Internal Audit & Risk Management

Cambridgeshire County Council

Update report

As at 11th July 2022

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

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ANNEX A: Internal Audit Plan Progress 2021/22

ANNEX B: Outstanding Agreed Actions

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2   Internal Audit Reporting Process

2.1   The Reporting Process

2.1.1 This quarterly report provides stakeholders, including Audit & Accounts Committee and CLT, with a summary of internal audit activity for the first quarter of 2022/23 financial year.

2.2   How internal control is reviewed

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

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

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

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

- Control Environment Assurance
- Compliance Assurance
- Organisational Impact

2.2.5 The following definitions are currently in use:

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

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

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

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

3 *Finalised assignments*

3.1 Since the last Internal Audit Report in May 2022, the following audit assignments have reached completion, as set out below in Table 1.

Table 1: Finalised Assignments

No.	Directorate	Assignment	Compliance Assurance	Systems Assurance	Organisational impact
1.	Resources	Accounts Receivable	Good	Good	Minor
2.	Resources	Accounts Payable	Good	Good	Minor
3.	Resources	Debt Recovery	Good	Moderate	Minor
4.	Public Health	Contain Management Outbreak Funding (COMF)	Grant review and certification provided.		
5.	Public Health	Test & Trace Service Support Funding	Grant review and certification provided.		
6.	People & Communities	Supporting Families Funding	Grant review and certification provided.		
7.	Cross-cutting	Annual Key Policies & Procedures Review	N/A	Good	Minor
8.	People & Communities	Schools Financial Management Reviews Consolidated Report	Moderate	Moderate	Minor
9.	Public Health	Healthy Child Programme Section 75 Agreement	Moderate	Limited	Minor

3.2 The Schools Financial Management Reviews Consolidated Report provided an overview of findings from 14 individual school audits and made recommendations to the Councils Schools Finance Team. An overview of the assurance opinions of

all schools reviews was provided in the Internal Audit Annual Report presented to Audit & Accounts Committee in May 2022, but at this stage some of the reports were still at draft stage. All 14 schools audit reports have now been finalised, and the table below shows the reports which have been agreed as final since the last Internal Audit report:

Table 2: Finalised Individual School Assignments

No.	Directorate	Assignment	Compliance Assurance	Systems Assurance
1.	People & Communities	Great Gidding Primary School	Moderate	Moderate
2.	People & Communities	Friday Bridge Primary School	Good	Good
3.	People & Communities	Linton Infant School	Moderate	Good
4.	People & Communities	Clarkson Infant School	Good	Good
5.	People & Communities	Hardwick and Cambourne Primary School	Moderate	Good
6.	People & Communities	Bushmead Primary School	Moderate	Moderate
7.	People & Communities	The Spinney Primary School	Moderate	Moderate
8.	People & Communities	Spring Meadow Infant School	Limited	Limited
9.	People & Communities	The Fields Early Years Centre	Limited	Limited

3.3 Summaries of any finalised reports with limited or no assurance (excluding individual school audits) are provided in Section 4.

3.4 The following audit assignments have reached draft report stage, as set out below in Table 3:

Table 3: Draft Reports

No	Directorate	Assignment
1.	Resources	Invoice Raising & Aged Debt

3.5 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 Healthy Child Programme Section 75 Agreement

4.1.1 The Healthy Child Programme is a universal programme available to all children, which includes Health Visiting, School Nursing, Vision Screening and Family Nurse Partnership services. Cambridgeshire County Council (CCC) and Peterborough City Council (PCC) commission their Healthy Child programme via a Section 75 Agreement, which is managed by the shared Public Health service between the two authorities. The current agreement commenced on 1st October 2019.

4.1.2 As the authorities share a single agreement which is managed jointly, Cambridgeshire's Internal Audit team reviewed the terms of the Section 75 Agreement and its management for both Cambridgeshire and Peterborough. Under the information sharing protocol between the two authorities, a copy of the final audit report has been provided to Peterborough's Head of Internal Audit.

4.1.3 The Internal Audit opinion on the control environment is Limited, reflecting the terms of the Section 75 Agreement in place. In particular, the Agreement lacks a pricing schedule to explain how the five pricing elements of the contract are broken down, what constitutes allowable (or disallowable) expenditure, and to link pricing to the service specification. The lack of a detailed pricing schedule then makes it difficult to implement elements of the contract which permit open-book review and a year-end reconciliation of costs. Recommended actions which have been agreed to strengthen the control environment include development of a clear pricing schedule; implementation of regular open-book monitoring against the pricing schedule once it has been agreed; and conducting an exercise to scrutinise and challenge areas of high overheads.

