Internal Audit & Risk Management

Cambridgeshire County Council

Update report

As at 30th June 2023

1   *INTRODUCTION*

1.1   A summary of the content of the key sections of this report is provided below, for reference:

SECTION 1: Introduction

SECTION 2: Internal Audit Reporting Process

SECTION 3: Finalised Assignments

SECTION 4: Summaries of Completed Audits with Limited or No Assurance

SECTION 5: Internal Audit Activity

SECTION 6: Audit Forward Planning: 2023/24

SECTION 7: Follow Up of Agreed Audit Actions

SECTION 8: Risk Management

SECTION 9: Fraud and Corruption Update

SECTION 10: Key Financial Systems Update

ANNEX A: Internal Audit Plan Progress 2023/24

ANNEX B: Outstanding Agreed Actions

2   INTERNAL AUDIT REPORTING PROCESS

2.1   THE REPORTING PROCESS

2.1.1   This quarterly report provides stakeholders, including Audit & Accounts Committee and CLT, with a summary of internal audit activity for the first quarter of the 2023/24 financial year.

2.2   HOW INTERNAL CONTROL IS REVIEWED

2.2.1   There are three elements to each Internal Audit review. Firstly, the control environment is reviewed by identifying the objectives of the system and then assessing the controls in place mitigating the risk of those objectives not being achieved. Completion of this work enables internal audit to give an assurance on the control environment.

2.2.2   However, controls are not always complied with, which in itself will increase risk, so the second part of an audit is to ascertain the extent to which the controls are being complied with in practice. This element of the review enables internal audit to give an opinion on the extent to which the control environment, designed to mitigate risk, is being complied with.

2.2.3   Finally, where there are significant control environment weaknesses or where the controls are not being complied with and only limited assurance can be given, internal audit undertakes further substantive testing to ascertain the impact of these control weaknesses.

2.2.4   At the conclusion of each audit, Internal Audit assigns three opinions. The opinions will be:

- Control Environment Assurance
- Compliance Assurance
- Organisational Impact

2.2.5   The following definitions are currently in use:

	Compliance Assurance	Control Environment Assurance
Substantial Assurance	The control environment has substantially operated as intended although some minor errors may have been detected.	There are minimal control weaknesses that present very low risk to the control environment

Good Assurance	The control environment has largely operated as intended although some errors have been detected.	There are minor control weaknesses that present low risk to the control environment.
Moderate Assurance	The control environment has mainly operated as intended although errors have been detected.	There are control weaknesses that present a medium risk to the control environment.
Limited Assurance	The control environment has not operated as intended. Significant errors have been detected.	There are significant control weaknesses that present a high risk to the control environment.
No Assurance	The control environment has fundamentally broken down and is open to significant error or abuse.	There are fundamental control weaknesses that present an unacceptable level of risk to the control environment OR it has not been possible for Internal Audit to provide an assurance due to lack of available evidence.

2.2.6 Organisational impact is reported as major, moderate or minor. All reports with major organisation impacts are reported to CLT, along with the appropriate Directorate's agreed action plan.

Organisational Impact	
Level	Definitions
Major	The weaknesses identified during the review have left the Council open to significant risk. If the risk materialises it would have a major impact upon the organisation as a whole
Moderate	The weaknesses identified during the review have left the Council open to medium risk. If the risk materialises it would have a moderate impact upon the organisation as a whole
Minor	The weaknesses identified during the review have left the Council open to low risk. This could have a minor impact on the organisation as a whole.

3 FINALISED ASSIGNMENTS

3.1 Since the last Internal Audit Report in **May 2023**, the following audit assignments have reached completion, as set out below in Table 1.

Table 1: Finalised Assignments

No.	Directorate	Assignment	Systems Assurance	Compliance Assurance	Organisational impact
1.	Children's	In House Fostering Payments	Moderate	Moderate	Minor
2.	Children's	External Fostering Payments	Moderate	Moderate	Minor
3.	Finance & Resources	Accuracy of Coding	Moderate	Moderate	Minor
4.	Strategy & Partnerships	Freedom of Information & Subject Access Requests	Good	Good	Minor
5.	Children's	Interims Investigation (Case 118)	Investigation report issued		

3.2 Summaries of any finalised reports with limited or no assurance (excluding individual school audits) which have been issued as final since our last Progress Report in February 2023 are provided in Section 4.

3.3 The following audit assignments have reached draft report stage, as set out below in Table 2:

Table 2: Draft Reports

No	Directorate	Assignment
1.	Finance & Resources	Client Funds & Deputyships
2.	Strategy & Partnerships	Risk Strategy
3.	CCC-wide	Key Policies & Procedures
4.	Finance & Resources	Treasury Management

3.4   Further information on work planned and in progress may be found in the Audit Plan, attached as Annex A.

4 SUMMARIES OF COMPLETED AUDITS WITH LIMITED OR NO ASSURANCE

4.1 VAT

4.1.1 Cambridgeshire County Council is required to submit VAT returns to HMRC on a monthly basis through HMRC's Making Tax Digital (MTD) process. An audit was carried out to provide assurance that VAT returns are complete, accurate and made in line with timescales.

