

# Internal Audit & Risk Management

Cambridgeshire County Council

*Update report*

*As at 15<sup>th</sup> January 2023*

*Section 1*

**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 CCLT, with a summary of internal audit activity for the first three quarters 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:

|                              | <b>Compliance Assurance</b>   | <b>Control Environment Assurance</b>   |
|------------------------------|---|--|
| <b>Substantial Assurance</b> | 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 |

|                           |   |  |
|---------------------------|---|--|
| <b>Good Assurance</b>     | 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.   |
| <b>Moderate Assurance</b> | 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.  |
| <b>Limited Assurance</b>  | 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.  |
| <b>No Assurance</b>       | 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.

| <b>Organisational Impact</b> |  |
|------------------------------|--|
| <b>Level</b>                 | <b>Definitions</b>   |
| <b>Major</b>                 | 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 |
| <b>Moderate</b>              | 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   |
| <b>Minor</b>                 | 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 **December 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 | Audit Actions Agreed |      |        |          |
|-----|--------------------------------|---|-------------------|----------------------|-----------------------|----------------------|------|--------|----------|
|     |                                |   |                   |                      |                       | Essential            | High | Medium | Advisory |
| 1.  | Place & Sustainability         | Climate Change & Environment Strategy         | Limited           | Good                 | Moderate              | 0                    | 0    | 8      | 10       |
| 2.  | Strategy & Partnerships        | Pathfinder Legal Services                     | Moderate          | Moderate             | Moderate              | 0                    | 4    | 6      | 9        |
| 3.  | Strategy & Partnerships        | Corporate Key Performance Indicator Framework | Moderate          | Good                 | Minor                 | 0                    | 0    | 1      | 1        |
| 4.  | Children, Education & Families | Consolidated Schools Report                   | Moderate          | Moderate             | Minor                 | 0                    | 0    | 4      | 1        |
| 5.  | Children, Education & Families | Huntingdon Primary School                     | Moderate          | Moderate             | N/A                   | N/A <sup>1</sup>     |      |        |          |

<sup>1</sup> Individual recommendations within individual schools reports are not risk rated and are not followed up individually by Internal Audit. An action plan to respond to the audit findings is agreed with the school and presented to Governors. Thematic findings are then incorporated into the overarching schools audit report issued to the Director of Education, and recommendations within the overarching report are then risk rated and followed up by audit as usual.

| No. | Directorate                    | Assignment                         | Systems Assurance            | Compliance Assurance | Organisational impact | Audit Actions Agreed |      |        |          |
|-----|--------------------------------|------------------------------------|------------------------------|----------------------|-----------------------|----------------------|------|--------|----------|
|     |                                |                                    |                              |                      |                       | Essential            | High | Medium | Advisory |
| 6.  | Children, Education & Families | Huntingdon Nursery School          | Limited                      | Moderate             | N/A                   | N/A                  |      |        |          |
| 7.  | Children, Education & Families | Bewick Bridge Primary School       | Moderate                     | Moderate             | N/A                   | N/A                  |      |        |          |
| 8.  | Finance & Resources            | Case 128 National Fraud Initiative | Investigation report issued. |                      |                       | N/A                  |      |        |          |
| 9.  | Place & Sustainability         | Case 125 Guided Busway Procurement | Investigation report issued. |                      |                       | 0                    | 7    | 4      | 3        |
| 10. | Adults Health & Commissioning  | Case 127 Supported Living          | Investigation report issued. |                      |                       | 0                    | 0    | 7      | 0        |

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 December 2023 are provided in Section 4. Summaries of investigation reports are provided in Section 9.

