

Internal Audit Annual Report 2020/21

To: Audit & Accounts Committee

Date: July 22nd 2021

From: Head of Internal Audit & Risk Management

Purpose: The Public Sector Internal Audit Standards require that the Chief Internal Auditor presents an annual report to the Authority's Audit & Accounts Committee. This is reflected in the terms of reference of the Authority's Audit & Accounts Committee.

The purpose is for Audit & Accounts Committee to consider the Annual Internal Audit Report for 2020 – 21 and be made aware of the Head of Internal Audit & Risk Management's opinion on the state of the Internal Control Framework within Cambridgeshire County Council.

Key issues: The Annual Internal Audit Report forms part of the evidence that supports the Authority's Annual Governance Statement 2020 – 21.

Recommendation: Audit & Accounts Committee is requested to approve the Annual Internal Audit Report.

Officer contact:

Name: Neil Hunter
Post: Head of Audit & Risk Management
Email: neil.hunter@cambridgeshire.gov.uk
Tel: 01223 715317

Member contact:

Name: Councillor Wilson
Post: Chair, Audit & Accounts Committee
Email: Graham.Wilson@cambridgeshire.gov.uk
Tel: 01223 706398

INTERNAL AUDIT & RISK MANAGEMENT

ANNUAL REPORT

2020/21

Internal Audit & Risk Management Annual Report 2020/21

Contents:

1. INTRODUCTION

- 1.1 The Annual Reporting Process

2. CHIEF AUDIT EXECUTIVE OPINION 2020 – 21

- 2.1 Chief Audit Executive Opinion

3. REVIEW OF INTERNAL CONTROL

- 3.1 How Internal Control is Reviewed
- 3.2 The Basis of Assurance

4. INTERNAL AUDIT IN 2020 - 21

- 4.1 Overview and Key Findings
- 4.2 Organisational Covid Response Work
- 4.3 Financial and Other Key Systems
- 4.4 Compliance
- 4.5 Risk-based Reviews
- 4.6 Contracts Reviews
- 4.7 Anti-Fraud and Whistleblowing
- 4.8 Information Governance and ICT Audit
- 4.9 Grants and other Head of Audit Assurances
- 4.10 Policies and Procedures
- 4.11 Other Work
- 4.12 Summary of Completed Reviews

5. RISK MANAGEMENT IN 2020 - 21

- 5.1 Risk Management Overview

6. INTERNAL AUDIT PERFORMANCE AND QUALITY ASSURANCE

- 6.1 Delivery of the 2020 – 21 Internal Audit Plan
- 6.2 Service Development
- 6.3 Compliance with Public Sector Internal Audit Standards

1. INTRODUCTION

1.1 *The Annual Reporting Process*

- 1.1.1 The Public Sector Internal Audit Standards (PSIAS) (Performance Standard 2450) state that the Chief Audit Executive (CAE) must deliver an annual internal audit opinion and report that can be used by the organisation to inform its annual governance statement (AGS) that forms part of the Council's official accounts. Cambridgeshire County Council's Chief Audit Executive is the Head of Internal Audit & Risk Management.
- 1.1.2 The annual report is required to incorporate: the opinion; a summary of the work that supports the opinion; a statement on conformance with the Public Sector Internal Audit Standards.

2. CHIEF AUDIT EXECUTIVE OPINION 2020/21

2.1 Chief Audit Executive Opinion

- 2.1.1 The annual opinion of the Chief Audit Executive (CAE) must be based on an objective assessment of the framework of governance, risk management and control and include an evaluation of the adequacy and effectiveness of controls in responding to risks within the organisation's governance, operations and information systems.
- 2.1.2 In 2020/21, Cambridgeshire County Council was significantly impacted by the Covid-19 pandemic, and Internal Audit resource was redirected in-year to support the organisation's response to this critical emerging risk, in line with best practice. While the Internal Audit Plan was significantly revised to accommodate the need for this work, the work completed in-year remained sufficient to support an evidence-based opinion over the control environment.
- 2.1.3 Public Sector Internal Audit Standards (PSIAS) also require the CAE to confirm that the Internal Audit service has operated with an adequate level of resource to deliver an annual audit opinion. Internal Audit operates independent of the organisation, as per the Internal Audit Strategy and Charter, and there have been no compromises of Internal Audit's independence in its operation this year. I can also confirm that service was compliant with PSIAS requirements (see Section 6, below, for more detail).

*On the basis of the audit work undertaken during the 2020/21 financial year, a **strong satisfactory** assurance opinion has been reached.*

My opinion is derived from an assessment of the range of individual opinions arising from work completed in 2020/21 by the Internal Audit team, taking account of the relative materiality of each area under review, and considering management's progress in addressing control weaknesses. Full details of the work completed by Internal Audit in-year are set out in the remainder of this report and at Appendix A, below; however, I would particularly highlight the following key pieces of evidence on which my opinion is based:

- Review of the organisation's Code of Corporate Governance and the evidence supporting the Council's Annual Governance Statement, which demonstrate a sound core of organisational governance;*
- Reviews of Key Financial Systems consistently demonstrating a good or satisfactory assurance across all systems;*

- *The organisational response to the Covid-19 pandemic, which demonstrated the strength of the Council's business continuity and risk management processes and the ability of senior management to respond effectively to unexpected challenges;*
- *In previous years, Internal Audit has highlighted a number of contract management issues in individual projects managed by the Major Infrastructure Delivery (MID) service. In 2020/21, at the service's request, Internal Audit implemented a full review of contract management in the service, including evaluating four major projects and assessing MID capital programme governance as a whole. This work identified significant areas for improvement; however the service has responded rapidly to these concerns, and action plans to address the issues are already underway.*
- *Although a high-profile issue relating to the tenancy of Manor Farm was reported publicly in 2020/21, this was first raised with the Internal Audit team in 2019. The affected service has responded positively to the issues identified, and the action plan to address the concerns is in the public domain. Additionally, it is noted that the organisation has completed a full review of the Whistleblowing Policy in light of the issues raised.*

It should be noted that no systems of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance.