4.1.2 Based on the findings of the audit, a 'limited' system assurance was given in along with a 'moderate' compliance opinion Whilst returns were done on a monthly basis, the audit identified some issues with the process for completing VAT returns. This included a lack of documented procedures/guidance; reconciliations of purchase VAT not being undertaken in sufficient detail to identify potential inaccuracies; and a risk that where invoices have been received late, the relevant VAT amounts may not be recognised by the new 'Making Tax Digital' system and therefore the VAT may not be reclaimed.

4.1.3 Although the recommendations from the VAT audit are not yet overdue, progress has already been made in implementing the agreed actions. The Head of Finance confirmed that a retrospective review has been undertaken which identified VAT that had not been reclaimed, and that this has now been reclaimed from HMRC. The Head of Finance has also confirmed that since the reclaim, an improved monthly reconciliations process as now been put in place and the first month's reconciliation under the new process has now been undertaken. Internal Audit will be following up the recommendations in July 2023, reviewing evidence, and assessing the implementation status.

4.2 GOVERNMENT PURCHASE CARDS (GPC)

4.2.1 An audit review was undertaken to provide assurance over governance processes in place to manage purchase card usage across the Council and maintained schools. The audit gave a limited system assurance opinion, primarily due to a lack of central oversight and monitoring and a lack of guidance provided to schools using purchase cards.

4.2.2 The audit gave a moderate compliance assurance opinion due to areas of non-compliance which were identified, including failures to declare VAT on GPC spend, inconsistent approval of GPC spend, and 9 purchase cards with no recorded approver. However, audit sample testing of expenditure in categories which are normally prohibited for purchase card spend identified that in the majority of cases these purchases were confirmed to have been reasonably made in a work capacity to support service users, and supporting receipts/invoices were evidenced to Internal Audit. It should also be noted that total expenditure on GPC in 2021/22

was £669,430 and therefore the financial risk associated with GPC usage at the Council is relatively low.

4.2.3 A range of recommended actions were agreed for implementation to strengthen the control environment around GPC usage. This includes issuing reminders to staff to prompt them to review and approve transactions; developing clear guidance for schools using GPC; and undertaking a review of internal guidance documentation.

4.3 TRANSPARENCY CODE

4.3.1 The Local Government Transparency Code (2015) requires local authorities to publish certain sets of data in specific timeframes, as part of a drive to improve transparency in local government. An audit review of Cambridgeshire County Council's compliance with the Transparency Code gave limited assurance to the system design and limited assurance on compliance with the Transparency Code. The audit identified a number of areas where data was not being published correctly and within the timescales set by the Transparency Code.

4.3.2 In response to the audit findings, a range of audit recommended actions have been agreed. This includes developing and implementing an Information Management Strategy to establish how information should be produced and published within the timescales outlined in the Transparency Code, and to establish a process for reporting on compliance with the Code. As part of this, it was also agreed to establish clear lines of responsibility for the central team responsible for requesting, collating and publishing the data, and the individual data owners who supply each dataset to the central team, as well as identifying the checks to be undertaken on each dataset to verify its accuracy.

5 *INTERNAL AUDIT ACTIVITY*

5.1 COVID INQUIRY

5.1.1 The Internal Audit team has been engaged with the corporate team managing the Council's response to the Covid-19 Inquiry. This has included providing a range of information and evidence on the work of the audit team during the pandemic, particularly relating to the review and certification of the Council's use of Covid-19 related grant funding, as well as meeting with the Inquiry team.

5.2 ADVICE & GUIDANCE:

5.2.1 Internal Audit also provide advice, guidance and support to the organisation on governance, assurance and related issues. This work is undertaken on an ad-hoc basis as and when required. Some of the key areas of support provided since the previous Progress Report include:

- Responding to a number of corporate Freedom of Information Requests.

- Providing advice to the Client Funds Team regarding mileage claims from care providers.

- Development of grant advice sheet to give guidance to services on the records required, particularly relevant staff costs, to support efficient review and sign off of eligible grant expenditure.

- Providing advice and documentation to support the review of the Council's Partnerships Advice & Guidance.

6. AUDIT FORWARD PLANNING: 2023/24

6.0.1   Core audit work is progressing in line with the agreed Audit Plan 2023/24. Progress on work underway is detailed at Annex A to this report.

6.0.2   The Internal Audit team has conducted a full review and refresh of the Internal Audit Plan 2023/24. This has included revising and updating current risk assessments with new Directors who have taken up their posts at Cambridgeshire following the development of the original proposed Audit Plan for 2023/24. It also includes a significant reduction in planned audit days, taking into account the current level of resourcing within the Internal Audit team. As discussed at the May 2023 meeting of Audit & Accounts Committee, the team are exploring options to address the resourcing challenge, including procuring external support to deliver the Audit Plan.

6.0.3   The reductions have been proposed following a detailed risk assessment and are set out at Section 6.2, below. The proposals have been discussed and agreed with the Council's Statutory Officers Group and CLT.