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

**Table 2: Draft Reports**

| <b>No</b> | <b>Directorate</b>             | <b>Assignment</b>   |
|-----------|--------------------------------|---|
| 1.        | CCC-wide                       | Agency Workers, Interims & Client-side Review of Opus People Services |
| 2.        | Place & Sustainability         | Capital Project Management  |
| 3.        | Finance & Resources            | Electronic Records Management   |
| 4.        | Children, Education & Families | Case 126 Transport Contracts  |
| 5.        | CCC-wide                       | Waivers & Direct Awards   |
| 6.        | Children, Education & Families | Castle School   |
| 7.        | Children, Education & Families | Meridian Primary School   |
|           |                                |   |

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 CLIMATE CHANGE & ENVIRONMENT STRATEGY

- 4.1.1 Cambridgeshire County Council (CCC) has outlined a clear vision for its Climate Change and Environment Strategy (CC&ES), which is supported by an Action Plan and delivered via the Climate Change & Environment Programme Board. The Internal Audit review gave a 'limited' assurance opinion to the control environment relating to the CC&ES. The ambitious nature of the CC&ES means that significant work is still underway within the authority to obtain key data and agree the corporate approach to delivering individual targets or Actions. This early stage of implementation therefore reduces the authority's ability to monitor performance against the objectives and outcomes of the Strategy and the ability of audit to provide assurance that the Council has effective arrangements in place to deliver the CC&ES targets in practice. The lack of baseline data, particularly relating to adaptation and natural capital, also impacts performance management.
- 4.1.2 The audit gave a 'good' opinion on compliance with implementation of the CC&ES as it stands. There is a Climate Change and Environment Programme Board (the Programme Board) which manages the delivery of the Action Plan; an extensive programme of internal and external communications has been undertaken; and there is a clear escalation route from the workstreams governed by the Programme Board to the Corporate Leadership Team and on to the political leadership of the Environment and Green Investment Committee.
- 4.1.3 A 'moderate' opinion on organisational impact was given, recognising that Risk 12 ("Climate Change") on the Council's the Corporate Risk Register is the highest rated risk in the register, with a rating of 16; as such, robust strategy is essential in the treatment of this risk. Equally, it is recognised that the risk, just like the CC&E Strategy itself, is extremely long term in nature and thus any impact on the organisation is also likely to occur only in the long term.
- 4.1.4 A range of actions were agreed for implementation as part of the audit review, including developing and refining targets to ensure they are both realistic and measurable; developing an approach to emissions reductions which includes annual targets; and ensuring that net zero ambitions are reflected across the Council's entire policy framework.



## *INTERNAL AUDIT ACTIVITY*

### 5.1 STAFFING, RESOURCE & RECRUITMENT

5.1.1 Following successful recruitment campaigns, the Internal Audit team has welcomed a new Deputy Head of Internal Audit and a new Senior Auditor to the team in January 2024. A vacancy for a Principal Auditor still remains in the team and a recruitment campaign is planned to take place in February.

5.1.2 The Internal Audit team also continues to run the successful graduate recruitment scheme alongside colleagues in Finance. A recruitment campaign for Internal Audit and Financial Management Associates, who will study to become Chartered Public Finance Accountants during their role at the Council, is now underway. Successful candidates are expected to start work in late August/early September.

### 5.2 SCHOOLS AUDITS

5.2.1 Beginning in September, the Internal Audit team undertook a programme of seven school finance audit visits. All of these schools have had draft reports issued, and five of these have been finalised. Following this, Internal Audit issued an Overall School Audit Report in December, looking at the thematic findings across the entire sample. Common themes identified this year include a lack of in-system approval by a second officer for individual payroll amendments which increases the risk of payroll fraud; documents such as signed contracts being lost when staff leave due to being held only in emails; and schools having asset registers which have not been updated since their creation, reducing their scope for use as evidence in the event of an insurance claim.

5.2.2 In order to complement the school audit visits this year by exploring a new risk area, Internal Audit is also undertaking a desktop exercise to review the deficit Recovery Plans of schools in qualifying budget deficits. This review is seeking to provide assurance that there is adequate support in place for schools in deficit situations. This review is being carried out separately to the school site visits, as most of the schools in qualifying deficits have already received audit visits in the last two years. Those schools not previously visited were visited this year as part of the sample of seven.

### 5.3 ADVICE & GUIDANCE:

5.3.1 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:

- Liaising with Procurement regarding the implementation of the new Provider Selection Regime.
- Responding to FOI requests.
- Responding to queries regarding the Council's policy on donations.