- *Neil Hunter, Head of Internal Audit & Risk Management*

3. REVIEW OF INTERNAL CONTROL

3.1 How Internal Control is Reviewed

- 3.1.1 In order to support the annual Internal Audit opinion on the internal control environment, each year Internal Audit develops a risk-based Audit Plan. This includes a comprehensive range of work to confirm that all assurances provided as part of the system of internal audit can be relied upon by stakeholders.
- 3.1.2 The changing public sector environment and emergence of new risks means that best practice necessitates a flexible approach and re-evaluation of the Audit Plan throughout the year. In 2020/21, the Covid-19 pandemic had a significant impact on the work of Cambridgeshire's Internal Audit service, and this flexible methodology meant that the service could ensure that Internal Audit resources were continually targeted towards the areas of highest risk, throughout the year. This approach ensures that work completed is sufficient to give an evidence-based opinion over the control environment for the year.
- 3.1.3 Every Internal Audit review has three key elements. 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.
- 3.1.4 However, controls are not always complied with, which will in itself 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 enables Internal Audit to give an opinion on the extent to which the control environment, designed to mitigate risk, is being complied with.
- 3.1.5 Finally, where there are significant control environment weaknesses or where key controls are not being complied with, further substantive testing is undertaken to ascertain the impact these control weaknesses are likely to have on the organisation's control environment as a whole.
- 3.1.6 Three assurance opinions are therefore given at the conclusion of each audit: control environment assurance, compliance assurance, and organisational impact. To ensure consistency in reporting, the following definitions of audit assurance are used:

Control Environment Assurance	
Level	Definitions
Substantial	There are minimal control weaknesses that present very low risk to the control environment.

Good	There are minor control weaknesses that present low risk to the control environment.
Satisfactory	There are some control weaknesses that present a medium risk to the control environment.
Limited	There are significant control weaknesses that present a high risk to the control environment.
No Assurance	There are fundamental control weaknesses that present an unacceptable level of risk to the control environment.

Compliance Assurance	
Level	Definitions
Substantial	The control environment has substantially operated as intended although some minor errors have been detected.
Good	The control environment has largely operated as intended although some errors have been detected.
Satisfactory	The control environment has mainly operated as intended although errors have been detected.
Limited	The control environment has not operated as intended. Significant errors have been detected.
No Assurance	The control environment has fundamentally broken down and is open to significant error or abuse.

3.1.7 Organisational impact will be reported as major, moderate or minor (as defined below). All reports with major organisational impact are reported to JMT, along with the 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.

3.2 *The Basis of Assurance*

- 3.2.1 The findings and assurance levels provided by the reviews undertaken throughout 2020/21 by Internal Audit form the basis of the annual opinion on the adequacy and effectiveness of the control environment.
- 3.2.2 In 2020/21, the Audit Plan has been based on assurance blocks that each give an opinion on the key control environment elements, targeted towards in-year risks, rather than a more traditional cyclical approach that looks at each system over a number of years. The Audit Plan reflects the environment in which the public sector audit operates, recognising that this has changed considerably over the past few years with more focus on, for example, transformation, contract management, safeguarding and achieving value for money; and in 2020/21, an emphasis on providing assurance over organisational arrangements to respond to the coronavirus pandemic.

Section 4

4. INTERNAL AUDIT IN 2020/21

4.1 Overview and Key Findings

- 4.1.1 This section provides information on the audit reviews carried out in 2020-21, by assurance block. This includes a specific assurance block of reactive work conducted in-year to review and support the organisation's response to the Covid-19 pandemic.
- 4.1.2 For the reviews undertaken during 2020/21, no areas were identified where it was considered that, if the risks highlighted materialised, it would have a major impact on the organisation as a whole. This is an important indicator from the internal audit work and underpins the overall satisfactory assurance on the control environment.
- 4.1.3 In each instance where it has been identified that the control environment was not strong enough, or was not complied with sufficiently to prevent risks to the organisation, Internal Audit has issued recommendations to further improve the system of control and compliance. Where these recommendations are considered to have significant impact on the system of internal control, the implementation of actions is followed-up by Internal Audit and is reported to Audit and Accounts Committee on a quarterly basis.
- 4.1.4 Due to the exceptional pressures created by the Covid-19 pandemic, at the start of the 2020/21 financial year the Chief Internal Auditor agreed a change to usual working practices, to create greater capacity to respond to the additional reactive work required of the Internal Audit team at this point. As such, follow-up of implementation of actions was also placed on hold at this time.
- 4.1.5 As Covid-19 pressures eased, Internal Audit completed a comprehensive review of all recommended actions to ensure that all business-critical actions were being implemented by services. This review re-evaluated the risk profile of each individual recommendation made, to identify where traditional audit follow-up was required for actions related to higher-risk areas and where actions related to lower-risk areas do not require full formal follow-up.
- 4.1.6 An overview of the implementation of actions in 2020-21 is summarised in Table 1, below¹:

¹ Please note that the total reflects the number of recommendations required to be implemented within 2020-21, and therefore includes recommendations made in 2019-20.

