in November 2023 after a transition period.

The purpose of the biodiversity net gain grant is to provide funding to local authorities in England towards expenditure lawfully incurred or to be incurred by them in the transition period. The grant is intended to further support local authorities in their preparations for the introduction of mandatory biodiversity net gain.

The total funding available for all local authorities for 2022/23 is a maximum of £10.55 million. Lancashire County Council was awarded £26,807 for 2022/23 in a Grant Determination Letter from DEFRA on 1 March 2023.

### Scope of Audit

The Grant Determination Letter requires The Chief Executive and the Chief Internal Auditor of the recipient authorities to sign and return a declaration to confirm that the conditions attached to the biodiversity net gain grant have been complied with before DEFRA release the funds. Our work involved undertaking checks in order to provide this confirmation.

## Woodhill House Care Home- Consultancy

### Woodhill House Care Home- Consultancy

#### Audit findings requiring action

Extreme	High	Medium	Low
0	5	0	3

We have not provided an assurance opinion on the adequacy and effectiveness of the controls in place for the financial arrangements at Woodhill House Care Home as we have only reviewed specific controls identified as areas of concern. Key council financial procedures have not been implemented or have been bypassed. It is concerning that cash is missing and cannot be accounted for, supporting evidence and audit trails are incomplete, and there was a lack of management oversight, control, and challenge. Due to these poor records, we were unable to determine if the cash missing is due to misappropriation or just poor record keeping.

The Residential Manager was unclear and unable to explain how the amenities and resident's savings worked and financial information was retained at their house and not secured on site in the safe. There was no senior management oversight or checks.

The petty cash imprest system was in deficit, bank statements were missing, the last bank reconciliation was dated in September 2022 and there were no regular management checks.

There was no amenities fund ledger, only a receipt book. The receipt book and bank paying in book were incomplete and insufficiently completed and the account could not be reconciled. There were no receipts evidencing how income was raised from individual residents.

Residents financial arrangements were not documented in their support plan folders. Individual user records and funds were incomplete, with insufficient detail, and they were not correctly reconciled. Income and expenditure transactions were not appropriately evidenced. Resident bankcards retained in the safe were not accurately signed in or out of the office or witnessed by staff.

#### Context

The review commenced in November 2022 following an email alert from the Senior Operations Manager (North) and the Registered Care Manager at Woodhill House Care Home in Morecambe who raised concerns regarding irregularities with the banking information and residents temporary savings accounts. In December 2022 and January 2023, the internal audit service conducted an announced and an unannounced visit respectively to the care home to establish the circumstances surrounding the financial discrepancies.

Woodhill House is one of 16 care homes managed by the council. The home can provide care services for up to 46 residents, including those who live with dementia as well as residential and short-term respite stays.

## Woodhill House Care Home- Consultancy

The Care Quality Commission who are responsible for the registration and inspection of social care services in England rated the home as good overall.


The Adult Services – Older People Care Services Financial Procedures, dated September 2021, notify designated officers of their responsibilities for the effective and appropriate implementation of the care home's financial administration.

### 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:

- Training and understanding financial procedures
- Petty cash
- Amenities fund
- Residence temporary savings
- Safe contents check

## Early Years Funding - Kirkland & Catterall St Helen's C of E Primary School

Early Years Funding - Kirkland & Catterall St Helen's C of E Primary School				
Overall assurance rating	Audit findings requiring action			
 <b>Limited</b>	<b>Extreme</b>	<b>High</b>	<b>Medium</b>	<b>Low</b>
	0	2	0	0
<p>Kirkland &amp; Catterall St Helen's C of E Primary School have submitted incorrect termly claims in error for Early Education Funding (EEF) to the Council since autumn 2021 when they took over the running of the Jelly Beans nursery. Based on Internal Audit findings, Schools Finance and Early Years Funding and Sufficiency teams have calculated that the overpayment due back to the Council totals over £16k. The overclaim resulted from the school submitting claims for 15 or 30 hours per week per child when some have attended for less as specified in the parental agreement forms held on site.</p> <p>Whilst a parental agreement was available for all children that had attended the nursery since autumn 2021, the information included on the form and completion of them was inconsistent. They had not been signed by all parties, and versions developed and used by the school lacked the necessary information. A nursery provider is expected to formally enter into a parental agreement with all parents whose children are taking up the EEF entitlements using the version provided by the Council to ensure the necessary information and consents are in place to allow the nursery to claim funding.</p> <p>There was limited evidence on site that the date of birth of new nursery attendees had been validated by checking to documentary evidence. Providers are expected to record such a check on the parental agreement and retain a copy in order to support its EEF claims and to ensure satisfactory audit trails.</p>				

