

AUDIT AND ACCOUNTS COMMITTEE



Date: Tuesday, 11 June 2019

Democratic and Members' Services

Fiona McMillan
Monitoring Officer

14:00hr

Shire Hall
Castle Hill
Cambridge
CB3 0AP

**Kreis Viersen Room
Shire Hall, Castle Hill, Cambridge, CB3 0AP**

AGENDA

Open to Public and Press

DRAFT ACCOUNTS SPECIAL MEETING

1. **Apologies for absence and declarations of interest**
Guidance on declaring interests is available at
<http://tinyurl.com/ccc-conduct-code>
2. **Debt Recovery - Level of Outstanding Debt - Update Report** **3 - 10**
3. **Draft Statement of Accounts 2018-19 - to follow**
4. **Draft Annual Governance Statement 2018-19** **11 - 24**
5. **Internal Audit Draft Annual Report 2018 - 19** **25 - 44**
6. **Date of Next Meeting 29th July 2019**

The Audit and Accounts Committee comprises the following members:

Councillor Mike Shellens (Chairman) Councillor Terence Rogers (Vice-Chairman)

Councillor Peter Hudson Councillor Noel Kavanagh Councillor Mac McGuire Councillor David Wells and Councillor John Williams

For more information about this meeting, including access arrangements and facilities for people with disabilities, please contact

Clerk Name: Rob Sanderson

Clerk Telephone: 01223 699181

Clerk Email: rob.sanderson@cambridgeshire.gov.uk

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Public speaking on the agenda items above is encouraged. Speakers must register their intention to speak by contacting the Democratic Services Officer no later than 12.00 noon three working days before the meeting. Full details of arrangements for public speaking are set out in Part 4, Part 4.4 of the Council's Constitution <https://tinyurl.com/ProcedureRules>.

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DEBT RECOVERY - LEVEL OF OUTSTANDING DEBT – UPDATE REPORT

To: **Audit and Accounts Committee**

Date: 11th June 2019

From: LGSS Head of Revenues and Benefits

Electoral Division(s): **All**

Purpose: **To update the Committee on actions being taken to control and manage debt.**

Key Issues: **The levels of aged debt in Cambridgeshire have been increasing and the Committee is seeking re-assurance of management actions and progress being made in the management of debts owed to the Council.**

Recommendation: **The Committee is asked:**

- a) To note the actions and approach being taken to manage income collection and debt recovery**
- b) Agree that a further update will be provided to the January 2020 Committee**
- c) Note the outputs and outcomes the service are aiming to achieve over the next 6 months**

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1. BACKGROUND

- 1.1 Members have been monitoring the position with outstanding debt having noted that Cambridgeshire County Council (CCC) needed to lower the level of operational debt outstanding. Reduction targets for the 2018/19 financial year were put in place to track progress.
- 1.2 This report is an update following the previous report presented to both the Audit and Accounts and General Purpose Committee meetings in January 2019 and sets out the current position and the actions being taken to reduce debt.

2 ACTIVITY UPDATE

- 2.1 For the purposes of like for like comparison this report provides an update against the tables and metrics provided as part of the report in January 2019.
- 2.2 However a revised reporting pack is under development and is proposed for future meetings, in order to provide better visibility of debt management, current collection rates and data under-pinning performance in debt recovery.
- 2.3 Since the last update, the reports below highlight the activity and progress over recent months to pursue overdue debts:
- All 2019 debts are following our debt management procedure provided at **Appendix A** to ensure that they are all in a managed position and none of the debt remains inactive for long periods.

Recovery letters Issued between 1st April 18 and 31st March 19

CCC P1 - P12	Number of notices	Value (£)
Reminder	11,035	54,032,315
Final Notice	7,801	16,889,213
Letter Before Action	7,988	14,870,902
Total	26,824	85,792,430

- A process is being undertaken to review all aged debts to ascertain the stage of recovery and to move these debts into a fully managed position. This cleansing process will identify opportunities for recovery, referral to collection agents, to regulated legal providers or write off.
- In terms of cases that are placed with LGSS Law, these cases have been reviewed with some cases being called back for action within the

service and others continuing to be pursued through the courts. Recovery through the courts does carry cost to CCC and therefore action is carefully considered before and during proceedings.

- A new service is supporting debt management in CCC by using existing Collection Agents utilised by the LGSS Revenues and Benefits service supporting debt recovery. Collection as part of the framework set up by LGSS Revenue and Benefits (R&B) is based on 0% commission on these debts will ensure value for money for CCC. Previously commission of 15% was charged by agents and this change represents value for money in collection of debts.
- High value debts are being regularly targeted and payment sought. The top 20 overdue accounts total £8.6m of the £20.3m outstanding, securing payment of these overdue amounts will support reducing the overall arrears at CCC.
- Bad debts will also be moved through to write off and an estimated £1.5m will be written off in 2019/20. Since April the service have already identified £75,523 of write offs that are now to be processed. The debt will be uncollectable on the grounds that the debt is be uneconomical to pursue, the customer is deceased, and that all methods of recovery available to the service have been considered.
- After a period of significant turnover and problems with recruitment the team in The Octagon is now at full establishment, newer members of staff are reaching the end of their training period and further staff development will be undertaken to improve skills and knowledge. Having an effective and stable resource in place to manage demand in the service is of course critical and resourcing levels will continue to be reviewed as the aged debt position is cleansed over the coming months.

2.4 This table lists debts over 1 year old and the debt recovery stage as at on the 31st March 2019.

Recovery Stage	Adult Social Care £m	Sundry Debt £m
Active	0.491	2.107
Secured or on a Payment Plan	0.857	0.068
Agency / Legal	0.170	0.011
Budget Holder	0.401	0.082
Not controlled by the Debt Team	0.204	0.001
Deceased	0.910	0
Awaiting Write Off	0.001	0
Total	3.034	2.269

- 2.5 The service also tracks the overall % collected for Adult Social Care and Sundry Debtors over the life of the debt. The tables below show the current %:

Adult Social Care invoices (ASC) Invoices Raised & Cleared 2018/19

Period	Month End	Value	Volume
P1	April	94%	95%
P2	May	95%	95%
P3	June	99%	94%
P4	July	93%	94%
P5	August	95%	93%
P6	September	68%	93%
P7	October	97%	93%
P8	November	98%	96%
P9	December	80%	92%
P10	January	94%	89%
P11	February	81%	84%
P12	March	70%	83%

Sundry Invoices Raised & Cleared 18/19

Period	Month End	Value	Volume
P1	April	100%	99%
P2	May	99%	99%
P3	June	99%	98%
P4	July	96%	97%
P5	August	96%	94%
P6	September	97%	96%
P7	October	97%	96%
P8	November	98%	94%
P9	December	99%	93%
P10	January	89%	91%
P11	February	84%	83%
P12	March	66%	75%

This continues to demonstrate that the majority of invoices raised during the year are being collected. However the debt service are finalising an improvement plan which includes closer working on end to end processes for income and collection. Meetings are being held with Finance operations and wider teams that support income and debt management to discuss the end to end service with the aim of resolve issues at the income collection stage that impact on the recoverability and to increase the amount of time debt officers have to actively chase debt rather than resolving queries on the validity of a debt.