Table 1: Implementation of Audit Recommendations 2020-21

	Category 'Red' recommendations	Category 'Amber' recommendations	Total
Agreed and implemented.	2	59	61
Agreed and due within the last 3 months, but not yet implemented.	0	4	4
Agreed and due over 3 months ago, but not yet implemented.	0	11	11
Agreed but not due until after 31 March 2021.	2	56	58
TOTAL	4	130	134

4.2 *Organisational Covid Response*

- 4.2.1 The coronavirus pandemic in 2020/21 has had a significant impact on Cambridgeshire County Council and, as a critical emerging risk, on the in-year work of Internal Audit. The Council reacted swiftly to place the Joint Management Team (JMT) on an emergency management footing, with daily meetings of the JMT 'Gold' command group taking place initially to manage the organisation's response to the pandemic, and to feed into multi-agency forums across the County and sub-region. Full details of JMT's response to the pandemic can be found at Appendix B, an excerpt from this year's Annual Governance Statement.
- 4.2.2 Following the outbreak of the pandemic, it was agreed to pause the 2020/21 Audit Plan and to fully align Internal Audit resources to the risks being managed by Cambridgeshire County Council, in consultation with the Chief Financial Officer. The Internal Audit team also seconded officers to the Income Section and to Addenbrookes Hospital to support management of the pandemic. Work in the first few months of 2020/21 was therefore of a probative nature, with a significant amount of work directed towards review of daily expenditure transactions, risk management processes, procurement and contract management, as these areas of control were particularly at risk of being impacted by the organisational changes implemented to respond to the pandemic.

4.2.3 Internal Audit's work on the organisational response to coronavirus provided good assurance that key financial control systems continued to work effectively during this period and risks continued to be managed appropriately. In particular, during the first two quarters of the year, key areas of assurance included:

- **AP-GPC spend analysis** – During the pandemic, urgent expenditure decisions and a change to business-as-usual processed increased the risk of inappropriate expenditure. Internal Audit therefore carried out a daily review of all Accounts Payable transactions to identify potential fraudulent or inappropriate entries, in order to provide assurances on a weekly basis to the S151 Officer and other stakeholders that expenditure is legitimate and proportionate. This daily review work concluded at the end of August 2020 as the Council moved towards a business-as-usual footing.
- **PPN 02/20 Supplier Relief** – In March 2020, the Cabinet Office issued Procurement Policy Note 02/20, setting out guidance for public bodies on payments of their suppliers to ensure continuity during and after the coronavirus outbreak. The Internal Audit team developed a full suite of procedures for this supplier relief process and was responsible for initial recording and monitoring of the process at Cambridgeshire, and Internal Audit colleagues assessed some applications from suppliers, to provide additional organisational resource towards the process. The Head of Audit also sat on the Panel to recommend acceptance or rejection of applications for relief.
- **COVID-19 Risk Register** – Internal Audit worked with the Director of Business Development and Improvement to develop a full Covid-19 Risk Register and a supplementary key control focused risk register to actively manage key triggers during the pandemic. The team initially provided a weekly, then fortnightly risk register update report to the Director of Business Improvement & Development for consideration and submission to JMT, until Covid-19 triggers and controls were incorporated into business-as-usual Corporate and Directorate level risk registers in September 2020.
- **Private Finance Initiative (PFI) rebate** - Internal Audit worked on the assessment of insurance contributions and rebates on PFI contracts, resulting in a rebate of c. £50k requested by the Council.
- **Grants and Loans** – Internal Audit undertook assurance work over various grants and loans issued during the pandemic, and from September 2020, Internal Audit has been attending the Early Years Sustainability Panel meetings to provide support to the process of reviewing grant applications from childcare providers.

- 4.2.4 The team was proactive in engaging with the Joint Management Team in recommending areas where existing controls required enhancing, identifying new areas of risk that required control and also undertaking targeted audit work to increase assurances in those key areas of risk. Overall, Internal Audit work undertaken supports the view that the organisational response to Covid-19 was flexible, responsive to emerging areas of need, and effective in managing risk.

4.3 *Financial and Other Key Systems*

- 4.3.1 This is the 2020/21 suite of annual core systems reviews, undertaken to provide assurance to management and External Audit that expected controls are in place for key financial systems; that these controls are adequately designed and are routinely complied with in practice. The work is focused on the systems that have the highest financial risk. These reviews also give an opinion as to the effectiveness of financial management procedures and the arrangements to ensure the integrity of accounts.

- 4.3.2 During 2020/21 the audits were again undertaken as joint reviews of Cambridgeshire County Council, Milton Keynes and Northamptonshire County Council LGSS systems. With the agreement of the Chief Finance Officer, the following audits were undertaken by colleagues based at Milton Keynes and Northamptonshire in both 2019/20 and 2020/21 financial years

- Payroll
- Bank Reconciliation
- General Ledger
- IT General Controls
- Pensions
- VAT
- Treasury Management (undertaken by the CCC Internal Audit Team for 2020/21 as Treasury Management was repatriated from LGSS)

- 4.3.3 The Payroll review for 2020/21 has yet to be completed. Colleagues at MKC have provided assurances that the report will be at draft report stage by 31st July 2021. At the time of writing this report, no significant issues or risks have been identified in the Payroll audit where fieldwork is progressing. A report on the Human Resources Transactions element of the Payroll system has been completed and satisfactory assurance over the environment and good assurance on compliance. Cambridgeshire Internal Audit has completed a piece of work on Payroll Analytics to review any trends, patterns or significant variances within full time equivalent (FTE) averages. As a result of this work no significant variances or anomalies were identified.

- 4.3.4 Table 2 below details the assurance levels of all key systems audits undertaken in 2020/21, compared to the assurance levels in 2019/20.