4.1.4 The opinion given for compliance is Moderate, reflecting the management of the Section 75 Agreement in practice and the implementation of key controls outlined in the agreement. It should be recognised that contract management and the normal operation of the Section 75 Agreement has been significantly disrupted by the Covid-19 pandemic, and the service is now in the process of re-implementing some major controls which were paused during the pandemic, such as the incentive scheme which links 3% of contract payments to specific performance measures. During the course of the pandemic, regular reporting and meetings with the provider did continue and business continuity arrangements were agreed, to refocus provider resource onto the most high-priority areas for delivery.

4.1.5 As a result of the audit, a number of actions have been agreed to strengthen the contract and the way it is currently managed.

5 *Internal Audit Activity*

5.1 Grant certifications

5.1.1 In the first quarter of 2022/23, a particular focus for the Internal Audit team has been certification of central government grants. The exact audit requirements vary from grant to grant; in general, where central government requires Internal Audit review of grant expenditure, the Chief Internal Auditor is required to provide assurance that grant monies have been spent in line with the terms and conditions of the funding and accurate expenditure has been declared by the Council.

5.1.2 Two high-value grants relating to Covid-19 funding, the Test & Trace Support Payment and Contain Management Outbreak Funding, required Internal Audit sign off by the 30th June 2022. As they related to Covid funding, these grants were additional to the team's regular annual grant certification work and audit staff showed a lot of dedication in working to ensure that the grants could be signed off before the deadline. The team also completed its regular testing and sign-off of the government's Supporting Families grant scheme, and work has now begun on the annual audit reviews of large capital grants in Place & Economy, which are due for completion by the end of Q2 2022/23.

5.1.3 Internal Audit also attend the Sustainability Panel to provide advice and challenge on the distribution of Covid sustainability grant. Early Years and Childcare providers submit applications for funding for panel approval. The panel's approach is to target funding to providers where there is the greatest likelihood that longer-term sustainability can be achieved by a single injection of funding to fill or bridge a gap in cash flow and short-term viability. Audit presence on this decision-making panel has supported financial and risk-based scrutiny of provider applications and provided ongoing review of compliance with panel governance processes and criteria. This panel is set to disband at the end of this academic year, with a final meeting to review any new and retrospective applications received by the deadline (6th June 2022) planned to take place in August.

5.2 School Audits

5.2.1 To provide assurance regarding the efficacy of financial management in schools, Internal Audit undertook a programme of visits to 14 local schools to review the operation and compliance with local financial management and governance controls in these settings, including payroll and purchasing processes. Individual reports were provided for each school, making recommendations to improve governance, procedures and compliance where relevant.

5.2.2 In addition a consolidated report was produced to highlight areas of exemplary practice and common compliance issues and control gaps identified through the

programme of audits. The Director of Education has written to all schools providing a detailed summary of the main findings and recommendations from the 14 school audits. He has asked all schools to review the findings and recommendations with their Finance Committee or equivalent to ensure best practice is being followed wherever possible.

5.2.3   The report also made recommendations concerning some aspects of existing Council policies and procedures surrounding the financial management of Cambridgeshire schools, highlighting areas that the Council may wish to amend in order for them to be more effective and proportionate. The Schools Finance Team will be updating a number of the key guidance documents and regulations over the coming months and will be publishing the revised versions for schools to access.

5.3   Advice and 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 when required. Some of the key areas of support provided since the previous Progress Report include:

- Providing advice on proposed use of prepaid cards in in-house accommodation and day services.

- Providing advice on processes for sale of an asset by the Greater Cambridge Partnership.

- Providing advice on the anti-money laundering policy to the Commissioning directorate.

- Providing advice on the draft corporate policy framework to the BID directorate.

6. *Audit Forward Planning: next four quarters*

6.1   Core audit work is progressing in line with the agreed Audit Plan 2022/23. 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 (Q2 2022/23 – Q1 2023/24) is set out below, showing the current risk profiling of Internal Audit reviews over the next year. These are new jobs proposed to commence in the period, i.e. ongoing work is not included.