3 KEY PERFORMANCE TARGETS

- 3.1 The targets agreed at Committee in September 2018 and reviewed in January 2019 were for the following debt reductions for 2018/19 against a 31 March 2018 baseline as tabled below:

	Adult Social Care	All other Sundry Debt
91+ day debt Target 31/03/19	£3.37m	£1.71m
91+ day debt as at 31/03/19	£4.91m	£3.41m
Difference	£1.54m	£1.70m

#excludes payment plans and secured debts

- 3.2 When factoring in debt owed to what are deemed as 'safe debtors' for this period, the totals would show progress as follows:

	Adult Social Care	All other Sundry Debt
91+ day debt Target 31/03/19	£3.37m	£1.71m
91+ day debt as at 31/03/19	£3.81m	£1.21m
Difference	£0.44m	(£0.50)m

#excludes payment plans and secured debts

- 3.3 It is recognised that these 'safe debts' are yet to be recovered, however £3.3m is not in the control of the debt team, although the debt team are satisfied that steps are being made to resolve disputed outstanding balances and progress is expected to resolve these over the coming months particularly in relation to LGSS Law and Clinical Commissioning Groups (CCG) / NHS debts.
- 3.4 Key Performance indicators for the service are being agreed. At this stage an indicator is being proposed that monitors the % of debt in fully managed stages. This moves away from focusing just on the value of

outstanding debt and additional measures will provide demand figures alongside the traditional value outstanding. At a summary level these will be:

- KPI measuring debt management % within the LGSS Debt Team
- KPI measuring debt management % that is outside of LGSS Debt management team control
- Overall KPI showing % managed combined

Measures will include:

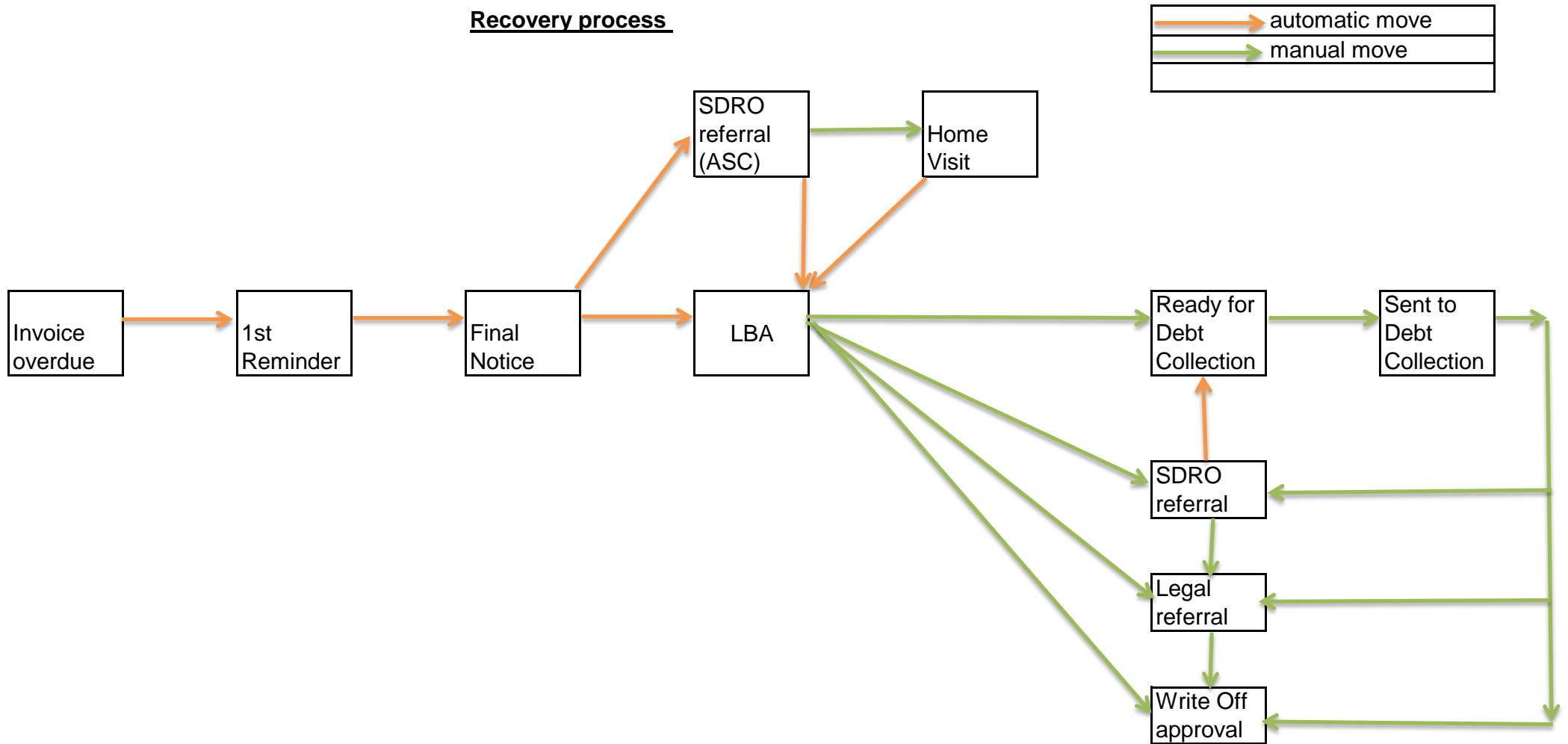
- % collection rate vs total value billed
- Volume of Invoices
- Credit Notes numbers
- Movement of bad debts by value and number of invoice numbers outstanding (to track progress on collection and writing off of unrecoverable debts)
- Overall debt outstanding at CCC and forecasted reduction

3.5 It is expected that the stable resourcing of the team together with the improvement plan that is being put in place will deliver an expected reduction in overall outstanding debt at CCC by the end of December 2019. Profiling can be difficult with these debts, particularly sundry debtors (non - adult social care) where one –off high value invoices for planning obligations can affect the profile however the forecasted position is for debt to be around £12m against existing debt levels of £16.8m.

List of Appendices

Appendix A – Recovery Process flowchart

Recovery process



DRAFT ANNUAL GOVERNANCE STATEMENT 2018 - 19

To: **Audit & Accounts Committee**

Date: **11th June 2019**

From: **Duncan Wilkinson, Chief Internal Auditor**

Electoral division(s): **All**

Forward Plan ref: **N/A**

Key decision:

N/A

Purpose: **This report presents the Annual Governance Statement (AGS) for 2018 - 19 for consideration by the Audit and Accounts Committee, prior to sign off by the Chief Executive and the Chairman of the General Purposes Committee.**

Recommendation: **The Audit and Accounts Committee is requested to consider if the AGS at Appendix A is consistent with the Committee's own perspective on internal control within the Council and the definition of significant governance and control issues given in paragraph 3.2.**

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1.0 PURPOSE

- 1.1 The Council is required to include an Annual Governance Statement (AGS) as part of the Annual Statement of Accounts. The AGS summarises the extent to which the Council is complying with its Code of Corporate Governance and details, as appropriate, any significant actions needed to improve the governance arrangements in the year ahead. The final statement will be signed by the Chief Executive and the Chairman of the General Purposes Committee.
- 1.2 The AGS is an important statutory requirement which enhances public reporting of governance matters. It should therefore be honest and open, favouring disclosure. Similarly its disclosures should not be mis-used which can create a 'blame culture' that in itself undermines governance.
- 1.3 The draft AGS is presented to the Audit and Accounts Committee in order to ensure that it reasonably reflects the Committee's knowledge and experience of the Council's governance and control.