**6. AUDIT FORWARD PLANNING: 2023/24**

- 6.1 Core audit work is progressing in line with the agreed Audit Plan 2023/24, following on from the significant rephrasing of the Plan that was reported in July 2023. Progress on work underway is detailed at Annex A to this report.
- 6.2 The proposed ‘flexible’ Internal Audit Plan for the next four quarters (Q4 2023/4 – Q3 2024/5) is set out below, showing the current risk profiling of Internal Audit reviews over the next year. This reflects the usual approach of the team to plan four quarters ahead on a rolling basis. These are new jobs proposed to commence in the period, i.e. ongoing work is not included, as this is reflected in Annex A.
- 6.3 This programme of work is indicative only, and is subject to change to ensure that the Audit Plan can be reactive as well as proactive about providing assurance over emerging risk areas.
- 6.4 The flexible plan shown below is largely the same as that brought to the December Committee meeting, with some minor amendments. A review of Council Owned Companies had been planned for Q4 2023/4; however, the audit team have completed in-year reviews of Pathfinder Legal Services and Opus which provide assurance over this area, and it is proposed that the cross-cutting audit be deferred to 2024/5 so that it can consider the implementation of actions agreed as part of these audits. Additionally, a review of the Lifestyle Services Contract had been planned for Q4 2023/4, but has been deferred for consideration for inclusion in the 2024/5 Audit Plan; specialist audit contract review resource is currently undertaking reviews of the Council’s Street Lighting PFI contract and Energy Contracting, which are considered higher priority than the Lifestyle Contract review.
- 6.5 A full process of revising and updating the Audit Plan for 2024/5 is being undertaken throughout the final quarter of 2023/4, including consultation with key officers and Directors, and the final proposed 2024/5 Internal Audit Plan will be presented to the March 2024 meeting of the Audit & Accounts Committee.

**Table 5: Proposed ‘Flexible’ Internal Audit Plan (Next Four Quarters):**

| Audit  | Directorate | Category     | Days       | Why  |
|--|-------------|--------------|------------|--|
| <b>Current Proposed Flexible Internal Audit Plan for Q4 2023/24:</b> |             |              | <b>105</b> |  |
| 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. |

|  |                         |                                     |            |  |
|--|-------------------------|-------------------------------------|------------|--|
| Adults Directorate Business Planning Review & Challenge              | Adults                  | Value For Money                     | 20         | Review to provide constructive challenge to Business Planning proposals considering the robustness of plans, sustainability of savings and the risks that they mitigate/create.                                    |
| 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.  |
| 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.      |
| 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.   |
| <b>Current Proposed Flexible Internal Audit Plan for Q1 2024/25:</b> |                         |                                     | <b>185</b> |  |
| Budget Setting and Demand Forecasting                                | Finance & Resources     | Financial Governance                | 20         | Review of processes for forecasting high demand demographically-driven budgets to ensure processes are robust and budget setting is accurate.  |
| 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.                                  |
| Late Payments in Commissioning                                       | Adults                  | Financial Governance                | 15         | Review to provide assurance over processes in place to ensure timely payment of social care providers.   |
| 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.  |
| Business Planning  | Strategy & Partnerships | Financial Governance                | 30         | Review of governance, compliance, management and monitoring, lessons learned and benefits realisation.   |
| 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. |

|   |                        |                             |    |  |
|---|------------------------|-----------------------------|----|--|
| ICT Procurement                           | Finance & Resources    | Procurement & Commissioning | 20 | Review of ICT procurement function, including commissioning, contract management, efficiencies etc.  |
| 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.      |
| Health & Safety in Place & Sustainability | Place & Sustainability | Safeguarding                | 20 | Review of controls and compliance for key health and safety considerations in P&S Directorate including how management obtains assurance that key controls are met |