6.1   Approach to Audit Planning:

6.1.1   At Cambridgeshire County Council, Internal Audit has recognised that the Annual Internal Audit Plan essentially comprises two key elements:

The "Core" Audits: This is the part of the Plan which remains largely unchanged from year-to-year. It comprises key areas of assurance which are reviewed every year, such as Key Financial Systems, grant compliance audits, strategic risk management, and core governance reviews, as well as allowances of time for ongoing areas of work including reporting to the Audit Committee and senior management, and following-up on the implementation of agreed actions from previous audit reviews. However, it must be recognised that completion of these core audits alone would not give sufficient assurance to fully inform the Chief Audit Executive's annual opinion.

The "Flexible" Audits: This is the part of the Plan which varies significantly from one year to the next, comprising audits of areas which are identified as being high-risk through the Internal Audit risk assessment process. Equally, the broader themes within the flexible audits remain largely consistent; for example, each year it is expected that a significant resource would be directed towards the audit of contracts, although the specific contracts under review varies according to the risk assessment.

6.1.2   In practice, this means that the 'core' element of the Plan is set annually, while the 'flexible' element of the Plan is presented as a series of rolling quarterly Audit Plans, based on current risk assessments. Quarterly risk assessments ensure that the timing of planned audits is always actively informed by an up-to-

date assessment of the areas of highest risk, and that the flexible plan is subject to regular challenge and comment by both CLT and the Audit and Accounts Committee.

6.2   Audit Plan 2023 – 24 Assurance Summary and Resources:

6.2.1   As previously reported to Committee, the Internal Audit team faces resourcing challenges in a challenging recruitment market. Work has therefore been undertaken within the team to identify a reduced Audit Plan which represents the minimum level of resource required to provide sufficient assurance for the annual Chief Internal Auditor opinion. The Internal Audit plan needs to include an appropriate and comprehensive range of work which is sufficiently robust to inform the annual audit opinion of the Head of Internal Audit. In line with Public Sector Internal Audit Standards, this must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

6.2.2   This re-phased Internal Audit coverage for 2023/24 is proposed as 1,425 days, a reduction of 325 days from the 1,750 days the Plan was originally set at. This reduction is split across the 'core' and 'flexible' plans as follows:

- 'Core' Plan: now 715 days proposed (reduction of 215 from 930 days)

- 'Flexible' Plan: now 710 days proposed (reduction of 110 from 820 days)

6.2.3   The reduction in days has primarily come from cutting elements of the core plan which are not critical to the assurance opinion, such as time allowances for risk management, advice and guidance, fraud investigations and grants.

6.2.4   As a result, while the proposed changes to the Plan still permit for sufficient audit coverage to provide the annual assurance opinion, they do significantly reduce the Internal Audit & Risk Management service's contingency budgets for unplanned work. Consequently, should the service experience a high level of whistleblowing referrals or several particularly complex cases, or high volumes of advice and guidance requests, FOI requests etc., this will create a pressure and the need to agree how such additional work can be resourced. See Sections 6.3 and 6.4 for full details.

6.2.5   The exercise to review and update the Internal Audit Plan 2023/24 resulted in significant changes to the Plan as previously proposed in February 2023. The extent of proposed changes is such that these will not be set out in detail in this report, and includes both new areas of assurance being added to the Audit Plan and existing reviews being deferred to later quarters or removed from the current plan.

6.2.6   However, effort has been made to retain balanced coverage of different Council activities and risk areas in the revised plan. The change in days across key 'assurance blocks', which each provide an opinion over key elements of the risk and control environment, is presented below:

Table 3: Analysis of Proposed New Audit Plan by Assurance Block:

Assurance Block / Risk Area	Original Days	New Days	Variance	Original %	New %	Variance
Advice & Guidance/FOI/Follow Ups	103	83	-20	5.9%	5.8%	-0.1%
Business Continuity	20	40	20	1.1%	2.8%	1.7%
Financial Governance	305	250	-55	17.4%	17.5%	0.1%
Fraud & Corruption	185	145	-40	10.6%	10.2%	-0.4%
Governance	132	132	0	7.5%	9.3%	1.7%
ICT and Information Governance	120	80	-40	6.9%	5.6%	-1.2%
Procurement & Commissioning	300	250	-50	17.1%	17.5%	0.4%
Project Management & Transformation	100	60	-40	5.7%	4.2%	-1.5%
Reporting	75	75	0	4.3%	5.3%	1.0%
Risk Management	215	110	-105	12.3%	7.7%	-4.6%
Safeguarding	75	125	50	4.3%	8.8%	4.5%
Value For Money	120	75	-45	6.9%	5.3%	-1.6%
	1,750	**1,425**	**-325**			

6.2.7   Full detail of the proposed coverage is set out below, in sections 6.3 and 6.4.

6.3   'Core' Internal Audit Plan 2023/24

6.3.1   It is proposed to reduce the 'Core' Plan for 2023/24 by 215 days. The proposed reduction in days has primarily come from cutting elements of the core plan which are not critical to the Internal Audit assurance opinion. The key changes are:

- 100 days cut from risk management;
- 30 days cut from fraud investigations contingency;
- 20 days cut from advice and guidance contingency;
- 20 days cut from schools audits, reducing the number of schools audits to 7 (from 12 – 14 in previous years);
- 45 days cut from grants budgets including grants contingency.

