Agenda Item No. 6 – Appendix 1

Internal Audit & Risk Management

Cambridgeshire County Council

Update report

As at 28th February 2025

Section 1

1 INTRODUCTION

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

SECTION 1: Introduction

SECTION 2: Internal Audit Reporting Process

SECTION 3: Finalised Assignments

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

SECTION 5: Internal Audit Activity

SECTION 6: Audit Plan: 2024/25

SECTION 7: Follow Up of Agreed Audit Actions

SECTION 8: Risk Management

SECTION 9: Fraud and Corruption Update

SECTION 10: Key Financial Systems Update

ANNEX A: Internal Audit Plan Progress 2024/25

ANNEX B: Outstanding Agreed Actions

2 INTERNAL AUDIT REPORTING PROCESS

2.1 THE REPORTING PROCESS

2.1.1 This quarterly report provides stakeholders, including Audit & Accounts Committee and CLT, with a summary of internal audit activity for the 2024/25 financial year to date.

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 Progress Report in **January 2025**, the following audit assignments have reached completion, as set out below in Table 1.

Table 1: Finalised Assignments

No	Directorate	Audit Title	Assurance			Actions Agreed			
			System	Compliance	Organisational	Essential	High	Med.	Low
1.	Children, Education & Families	In-house Foster Carer Applications & Placements	Good	Moderate	Minor	0	2	2	0
2.	CCC-wide	Procurement Compliance	N/A	Moderate	Minor	0	0	1	1
3.	Finance & Resources	IT Security for Overseas Working	Limited	Moderate	Minor	0	0	2	0
4.	Finance & Resources	Rental Income	Limited	Limited	Moderate	0	4	10	1
5.	Children, Education & Families	Castle Camps School Audit	Limited	Moderate	N/A	N/A[1]			
6.	Children, Education & Families	Great and Little Shelford School Audit	Moderate	Moderate	N/A	N/A			

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

No	Directorate	Audit Title	Assurance			Actions Agreed			
7.	Children, Education & Families	Elton School Audit	Good	Moderate	N/A	N/A			
8	Children, Education & Families	Queens' School Audit	Moderate	Moderate	N/A	N/A			
9	Adults, Health & Commissioning	Investigation 158 – Direct Payments Prepaid Cards	Briefing note investigation report issued			0	0	0	3
10	Finance & Resources	Investigation Case 151	Investigation report issued			0	0	1	2

3.2 Summaries of any finalised reports with limited or no assurance (excluding individual school audits) issued as final since our last Progress Report in January 2025 would typically be provided in Section 4. However, there are no such finalised audits to report for this period. Summaries of investigation reports are provided in Section 9.

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

Table 2: Draft Reports

No	Directorate	Assignment
1.	Strategy & Partnerships	Recruitment Policy & Compliance
2.	Place & Sustainability	Light Blue Fibre Ltd
3.	Place & Sustainability	Street Lighting PFI Contract
4.	Children, Education & Families	Overall Schools Report
5.	Children, Education & Families	Castle School Audit
6.	Children, Education & Families	Granta School Audit
7.	Children, Education & Families	Trumpington School Audit
8.	Finance & Resources	Treasury Management
9.	Adults, Health & Commissioning	Investigation Case 148
10.	Finance & Resources	Investment Properties

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

4 SUMMARIES OF COMPLETED AUDITS WITH LIMITED OR NO ASSURANCE

4.1 RENTAL INCOME:

4.1.1 Cambridgeshire County Council (CCC) currently manage rental income for early years, commercial lets, farms, and school caretaker houses. The processes are managed by the Commercial Assets Team and the Rural Assets Team within Property. The systems for the collection of rental income were last reviewed by Internal Audit in December 2019, when limited assurance was given, and a follow-up audit was commissioned in 2024 from the Council's co-sourced internal audit contractor, TIAA Ltd.

4.1.2 Based on the completion of audit fieldwork, TIAA auditors gave an opinion of limited assurance over the systems of control for rental income, and limited assurance over compliance with key controls. Findings and recommendations include the need for the service to introduce a process of reconciliation between expected income, invoices processed and income received across the different categories of rental income managed by the Council; the need to introduce a process to formally monitor tenant/lessee insurances; and the need to establish a robust process for calculating and administering service charges.

4.1.3 Linked to this, the service has implemented a new property management system, Concerto. This system has yet to be linked to the Council's financial system ERP and a further action which has been agreed from the audit is for a full action plan and timescale for completing this integration to be developed.

4.2 IT SECURITY FOR OVERSEAS WORKING REQUESTS:

4.2.1 This audit focussed on the processes for reviewing and approving requests by officers to work overseas temporarily, for which a limited system assurance opinion was given, and a moderate opinion for compliance with key controls. Documented policies and procedures were in place that require officers to seek advice from IT when requesting to temporarily work abroad, so that a risk assessment can be undertaken. However, there were some ambiguities and inconsistencies between the documented procedures and procedures in practice. This included a lack of clarity regarding approval requirements for overseas working, with a risk of inconsistent understanding of roles and responsibilities. There were also some inconsistencies in the list of approved countries between the ICT Use Policy and the Toolkit, and the list of countries where access is blocked for security reasons was not available to officers.