**Current Proposed Flexible Internal Audit Plan for Q2 2024/25: 160**

|   |                         |                                     |    |   |
|---|-------------------------|-------------------------------------|----|---|
| Inspection Programmes & Trading Standards   | Finance & Resources     | Value For Money                     | 20 | Review of Trading Standards service to affirm value for money is achieved.  |
| 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   |
| Children's Social Care Placements           | Children's              | Safeguarding                        | 20 | Review of placements in Children's Social Care to provide assurance that the Council is compliant with statutory requirements for placements and ensuring that unregulated accommodation is not being used.                         |
| 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. |
| Social Care Debt                            | Adults                  | Financial Governance                | 20 | Reviewing Council management of social care debt.   |
| Projects Assurance (Non-Capital)            | Strategy & Partnerships | Project Management & Transformation | 40 | Provision of assurance over a sample of key non-capital projects and review of the efficacy of extant assurance processes.  |
| Contract Management - Minor Works Framework | Finance & Resources     | Procurement & Commissioning         | 20 | Review of Minor Works Framework contract with an estimated annual value of £8m.   |

**Current Proposed Flexible Internal Audit Plan for Q3 2024/25: 170**

|  |                     |                                |    |   |
|--|---------------------|--------------------------------|----|---|
| ICT Strategy   | Finance & Resources | ICT and Information Governance | 20 | The ICT service is in the process of a major refresh of strategy and governance. This review will aim to work collaboratively with the service to consider progress to date and suggestions for ongoing strategy development. |
| 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.                           |
| 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.  |
| ICT Disaster Recovery  | Finance & Resources | ICT and Information Governance | 20 | Review of ICT disaster recovery planning and testing.   |
| Adult Social Care Finance  | Adults              | Financial Governance           | 20 | Assurance over the policies and processes in place within the Adults Social Care Finance team, with a particular focus on reviewing invoicing , cost recovery and the link to debt management.                                |
| Contract Management - Supported Living   | Adults              | Procurement & Commissioning    | 20 | Review of the Supported Living framework contract with an annual estimated value of £22.6m  |
| Cambridgeshire County Council Client Monitoring Arrangements for This Land Ltd | Finance & Resources | Governance                     | 20 | A review to provide comprehensive follow-up on findings and implementation of actions following the review of This Land Ltd in 2019/20.   |
| Contract Management - Integrated Sexual Health and Contraception Service       | Public Health       | Procurement & Commissioning    | 30 | Review of this major contract with an estimated annual value of £4.1m   |

## 7. FOLLOW UP OF AGREED AUDIT ACTIONS

### 7.1 OVERVIEW OF FOLLOW UPS

7.1.1 The outstanding management actions from Internal Audit reports as at 31<sup>st</sup> December 2023 are summarised in table 7 below. This includes a comparison with the percentage implementation from the previous report (bracketed figures). There are currently 82 management actions outstanding, a reduction from a total of 96 outstanding actions as of our previous report to Committee.

7.1.2 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.

7.1.3 For this reporting cycle, Internal Audit has introduced a new process for following up recommendations. The new process involves the Executive Assistants in each directorate sharing a spreadsheet of all recommendations with the officers responsible for implementing each recommendation on a monthly basis. Responsible officers are required to provide monthly updates on each recommendation. Internal Audit review those updates to assess whether any recommendations can be closed as implemented, and to provide information on follow ups in this report and Annex B of this report. This new process should increase directorate oversight of outstanding actions.

**Table 7: Implementation of Recommendations**

|  | Category<br>'Essential'<br>recommendations |                  | Category<br>'High'<br>recommendations |                    | Category<br>'Medium'<br>recommendations |                    | Total       |                    |
|--|--|------------------|---------------------------------------|--------------------|---|--------------------|-------------|--------------------|
|  | Number                                     | % of<br>total    | Number                                | % of<br>total      | Number                                  | % of<br>total      | Number      | % of<br>total      |
| <b>Implemented</b>   | 2<br>(1)                                   | 1.09%<br>(0.56%) | 25<br>(20)                            | 13.66%<br>(11.11%) | 74<br>(63)                              | 40.44%<br>(35.00%) | 101<br>(84) | 55.19%<br>(46.67%) |
| <b>Actions due<br/>within last 3<br/>months, but<br/>not<br/>implemented</b> | 0<br>(0)                                   | 0.00%<br>(0.00%) | 0<br>(5)                              | 0.00%<br>(2.78%)   | 19<br>(29)                              | 10.38%<br>(16.11%) | 19<br>(34)  | 10.38%<br>(18.89%) |
| <b>Actions due<br/>over 3<br/>months ago,<br/>but not<br/>implemented</b>    | 0<br>(1)                                   | 0.00%<br>(0.55%) | 14<br>(11)                            | 7.65%<br>(6.11%)   | 49<br>(27)                              | 26.78%<br>(15.00%) | 63<br>(39)  | 34.43%<br>(21.67%) |

|               |          |  |           |  |            |  |            |  |
|---------------|----------|--|-----------|--|------------|--|------------|--|
| <b>Totals</b> | <b>2</b> |  | <b>39</b> |  | <b>142</b> |  | <b>183</b> |  |
|---------------|----------|--|-----------|--|------------|--|------------|--|