6.3.2   The detail of the proposed plan can be found at Table 4, below:

Table 4: Proposed 'Core' Internal Audit Plan 2023/24:

Audit	Directorate	Category	Days	Why
Total Days in the Core Internal Audit Plan:			**715**	
Annual Audit Reviews of Key Financial Systems			**110**	
Accounts Receivable	CCC	Financial Governance	20	Annual assurance over Key Financial Systems; conducting transactional testing across core systems.
Purchase to Pay	CCC	Financial Governance	20	Annual assurance over Key Financial Systems; conducting transactional testing across core systems.
Payroll	CCC	Financial Governance	20	Annual assurance over Key Financial Systems; conducting transactional testing across core systems.
Treasury Management	CCC	Financial Governance	20	Annual assurance over Key Financial Systems; conducting transactional testing across core systems.
Debt Recovery	CCC	Financial Governance	20	Annual assurance over Key Financial Systems; conducting transactional testing across core systems.
Pensions	CCC	Financial Governance	10	Annual assurance over Key Financial Systems; conducting transactional testing across core systems.
Grant Certification Work Required In-Year			**60**	
Supporting Families	P&C	Financial Governance	25	Annual cycle of grant certification requirement.
Local Transport Capital Block Funding (Highways Maintenance)	P&E	Financial Governance	5	Annual cycle of grant certification requirement.
Pothole and Challenge Fund	P&E	Financial Governance	5	Annual cycle of grant certification requirement.
Disabled Facilities Grant	P&C	Financial Governance	5	Annual cycle of grant certification requirement.
Basic Needs Funding	P&C	Financial Governance	10	Annual cycle of grant certification requirement.
A14 Grant	PH	Financial Governance	10	Grant certification required.
Rough Sleepers Grant	PH	Financial Governance	0	CANCELLED - Grant certification no longer required.

Grant Certification Contingency	PH	Financial Governance	0	CANCELLED - Contingency in case of additional requests for testing on Covid-related grant expenditure.
Annual Allowance for Fraud Investigations & National Fraud Initiative			**145**	
Fraud Investigations	CCC	Fraud & Corruption	85	Receive whistleblowing referrals and allocation of time to investigate alleged fraud or theft. Budget reduced by 30 days.
Pro-active Counter Fraud Work	CCC	Fraud & Corruption	20	Allowance of time for pro-active Counter Fraud work. In 2023/24 this will include developing eLearning modules on Whistleblowing and Money Laundering for Council staff.
Council Tax NFI Project	Resources	Fraud & Corruption	10	Providing support to the Council Tax NFI project with the District Councils.
National Fraud Initiative	CCC	Fraud & Corruption	30	Management of statutory National Fraud Initiative.
Strategic Risk Management and Assurance			**110**	
Annual Assurance on Risk Management	CCC	Risk Management	5	Reporting to stakeholders and providing an annual assurance over the Council's Risk Management framework.
Risk Management	CCC	Risk Management	55	Strategic risk management processes, workshops and reporting.
Risk Assurance Reviews	CCC	Risk Management	50	A programme of compliance checks on key controls mitigating the Corporate risks and top Directorate-level risks to provide assurance on whether critical controls are routinely complied with in practice. Reduced by 100 days to focus solely on a sample of key risks.
Core Procurement & Commissioning Audit Work			**40**	**(plus contract reviews in flexible Audit Plan)**
Procurement Compliance	CCC	Procurement & Commissioning	20	Review of sample of invoices, to provide assurance over risk that best value is not being achieved across all Council procurement. Once invoices have been selected, the review will work backwards through the commissioning process to confirm compliance and VFM.

Procurement Governance	CCC	Procurement & Commissioning	20	Review covering policies and procedures governing procurement processes, and arrangements for monitoring compliance with procurement policies. Assurance over risk that best value is not being achieved across all Council procurement.
Contract Reviews	CCC	Procurement & Commissioning		A minimum of 200 days is committed to review of contracts and commissioning. The specific reviews undertaken will be identified through the quarterly risk assessment process and included in quarterly planning.
Annual Core Governance Reviews			**92**	
Annual Governance Statement/Code of Corporate Governance	CCC	Governance	15	Annual Governance Statement/Code of Corporate Governance.
Corporate Key Performance Indicator Framework	CCC	Governance	20	Providing an annual assurance over the effectiveness of the Council's corporate Key Performance Indicator framework.
Annual Key Policies & Procedures Review	CCC	Governance	5	Following previous year audit reviews of core policies and procedures, this review will provide assurance that key policies are reviewed, updated and accessible to staff.
Whistleblowing Policy Annual Review	CCC	Governance	15	Work to review the whistleblowing policy, conduct awareness-raising activities across the organisation, and produce the annual report on whistleblowing cases.
Public Sector Internal Audit Standards (PSIAS) Review	CCC	Governance	5	Annual review to verify compliance with PSIAS
Information Management Board	CCC	Governance	2	Attending panel to provide support on information management and security issues
Schools Assurance Auditing	P&C	Governance	30	Annual assurance over key risks in schools, with a focus on financial governance and payroll risks. Reduced by 20 days to audit 7 schools in 2023/24 rather than 12 – 14.
Advice & Guidance Work			**83**	
Advice & Guidance	CCC	Advice & Guidance	30	Providing support and guidance to staff on ad-hoc queries. Reduced by 20 days.