4.2.2 The were no documented internal control processes relating to overseas working requests within the Cyber Security Team, such as how requests for overseas working should be reviewed, and what evidence should be retained by the team. In addition, there was no central record of requests which could be compared to

identified overseas network connections, to verify whether a new instance of overseas working has been approved and to identify any unapproved instances.

4.2.3 The service has already implemented a new eForm specifically for requesting to work overseas and confirmed that the new Head of IT Operations has begun reviewing the current processes to update them in line with the Internal Audit recommended actions.

4.2.4 While there is a need to improve procedures to ensure the Council can plan for, track and monitor overseas working effectively, the Security Operations Manager has confirmed that software and security infrastructure controls are robust and sufficient to prevent unauthorised access when working overseas, as they are when working in the UK. Access to the network from certain countries is prohibited and overseas working is not a significant or regular occurrence.

4.2.5 Taking all this into account, it should be noted that the overall risk to the Council in this area is therefore low and primarily centred around the risk of officers working abroad without prior agreement, or of planning to work from a country only to find on arrival that they are unable to access the Council's network for security reasons; or the risk of officers wasting time seeking approval for overseas working requests which will ultimately be rejected if the country is on the blocked list.

5. INTERNAL AUDIT ACTIVITY

5.1 AUDIT PLAN PROGRESS 2024/5

5.1.1 Progress with delivery of the Audit Plan 2024/5 is provided at Annex A to this report.

5.2. SCHOOLS AUDITS

5.2.1 Since September, the Internal Audit team has been undertaking a programme of school finance audits. All ten schools in the sample have had draft reports issued and seven have had a final report issued.

5.2.2 An overarching thematic schools audit report has also been issued in draft, bringing together these findings and making recommendations for the Council to improve its guidance to schools. This report also highlights areas of good practice identified through school visits which can be shared more widely.

5.3. INTERNAL AUDIT RESOURCE & RECRUITMENT

5.3.1 The Internal Audit team continues to report positive progress with our staffing arrangements. The Principal Auditor who joined in October has integrated well into the team. Following the departure of one of our Principal Auditors to the Council's Finance team in December, we successfully recruited internally. The new Principal Auditor joined the Internal Audit team from Finance on February 3rd and has settled in well.

5.3.2 We are also pleased to report that the new Corporate Risk Manager joined the Internal Audit and Risk Management team on February 20th. This appointment completes our management structure and strengthens our risk management capability.

5.3.3 Internal Audit recruit Trainees/Associates under the CIPFA Apprenticeship programme which is run with Finance colleagues on an annual basis. An assessment day took place on February 28th with interviews to follow in March. Internal Audit aim to recruit one trainee for internal audit team, who are expected to join the team in September.

5.4 IMPLEMENTATION OF GLOBAL INTERNAL AUDIT STANDARDS

5.4.1 As previously advised, in January 2024 new Global Internal Audit Standards (GIAS) were issued by the Institute for Internal Auditors (IIA), which replace the previous standards in its International Professional Practice Framework.

5.4.2 The UK public sector Internal Audit Standards Advisory Board (IASAB) has now considered the content of the GIAS and has determined that it is applicable to the internal audit of UK public sector bodies, subject to some additional requirements and interpretations. The IASAB developed an Application Note for the UK Public Sector, setting out the interpretations and requirements which will come into force from April 2025.

5.4.3 At the same time, the Chartered Institute of Public Finance and Accountancy (CIPFA) have also released a draft Code of Practice for the Governance of Internal Audit in UK Local Government, to reflect the details of applying the GIAS within the internal audit of UK local government bodies.

5.4.4 Cambridgeshire County Council's Internal Audit team have been reviewing the new GIAS, the draft Application Note and the draft Code of Practice. The introduction of this new guidance will require a range of updates to existing Internal Audit processes and documentation at Cambridgeshire. The Internal Audit team will present the updated Internal Audit Charter and other key documentation, as required by the new standards, to the next meeting of the Audit & Accounts Committee on the 4th June 2025. This timing will mean that these key team processes etc. can be discussed with the new Committee following the May 2025 local elections, which will support the induction process.

5.5 ADVICE & GUIDANCE:

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

- Supporting colleagues in the Place & Sustainability directorate with preparing their Directorate Assurance Statement;

- Liaising with external audit as required, including responding to the Value for Money opinion and queries regarding the Pension Fund;

- Attending meetings of the Local Government Reorganisation Working Group to advise/support on the initial approach to risk management.

6. AUDIT PLAN: 2024/25

6.1 A draft Audit Plan for 2025/6 has been developed and details of this and information on the process followed to create the plan are provided in the separate report, entitled Draft Internal Audit Plan 2025/6.