Table 2 – Key Financial Systems Audits 2020/21

Key Financial Systems:	Audit Opinion 2020-2021		Audit Opinion 2019-2020	
	Environment	Compliance	Environment	Compliance
Treasury Management	Good	Good	Not Completed	
Bank Reconciliation	Good	Good	Not Completed	
Purchase to Pay	Good	Good	Good	Satisfactory
Accounts Receivable	Good	Good	Good	Good
Debt Recovery	Satisfactory	Satisfactory	Satisfactory	Limited
Payroll	Not Completed		Not Completed	
Pensions	Substantial	Good	Substantial	Good
General Ledger	Good	Good	Not Completed	
IT General Controls	Good	Good	Not Completed	
VAT	Satisfactory		Satisfactory	

- 4.3.5 The VAT review commenced in 2019/20 but was not completed until 2020/21. The review was paused due to the Covid-19 pandemic and colleagues at Milton-Keynes focusing on high priority support work. The review gave satisfactory assurance opinions over the environment and compliance.

4.4 Compliance

- 4.4.1 Compliance work is fundamental, as it provides assurance across all Directorates and therefore has a significant influence on the Head of Internal Audit opinion on the control environment. The audit coverage for compliance is underpinned by an assessment of the Council's framework of controls (often directed by policies and procedures) and includes a focus on those core areas where a high level of compliance is necessary for the organisation to carry out its functions properly. The work involves compliance checks across the organisation to provide assurance on whether key policies and procedures are being complied with in practice. As a part of this work, the existing controls are challenged to ensure that they are modern, effective and proportionate.
- 4.4.2 Given the impact of the coronavirus pandemic on the Audit Plan, a reduced number of compliance-only reviews were carried out in 2020/21; however, all risk-based and key financial systems reviews do include a compliance element.

As well as a range of contract reviews, discussed below at 4.6, Internal Audit conducted compliance work in the following areas:

- Procurement Waivers
- Spend over £20k

4.4.3 Where weaknesses have been identified, recommendations have been made to improve compliance and/or procedures and controls; all recommendations which are considered to be of medium or high impact on the control environment are followed up by Internal Audit to ensure they have been implemented.

4.5 *Risk-Based Reviews*

4.5.1 Risk-based reviews have been a key element of the assurance on the entire control environment of the authority in 2020/21. This assurance block includes reviews which have been targeted towards key areas of high risk, as identified through consultation with senior management, review of risk registers, and the Internal Audit risk assessment of the organisation. This block also incorporates on-going work on initiatives to promote value for money. Each audit we undertake includes consideration of value for money at its core.

4.5.2 The outcomes of all risk-based reviews issued in 2020/21 can be seen at Appendix A.

4.6 *Contracts Reviews*

4.6.1 In 2020/21, Internal Audit has provided reviews of a number of contracts, including the Highways Service Contract open book review, with the first stage of this work resulting in a significant repayment to the Council for the over recovery of costs.

4.7 *Anti-Fraud and Whistleblowing*

4.7.1 In January 2021, responsibility for managing and investigating whistleblowing and suspected fraud referrals received by Cambridgeshire Internal Audit moved back in-house. This had previously been dealt with by the LGSS Counter Fraud service, with Cambridgeshire staff leading on investigation of particular cases where local knowledge was required. The Cambridgeshire team maintains a log of all whistleblowing referrals received, including those which are subsequently passed to other services (such as HR or safeguarding) and the outcomes.

4.7.2 In 2020/21, a total of 23 whistleblowing referrals were received and processed by either the LGSS Counter Fraud Team or the Internal Audit Team at CCC. This is comparable to a total of 24 referrals received in 2019/20.

Table 3: Whistleblowing Referrals Received by Internal Audit in 2020/21:

Type of Case	Closed	Open	All
Anti-competitive activity allegation		1	1
Blue Badges	5	1	6
Conflict of Interest	1		1
Contract Fraud	1		1
Direct Payments	2	2	4
HR-related issues	3		3
Information Security issues	1		1
Phishing fraud	1		1
Schools governance allegation	1		1
Thefts	1		1
Third Party Frauds	2		2
School admissions fraud	1		1
2020/21 Totals	19	4	23

4.7.3 A formal process of risk assessment is undertaken on all referrals, to identify the appropriate action to be undertaken. In the majority of cases, either:

- The initial review finds no investigation is required, for instance if the issue has already been dealt with internally; should be addressed through other procedures (such as the Respect At Work Policy); or is not serious enough to warrant a full investigation; or
- An investigation is initiated, but subsequently finds the allegation is not substantiated or only minor issues are found.

4.7.4 It is noted that in one instance, the LGSS Counter Fraud team was pursuing a court case for fraudulent use of a Blue Badge. The case was repeatedly delayed due to court closures as a result of the pandemic, and then due to self-isolation requirements; subsequently legal advice was that the case should be withdrawn from proceedings as the delays meant that it was considerably out of date, and the case has been closed.

Table 4: Outcomes of Whistleblowing Referrals Received in 2020/21:

Outcome of Case	No. Cases
Advice and guidance given.	1
Disciplinary investigation.	1
Court case withdrawn.	1
Defrauded monies recovered from bank.	1
Initial inquiries identified no further action needed.	12
Investigation confirmed no serious concerns.	3
Investigation ongoing.	4
2020/21 Totals	23

- 4.7.5 The Internal Audit team has been working with HR colleagues since the start of 2021 to revise and update the Council's Whistleblowing Policy, and questions about officer awareness and use of the Policy have been included in a recent staff survey run by HR. The revised Policy will be brought to Audit & Accounts Committee for approval in July 2021, and the intention will be to relaunch the new policy and undertake a programme of awareness-raising among staff.