Freedom of Information Requests	CCC	Advice & Guidance	8	Allowance of time to respond to FOI requests received in-year.
Follow-Ups of Agreed Actions	CCC	Advice & Guidance	45	Confirming agreed actions have been implemented to reduce key organisational risks.
Management & Committee Reporting and Planning			**75**	
Committee Reporting	CCC	Reporting	25	Reporting to Audit and Accounts Committee.
Management Reporting	CCC	Reporting	25	Reporting to JMT.
Audit Plan	CCC	Reporting	25	Development of the Internal Audit Plan and in-year revisions/updates.

6.4 'Flexible' Internal Audit Plan 2023/24:

6.4.1 The 'flexible' Internal Audit Plan has been reduced by 110 days. The reduction in days has taken place across a range of risk areas and has been balanced to ensure that the revised Audit Plan still represents a cross-cutting assurance across the entire control environment of the Council. The coverage for 2023/24 is provided at Table 5 below, and for reference the current proposal for the 1st quarter coverage of 2024/25 is provided at Table 6. This reflects the usual approach of the team to plan four quarters' ahead on a rolling basis.

6.4.2 This programme of work is indicative only, and remains subject to change to ensure that the Audit Plan can be reactive as well as proactive about providing assurance over emerging risk areas. The team will continue to progress each quarter's work as outlined below at Table 5:

Table 5: 'Flexible' Internal Audit Plan 2023/24:

Audit	Directorate	Category	Days	Why
ALL			710	
Current Proposed Flexible Internal Audit Plan for Q1:			**220**	
Client Funds & Deputyships	Children's	Financial Governance	20	Review of client funds and deputyships arrangements which have been brought back in-house following disaggregation from LGSS.
Schools Capital Programme	Children's	Procurement & Commissioning	20	Review of this major Design & Build contract with an annual value of £100m.
Street Lighting PFI Variations	Place & Sustainability	Procurement & Commissioning	10	Review of variations to the Council's Street Lighting PFI contract.

Climate Change & Environment Strategy	Place & Sustainability	Governance	20	Review of the Council's Climate Change and Environment Strategy; how the aims of this strategy are reflected in broader corporate policies and governance processes; and progress with action plans within the strategy.
Procurement Waivers & Direct Awards Approval Compliance	Finance & Resources	Procurement & Commissioning	20	Review of compliance with the new requirement for directly-awarded contracts to be approved by the Central Procurement Team.
ICT Security	Finance & Resources	ICT and Information Governance	20	Review of ICT security strategy and compliance with key measures such as PSN etc.
ICT Records Management	Finance & Resources	ICT and Information Governance	20	Review of records management controls within the Council's IT systems, in particular focusing on controls relating to: starters/leavers; systems access and the associated management arrangements and controls; and compliance with information governance and records management policies and requirements within the IT system.
Client-side Review of Pathfinder Legal Services	Strategy & Partnerships	Procurement & Commissioning	20	Client-side review of Cambridgeshire's Pathfinder Legal Services contract for legal provision.
Lifestyle Services Contract	Public Health	Procurement & Commissioning	30	A review of this key contract with an annual value of £3.1m across Cambridgeshire and Peterborough.
FOI and SAR	Strategy & Partnerships	ICT and Information Governance	10	Freedom of Information & Subject Access Requests are legally required to be completed by the Council within set timescales. This review will provide assurance over processes in place to ensure the Council complies with its statutory responsibilities.
ICT Incident & Problem Management	Finance & Resources	ICT and Information Governance	10	Review of policies, procedures and compliance with managing identified incidents, issues and problems with ICT systems and services.
Capital Project Management	Place & Sustainability	Project Management & Transformation	20	Review of implementation of new project management processes within the Major Infrastructure Delivery team, to verify implementation of key Internal Audit recommendations and management of key risks. This will give assurance that the Project Assurance Group has implemented the key actions agreed.
Current Proposed Flexible Internal Audit Plan for Q2:			**185**	