2.0 BACKGROUND

- 2.1 The draft AGS (at Appendix A) has been compiled by staff in Internal Audit and Risk Management based upon the following sources of evidence:
 - A review of the extent to which the Council has complied with each element of its Code of Corporate Governance;
 - A review of the Council's Code of Corporate Governance itself, based on the CIPFA/Solace *Delivering Good Governance in Local Government* Framework.
 - Self-assurance statements prepared by directors;
 - The Chief Internal Auditor's opinion on the Council's internal control environment, which will be formally reported to the Audit Committee on 28th May 2019.

3.0 The Annual Governance Statement (AGS)

- 3.1 The Statement is prepared in accordance with guidance from the Chartered Institute of Public Finance (CIPFA) and the Society of Local Authority Chief Executives (Solace). The key elements identified in the Statement are:
 - The Council's responsibilities for ensuring a sound system of governance;
 - An assessment of the effectiveness of key elements of the governance framework, and the role of those responsible for the development and maintenance of the governance environment;
 - An opinion on the level of assurance that the governance arrangements can provide and whether these continue to be regarded as fit for purpose;
 - The identification of any significant governance issues, and an agreed action plan showing actions taken, or proposed, to deal with significant governance issues;
 - Reference to how issues raised in the previous year's Statement have been resolved;
 - A conclusion demonstrating a commitment to monitoring implementation through the next annual review.

3.2 'Significant Governance Issues' are those that:

- Seriously prejudice or prevent achievement of a principal objective of the authority;
- Have resulted in the need to seek additional funding to allow it to be resolved, or has resulted in significant diversion of resources from another aspect of the business;
- Have led to a material impact on the accounts;
- The Audit Committee advises should be considered significant for this purpose;
- The Chief Internal Auditor reports on as significant in the annual opinion on the internal control environment;
- Have attracted significant public interest or have seriously damaged the reputation of the organisation;
- Have resulted in formal action being undertaken by the Chief Financial Officer and / or the Monitoring Officer.

4.0 RECOMMENDATION

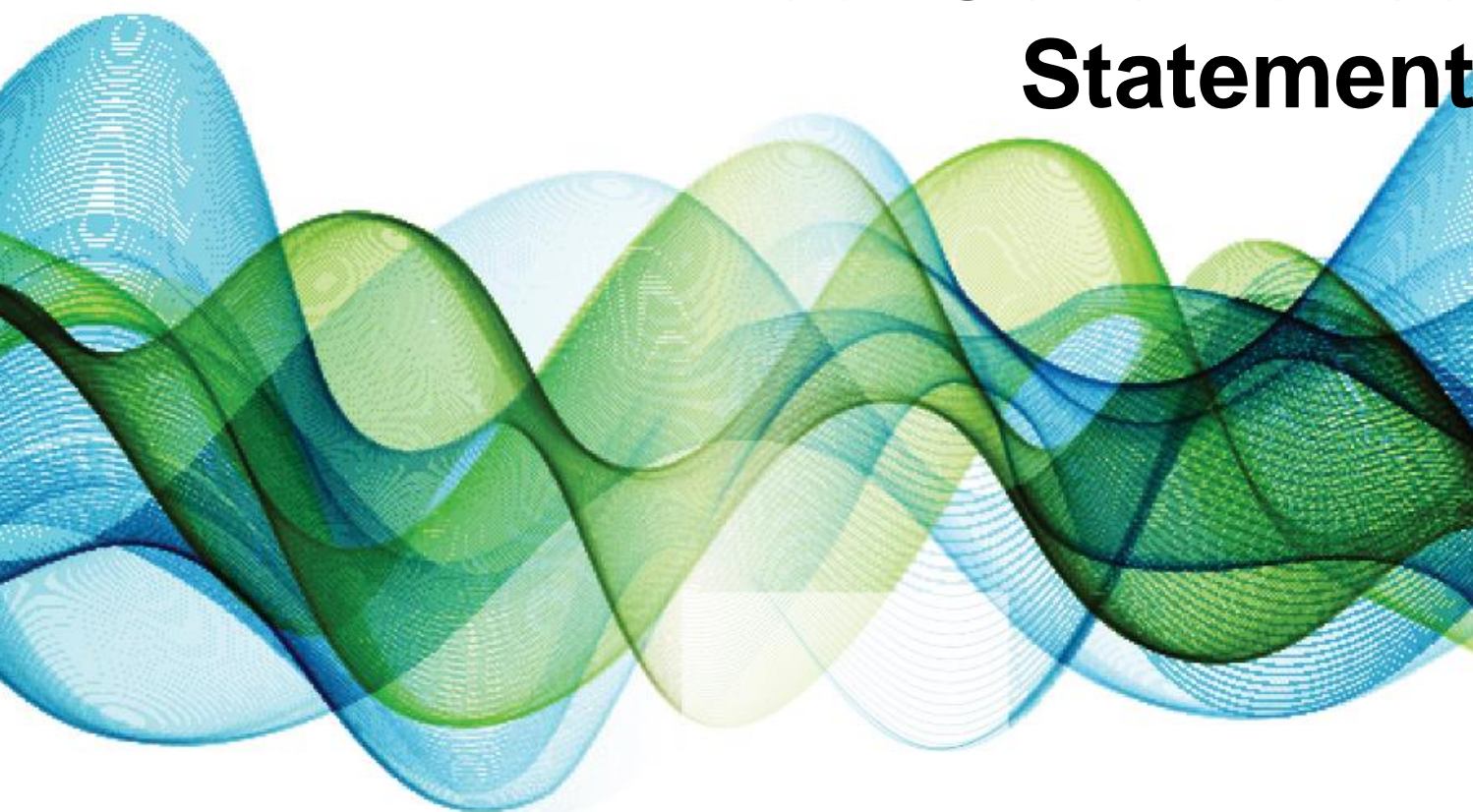
4.1 The Audit and Accounts Committee is requested to consider whether the draft AGS at Appendix A is consistent with the Committee's own perspective on internal control within the organisation and the definition of significant governance and control issues noted in paragraph 3.2 above.

Source Documents	Location
Director Assurance Statement Returns Cambridgeshire County Council Code of Corporate Governance	OCT1108 Shire Hall Castle Hill Cambridge CB3 0AP

ANNUAL GOVERNANCE STATEMENT

Appendix A

Cambridgeshire County Council Annual Governance Statement



Date issued
31 July 2019

Prepared by
XXX

ANNUAL GOVERNANCE STATEMENT

SCOPE OF RESPONSIBILITY

Cambridgeshire County Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of risk.

The Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives and Senior Managers (Solace) Framework *Delivering Good Governance in Local Government*.

This statement explains how the Council has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2011, regulation 4(3), which require all relevant bodies to prepare an annual governance statement.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The Governance Framework comprises the systems and processes, culture and values by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The Governance Framework has been in place at the Council for the year ended 31 March 2019 and up to the date of approval of the Annual Report and Statement of Accounts.

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THE GOVERNANCE FRAMEWORK

The key elements of the systems and processes that comprise the Council's governance arrangements are:

- Members exercising strategic leadership by developing and keeping under review the Council's vision and priorities. These set out and communicate the Council's vision of its purpose and intended outcomes for citizens and service users;
- An established business planning process which ensures that services are delivered in accordance with the Council's objectives and represents the best use of resources;
- The measurement of performance in achieving objectives through the mechanisms of the Council's performance management system;
- Embedded Codes of Conduct which define the standards of behaviour for members and employees;
- A written Constitution which specifies the roles and responsibilities of elected members and officers, with clear delegation arrangements and protocols for effective communication. The Constitution setting out Schemes of Delegation to members and officers; Financial Procedure Rules; and other supporting procedures for how decisions are taken and the processes and controls required to manage risk. Having arrangements in place to ensure these are reviewed regularly;
- An Audit and Accounts Committee which is responsible for independent assurance on the adequacy of the risk management framework and the associated control environment; the independent scrutiny of the Council's financial performance, to the extent that it affects the Council's exposure to risk and weakens the control environment; and for overseeing the financial reporting process;
- Statutory officers to support and monitor the Council's governance arrangements, ensuring compliance with relevant laws and regulations, internal policies and procedures and that expenditure is lawful;
- Embedded arrangements for whistleblowing and for receiving and investigating complaints from the public, supporting the measurement of the quality of services for users;
- A Consultation Strategy to ensure the Council consults with and engages the diverse communities of Cambridgeshire, allowing them to have a say in the planning and reviewing of the services provided for them.
- A committee-based system of governance, which provides the Council with the high standards of Governance expected of a local authority. Under the committee system of governance, decisions are made by cross-party committees, meaning that a separate scrutiny function is no longer necessary.

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REVIEW OF EFFECTIVENESS

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its Corporate Governance Framework, including the system of internal control.

The review of effectiveness is informed by:

- Assurances from executive managers within the Council who have responsibility for the development and maintenance of the governance environment.
- The Chief Internal Auditor's and Risk Management's annual reports.
- Comments made by external auditors and other review agencies and inspectorates.

The Governance Framework and its constituent elements have been developed by executive managers and consulted upon with all members, the Audit and Accounts Committee and the Senior Management Team, as appropriate.

The arrangements for reviewing the Governance Framework comprise:

- A review of the Governance Framework and Internal Control Environment in accordance with CIPFA guidance, carried out by Internal Audit annually. Within this, consideration has been given to ensuring the Authority's financial management arrangements conform with the governance requirements of the CIPFA statement on the role of the Chief Financial Officer in Local Government and the role of the Chief Internal Auditor in Public Service Organisations.
- An annual review of the Council's Code of Corporate Governance undertaken by Internal Audit.
- The annual report and opinion on the internal control environment prepared by the Chief Internal Auditor. This report draws upon the outcome of audit reviews undertaken throughout 2018/19 and is informed by the comments of external auditors and inspectors. The report is designed to provide assurance on the effectiveness of internal controls.
- The completion of Self-Assurance Statements by Directors.
- The consideration of relevant outputs from member and officer-led reviews undertaken during the year, and the comments made by the external auditors and other review agencies and inspectorates.

The key aspects of the review of effectiveness are:

(1) Council Planning

There is a clear vision of the outcomes which the Council wants to achieve for local people as set out in the Business Plan.

The Council operates a planning process which integrates all aspects of strategic, operational and financial planning which has the full involvement of executive councillors and all senior

ANNUAL GOVERNANCE STATEMENT

managers of the Council. This ensures financial plans realistically support the delivery of the Council's priority outcomes and strategy obligations in the short and medium terms.

The budget preparation process was subject to robust challenge by councillors and involved extensive consultation with the people and businesses of Cambridgeshire.

(2) Performance Management

The Council presents a corporate Integrated Resources and Performance Report to councillors on a monthly basis. This is available to the public on the Council's internet site, giving them an insight into the Council's overall performance.

(3) Executive Decision Making and Scrutiny

Executive decisions are made by one of the Council's five cross-party service committees. A process is in place to allow for executive decisions to be reviewed following request by at least 8 members of the General Purposes Committee, which must be made within 3 days of a decision being published.

(4) The Audit and Accounts Committee

The Audit and Accounts Committee provides independent, effective assurance on the adequacy of the Council's governance environment. All major political parties are represented on the Audit Committee.

The Audit and Accounts Committee met regularly during 2018/19, considering reports, including the annual Internal Audit Report, from the Chief Internal Auditor, the Council's Senior Finance Officers and the External Auditor. Additionally, the Committee invited officers of the Council to attend the Committee on a number of occasions to assist the Committee in its work. The Chair of the Audit and Accounts Committee presents an annual report to Council detailing the work of the Audit and Accounts Committee in the preceding year.

(5) Statutory Officers

The statutory functions undertaken by the Head of Paid Service, Monitoring Officer, S151 Officer, Director of Public Health and the Executive Director of People and Communities were effectively fulfilled during 2018-19 and up to the date of this report.

(6) Management

The Council's Executive and Corporate Directors have provided assurance through Self-Assurance Statements that:

- They fully understand their roles and responsibilities;
- They are aware of the principal statutory obligations and key priorities of the Council which impact on their services;
- They have made an assessment of the significant risks to the successful discharge of the Council's key priorities;
- They acknowledge the need to develop, maintain and operate effective control systems to manage risks;
- Service Directors and/or relevant senior staff have provided assurance on the key elements of risk and control in their areas of responsibility;

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- Throughout the financial year they consider that risks and internal controls have been sufficiently addressed to provide reasonable assurance of effective financial and operational control, compliance with the Code of Corporate Governance and other laws and regulations.

No exceptions to the above were identified by Directors in their assurance statements.

(7) Internal Audit

The Council takes assurance about the effectiveness of the governance environment from the work of Internal Audit, which provides independent and objective assurance across the whole range of the Council's activities. It is the duty of the Chief Internal Auditor to give an opinion, at least annually, on the adequacy and effectiveness of internal control within the Council. This opinion has been used to inform the Annual Governance Statement.

The Chief Internal Auditor provided his annual report to the Audit Committee on 11th June 2019. The report outlined the key findings of the audit work undertaken during 2018/19, including areas of significant weakness in the internal control environment.

An assurance scoring mechanism, based on three opinions, is used to reflect the effectiveness of the Council's internal control environment. The opinions are:

- Control Environment Assurance
- Compliance Assurance
- Organisational Impact

From the audit reviews undertaken during 2018/19, 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. 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.