National Fraud Initiative (NFI) 2020/21:

- 4.7.6 The NFI compares different data sets provided nationally by local authorities, central government, and partner organisations. CCC pensions data, for example, is compared with data from other local authorities to identify 'matches' i.e. anomalies, such as any individuals in receipt of a pension who are recorded elsewhere as being deceased. This enables errors to be highlighted, as well as potentially fraudulent transactions.
- 4.7.7 The current exercise commenced in September 2020, when the Council supplied datasets for national data matching purposes, including payroll, creditors, concessionary travel, and procurement data. Identified 'matches' were then released by the NFI in January 2021; these matches will be investigated by the Council, with oversight from the Internal Audit team, in 2021/22. The total number of matches for CCC is 8,629 across 31 reports which have a high or medium risk rating. Given the extremely high volume of matches, a risk assessment process is undertaken to prioritise the most high-risk matches for review in the coming year. Outcomes will be reported to Audit & Accounts Committee on an ongoing basis, as part of the quarterly Internal Audit Progress Reports.

4.8 *ICT and Information Governance*

- 4.8.1 In 2020/21 a reduced programme of ICT audit reviews operated. The ICT service was under significant pressure in the first part of the year as a result of the coronavirus pandemic, and in the second part of the year as a result of the preparations for the move of the data centre.
- 4.8.2 Two internal audit reviews were undertaken: a review of user access management, permissions and access rights controls within the Council's ERP Gold finance and HR system, which gave good assurance; and an ICT Security Health Check looking at the Council's compliance with the Public Services Network security certification, compliance with the NHS Data Security and Protection Toolkit, and compliance with Payment Card Industry Data Security Standards. This review gave satisfactory assurance.

4.9 *Grants and Other Head of Audit Assurances*

- 4.9.1 Internal Audit testing again confirmed that grants received by Cambridgeshire County Council requiring review and certification by Internal Audit have been spent in accordance with grant conditions, including the troubled families grant process.

4.10 Policies and Procedures

- 4.10.1 In 2020/21, Internal Audit has maintained a focus on review of key policies and procedures, to ensure that these are: up to date; fit for purpose; effectively communicated; routinely complied with across the organisation; monitored and routinely improved. This has included a review of the Council's Whistleblowing Policy.

- 4.10.2 In addition to work which focuses specifically on individual Council policies and procedures, every risk-based audit review undertaken considers the current policies and procedures in the service area under review, and audit recommendations include suggested revisions or updates to policies as appropriate.

- 4.10.3 Furthermore, Internal Audit undertook a review of the framework supporting CCC Key Policies and identified that a framework document should be developed which should include:

- A definitive list of CCC's key policies
- Links to each policy or where to find them
- The update schedules for each
- Whether any particular legislation must be taken into account when updating
- Whether legal advice is needed on updating (to prevent misinterpretation of legislation)
- Who is responsible for updating each policy
- Who needs to approve changes to the policy (e.g. JMT or service committees)
- Templates and Guidelines for the creation of new policies (e.g. is an Equalities impact assessment needed)

4.11 Other Work

- 4.11.1 Internal Audit continues to provide advice and guidance to officers on a wide range of issues, including the interpretation of Council policies and procedures, risks and controls within systems or processes, and ad-hoc guidance on queries relating to projects or transformation. In particular, in 2020/21 there was a high volume of queries and requests for advice relating to the organisation's pandemic response. Internal Audit aims to provide clear advice and risk-based recommendations with a view to reducing bureaucracy whilst maintaining a robust control environment. Where appropriate, we also refer queries or

concerns on to specialist services such as Information Governance or IT Security.

4.12 Summary of Completed Reviews

4.12.1 A summary of all audit reports issued in 2020/21 is attached at Appendix A.

5. RISK MANAGEMENT IN 2020-21

5.1 Overview of Risk Management

5.1.1 In November 2019, a new risk management process was proposed by the Director for Business Improvement and Development (BID) and Head of Internal Audit. The new process and risk register format were agreed by JMT

5.1.2 This process cemented the quarterly cycle for risk management and assessment on the control environment. The process includes regular meetings with and support for risk owners and management of the corporate and directorate risk registers through an online platform (GRACE). Work to refresh the corporate and directorate risk registers was undertaken at the start of 2020, however this work was paused following the outbreak of the Covid-19 pandemic.

5.1.3 At this point, JMT agreed that a separate risk register should be created to ensure full visibility of this new and rapidly changing risk. It was agreed that the Director BID should develop and monitor the COVID risk register on behalf of JMT. To develop this risk register in a timely way, there was positive, proactive input from all members of JMT, directorate risk owners and other key officers.

5.1.4 Once the risk register was developed there was a clear and regular update (weekly from the beginning of May) and reporting process to incorporate emerging risks and triggers into the register and to allow for proportionate action plans and then controls to be developed. COVID risk register monitoring, reporting and escalations to JMT continued on a weekly basis until September 2020.

5.1.5 By September 2020, risk controls had been put in place against all COVID risks and actions were being managed within Directorates and monitored by JMT. At this stage, the Director BID, working with the Head of Internal Audit, presented a further paper on risk to JMT proposing that, as Covid-19 was likely to be an ongoing feature of our operating environment, it should be treated as a trigger, and reflected at the corporate risk register (CRR) and directorate risk register (DRR) level, and subject to escalation in the same way as any other trigger.

5.1.6 It was also agreed that the corporate and directorate risk registers should be refreshed, to ensure both that COVID-19 was appropriately captured as a trigger and that directorate risk registers are aligned both to each other and the corporate risk register, to allow for streamlined reporting and escalation. This refresh was essential to give an assurance that the corporate risk register remains an effective tool to support JMT in managing organisational risk, particularly during the pandemic where the control environment can change quickly.