Statutory Health & Safety Property Inspections	Resources	Safeguarding	40	Confirm that statutory inspections of property for health and safety are up to date, carried out, and compliant with relevant legislation. Confirm that recommendations are implemented and implementation is monitored.
Street Lighting PFI Contract	Place & Sustainability	Procurement & Commissioning	30	Review of this major Council PFI contract, following on from 2022/23 work looking at contract variations.
Management of Consultants	Strategy & Partnerships	Procurement & Commissioning	20	Review of the use of consultants at the Council to gain assurance over compliance with contract procedure rules, appropriate use of employment status, and effective contract management.
Client-side review of OPUS People Services	Strategy & Partnerships	Procurement & Commissioning	20	Client-side review of Cambridgeshire's Pathfinder Legal Services contract for interim and agency staff provision, including a review of spend on interims outside the Opus Contract
Safe Employment	CCC	Safeguarding	20	Review of Council-wide safer recruitment policies for both staff and volunteers, and assessing compliance with the policies in practice.
Dedicated Schools Grant Safety Valve	Children's	Value For Money	15	Embedded assurance review of the Council's response to the DSG Safety Valve agreement including a review of progress with implementing planned actions and programme management.
Energy Contract	Place & Sustainability	Procurement & Commissioning	20	Review of private electricity network contract.
Asset Valuations for Statement of Accounts	Finance & Resources	Financial Governance	15	Review of the production of asset valuations for the Council's statement of accounts, to provide assurance that the process is timely, efficient and effective.
Review of draft Financial Regulations	Finance & Resources	Financial Governance	5	Review of re-draft of Financial Regulations
Current Proposed Flexible Internal Audit Plan for Q3:			**140**	
Unregulated Placements	Children's	Safeguarding	20	Review of the use of unregulated placements in Children's Social Care and Commissioning, to provide assurance that the Council is compliant with statutory requirements for placements.
Commissioning Governance	Adults	Procurement & Commissioning	20	Review of high-level governance arrangements in the Commissioning directorate.
Council Owned Companies	Finance & Resources	Governance	20	High level review of the governance of Council owned companies to provide assurance that the risks associated with

				these companies are managed appropriately.
Section 106 Funding	Place & Sustainability	Value For Money	20	Review to provide assurance that the Council has appropriate governance arrangements in place to track when Section 106 payments become due and the processes by which payments are allocated to works. This will cover arrangements for historic projects as well as those for incoming s106 contributions.
Business Continuity Planning	Strategy & Partnerships	Business Continuity	20	Provide assurance that the Council has appropriate Business Continuity Planning procedures in place, and that these are complied with in practice, to reduce the impact on the Council if business disruption and/or a major incident occurs.
Establishment Control	CCC	Financial Governance	20	Reviewing processes for establishment control to ensure that workforce information is accurate; employees are bona fide and reporting lines are accurate; appointments are only made to established posts with funding and approval to recruit.
Multi Agency Safeguarding Hub (MASH)	Children's	Safeguarding	20	Review to provide assurance that MASH arrangements effectively mitigate safeguarding risks, information security risks and the risk of non-compliance with statutory requirements.
Current Proposed Flexible Internal Audit Plan for Q4:			**165**	
Quality Assurance in Childrens Social Care	Children's	Safeguarding	25	Review of quality assurance arrangements in Children's to ensuring that key safeguarding risks are mitigated through appropriate monitoring of practice.
Social Care Debt	Adults	Financial Governance	20	Reviewing Council management of social care debt.
Capital Programme Projects Assurance	Place & Sustainability	Project Management & Transformation	20	Review of a sample of individual capital programme projects, to provide assurance over compliance with the project management controls agreed by the MID Project Assurance Group.
Project Management Framework and Project Assurance	Strategy & Partnerships	Project Management & Transformation	20	Review of the implementation and development of Council-wide project management framework and project assurance arrangements.
Grants to Voluntary Organisations	CCC	Value For Money	20	Review of the Grants to Voluntary Organisations Policy and compliance with the policy in practice.

Policy & Compliance				
LD Supplier Resilience Reviews	Adults	Business Continuity	20	Review of a sample of key strategic suppliers, with a focus on suppliers of care and transport to vulnerable service users, to identify assurances in place over supplier resilience and continuity planning.
Rental Income	Finance & Resources	Value For Money	20	Ensuring that the Council maximises the value of its property, including farms and other properties. Deferred to the first quarter of 2022/23 due to staff vacancies in the service.
Mosaic System Uploads, Data Integrity and Key Controls	Adults	ICT and Information Governance	20	A review of key controls in the Mosaic system with regards to security and payment controls, and how data integrity is maintained from feeder systems and uploads.

Table 6: 'Flexible' Audit Plan for Q1 2024/25:

Current Proposed Flexible Internal Audit Plan for Q5:			140	
Budget Setting and Demand Forecasting	Finance & Resources	Financial Governance	20	Review of processes for forecasting high demand demographically-driven budgets across People & Communities to ensure processes are robust and budget setting is accurate.
Investment Properties	Finance & Resources	Value For Money	20	The Council holds a number of investment properties. This would review management of investments, income streams etc. Reputational risk area.
Direct Payments	Adults	Financial Governance	20	Review of direct payments policies and procedures and compliance with procedures in practice, to provide assurance that direct payments are managed in a way that safeguards public funds and ensures that they achieve best value.
Early Years Funding Process	Children's	Value For Money	20	To provide assurance that robust and efficient processes are in place to ensure payments to Early Years providers are timely and accurate and there are appropriate controls in place to reduce the risk of fraud.
Contract Management Policies & Compliance	Finance & Resources	Procurement & Commissioning	20	Noted as a risk area. This would review contract management guidance and training available to managers in the organisation, and implementation of contract management processes. High impact area.

Contract Price Variations	Finance & Resources	Procurement & Commissioning	20	Sample testing for compliance with the Council's guidelines for agreeing price variations in contracts, to provide assurance that cost increases are controlled appropriately
Asset Management Strategy	Finance & Resources	Value For Money	20	Review of the Council's asset management strategy to provide assurance that the Council's assets are managed to deliver value for money.