7.1.4 There are no outstanding 'essential' actions. Further detail on outstanding actions is provided at Annex B.

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

**Table 8: Outstanding Actions By Directorate**

| <b>Directorate</b>                |                              | <b>Outstanding recommendations</b> |
|-----------------------------------|------------------------------|------------------------------------|
| Children's                        |                              | 12                                 |
| Adults, Health and Commissioning  |                              | 4                                  |
| Place and Sustainability          |                              | 0                                  |
| Finance and Resources Directorate | <i>Key Financial Systems</i> | 10                                 |
|                                   | <i>Other</i>                 | 41                                 |
| Public Health                     |                              | 2                                  |
| Strategy and Partnerships         |                              | 13                                 |



## 8.0 *RISK MANAGEMENT*

8.1 In line with the Council's Risk Strategy, the Internal Audit & Risk Management service has sought to re-establish the Corporate Risk Group. This group brings together Cambridgeshire County Council staff who are closely involved in risk management at a directorate or project level, to:

- Develop a network of expert Risk Champions who promote consistent and high-quality risk management culture and practice throughout the organisation and ensure that risk management is embedded in all business processes.
- Facilitate effective communication vertically and horizontally across the organisation about key risks and emerging issues which may impact multiple services or directorates, ensuring consistency in the Council's corporate response to risk.
- To provide additional challenge, scrutiny and feedback on corporate risk registers, risk management policies and procedures.

8.2 The first meeting of the CRG was held on the 13<sup>th</sup> November 2023 with 21 members of staff attending from across the whole range of the Council's directorates. The Group reviewed and agreed its Terms of Reference, discussed the Risk Strategy and emerging risks within the Council, and undertook a training session on escalating and de-escalating risks.

8.3 The next meeting of the CRG will be on the 15<sup>th</sup> February 2024, so that feedback from the CRG can be taken to the next CLT Risk & Assurance meeting on the 1<sup>st</sup> March. Following this meeting, updated reporting on the Corporate Risk Register will be presented to the Strategy and Resources Committee and Audit & Accounts Committee.

## 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 31<sup>st</sup> December 2023, Internal Audit has received 24 whistleblowing referrals in the 2023/24 financial year, similar to the number of referrals received by the same point in 2022/23 (21 cases). There are no open cases which have been carried forward from 2022/23.

**Table 9. Current Internal Audit Investigations Caseload**

| All Cases Reported in 2023/24 To Date |                           | Open     | Closed    | Total     |
|---------------------------------------|---------------------------|----------|-----------|-----------|
| Fraud and Theft                       | Conflict of Interest      | 2        | 1         | 3         |
|                                       | Council Officer Fraud     | 2        | 3         | 5         |
|                                       | Third Party Fraud         | 0        | 2         | 2         |
|                                       | Health and safety         | 0        | 1         | 1         |
|                                       | Theft                     | 0        | 2         | 2         |
|                                       | Attempted blackmail       | 1        | 0         | 1         |
| Governance                            | Internal Governance Issue | 2        | 1         | 3         |
|                                       | Schools Governance        | 0        | 1         | 1         |
| Grievance/Bullying                    | Staff Conduct/Grievance   | 1        | 1         | 1         |
| Safeguarding and Health & Safety      | Safeguarding              | 1        | 3         | 4         |
| <b>Total</b>                          |                           | <b>9</b> | <b>15</b> | <b>24</b> |

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 (2 open cases)** – Internal Audit is currently collaborating with HR colleagues to investigate two cases relating to possible conflicts of interest involving people working for CCC.
- **Safeguarding (1 open case)** – One case of safeguarding concerns raised by a member of the public is currently open, which is being investigated by Children’s Social Care.