5.1.7 The Director BID and the risk team from Internal Audit then met with all Directors and risk owners and the corporate risk register was updated and presented back to JMT in January 2021. Directorate management teams have also reviewed directorate risk registers with support from the risk management team.

5.1.8 Weekly escalation of risk remains as a standing item on the JMT agenda alongside standardised quarterly updates, as specified within the risk management framework.

6. INTERNAL AUDIT PERFORMANCE AND QUALITY ASSURANCE

6.1 Delivery of the 2020/21 Internal Audit Plan

6.1.1 The Cambridgeshire County Council Internal Audit Plan for 2020/21 was developed in early 2020, with the required resources confirmed as 1775 days. The draft Audit Plan was reviewed and agreed by Joint Management Team (JMT), and was then due to be reviewed and agreed by the Audit & Accounts Committee on the 24th March 2020. Although the draft Plan was published online as part of the papers for this meeting, the meeting itself was cancelled due to the announcement of the first UK lockdown in response to the coronavirus pandemic. While the July 2020 meeting of Audit & Accounts Committee was able to take place remotely, this was devoted to review of the draft statement of accounts, and therefore it was not possible for Internal Audit to formally present the Audit Plan to Committee until the 22nd September 2020.

6.1.2 The Internal Audit team at Cambridgeshire seeks to be highly responsive to emerging risks, and in accordance with best practice, it is normal for the Internal Audit Plan to be re-assessed and updated in line with changing risks throughout the year. Under the exceptional circumstances created by the Covid-19 pandemic, it was decided in conjunction with the Chief Financial Officer to pause the agreed 2020/21 Internal Audit Plan and to fully align audit resources to the emerging risks being managed by the County Council as a result of the pandemic. For the first half of the 2020/21 year, therefore, Internal Audit work focused on increasing assurances on key areas, such as spend, risk management and supplier relief as well as supporting directorates in developing processes and proportionate governance in new areas.

6.1.3 In the second half of the year, the service returned to operating an updated Audit Plan which was reassessed to include a balance of ongoing organisational Covid response work, and a selection of high priority risk-based reviews to provide assurance across the wider control environment. As a result, the service's delivery of the revised 2020/21 Audit Plan remains sufficient to give an evidence-based opinion over the control environment for the year.

6.1.4 All Internal Audit reviews delivered in-year are detailed at Appendix A, below.

6.2 Compliance with Public Sector Internal Audit Standards

6.2.1 The Internal Audit service has operated in compliance with Public Sector Internal Audit Standards (PSIAS) throughout the year. An internal assessment of compliance with PSIAS was conducted in early 2021 and found no areas of non-compliance.

- 6.2.2 An external assessment of Internal Audit's compliance with Public Sector Internal Audit Standards (PSIAS) was most recently completed in 2016/17 with a follow up visit undertaken in May 2017, which confirmed service's compliance with the latest set of standards. An external review is planned for completion in 2021/22, as this is required every five years.

6.3 *Service Development*

- 6.3.1 Continuing Professional Development has been a major focus of the quality assurance programme in 2020/21, to ensure that staff have the skills to carry out their responsibilities with proficiency and deliver work of the required quality.
- 6.3.2 In 2020/21, due to the impact of the remote working instituted as a result of the Covid-19 pandemic, professional development has been delivered remotely. Weekly team development meetings are used to deliver training and development to all staff, and a system of post-audit assessments against the CIPFA Excellent Internal Auditor standard is used to identify areas for development on an ongoing basis, in tandem with regular supervision of all staff.
- 6.3.3 The Internal Audit team continues to develop staff and capacity for the future through the Internal Audit Graduate Trainee scheme, run in conjunction with the Financial Management Graduate Trainee scheme. Trainees are taken on as Apprentices to study for chartered accountant status with the Chartered Institute for Public Finance and Accountancy (CIPFA).

APPENDIX A

CCC INTERNAL AUDIT – SUMMARY OF COMPLETED REVIEWS 2020/21

The table below summarises the Internal Audit reviews that were completed during the 2020/21 financial year, excluding counter fraud investigations which are itemised separately in section 4.7.

Audit Title	Directorate	Compliance assurance	Systems assurance	Organisational impact
Organisational Covid Response Work				
Infection control grant 1	Public Health	N/A	Satisfactory	Minor
Infection control grant 2	Public Health	Good	Good	Minor
Daily Spend – Over £20k	Cross cutting	Satisfactory	N/A	Minor
AP-GPC spend analysis	Cross cutting	Review of all Accounts Payable transactions on a daily basis to identify potential fraudulent or inappropriate entries to provide additional assurances in weekly reporting to S151 Officer and other stakeholders that expenditure is legitimate and proportionate.		
PPN 02/20 – Supplier Relief	Cross cutting	The Audit team was responsible for initial recording and monitoring through the process and, depending on complexity, internal audit colleagues would assess the applications to support the contract managers. The Head of Audit sat on the Panel to recommend acceptance or rejection of application.		
COVID -19 Risk Register	Cross cutting	The team initially provided a weekly, then fortnightly update report to the Director of Business Improvement and Development for consideration and submission to JMT. It was then agreed that the Covid-19 triggers and controls would be incorporated into Corporate and Directorate level risk registers.		
Private Finance Initiative (PFI) rebate	Place and Economy	Internal audit worked on the assessment of insurance contributions and rebates on PFI contracts and resulted in around £50k requested back by the Council.		
Sustainability Panel	People and Communities	From September 2020 Internal Audit has been attending the Sustainability Panel meetings to provide support to the process of reviewing grant applications from childcare providers.		
Free School Meals Governance	People and Communities	Briefing-note style report on governance of Free Schools vouchers via a Council contractor.		
Key Financial Systems Reviews				
Accounts Payable	Cross cutting	Good	Good	Minor
Debt Recovery	Cross cutting	Satisfactory	Satisfactory	Minor
Treasury	Cross cutting	Good	Good	Minor