7. FOLLOW UP OF AGREED AUDIT ACTIONS

7.1 The outstanding management actions from Internal Audit reports as at 30th June 2023 are summarised in table 7 below. This includes a comparison with the percentage implementation from the previous report (bracketed figures).

7.2 Internal Audit reporting on closed recommendations includes recommendations that have been closed in the previous 12 months as at the reporting date. This provides a more accurate up to date position regarding the implementation of recommendations and ensures that recommendations closed more than a year ago do not skew the statistics to give a falsely positive impression.

Table 7: Implementation of Recommendations

	Category 'Essential' recommendations		Category 'High' recommendations		Category 'Medium' recommendations		Total	
	Number	**% of total**	**Number**	**% of total**	**Number**	**% of total**	**Number**	**% of total**
Implemented	0 (0)	0% (0%)	20 (18)	13.70% (12.24%)	65 (74)	44.52% (50.34%)	85 (92)	58.22% (62.59%)
Actions due within last 3 months, but not implemented	1 (0)	0.68% (0.00%)	6 (8)	4.11% (5.44%)	5 (9)	3.42% (6.12%)	12 (17)	8.22% (11.56%)
Actions due over 3 months ago, but not implemented	1 (1)	0.68% (0.68%)	5 (4)	3.42% (2.72%)	20 (10)	13.70% (6.80%)	26 (15)	17.81% (10.20%)
Capital Programme Actions[1] due over 3 months ago, but not implemented	0 (0)	0.00% (0.00%)	0 (0)	0.00% (0.00%)	23 (23)	15.75% (15.64%)	23 (26)	15.75% (15.64%)
Totals	**2**		**31**		**113**		**146**	

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[1] These 23 actions related to a review of capital project management. Internal Audit is currently conducting a full follow-up audit of these; as such further updates on implementation will not be provided until the audit is complete.

7.3 There are currently 61 management actions outstanding. Further detail on outstanding actions is provided at Annex B.

7.4 There are currently two outstanding 'Essential' recommendations:

- One of these passed its target date at the end of November 2021. This relates to the Light Touch ICT Security Healthcheck review issued in May 2021, which identified that the Council's Public Sector Network (PSN) Certification had lapsed. The Council's ICT Service has been preparing to apply for re-certification throughout 2022/23, with regular updates provided to the Audit & Accounts Committee. The proposal for the IT Health Check is with procurement, with some clarification questions currently being responded to. The IT service's intention is to schedule the ITHC as soon as possible and start work on the remediations. The ITHC itself will take at least two weeks to do the testing and compile the required remediation access plan. Once the number of remediations required is known, IT will be able to put a plan together to reduce actions to a number acceptable to the Cabinet Office team for a PSN application.

- The other recommendation relates to improving the system for removing IT access for employees and contractors, to ensure that there is out of hours support; requests to disable user account access are flagged as high priority; and the process is communicated to officers via CamWeb. This recommendation only became overdue on 30th June 2023. The Head of Operations for Customer and Digital Services has confirmed that they will be publishing details on Camweb in the week beginning 3rd July 2023 as to the process and who to contact out of hours for emergency account disabling. The service is also working on an automated approach that will enable managers to disable accounts directly.

7.5 There are two recommendations relating to open-book accounting in Public Health contract management. The question of whether quarterly open-book accounting should be adopted in the Public Health directorate has been escalated to conversations at the corporate procurement board. Internal Audit considers open book accounting as a key contract management control which provides important assurance to stakeholders and is awaiting the outcome of these discussions.

7.6 There are two recommendations from the Fire Risk Assessment audit that are closely linked; both concerned with establishing definitive list of all properties for which the Council is required to undertake fire risk assessments. The service has recently provided Internal Audit with detailed updates and revised target dates which has deferred the implementation date of these actions to 31st March 2024. Full details of the progress updates can be seen in Annex B.

7.7 Table 8, below shows the number of outstanding recommendations in each directorate.

Table 8: Outstanding Actions By Directorate

Directorate		Outstanding recommendations
Children's		4
Adults, Health and Commissioning		1
Place and Sustainability	*Capital Programme*	23
	Other	0
Finance and Resources Directorate	*Key Financial Systems*	3
	Other	18
Public Health		5
Strategy and Partnerships		7

8.0 *RISK MANAGEMENT*

8.1 The Audit & Accounts Committee will receive the Annual Risk Management report at its meeting on 28th July 2023 and this will provide a full update on Risk Management activity.

9 *FRAUD AND CORRUPTION UPDATE*

9.1 FRAUD INVESTIGATIONS

9.1.1 The current Internal Audit caseload of investigations is summarised below in Table 7. As at the 30th June 2023, Internal Audit has received 6 whistleblowing referrals in the 2023/24 financial year. In comparison, in 2022/23, the team had received 5 referrals by the same point in the year, and 3 referrals by this point in 2021/22.