It is the opinion of the Chief Internal Auditor that:

*“On the basis of the audit work undertaken during the 2018/19 financial year, an opinion of **satisfactory** assurance is awarded. The internal control environment (including the key financial systems, risk and governance) has been subject to significant changes during the year with the introduction of ERP Gold and there have been areas and periods where compliance with these new procedures and systems has required improvement. Although there are currently no outstanding significant issues arising from the work undertaken by Internal Audit, there are important recommendations contained in the key financial systems audits that will be followed up in 2019/20.*

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.

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Although the level of assurance has decreased from 2016/17 there has been significant change to key systems within the year and management has responded positively to recommendations made by Internal Audit to strengthen identified areas of concern.

The detail to support this assessment was provided in the Annual Internal Audit Report which was presented to the Audit and Accounts Committee on 11th June 2018.

(8) Review of Internal Audit

The Public Sector Internal Audit Standards were introduced from April 2013. The Internal Audit service has operated in compliance with Public Sector Internal Audit Standards throughout the year. The Cambridgeshire office of LGSS Internal Audit underwent an external review of compliance with Public Sector Internal Audit Standards in December 2016/17, and a number of recommendations were agreed to further improve the work of the service, including the introduction of a new Terms of Reference format, and the inclusion of some specific areas within the Annual Report. A follow-up visit in May 2017 confirmed the implementation of these actions and confirmed compliance with the latest set of standards issued in April 2017. The self-assessment undertaken during March 2019 confirmed continued compliance.

(9) External Audit

On 14 December 2017, the PSAA board approved the appointment of Ernst & Young LLP to audit the accounts of Cambridgeshire County Council for a period of five years, covering the financial years from 1 April 2018 to 31 March 2023.

(10) Risk Management

The Council managed its risks during 2018/19 in accordance with the approved Risk Management Policy and the Risk Management Procedures. The Strategic Management Team and Directorate Management Teams formally considered risk on a quarterly basis. Quarterly risk management reports were submitted to both the General Purposes Committee and the Audit and Accounts Committee.

The Internal Audit Plan for 2019/20 presented to the Audit and Accounts Committee in March 2019 is substantially based upon the key risks faced by the Council as identified in the Corporate and Directorate risk registers, such that Internal Audit will provide assurance on the effectiveness of the internal control framework during 2019/20.

A full review of the Council's corporate risk register and risk management took place in 2017/18, alongside the review of corporate KPIs, aligning risk reporting more closely to the Council's financial reporting processes. In addition, a 'Risk Management Health Check' was conducted by the Council's insurer's Zurich. The final report was received in April 2018, and this has informed further improvements in risk management processes during 2018/19.

SIGNIFICANT GOVERNANCE ISSUES

The review of the effectiveness of the Governance Framework has provided a satisfactory level of assurance on the effectiveness of the Council's governance arrangements. Arrangements in

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place comply with the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.

The Annual Governance Statement process allows the Council to identify any significant governance issues that have been identified, and the associated actions it is proposing to undertake to enhance its corporate governance arrangements. However, there are no such actions requiring specific mention in the 2018/19 Annual Governance Statement.

Cambridgeshire does continue to face very significant future challenges associated with an increase in demand and inflation and a significant reduction in Central Government funding. The Council's 5 year Business Plan is reflective of these pressures, and is subject to annual review, to ensure the extreme financial pressures facing the Council in the latter stages of the Plan can be met, whilst continuing to provide effective services to the people of Cambridgeshire.

It is recognised that in order to address this increased financial pressure on the organisation, the Council needs to transform and develop more effective working across all services. To achieve this, Cambridgeshire County Council has developed a Transformation Fund, for which the General Purposes Committee has stewardship. This enables the authority to fund the costs of transforming services through the ongoing Transformation Programme.

In order to address financial pressures across the public sector, partnership working between the County Council and other public sector organisations is increasingly important. On 16th March 2017, the Secretary of State for Communities and Local Government announced the Cambridgeshire and Peterborough Combined Authority devolution deal. The integrity of Cambridgeshire County Council is protected under this deal and the Council will continue to deliver the vast majority of services for residents as it does currently, with the Leader of the Council acting as a member of the Combined Authority.

In future years, there is the potential that devolution in the region could evolve further and this may impact further upon the authority's governance arrangements. Cambridgeshire County Council already works closely with other public sector bodies in the region, and shares a Chief Executive and several Directors with Peterborough City Council. Governance arrangements for sharing staff and services across partners continue to evolve into 2019/20, and the Council is planning to bring forward further integrated and shared service opportunities with Peterborough, in order to drive down costs, increase resilience and improve outcomes for residents.

During 2018-19 the Audit & Accounts Committee received, and considered, a comprehensive report into the arrangements for Community Transport following an external and independent investigation. The allegations that prompted the investigation were focussed on Fact, Hact and Esact community transport providers (FH&E) but also reviewed the Council's procurement and grant funding arrangements in this area.

The report was considered at a full day's A&A meeting held in open public session. The investigation found issues in respect of FH&E and also the Council's processes. The A&A Committee, having accepted the report and its recommendations, monitored their implementation. At the year end the majority had been fully implemented including all improvements to Council processes.

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Therefore whilst this issue highlighted governance weaknesses in this service area, these were addressed fully during the year. No action is reported within the AGS as this remains business as usual for A&A through 19-20.

The 19/20 AGS Action Plan is still being discussed and work is still ongoing in key areas. Any agreed actions will be included in the final version of the AGS submitted at the same time as the signing of the Council's Accounts.

CONCLUSION

Based on the work that has been completed, assurance can be taken that the governance arrangements at Cambridgeshire County Council are fit for purpose.

Cambridgeshire County Council is committed to ensuring the implementation of all actions that are planned to strengthen the organisation's governance arrangements. Implementation of these actions will be monitored through the next annual review.

ANNUAL GOVERNANCE STATEMENT

CHAIRMAN OF GENERAL PURPOSES COMMITTEE AND CHIEF EXECUTIVE STATEMENT

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit and Accounts Committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

Councillor Steve Count
Chairman of the General Purposes Committee

Gillian Beasley
Chief Executive

Councillor Michael Shellens
Chairman of the Audit and Accounts
Committee

June 2019

Agenda Item: 5**INTERNAL AUDIT DRAFT ANNUAL REPORT 2018/19**

To: Audit & Accounts Committee
Date: 11th June 2019
From: LGSS Chief Internal Auditor

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 2018 – 19 and be made aware of the Chief Internal Auditor's opinion on the state of the Internal Control Framework within Cambridgeshire County Council.

The final version of this report will be submitted alongside the Annual Governance Statement at the July Audit & Accounts Committee.

Key issues: The Annual Internal Audit Report forms part of the evidence that supports the Authority's Annual Governance Statement 2018 – 19.

Recommendation: Audit & Accounts Committee is requested to consider and note the DRAFT Annual Internal Audit Report.