Management				
Accounts Receivable	Cross cutting	Good	Good	Minor
Pensions	Cross cutting	Good	Substantial	Minor
Financial Systems IT Controls	Cross cutting	Good	Good	Minor
Bank Reconciliations	Cross cutting	Good	Good	Minor
General Ledger	Cross cutting	Good	Good	Minor
HR Transactions	Cross cutting	Good	Satisfactory	Minor
VAT	Resources	Satisfactory	Satisfactory	Minor
Grant Reviews & Certifications				
Troubled Family Grant	People and Communities	Grant Certification Provided		
Bus Service Operators Grant	Cross cutting	Grant Certification Provided		
Teaching Apprenticeship Grant	People and Communities	Grant Certification Provided		
Emergency Active Travel Fund	Cross cutting	Grant Certification Provided		
Pothole Challenge Fund	Place and Economy	Grant Certification Provided		
Local transport Capital Block Fund	Place and Economy	Grant Certification Provided		
Disabled Facilities	Cross cutting	Grant Certification Provided		
Blue Badges	Cross cutting	Grant Certification Provided		
DWP Winter Support Grant	Resources	Briefing Note		
All Other Audit Reviews				
Key Performance Indicators	Cross cutting	N/A	Satisfactory	Minor
Community Capital Fund	Cross cutting	Good	Satisfactory	Minor
Light-Touch ICT Security Review	Customer & Digital Services	N/A	Satisfactory	Moderate
Schools Payroll	People and Communities	Limited	Satisfactory	Minor
Procurement Waivers	Cross cutting	Good	N/A	Minor
Feeder systems	Cross cutting	Good	Satisfactory	Minor
Key Policies and Procedures	Cross cutting	N/A	Satisfactory	Minor
This Land	Resources	N/A	Satisfactory	Moderate
Less than Best Process and Rent Reviews	Resources	N/A	Satisfactory (EY) Limited (Other)	Minor
King’s Dyke Tender	Place and Economy	N/A	N/A	N/A
Capital Programme Governance	Place and Economy	Limited	Limited	Moderate
Wisbech Access Strategy	Place and Economy	Limited	Limited	Minor
Lancaster Way	Place and Economy	Limited	Limited	Minor
Fendon Road Roundabout	Place and Economy	Limited	Limited	Minor
Chisholm Trail	Place and Economy	Limited	Limited	Minor
Light Blue Fibre	Resources	Briefing note-style report issued.		
Schools Finance Audit	People and Communities	Limited	Limited	Minor
Fostering Overpayments Recovery	People and Communities	Good	Satisfactory	Minor

JOINT MANAGEMENT TEAM (JMT) APPROACH TO THE COVID-19 PANDEMIC

The below is an excerpt from the joint statement from JMT regarding their response to the Covid-19 pandemic, set out in Cambridgeshire County Council's Annual Governance Report 2020/21.

THE ROLE OF JOINT MANAGEMENT TEAM (JMT)**Joint statement from JMT**

As the full impacts of the pandemic on the organisation were emerging in March 2020, the Council put its Joint Management Team (JMT) onto an emergency management footing, meeting as the "Gold" command group. JMT Gold meetings initially took place on a daily basis, feeding into multi-agency forums across the County and Sub-region and supported by a tactical co-ordination group within the Council.

Under the Constitution, the Chief Executive is empowered to take emergency decisions on behalf of the local authority: a number of Committee meetings were initially cancelled, meaning that an alternative decision route was needed, pending the enactment of secondary legislation enabling local government Committees to meet virtually from April 2020. An exception and highlight report process across the different tiers of management and up to Member oversight was implemented in response to these issues.

JMT has provided an outline of the main actions taken to mitigate and manage key risks during the Covid-19 pandemic, and alterations to the Council's normal governance structure which were necessitated as part of the organisation's coronavirus response, as follows:

i. Decision-Making and Management:

- Regular meetings of JMT to address the ever-changing impacts of the pandemic; ensure swift actions were developed and agreed; and set the communications strategy both internal and external. This included clear recording of actions and timescales for delivery. The increased frequency of meetings has meant that issues, and potential risks, can be regularly and routinely raised and appropriate mitigating actions determined.
- JMT agreed a financial protocol in the early stages of the pandemic and updated this in order to translate the scheme of financial management and other aspects of our normal governance to the circumstances of the pandemic, enabling the Council to respond using its resources in an agile way to ensure delivery of services and responding to citizens' needs.
- The Council followed the Cabinet Office guidance on procurement (across various Procurement Policy Notes (PPNs 2,3,4)) and established a panel for

considering supplier requests for variations. Through this process the Council was able to focus on and escalate risks to procurement and its supply chain, ensuring continuity of cashflow to providers and of service to service users.