Table 9. Current Internal Audit Investigations Caseload

Open Cases From 2022/23 *Carried Forward*		Open	Closed	Total
Fraud and Theft	Conflict of Interest	1	0	1
Total		**1**	**0**	**1**
All Cases Reported in 2023/24 *To Date*		Open	Closed	Total
Fraud and Theft	Conflict of Interest	0	1	1
Governance	Internal Governance Issue	1	0	1
	Schools Governance	1	0	1
Safeguarding and Health & Safety	Safeguarding	1	2	3
Total		**3**	**3**	**6**

9.1.2 It should be noted that the Internal Audit team records all whistleblowing referrals we receive; however Internal Audit normally act as the investigating service only for referrals relating to theft, fraud, corruption and governance concerns. Where whistleblowing referrals relate to e.g. safeguarding or HR issues, the referrals are passed on to the appropriate service to investigate and respond.

9.1.3 Summaries of the current open whistleblowing and investigation cases are provided below:

- **Conflict of Interest (1 open case)** – Internal Audit is currently investigating one case relating to conflicts of interest involving persons working for CCC, which has been carried forward from last year and is still under investigation.

- **Safeguarding (1 open case)** – One case of a safeguarding concern raised by a member of the public is currently open, which is being investigated by Children's Social Care.

- **Schools Governance (1 open case)** – A member of the public has raised concerns surrounding schools governance at a Cambridgeshire school, which are being investigated by the Schools Intervention Service.

- **Internal Governance (1 open case)** – Internal Audit are currently investigating one case of internal governance concerns. This investigation is in its initial information-gathering stage utilising liaison with the service involved.

9.2   WHISTLEBLOWING, ANTI-FRAUD AND ANTI-MONEY LAUNDERING E-LEARNING

9.2.1   Following the implementation of the new Anti-Fraud and Corruption Policy and new Anti-Money Laundering Policy which both came into force in 2022, Internal Audit is undertaking, in conjunction with the Learning and Development team, to create two e-learning modules to support the embedding of these new policies for both existing and new staff.

9.2.2   The first e-learning module is intended to be compulsory for all staff, and will cover fraud, bribery, corruption, and the whistleblowing policy. It aims to ensure that all staff have an understanding of the organisation's zero-tolerance approach to fraud or corruption, that staff know what to look for to identify fraud or corruption, and that they feel confident and comfortable to report any such concerns via the Whistleblowing Service.

9.2.3   The other module, covering money laundering, will be targeted to services at a higher risk of identifying money laundering activity. This module also aims to embed a culture of zero-tolerance to money laundering across the Council, ensure that staff can identify indicators of money laundering, and how they should deal with them by reporting those concerns to the Money Laundering Reporting Officer.

9.2.4   These modules are currently being developed in conjunction with the Learning and Development team, and their release will be supported by an internal communications campaign.

9.3   INTERIMS INVESTIGATION (CASE 118)

9.3.1   Internal Audit conducted an investigation into whistleblowing allegations relating to a possible conflict of interest in the appointment of several interims/consultants at Cambridgeshire County Council. The investigation found no evidence that any officer benefited financially from the appointment of these individuals, but did find that corporate policies were not complied with in their engagement. The investigation saw evidence that officers in the Council's HR, Finance and Procurement teams sought to ensure that the appointment of consultants was

carried out in line with policy, and prompted retrospective completion of some key internal controls, such as procurement waivers and consultancy approval forms.

9.3.2   As a result of the findings of the investigation, actions have been agreed including that all senior interims/consultants will have an hour-long induction in their first week with their HR and Finance Business Partners to ensure that they are made aware of key corporate finance and HR policies.

9.4   NATIONAL FRAUD INITIATIVE (NFI)

9.4.1   The NFI compares different data sets provided nationally by local authorities and partner organisations, for the purpose of detecting and preventing fraud.

9.4.2   The current exercise commenced in September 2022 when data was supplied for matching purposes by all relevant parties, including CCC. The matched output was released by the NFI in January 2023. The total number of matches for CCC is 4,200 across 34 reports which have a high or medium risk rating, depending on the nature of the data.

9.4.3   As at July 2023, 668 matches have been closed on the NFI portal. Internal Audit is unable to provide an update on the number or value of investigated and closed matches from this NFI exercise at this stage, as all data holders need to update the NFI online portal with the results of their investigations before these figures are available. Internal Audit expects that these figures should become available before the next committee cycle, once data owners have updated the NFI online portal with the outcomes of their investigations.

10   *KEY FINANCIAL SYSTEMS UPDATE*

10.1   2022/23 KEY FINANCIAL SYSTEMS AUDITS

10.1.1 The Lead Authority Board agreed in August that for the 2022/23 financial year, Cambridgeshire's Internal Audit team would continue to deliver the Accounts Payable, Income Processing and Debt Recovery audits for the Lead Authority partners. West Northamptonshire's Internal Audit team were due to deliver Payroll, Pensions and an IT Access Controls audit.

10.1.4 The delivery of the Payroll and Pensions audits have been delayed. The Head of Internal Audit at West Northamptonshire has confirmed that meetings to discuss findings with clients have been arranged for w/c 10th and 17th of July. It is therefore expected that draft reports for these audits will be issued by the end of July 2023.

10.1.5 West Northamptonshire's Internal Audit team's work on the IT Access Controls has been delayed due to staff sickness and as yet a confirmed estimated delivery date has not yet been confirmed.