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INTERNAL AUDIT SERVICE

DRAFT INTERNAL AUDIT ANNUAL REPORT 2018/19

DUNCAN WILKINSON, CHIEF INTERNAL AUDITOR

28th May 2019

**LGSS Internal Audit & Risk Management
Draft Annual Report 2018/19**

Cambridgeshire County Council

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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 LGSS Chief Internal Auditor.
- 1.1.2 The annual report is required to incorporate the opinion; a summary of the work that supports the opinion; and a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement plan.

2. CHIEF INTERNAL AUDITOR OPINION 2018/19

2.1 Chief Internal Auditor 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 My opinion is derived from an assessment of the range of individual opinions arising from assignments contained within the risk-based Internal Audit Plan. This assessment has taken account of the relative materiality of these areas, and management's progress in addressing control weaknesses.
- 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 confirm that the above was compliant with PSIAS requirements.

*On the basis of the audit work undertaken during the 2018/19 financial year, an opinion of **satisfactory** assurance is awarded. The internal control environment (including the key financial systems, risk and governance) has been subject to significant changes during the year with the introduction of ERP Gold and there have been areas and periods where compliance with these new procedures and systems has required improvement.*

Although there are currently no outstanding significant issues arising from the work undertaken by Internal Audit, there are important recommendations contained in the key financial systems audits that will be followed up in 2019/20.

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.

Although the level of assurance has decreased from 2016/17 there has been significant change to key systems within the year and management has responded positively to recommendations made by Internal Audit to strengthen identified areas of concern.

*Duncan Wilkinson FCMA CGMA
Chief Internal Auditor*

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 increasingly necessitates a flexible approach and re-evaluation of the Audit Plan throughout the year. In 2018, revisions to reflect the changing risk profile of the organisation were approved on an ongoing basis throughout the year by SMT and the Audit and Accounts Committee.
- 3.1.3 Each 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 organisation impacts are reported to Strategic Management Team (SMT), 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 2018/19 by Internal Audit form the basis of the annual opinion on the adequacy and effectiveness of the control environment.
- 3.2.2 In 2018/19, 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.

4. **INTERNAL AUDIT IN 2018/19**

4.1 *Overview and Key Findings*

- 4.1.1 This section provides information on the audit reviews carried out in 2018-19, by assurance block.
- 4.1.2 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. An overview of the implementation of actions in 2018-19 is summarised in Table 1, below¹:

¹ Please note that the total reflects the number of recommendations required to be implemented within 2018-19, and therefore includes recommendations made in 2017-18.

Table 1: Implementation of Audit Recommendations 2018-19

	Category 'Red' recommendations	Category 'Amber' recommendations	Total
Agreed and implemented.	0	44	44
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	8	8
TOTAL	0	56	56

4.1.3 In addition to the actions shown in the table above, Internal Audit has also followed-up the implementation of 66 actions arising from the PKF investigation into Community Transport, throughout 2018/19. Of these actions reported to Audit & Accounts Committee in July 2018, only 7 actions (11%) have yet to be completed, and all of these are in progress. Full details may be found reported in the separate Community Transport Update report to Committee.

4.2 Financial and Other Key Systems

4.2.1 This is the 2018/19 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 are agreed in advance with External Audit and assist in providing assurance to External Audit that systems recording transactions within the 2018/19 financial year are free from material misstatement. These reviews also give an opinion as to the effectiveness of financial management procedures and the arrangements to ensure the integrity of accounts.

4.2.2 During 2018/19 the audits were again undertaken as joint reviews of Cambridgeshire County Council and Northamptonshire County Council LGSS systems.

- 4.2.3 The year saw the introduction of ERP Gold which was a significant business change for some key financial systems of the Council. It was likely that major new systems and the required changes to governance arrangements would increase the risk to the Council in the short term whilst new ways of working were embedded. Consequently internal audit completed significant testing in quarters 2 and 3 to ensure any issues were being identified and addressed in a timely manner, making recommendations where required.
- 4.2.4 In quarter four, the key systems were subject to a final audit and the opinions below are based on the systems at that review although organisational impact is assessed on the impact on the Council at year end. This work has not been fully completed at the time of writing this report although emerging opinions have been considered and have informed the overall Chief Internal Auditor opinion at 2.3 above. There will also be a number of new recommendations emerging from these final reports that will be added to the summary shown in table 1, 4.1.3 of this report. Internal audit will include a summary of these reports at the appropriate Audit & Accounts Committee following completion.
- 4.2.5 Audit coverage during the year has provided sufficient evidence to conclude that the key financial control systems are satisfactory and that these controls are increasingly working well in practice although there are some key areas where improvements have been recommended. The level of assurance provided for key financial systems has reduced this year which has had a direct impact on the reduction in the overall opinion on the governance arrangements for the Council for 2018/19. There are, however, important recommendations that will require addressing and these will be followed up early in the 2019/20 financial year to ensure implementation.
- 4.2.6 Table 2 below details the assurance levels of all key systems audits undertaken in 2018/19, compared to the assurance levels in 2017/18. Where audits are marked with an asterisk, this indicates that the report is at draft stage at the time of writing, but the emerging opinion is included:

Table 2 – Key Financial Systems Audits 2018/19

Key Financial Systems:	Audit Opinion 2018-19		Audit Opinion 2017-18	
	Environment	Compliance	Environment	Compliance
Treasury Management*	In progress	In progress	Substantial	Substantial
Bank Reconciliation*	Substantial	Substantial	Substantial	Substantial

Purchase to Pay	Satisfactory	Satisfactory	Substantial	Substantial
Accounts Receivable	Satisfactory	Satisfactory	Good	Good
Debt Recovery	Limited	Limited	N/A	N/A
Payroll*	Satisfactory	Satisfactory	Substantial	Substantial
Pensions	Substantial	Substantial	Substantial	Substantial
General Ledger*	Satisfactory	Satisfactory	Good	Good
IT General Controls	Satisfactory	Satisfactory	Substantial	Satisfactory

4.2.7 For the Accounts Payable review, the reduced level of assurance compared to 2017/18 relate to several findings throughout the year. One significant factor was the occurrence of duplicate payments, although it is important to note that these were not due to fundamental system control weaknesses but rather manual error/intervention. In addition, the recent implementation of specialist software to identify/prevent duplicate payments should significantly reduce the potential for duplicate payments in the future. Other issues were identified in relation to the supplier amend and manual processes. A lack of compliance with purchasing procedures was identified, namely retrospective purchase orders, but this has reduced during the year.

4.2.8 The review of the Accounts Receivable system identified that reporting and Key Performance Indicators (KPIs) in relation to the clearance of suspense items needed to be developed although Internal Audit analysis found that significant volumes of items were cleared each month. In addition, a customisation of the system functionality designed to allocate part payments to invoices did not operate as intended and had to be turned off in June 2018.

4.2.9 The review of the Debt Recovery system identified that debt reporting needs to be improved, particularly in relation to debt trends, supporting narrative and causal factors as Internal Audit analysis identified that debt and aged debt levels remain high and that as at February 2019 no write offs had been processed since the start of the year. The review also identified that automated reminder letters were in use and manual letters were not being issued in a timely manner.