- Political briefings including CPF, Chairs and Vice-Chairs, Group Leaders, and the SCG and RCG Briefing for Local Leaders ensured political oversight.
- Regular updates to JMT from our Public Health specialists, so the implications of the progress COVID in our communities can be assessed by each council service and appropriate actions determined and implemented.
- In addition to the wider JMT meetings, the establishment of a sub-group from JMT, our COVID Gold/Strategic Group, which has met 3x a week to look more specifically at COVID prevention and Outbreak Management issues, risks and actions. Regular agenda items for this group include:
 - Review of the epidemiology at every Gold meeting, so that the changing pattern in the infection, and the associated risks and subsequent actions, are identified and actions determined and passed out to the appropriate services/groups.
 - Reports back from all elements of our Outbreak Management system (surveillance, outbreak management settings cells, testing and tracing etc.) so that issues and risks can be identified and acted on.
 - Regular reviews of national guidance and how this translates into the local context, so we are actively managing risks resulting from changes set out in this guidance.
 - Development of many specific/targeted action plans in response to areas of high infection and /or specific outbreaks, to help to manage and mitigate the spread of the infection.
 - Feedback from national and regional networks, and from the wider Cambridgeshire and Peterborough partners involved in the COVID response, so that we better understand how to shape and re-shape our response to COVID as part of this wider system, and so that we benefit from their insight and learning.
 - Constant internal and external communications and marketing campaigns that are tailored to ensure they reach their target audience to help prevent the spread of COVID; to help people understand what action to take if they experience symptoms or are a contact of those with a positive COVID test; and latterly to help people understand the importance of getting vaccinated and regular rapid testing.

ii. Oversight of Financial Impact:

- Throughout the pandemic there has been regular financial reporting of actual and estimated financial impact of the pandemic (this has been significant in income and expenditure terms, exceeding £70m). Initially this was through a weekly report circulated to JMT, with the frequency decreasing as the situation

stabilised. This reporting was also formally submitted to Members culminating at General Purposes Committee.

- Deployment of that level of extra resource has significantly mitigated risks to service provision, whilst not impacting the Council's underlying financial strength.
- The Council has robust arrangements in place for financial monitoring and forecasting, including utilising the reporting tools of Mosaic, and the expertise of finance business partners working with demand led services. This leads to reliable and stable forecasts and clarity on the financial position during the year, alongside assurance about the levels of service and activity that this expenditure is supporting.
- Professionals working in the Resources Directorate, particularly those embedded Finance Business Partners, as well as colleagues in internal audit, insurance, property and procurement are well-placed to identify and escalate service delivery or governance issues. Business Partners develop trusted and expert relationships with the service managers they support, as well as having an independent reporting line via the Chief Finance Officer to the JMT.

iii. Managing the Impact of Covid on Our Communities:

- Ensuring that our response to COVID (set out in our Local Outbreak Management Plan and our service-specific COVID plans) is evidence-based with a focus on the course of infection amongst groups who are more vulnerable to COVID (risk factors include age, ethnicity, underlying health conditions) as well as groups who experience social and economic hardship (risk factors include low wage economy, poor housing, homelessness, houses of multiple occupancy).
- Supplementing national schemes, such as those providing financial and practical support for those experiencing hardship through the impact of COVID, with additional local schemes to ensure we can meet demand for support, particularly in areas or communities with high needs.
- Systematically re-deploying staff into roles that are focused on support for people who are more vulnerable, pausing business-as-usual activities where necessary.
- Maximising on our links with community and voluntary sector organisations, faith groups and community leaders, so they can reach out to individuals and families who may otherwise be overlooked through more traditional routes for support.
- Setting up a partnership sub-group and establishing the decision-making process for the allocation of the Contain Outbreak Management Fund, to

ensure we are rigorous in how we meet the national criteria for this fund with its focus on addressing inequalities exacerbated by COVID.

- Budget process were put in place to identify and justify funding support for vulnerable and other residents with a rigorous justification of Covid-related spend that was supported by Public Health colleagues and based on the latest Government guidance. Examples include:
 - Covid Support Grants were used to provide rest centres for rough sleepers in Peterborough to ensure most, if not all, were not left vulnerable to Covid by being on the streets.
 - Securing agreement to extra Covid contingency costs for capital projects to allow contractors to operate sites in a Covid-safe way.
 - Regular additional cleaning of public spaces in particular when lockdowns were lifted to ensure a safe environment for the public.
 - Closing Household Recycling Centres to prevent the spread of the disease in Spring 2020.
 - Ensuring their safe reopening by investing in measures to keep members of the public apart, through strong hygiene supplies and traffic management measures to manage queuing traffic.
 - Closure of play parks and sports facilities with notices to explain the risks of their use, followed by their safe reopening in line with Government guidance.

iv. Resource Management and Oversight:

- The Resources Management Team met frequently throughout the pandemic and considered risks and issues for escalation to the JMT.
- JMT developed a strategic risk register focused on the Covid-19 pandemic, which is reviewed regularly. For more detailed information on the risk management approach, see Section 3.3, below.
- Clinically Extremely Vulnerable (CEV) work to manage escalations including evidence of demand management through supporting the most vulnerable. Targeted support work to manage escalations (e.g. carers).
- Track and Trace Gold meetings were stood up to provide evidence of rapid decisions making and resource planning; evidence of monitoring national policy and shaping it to the local level.
- Management of redeployment with evidence of risk management and resource allocations.

v. Managing Staff Safety and Wellbeing:

- Encouraging and enabling all staff to work from home wherever possible.
- Creating a safe environment in the office for those whose roles could not be undertaken at home, or who had special personal circumstances requiring them to be in the office
- Implementing Covid safe working practices for staff working on site or visiting sites, including social distancing measures.
- Providing mental health support for staff needing help to adapt to changing circumstances.
- Ensuring frequent and up to date communication with staff, from JMT Gold to P&E Silver on a daily basis through early months of the pandemic.
- Specific actions from JMT have included the creation and implementation of a suite of COVID risk assessments e.g. for our office spaces, our teams (who have been working in a range of settings throughout the pandemic) and for individuals.
- Property colleagues, including those with professional expertise in facilities management, building surveying and safety/compliance have been leading the response to the safety of our buildings and workplaces and responding to service requirements for provision of services at pace and in different places across the estate and in collaboration with partners.