### Context

This review has been undertaken following a request from the Early Years Funding and Sufficiency team to review the early years nursery free childcare hours funding claims made by Kirkland & Catterall St Helen's C of E Primary School (ref 02037). Concerns were raised by a Governor of the school regarding the amount of funding received by the nursery compared to the hours that children were in attendance. The school took over the running of the 'Jelly Beans' nursery for the autumn 2021 term onwards.

The government provide funding for up to 15 hours per week free childcare hours for eligible two year olds, 15 hours per week for all three and four year olds, and an additional 15 hours per week for eligible three and four year olds. This funding covers 38 weeks in the year. The Council receive this funding from government (based on an annual census) and distribute to private settings and school nurseries following their submission via a portal of a termly claim detailing the children attending the nursery and the hours that they attended. Parents wishing to claim the extended free childcare hours apply directly through the government website and receive an eligibility code that is validated by the Early Years Funding and Sufficiency team through the portal. All private setting and school nurseries are provided with the Local Authority Agreement for Early Education Funding (EEF) and a Memorandum of Understanding for the Provision of EEF that include detail on the responsibilities, requirements and processes to be followed by the provider for claiming funding. Providers also receive a reminder of the process as part of a headcount week that is undertaken at the beginning of each term. Nursery providers are expected to check and retain a copy of the birth certificate of any new child and maintain a register of attendance. A parental

## Early Years Funding - Kirkland & Catterall St Helen's C of E Primary School

agreement for each child should also be completed that includes detail of the days, sessions, or hours that they will attend, and the eligibility code that may apply. The parental agreement should be signed by a parent and the provider, and a new one completed if there is any permanent change in attendance.

Kirkland & Catterall St Helen's C of E Primary School have received EEF payments from the Council totalling £102,218 for the terms between august 2021 and spring 2023. 35 children attended the nursery at different times in this period

### Scope of Audit

In this audit we have reviewed and tested the adequacy and effectiveness of the process established by the school for submitting early years funding claims to mitigate the key risks relating to the following control areas:

- Claims submitted via the portal;
- Parental agreement completion; and
- Date of birth checks.

Our audit testing focused on the claims made by the school from the autumn 2021 to the spring 2023 term. The hours stated in the parental agreements were reconciled to the hours claimed for via the portal. Any difference in hours was reported to the Schools Finance and Early Years Funding and Sufficiency teams to calculate the over payment requiring recovery.



## Programme Management Office

### Programme Management Office – Consultancy

#### Summary

As part of the council's improvement journey, the Programme Management Office is in the process of implementing a change programme which includes project management. Under the new system projects across the council would be assessed centrally with consideration given to the expected benefits from the projects and how well they contribute to the council's objectives.

All current projects are being evaluated using documented methodology to decide which projects to continue, suspend or terminate. A Change Management Framework has been produced to decide on the processes to implement for each stage of the change programme.

Our review involved documenting the actual controls being implemented and the expected controls on the later phases of implementation which have not yet started. In our opinion, collectively, these controls would provide an adequate framework of controls for project management activity. It was too early for us to test the operation of these controls.

#### Context

Currently, teams of project officers from the PMO, together with a programme manager, are allocated to each directorate to manage and deliver a selection of projects. The Director of Organisational Development and Change, the Head of Change and Improvement and the Programme and Portfolio Lead within the PMO are involved in implementing a change programme including project management as part of the council's Improvement Journey.

#### Scope of Audit

The PMO is in the process of reviewing current projects and producing an Improvement Plan to implement changes as part of the council's Improvement Journey. Therefore, our work only involved documenting controls currently being implemented, evaluating the adequacy of these, and identifying expected controls for the later phases of the implementation. This could be used later to evaluate the effectiveness of controls in delivering the change and improvement desired by the council.