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. The Audit Plan has been rebalanced since it was last presented to Committee in March 2022, to incorporate several new reviews of higher-risk areas which have been identified by audit work in the first quarter of the year; and also to remove some time allocations for ongoing advice and support around contract management issues, which are now being taken forward by the new Head of Diligence & Best Value.

6.4   The team's current resourcing position has also been taken into account in the review of the flexible Plan. Available staffing resource has been impacted by a number of leavers and secondments in 2021/22, which have proven difficult to fill. The intention is to go out to advert again in Q2 2022/23, and resourcing will also be improved at the start of Q3 when two new Apprentices will start with us on the Internal Audit graduate trainee scheme.

6.5   The team will continue to progress each quarter's work as outlined below, assuming a full team structure from Q3 onwards; any shortfall will be re-profiled in future quarters. This is one of the advantages of the new flexible planning approach.

Proposed Flexible Internal Audit Plan	170	(July to September 2022)	Q2
ICT Incident and Problem Management	20	Review of policies, procedures and compliance with managing identified incidents, issues and problems with ICT systems and services.	Q2
FOI and SAR	20	Freedom of Information & Subject Access Requests are legally required to be completed by the Council within set timescales. This review will provide assurance over processes in place to ensure the Council complies with its statutory responsibilities.	Q2
Early Years Entitlements Funding	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.	Q2

Partnerships & Contracts Risk Assurance	20	Assurance over Corporate Risk 8 'Failure of key partnerships or contracts'.	Q2
Lifestyle Services Contract	30	A review of this key contract with an annual value of £3.1m across Cambridgeshire and Peterborough.	Q2
Fire Safety Checks	20	Confirm that fire safety check processes are up to date, carried out, and compliant with relevant legislation.	Q2
Accuracy of Coding on the Financial Ledger	20	Review of transactions from the Council's General Ledger, including consultancy expenditure, to verify that spend is being coded accurately to the relevant account codes.	Q2
Purchase Cards	20	Review of the issue and use of purchase cards to verify appropriate controls to prevent and detect fraud and ensure value for money	Q2
Proposed Flexible Internal Audit Plan	**210**	**(October – December 2022)**	**Q3**
ICT Strategy	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.	Q3
Safeguarding Risk Assurance	30	Review of key assurances in the Council's risk register over the Council's safeguarding arrangements for children and adults, including internal review processes, contractual assurances, and assurances received from third parties such as Ofsted, peer reviews etc.	Q3
Climate Change & Environment Strategy	20	Review of the Council's Climate Change and Environment Strategy, how the aims of this strategy are reflected in broader corporate policies and governance processes, and progress with action plans within the strategy.	Q3
Capital Project Management	20	Review of implementation of new project management processes within the Major Infrastructure Delivery team, to verify implementation of key Internal Audit recommendations and management of key risks. This will give assurance that the Project Assurance Group has implemented the key actions agreed.	Q3
Direct Awards Approval Compliance	10	Review of compliance with the new requirement for directly-awarded contracts to be approved by the Central Procurement Team.	Q3
Adult Social Care Finance	20	Assurance following the major restructure and centralisation of the Adults Social Care Finance team, particularly reviewing invoicing processes, cost recovery and the link to debt management.	Q3
Mosaic System Uploads, Data Integrity and Key	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	Q3

Controls		uploads.	
Contract Management - Residential & Short Break Care for Children and Young People with a Disability	30	Review of this key contract with an annual value of £2.35m.	Q3
Statutory Health & Safety Property Inspections	20	Confirm that statutory inspections of property for health and safety are up to date, carried out, and compliant with relevant legislation. Confirm that recommendations are implemented and implementation is monitored.	Q3
Budgetary Forecasting	20	Review of processes for forecasting high demand demographically-driven budgets across People & Communities to ensure processes are robust and forecasting is accurate.	Q3
Proposed Flexible Internal Audit Plan	**205**	**(January – March 2023)**	**Q4**
Project Management Framework and Project Assurance	20	Review of the implementation and development of Council-wide project management framework and project assurance arrangements.	Q4
Projects Assurance	40	Provision of assurance over a sample of key projects and review of the efficacy of extant assurance processes.	Q4
Supplier Resilience Reviews	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.	Q4
Adult's Social Care Commissioning Strategies	25	Review of strategic planning for commissioning and contracting across Adults Social Care, to provide assurance that commissioning is pro-active, considers demand and how this may be managed, and takes into account the condition of local markets.	Q4
Demand management strategies	20	Community resilience; review how the Council is working to reduce demand for high-cost services and whether plans to manage demand in one area end up increasing demand in another area.	Q4
ICT Security	20	Review of ICT security strategy and compliance with key measures such as PSN etc.	Q4
Information Security	20	Review of arrangements for controlling information security risk, with a focus on: policies and procedures; compliance with legislative requirements; communication and staff awareness; compliance monitoring; and incident handling.	Q4