- **Internal Governance (2 open cases)** – Internal Audit are currently investigating two cases of internal governance concerns. In one instance, a draft report has been issued, and a summary of the outcomes of the investigations and agreed actions will be brought to Audit & Accounts Committee as part of the next Progress Report, once they have been issued as final. In the remaining case, initial work undertaken suggests there are no serious concerns but Internal Audit continue to investigate.
- **Council Officer Fraud (2 open cases)** – Internal Audit is currently investigating two cases of alleged fraud involving people working for CCC, in conjunction with HR colleagues.
- **Attempted blackmail (1 open case)** – There is currently one open case relating to attempted blackmail. This is being dealt with in conjunction with the police and Information Governance colleagues.
- **Staff Conduct/Grievance (1 open case)** – One case relating to an instance of staff conduct/grievance is currently open, which is being investigated by HR and Safeguarding.

## 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 Following the update provided in December's report, creation of these e-learning modules is still underway. A full draft of the Anti-Money Laundering training module is now complete and the Learning & Development team has developed a test version of the training, in advance of launch. The Whistleblowing & Anti-Fraud training module is still being drafted. Progress has been hindered by resourcing issues in Internal Audit, which have resulted in a scarcity of time to work on the modules in light of priority audit work.

## 9.3 NATIONAL FRAUD INITIATIVE (NFI)

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

9.3.2 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 as at January 2023 was 4,200 across 34 reports which have a high or medium risk rating, depending on the nature of the data. The NFI released an extra data set recently regarding residential parking permits therefore the total number of matches is now 4229 across 35 reports.

- 9.3.3 As at January 2024, 2,293 matches have been reviewed and cleared resulting in £1,462.46 identified to recover. This sum relates to pension payments made to a deceased person and the Pension Team Leader (West Northamptonshire) is progressing these cases, with the most recent update being that death certificates have now been ordered. The purpose of the match is to identify instances where an occupational pensioner has died but the pension is still being paid.
- 9.3.4 306 blue badges have been cancelled; the Cabinet Office estimates a notional saving of £198,900 for these.

#### 9.4 GUIDED BUSWAY LEGAL PROCUREMENT INVESTIGATION

- 9.4.1 An audit investigation identified non-compliance with Public Contract Regulations (PCRs) and the Council's Contract Procedure Rules (CPRs) in respect of expenditure incurred on the Guided Busway Litigation budget since 1<sup>st</sup> April 2018. This included expenditure on expert witnesses, e-disclosure services and legal advice linked to the Busway litigation, and insurance-related expenditure linked to the HSE Busway investigations.
- 9.4.2 Much of the expenditure relating to the Busway dispute was driven by the Council's lawyers leading on the litigation, who would identify a need for specific expert services and often recommended a specific firm or individual or conducted searches to identify a suitable expert. The appointment of these experts was constrained by the requirement that witnesses must be demonstrably independent from any prior connection to the Busway construction or the opposing party. Although the Council contracted directly with these expert services, it was therefore often not possible for the Council to conduct a full open procurement for this expenditure as would usually be required.
- 9.4.3 While officers were therefore frequently constrained in their ability to comply with the normal provisions of PCRs and CPRs, the Council's CPRs set out a process by which exemptions or waivers from CPRs may be requested. The audit found that this process was not always followed to obtain waivers for expenditure which was not in line with CPRs, and there were a number of cases where waivers which were applied for and approved subsequently breached their approval limits, both in value and in duration.
- 9.4.4 The CPRs do not permit officer approval of waivers valued over £500,000 (as this would constitute a Key Decision, which is reserved to Committees), but in practice the audit did not identify reporting to Committee to highlight the unusual

procurement constraints linked to the Busway expenditure nor to seek approval to incur expenditure over £500,000 on contracts that were not compliant with CPRs.