4.3 *Compliance*

4.3.1 Compliance work is fundamental, as it provides assurance across all Directorates and therefore has a significant influence on the Annual 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.

4.3.2 As well as a range of procurement compliance reviews, discussed below at 4.4, the Plan for 2018/19 included coverage of compliance in the following areas:

- Compliance with Agency Staff policies and procedures;
- Compliance with policies around performance management;
- Compliance with the Fees and Charges Policy;
- Compliance with the Grants to External Organisations Policy;
- Compliance with Direct Payments processes;
- Compliance with policies and procedures regarding Libraries Income;
- Compliance with the Council's policies on use of consultants;
- Officer compliance with the Council's policies on account coding on the Financial Ledger;
- Compliance with annual assurance on Risk Management

4.3.3 Compliance reviews on Accuracy of Account Coding on Financial Ledger and Use of Consultants received a limited assurance. 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.

4.4 *Risk-Based Reviews*

4.4.1 Risk-based reviews have been a key element of the assurance on the entire control environment of the authority in 2018/19. 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.

4.4.2 Risk-based reviews have been successful in identifying value-for money recommendations and savings. The Internal Audit review of Foster Care

Payments identified £95,976 of overpayments or payments outside of policy which may be recoverable, and highlighted a potential saving of c. £390,000 through reducing payments to Independent Fostering Agencies where home-to-school transport is already provided by the Council.

- 4.4.3 The outcomes of all risk-based reviews issued in 2018/19 can be seen at Appendix 1.

4.5 *Procurement and Contracts Reviews*

- 4.5.1 In 2018/19, Internal Audit has provided reviews of a number of major contracts, including the Highways Service Contract, Section 75 Agreement within Public Health, and the contract with Coram Cambridgeshire Adoption. Reviews in key high-value contract areas will continue into the 2019/20 financial year.

- 4.5.2 Other areas of procurement and contract management were also considered, including the Impact of Price & Quality in Tender Evaluation, and Transport Contract Management. In addition, a number of cross-cutting reviews have been undertaken, with a focus on key aspects of the Council's procurement framework, including:

- A review of compliance with European Union (EU) Procurement Regulations;
- A review of compliance with the Council's procurement regulations.

- 4.5.3 In line with the findings from 2017/18, these reviews highlighted weak compliance with the processes for procurement exemption requests. A number of actions to address this have been agreed, including review of guidance documents and changes to the online exemption form, and awareness-raising on the Council's intranet has been undertaken. Procurement audit work in 2019/20 will continue to review this risk area to assess the effectiveness of these changes in improving compliance.

4.6 *Anti-Fraud and Corruption*

- 4.6.1 This is a high-risk area across the public sector. LGSS Internal Audit undertakes work on anti-fraud and corruption, which includes both reactive and pro-active elements, along with a number of initiatives to raise awareness of the council's anti-fraud and corruption culture and to report on the arrangements in place, and pro-active fraud strategy work.

- 4.6.2 Following on from the 2017/18 launch of a new whistleblowing policy, 2018/19 has seen the policy launched online with publicity on the Council's intranet, public website and internal newsletters. This included a poster campaign to raise awareness of the whistleblowing policy and distribution of

leaflets in public areas including schools. The Whistleblowing Policy and Managers Guidance was revised and updated in January 2019. Updates included revision of some of the wording of the policy and improvement to the policy and guidance itself. In line with the revised policy and guidance, a staff survey was rolled out. The results of this survey were positive with 93% staff indicating that they were aware of the policy and 91% confirmed they would feel confident in raising a serious concern (based on 43 responses). The response rate of officers responding to the survey doubled from the previous survey in 2017/18, which is also a positive sign that staff are seeking to engage with the policy.

- 4.6.4 Details of specific cases have been reported to the Audit and Accounts Committee throughout the year. In addition to the full investigations outlined in Table 3 below, advice and guidance is provided to officers on an ad-hoc basis.

Table 3 – Investigations 2018-19

Type of referral	No. referrals	Outcomes
Concerns regarding financial irregularities or theft in schools	2	One case was reported to Section 151 Officer. S151 decided to take no further action as the concern was extremely low-level. In the other case, Internal Audit provided advice regarding appropriate financial processes.
Misuse of Blue Badges	21	10 cases closed with badge withdrawn. 11 closed with no fraud.
Misuse of Travel Passes	21	11 found to have no fraud or no further action. 2 closed with advice given. 7 closed with pass withdrawn and 1 closed and passed to the Department for Work & Pensions for investigation.
Safeguarding concerns	3	IA maintained an oversight of these rather than IA investigation: rather than IA investigation: <ul style="list-style-type: none"> - 2 issues resolved via line management - 1 case referred to Multi-Agency Safeguarding Hub and Police who subsequently closed the case.
Non-CCC Whistleblowing	3	2 Issues reported to the Department for Education and Skills (DfES) and Education Skills Funding Agency as related to Academies. The 3 rd case is ongoing in regard to a Council contractor.
Concerns in relation to asset disposal.	1	Internal Audit led review. No fraud or wrongdoing was identified but a number of actions have been agreed to strengthen processes.

Request for investigation into County Farms tenancy.	1	Internal Audit were commissioned by Audit & Accounts Committee to investigate a Farm Tenancy. This review is currently ongoing.
Concerns around suspected fraud/theft in Council services.	5	All cases were referred to Internal Audit's Counter Fraud team to provide advice, including supporting a police referral in one instance.
Concerns relating to HR issues or management.	2	In both instances, following initial information-gathering, Internal Audit referred the cases to Human Resources (HR) and they were addressed with no further action required from Internal Audit.

4.6.5 The National Fraud Initiative (NFI) data matching exercise was carried out for Cambridgeshire County Council in October 2018. This statutory exercise involves a data-matching exercise between public and private sector bodies to prevent and detect fraud.

4.6.6 A significant amount of time throughout 2018/19 was spent supporting the external investigation into allegations against community transport operators. This included supporting the collection and provision of evidence, as well as providing an interim report into control weaknesses identified as a result of evidence collection.

4.7 *Information and Communications Technology (ICT) and Information Governance*

4.7.1 Internal Audit work is ongoing in this area and outcomes will be reported to the Audit & Accounts Committee as soon as possible.

4.8 *Grants and Other Assurances*

4.8.1 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.

4.9 *Policies and Procedures*

4.9.1 In 2018/19, 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 revision of the Council's Whistleblowing Policy.

4.9.2 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 Other Work

4.10.1 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. 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.

4.10.2 Internal Audit also leads on co-ordinating risk management work across the organisation. In 2019/20 the team worked with the Risk Champions to complete the actions from the external risk management health check review by the Council's insurers, Zurich. The team has also delivered risk workshops for Place and Economy to produce a new Directorate Risk Register. Internal Audit undertook a review of Risk Management during 2019/20 and gave good assurance on the adequacy of the risk management system, as the Council has clear risk management policies and procedures and risk is managed appropriately across the majority of the Council. The audit also gave good assurance on compliance with those policies and procedures, particularly at a corporate risk level.