Financial Regulations Monitoring & Compliance, including Delegated Authorities	20	Review to ensure that budget variations are approved in line with the requirements of the Financial Procedure Rules and the Constitution.	Q4
Management of Consultants and Interims	20	Review of the use of consultants and interims at the Council to gain assurance over compliance with contract procedure rules, appropriate use of employment status, and effective contract management.	Q4
Proposed Flexible Internal Audit Plan	**205**	**(April – June 2023)**	**Q5**
ICT Procurement	20	Review of ICT procurement function including commissioning, contract management, efficiencies etc.	Q5
Investment Properties	20	The Council holds a number of investment properties. This would review management of investments, income streams etc. Reputational risk area.	Q5
Capital Programme Projects Assurance	40	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.	Q5
Decentralised Corporate Controls	15	A review looking at key corporate controls which are delegated to individual managers (such as declarations of interest, vehicle and driver license checks, corporate induction completion etc), to identify which controls are delegated to budget managers and the extent of corporate oversight and control over compliance and completion.	Q5
Rental Income	20	Ensuring that the Council maximises the value of its property, including farms and other properties.	Q5
Client-side Review of Pathfinder Legal Services	20	Client-side review of Cambridgeshire's Pathfinder Legal Services legal provision.	Q5
Contract Management	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.	Q5
Contract Management - Public Transport, Park & Ride, and Guided Busway Contract	30	Review of this key contract with an annual value of £3m.	Q5

Contract Management - Supported Living	20	Review of the Supported Living contract.	Q5

7.   *Follow up of agreed audit actions*

7.1   The outstanding management actions from Internal Audit reports as at 11th July 2022 are summarised in the table below. This includes a comparison with the percentage implementation from the previous report (bracketed figures).

7.2   In line with the new rolling audit plan, implemented recommendations now only includes those closed within the last five quarters. Any recommendations that were closed more than five quarters ago are not included in the figures below.

Table 4: Implementation of Recommendations

	Category 'Essential' recommendations		Category 'High' recommendations		Category 'Medium' recommendations		Total	
	Number	**% of total**	**Number**	**% of total**	**Number**	**% of total**	**Number**	**% of total**
Implemented	2 (3)	1.47% (2.27%)	8 (5)	5.88% (3.79%)	79 (77)	58.09% (58.33%)	89 (85)	65.44% (64.39%)
Actions due within last 3 months, but not implemented	0 (0)	0.00% (0.00%)	3 (1)	2.21% (0.76%)	1 (5)	0.74% (3.79%)	4 (6)	2.94% (4.55%)
Actions due over 3 months ago, but not implemented	1 (1)	0.74% (0.76%)	1 (0)	0.74% (N/A)	14 (13)	10.29% (9.84%)	16 (14)	11.76% (10.61%)
Capital Programme Actions[1] due over 3 months ago, but not implemented	0 (0)	0.00% (0.00%)	0 (0)	0.00% (0.00%)	27 (27)	19.85% (20.45%)	27 (27)	19.85% (20.45%)
Totals	**3**		**12**		**120**		**136**	

7.3 There are currently 47 management actions outstanding. Further detail on outstanding actions is provided at Annex B.

7.4 There is only one current outstanding 'Essential' recommendation which passed its target date at the end of November 2021. This recommendation relates to the completion of the IT Health Check and associated work that is required for the Council to obtain Public Services Network (PSN) certification. Following an external IT Health Check (ITHC), the IT service has completed a further external IT Health Check (ITHC), penetration testing, and has developed an action plan to track remediation works identified as being required by the ITHC. In order to re-obtain PSN Certification, the service need to document and submit a Remedial

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[1] These 27 actions related to a review of capital project management. Audit & Accounts Committee received a full update on implementation of these actions on 31st May 2022 from the Place & Economy service. It has been agreed that Internal Audit will conduct a full follow-up audit of these actions in Q3 2022/23 to assess their implementation; as such further updates on implementation will not be provided until the audit is complete.