- 9.4.5 The investigation also noted that responsibility for progressing a number of outstanding transfers of land related to the Busway was not clear and the risks associated with these outstanding transfers had not been assessed. This responsibility has now been delegated to a named officer, who is progressing the action to review all outstanding land transfers and conduct a risk assessment.
- 9.4.6 A number of actions were agreed as part of the audit report process; some of these have already been implemented, including an update to CPRs to clarify whether exemptions within the Public Contracts Regs 2015 do or do not automatically apply as exemptions to CPRs. The Council's Procurement team are working with the relevant services to ensure any further expenditure on land or insurance matters related to the Busway is made in compliance with CPRs and PCR's. A new 'breach' process to report on, investigate and regularise procurement breaches will be introduced, and following a review of the historic non-compliant spend identified by the audit, these issues will be reported to the Assets & Procurement Committee under the new breach process.

## 9.5 SUPPORTED LIVING INVESTIGATION

- 9.5.1 A new Operational Lead Manager raised concerns regarding high levels of expenditure against specific budget codes at a Council supported living setting. Whilst no concerns regarding potential fraud were raised, Internal Audit determined that an investigation should be undertaken, including review of physical cash on site and supporting records as well as purchase card (GPC) usage. Internal Audit's review did not identify any fraudulent activity or inappropriate expenditure, although several areas were identified where practices could increase the risk of fraud and theft. A number of actions have been agreed to address this.
- 9.5.2 The review identified a lack of documented corporate guidance over Imprest Accounts & Petty Cash Accounts. This led to correct processes not being followed, which had an adverse impact on the accuracy of budget management and financial reporting; this was the cause of the high level of spend on one of the budget codes. Internal Audit has recommended that corporate guidance on the operation of Imprest accounts and petty cash should be developed and implemented. In addition, it was identified that GPC purchases from other supported living establishments were being mis-coded to the setting, which artificially inflated the setting's expenditure. A recommendation has been made to recode these transactions and ensure expenditure is correctly coded in future.
- 9.5.4 It was also identified that Service Users at the supported living establishment and other nearby establishments were receiving cash advances from the setting's Imprest account and were subsequently invoiced for the value of the advances.

This process is not in line with the Council's Scheme Of Financial Management, was not subject to robust reconciliations between settings, and increases the risk of theft or fraud. Following the audit, one of the agreed actions is that this activity will cease and Service Users will be moved onto pre-payment cards to reduce the need to use cash.

## 9.6 NATIONAL FRAUD INITIATIVE INVESTIGATION

- 9.6.1 Through Cambridgeshire County Council's National Fraud Initiative (NFI) Payroll data matching exercise, officers in the Council's Internal Audit team identified that an officer who was employed full-time at Cambridgeshire also appeared to be working 30 hours a week with another local authority. Initial inquiries confirmed this had not been declared to HR nor the officer's line manager as required under the Council's Code of Conduct and therefore an investigation into possible gross misconduct was undertaken jointly between Internal Audit and HR. The employee was suspended and an investigation report produced; however the employee resigned prior to a hearing taking place.

## 10 *KEY FINANCIAL SYSTEMS UPDATE*

### 10.1 2023/24 KEY FINANCIAL SYSTEMS AUDITS

- 10.1.1 The CCC Internal Audit Team are undertaking the Payroll and Pensions Administration key financial system audits for 2023/24 for authorities which share these services under the Lead Authority model. This is a change in approach, as since the implementation of ERP Gold in 2018, the CCC IA Team had previously been responsible for the Accounts Payable, Income Processing and Debt recovery audits, whilst the Pensions and Payroll work has been undertaken by IA Teams at other local authorities that are part of those shared services.
- 10.1.2 Both the Pensions and Payroll audits are underway. Fieldwork undertaken to date on the payroll starter and leaver processes has not identified any significant issues. Further work will include process review and sample testing on overpayments, emergency payments, overall payment file process and control account reconciliations.
- 10.1.3 Work is also underway on the Pensions Administration audit covering the Cambridgeshire and West Northamptonshire schemes. Fieldwork will include coverage of key transfer processes, payments, bank account changes, and performance reporting. The commencement of fieldwork has been delayed, as there were delays in the processes to give the Cambridgeshire IA Team access to the ALTAIR pensions computer application and the West Northamptonshire IT network on which the ALTAIR application is hosted. As of mid-January, the Cambridgeshire team now has access to Pensions systems and work is progressing.