4.11 Summary of Completed Audits

4.11.1 A summary of all audit reports issued in 2018/19 is attached at Appendix 1.

5. INTERNAL AUDIT PERFORMANCE AND QUALITY ASSURANCE

5.1 Delivery of the 2018/19 Internal Audit Plan

5.1.1 The Cambridgeshire County Council Internal Audit Plan was agreed in March 2018, with the required resources approved at 1550 days based on each audit identified.

5.1.2 In accordance with best practice, the Internal Audit Plan was re-assessed and updated in line with changing risks throughout the year. Changes to the Plan were approved by Strategic Management Team (SMT) and the Audit and Accounts Committee (AAC) through regular progress reporting. The key performance measure for Internal Audit was approved as completion of the Audit Plan, which is reported to SMT and Audit Committee at least quarterly.

5.2 *Service Development*

- 5.2.1 Continuing Professional Development has been a major focus of the quality assurance programme in 2018/19, to ensure that staff have the skills to carry out their responsibilities with proficiency and deliver work of the required quality. Team meetings are used to deliver training and workshops to staff, and a system of post-audit assessments against the Chartered Institute of Public Finance and Accountancy (CIPFA) Excellent Internal Auditor standard is used to identify areas for development on an ongoing basis, in tandem with regular supervision of all staff.
- 5.2.2 A new Internal Audit Strategy and Charter were implemented from the start of the year, to ensure that the service remains effective and focused in providing a modern, independent and objective assurance function to Councillors and management.

5.3 *Compliance with Public Sector Internal Audit Standards*

- 5.3.1 The Internal Audit service has operated in compliance with Public Sector Internal Audit Standards throughout the year.
- 5.3.2 An external assessment of Internal Audit's compliance with Public Sector Internal Audit Standards (PSIAS) was completed in 2016/17 with a follow up visit undertaken in May 2017, which confirmed service's compliance with the latest set of standards issued in April 2017. The service confirms it continues to adhere to these guidelines by reviewing annually. A self-assessment, in accordance with PSIAS best practice has been completed by the Cambridgeshire based team and a review of this by a colleague based at Milton Keynes is currently in progress.

APPENDIX 1

CCC INTERNAL AUDIT

Summary of Completed Audits 2018/19:

The table below summarises the Internal Audits that were completed during the 2018/19 financial year, excluding counter fraud investigations which are itemised separately in section 4.6.

Audit Title	Compliance assurance	Systems assurance	Organisational impact
Agency Staff Compliance	Satisfactory	N/A	Minor
EU Procurement Regulations	Good	N/A	Minor
Procurement Compliance	Satisfactory	N/A	Minor
Unannounced Visits	Satisfactory	Satisfactory	Minor
Impact of Price & Quality Evaluation	Good	Good	Moderate
Development of Project Assurance Framework	Framework developed and agreed by JMT, for launch in 2019/20.		
Project Assurance of High Risk Projects	Advice & support to the Cambridgeshire 2020 Programme		
Development of Project Management Framework	Review of Framework completed and recommendations provided, linked to new Project Assurance Framework.		
Management of Consultants and Interims	Limited	Satisfactory	Minor
Account Coding on the General Ledger	Limited	N/A	Minor
Payment Methods	Good	N/A	Minor
Ely Bypass Review	Satisfactory	Limited	Minor
Performance Management (combining planned reviews of Corporate Key Performance Indicator Framework; Key Performance Indicators Compliance; and Directorate Performance Management)	Good	Satisfactory	Minor
Fees and Charges Policy and Compliance (also incorporating planned review of Discretionary and Non-Statutory Service Provision and Expenditure)	Limited	N/A	Minor
Annual Key Policies and Procedures Review	N/A	Good	Minor

Grants to Voluntary Organisations Compliance	Satisfactory	Limited	Minor
Grants to Voluntary Organisations Framework	Policy framework developed and launched in July 2018.		
Annual Whistleblowing Policy Report and Awareness	Annual Report to Audit & Accounts Committee in May 2019.		
Contract Management of Residential and Nursing Care Providers	In progress		
Direct Payments Compliance	Satisfactory	N/A	N/A
Coram Cambridgeshire Adoption Contract (P&C Contract Management)	Limited	Limited	Minor
Troubled Families Grant 18-19	Grant certifications provided in-year.		
Personal Budgets	Good	N/A	Minor
Fostering Service	Satisfactory	Satisfactory	Moderate
Transport Contract Management	Satisfactory	Satisfactory	Minor
Section 106 Funding	Good	Good	Minor
Highways Contract Open Book Review 18-19	N/A	Limited	Moderate
Highways - Commercial Group	Commercial Group attendance to provide ongoing advice and support.		
Waste Management Steering Group	Steering Group attendance to provide ongoing advice and support.		
Street Lighting Private Finance Initiative (PFI) Open Book Review 18-19	Initial contract review work for full review in 2019/20.		
Waste PFI	Ongoing advice and support to Waste PFI management processes		
Local Transport Capital Block Funding	Grant Certified		
Growth Deal	Grant Certified		
Bus Services Operators Grant	Grant Certified		
Pothole Action Fund	Grant Certified		
Cycle City Phase II Grant	Grant Certified		
National Productivity Fund	Grant Certified		
Safer Roads Funding	Grant Certified		
Procurement Transport Project	Advice & Guidance provided to ongoing Procurement Transport Project following Community Transport Investigation.		
P&E Partnership Services Cost Recovery*	In Progress		
Innovate UK - Smart Cambridge Grant	Grant certification provided		
Flood Damaged Roads	Grant certification provided		

Cambridgeshire Challenge Fund (Drought Damaged Roads)	Grant certification provided		
SWIM Project	Grant certification provided		
Section 75 Agreement (Public Health Contract Management)	Satisfactory	Limited	Minor
Broadband Grant	Grant certification provided		
Public Health Grant	Grant certification provided		
Accounts Receivable	Satisfactory	Satisfactory	Minor
Purchase to Pay	Satisfactory	Satisfactory	Minor
Payroll	In progress		
General Ledger	In progress		
Bank Reconciliation	In progress		
Treasury Management	In progress		
Debt Recovery	Limited	Limited	Minor
Administration of Cambridgeshire Pension Fund	Substantial	Substantial	Minor
Financial Systems IT General Controls	Satisfactory	Satisfactory	Minor
ERP Assurance - Accounts Receivable	Mid-year review of ERP System completed and advisory interim report produced.		
ERP Assurance - Accounts Payable	Mid-year review of ERP System completed and advisory interim report produced.		
ERP Assurance – Debt Recovery	Mid-year review of ERP System completed and advisory interim report produced.		
ERP Assurance – Bank Reconciliation	Mid-year review of ERP System completed and advisory interim report produced.		
Risk Management Audit	Good	Good	Minor
Risk Management	Ongoing Risk Management Support		
Annual Governance Statement- Code of Corporate Governance	Annual Governance Statement/Code of Corporate Governance.		
Information Security	In progress		
Response to Information Security Incidents	Good	Satisfactory	Minor
Controls Review of Critical Systems	In progress		
ICT Disaster Recovery	In progress		