Action Plan, which is being created based on the current action plan. The service aim to submit this by the 8th July 2022 and hope to re-achieve PSN certification shortly thereafter.

7.5 Table 5, below shows the number of outstanding recommendations in each directorate:

Table 5: Outstanding Actions By Directorate

Directorate		Outstanding recommendations
Customer and Digital		
Business Improvement & Development		
People and Communities		6
Place and Economy		27
		1
Resources		
Monitoring Officer		1

8.0 *Risk Management*

8.1   The Corporate Risk Register (CRR) and the updated Risk Management Policy were presented as annexes to the previous Internal Audit Report, which went to Audit & Accounts Committee on the 31st May. The next report on risk management and updated Risk Register is being taken to Strategy & Resources Committee in August 2022, and copies of the August update will then be brought to the Audit & Accounts Committee meeting in September.

8.2   In the meantime, Internal Audit are introducing a new process to formally challenge and assure individual risks on the Corporate Risk Register. The first risk to be reviewed in this way is Risk 08. "Failure of Key Partnerships or Contracts", as the newest addition to the CRR. Work to review and challenge the identified triggers, controls and risk assessment relating to this risk is already underway, and the next step will be for Internal Audit to verify that the controls outlined in the risk register are in place. Outcomes of this review will be reported in line with the quarterly corporate risk reporting process.

9   *Fraud and corruption update*

9.1   Fraud Investigations

9.1.   The current Internal Audit caseload of investigations is summarised below in Table 7. As at the 30th June 2022, Internal Audit has received 5 whistleblowing referrals in the 2022/23 financial year, broadly similar to the number of referrals received by the same point in 2021/22 (3 cases).

Table 7. Current Internal Audit Investigations Caseload

Open Cases from 2021/22 *Carried forward*		Open	Closed	Total
Fraud	Officer Fraud	1	0	1
	Direct Payments	2	0	2
Governance	Conflict of Interest	1	0	1
Total		**4**	**0**	**4**
All Cases Reported in 2022/23 *To Date*				
Fraud and Theft	Conflict of Interest	1	0	1
	Theft	1	0	1
	Third Party Fraud	1	0	1
Governance	Internal Governance Issue	1	0	1
Health & Safety	Health & Safety	1	0	1
Total		**5**	**0**	**5**

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:

- **Direct Payments (2 cases)** – Internal Audit has investigated two cases of alleged misuse of Direct Payments. In one instance this has resulted in a referral to the police. In the other case the evidence is not sufficient to support a police referral, but an audit report on how to strengthen controls to reduce the risk of future direct payments misuse will be produced.

- **Conflict of Interest (2 cases)** – Internal Audit has been asked to provide assurance over the management of a possible conflict-of-interest. Another possible conflict-of-interest case has been identified via the National Fraud Initiative and is currently being investigated.

- **Officer Fraud (1 case)** – The Council identified concerns that an officer may be completing private work on Council time. The investigation is being led by HR as an employment matter with support from Internal Audit when needed.

- **Theft (1 case)** – The Council has been made aware of an allegation of a cash theft by a member of staff. The investigation is being led by HR as an employment matter with support from Internal Audit when needed.

- **Internal Governance Issue (1 case)** – Internal Audit are reviewing concerns raised by a member of staff about the financial governance of a service.

- **Health & Safety (1 case)** – The whistleblowing inbox received an anonymous referral raising concerns about health and safety in a specific Council. This has been passed on to the appropriate service to investigate and a site visit has been completed.

9.2   Update on policies

9.2.1   As reported previously, the Internal Audit team has been reviewing the Council's Anti-Fraud and Corruption Policy. This was with the intention of bringing an updated policy to CCLT and the Audit & Accounts Committee in summer 2022; however, this has been deferred to enable the team to present an updated Anti-Money Laundering Policy to the Committee for approval at the same time as the Anti-Fraud & Corruption Policy. The review of the Anti-Money Laundering Policy is progressing well, and a money laundering risk assessment is being completed as part of this work. The team are planning to present both updated policies to the Committee in the autumn.

9.2.2   At the meeting of Audit & Accounts Committee on 31st May 2022, the Chief Executive confirmed that he is personally planning to review and revise the Council's Whistleblowing Policy. To inform this work, during June, Internal Audit ran a whistleblowing survey. This is run every year by Audit, and it involved selecting one hundred members of staff at random and asking them to complete a survey asking about their awareness of the Council's Whistleblowing Policy and their confidence in the whistleblowing process. Forty responses were received, and the outcomes have been provided to the Chief Executive.

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. The current exercise commenced in September 2020 when data was supplied for matching purposes by all relevant parties, including CCC. The matched output was released by the NFI in January 2021. The total number of matches for CCC is 8,629 across 31 reports which have a high or medium risk rating, depending on the nature of the data.

9.3.2 As at July 2022, 2022 6,576 matches have been closed on the NFI portal. This includes £63,440.03 pension overpayments that have been identified and are being recovered. 349 blue badges have been cancelled; the Cabinet Office estimates a notional saving of £200,675.00 for these. More information on the work to date is provided at Annex C to this report.

9.3.3 The next NFI exercise will commence in October 2022, when data will be uploaded onto the NFI portal by Cambridgeshire County Council. The matches identified from this data will then be released by the NFI in January 2023 for the Council to review.

9.4 Consultancy contracts review

9.4.1 Internal Audit completed a review following up on the findings of a previous investigation into Use of Consultants in 2018. This identified several breaches of the Council's rules around procurement and appointment of consultants, and limited compliance with a number of the internal controls that were introduced following the previous audit review of consultants. The review did not identify any evidence of breaches of national procurement legislation. This audit review was referenced as part of the report submitted by the Head of Procurement considered by the Audit & Accounts Committee at its meeting in May.

9.4.2 As a result of this review, a number of recommended actions have been agreed with senior management and some of these have already been implemented. The Council's new Contract Procedure Rules include a new requirement that officers must obtain approval from Procurement for any direct award to a supplier, even if it carried out via a legally-compliant framework. Procurement are also in the process of introducing formal reporting on the award of procurement waivers and direct award approvals, to enable greater scrutiny and challenge. The Council's HR service are introducing a new recruitment panel process for consultancy expenditure which will include an e-form for services to use to obtain approval for spend.

9.4.3 One of the key issues encountered by the Internal Audit team was the difficulty obtaining evidence and records relating to the sampled consultancy procurements, particularly after budget managers or other staff had moved on. This is consistent with the findings of another recent audit review looking at Procurement Compliance. As a result of these findings, the Procurement team are working to find a solution which would enable the Council to maintain a central repository for procurement information for high value contracts.

9.4.4 In order to maintain oversight of progress with addressing the areas of weakness identified by the review, Internal Audit has committed to undertaking a number of follow-up reviews over the next four quarters. This includes a compliance audit to examine compliance with the new requirement for officers to obtain approval from Procurement for any direct awards to suppliers; work to review the accuracy of coding of expenditure on the Council's General Ledger; and a full follow-up audit of consultancy and interim spend at the end of the year. The outcomes of these reviews will be reported to Committee in due course.

10   *Key financial systems update*

10.1   Annual audits of Accounts Payable (AP), Debt Recovery (DR), and Accounts Receivable (AR) are delivered by the Cambridgeshire Internal Audit Team to Cambridgeshire County Council and the other partner Councils who receive these services under the Lead Authority system. These reviews have now been completed and issued as final to all partners for the 2021/22 financial year. Details on the outcomes of these audits for Cambridgeshire were provided as part of the Internal Audit Annual Report, which was presented to Audit & Accounts Committee

10.2   The other key financial system audits, Payroll and Pensions, are being delivered by audit colleagues at West Northamptonshire Council (WNC). The final Administration of the Pension Fund report has now been received and gives an opinion of substantial assurance over the adequacy of the system, and satisfactory assurance over compliance with the system. Actions have been agreed with management to address areas of weakness where these have been identified.

10.3   Colleagues at WNC have stated that they are aiming to provide a draft report on Payroll Transactions by the 15th July 2022. Cambridgeshire's Internal Audit team will formally report the outcomes of this audit, once the final report is, in the next Progress Report to Cambridgeshire's Audit & Accounts Committee.

10.4   The Lead Authority Board has discussed the current arrangements for internal audit of shared systems, and it the Chief Internal Auditors of the partner authorities have met in July 2022 to start developing a clear proposal for how the audits of shared services should work, and develop a schedule for the audits planned to take place in 2022/23. This will include planning for when audits will take place, which partner authority will undertake them, and an estimated number of days for each review. The schedule will then be shared with Lead Authority Board members and relevant Heads of Service.

10.5   Internal Audit will provide a further update on the planning of joint key financial systems audits for 2022/23 in the next Progress Report.