6.2 Core audit work is progressing in line with the agreed Audit Plan 2024/25. Progress on work underway is detailed at Annex A to this report.

6.3 Several amendments to the Internal Audit Plan for the remainder of 2024/5 have been made. This is partially in light of the revised risk assessment carried out to develop the plan for the coming year, and also partially due to time pressures restricting the amount of work that the team will be able to complete by the end of the financial year. In particular, the high level of whistleblowing and counter fraud work required in 2024/5 has created a time pressure on other work; as at the end of February, the team had spent 176 days on whistleblowing and counter-fraud in-year against an original time budget of 140 days for the whole year. The following amendments are highlighted for Committee's awareness:

- **DSG Safety Valve Review** – A follow-up review of the DSG Safety Valve Project was originally scheduled to take place in the final quarter of 2024/5. However when planning work for the audit commenced, it was agreed that it would be more appropriate to defer the review to the autumn of 2025/6, for the following reasons:
    - The Council is still awaiting a ministerial decision on Cambridgeshire's proposals for a revised Safety Valve programme and until this is received the current aims and outcomes of the programme are subject to change;
    - A number of actions from the previous audit report have yet to be implemented and therefore it is likely that a second audit at the present time would reach similar conclusions to the previous review;
    - Linked to the above, a key action for the project will be the implementation of the new IT system (expected to take place in August/September 2025) which should enable completion of certain outstanding audit actions and improved availability of data to the project;
    - Timing the audit review after the implementation of this system (rather than before) will therefore provide greater organisational value and assurance by being able to review the new system and hopefully having a ministerial decision to set the direction of travel for the project as well.

- **Direct Payments Review** – This review has been deferred for completion in the 2025/6 Audit Plan. Extensive work relating to Direct Payments systems has been undertaken by Internal Audit in the

current financial year via investigations; in particular, cases 143, 148 and 158 all involved detailed review of elements of the system of control around direct payments and, in the case of case 158, direct payment prepaid cards. Three investigation reports on Direct Payments, with associated audit recommendations, have therefore been issued in 2024/5 and as such it is felt this is an area where completion of the overall system audit can be deferred to 2025/6.

- **Highways Contract** – A review of the Council's Highways Contract has been scoped, with a Terms of Reference drafted in 2024/5; however the fieldwork has been deferred to 2025/6 for capacity reasons. In the meantime, auditors are working with colleagues in Place & Sustainability to understand the ongoing work on the outstanding audit agreed action to implement annual reconciliations in line with the contract.

- **Response to Health & Safety Incidents** – A review of compliance with responding to health and safety incidents is being scoped and will be commenced in-year, but for capacity reasons the bulk of fieldwork is now likely to be completed in 2025/6.

7. *FOLLOW UP OF AGREED AUDIT ACTIONS*

7.1 OVERVIEW OF FOLLOW UPS

7.1.1 The outstanding management actions from Internal Audit reports as at 28th February 2025 are summarised in table 7 below. This includes a comparison with the percentage implementation from the previous report (bracketed figures).

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

Table 7: Implementation of Recommendations

	Category 'Essential' recommendations		Category 'High' recommendations		Category 'Medium' recommendations		Total	
	Number	**% of total**	**Number**	**% of total**	**Number**	**% of total**	**Number**	**% of total**
Implemented	4 (3)	1.56% (1.16%)	46 (41)	17.69% (15.83%	141 (134)	54.23% (51.74%	191 (178)	73.46% (68.73%)
Actions due within last 3 months, but not implemented	0 (0)	0.00% (0.00%)	2 (3)	0.77% (1.16%)	20 (19)	7.69% (7.34%)	22 (22)	8.46% (8.49%)
Actions due over 3 months ago, but not implemented	1 (2)	0.39% (0.78%)	13 (14)	5.00% (5.41%)	23 (32)	8.85% (12.26%)	37 (48)	14.23% (18.53%)
Actions due over 12 months ago, but not implemented	0 (0)	0.00% (0.00%)	1 (1)	0.39% (0.39%)	9 (10)	3.46% (3.86%)	10 (11)	3.85% (4.26%)
Totals	**5**		**62**		**193**		**260**	

7.1.4 There are currently 69 management actions outstanding, compared to 81 in the last reporting period. Further detail on outstanding actions is provided at Annex B.

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

Table 8: Overdue Actions By Directorate

Directorate		Outstanding recommendations
Children's		20
Adults, Health and Commissioning		10
Place and Sustainability		19
Finance and Resources Directorate	*Key Financial Systems*	5
	Other	10
Strategy and Partnerships		5

7.2 KEY UPATES

Overdue 'Essential' Recommendations:

7.2.1 There is one 'essential' recommendation that is overdue, compared to 3 as at the last reporting cycle. This follows the implementation of the essential recommendation from the Interims and Agency Staff audit, which required the service to ensure that a contract was in place between the Council and its provider of interim and agency staff, as well as establishing a shareholder board in relation to the provision of interim and agency staff. Internal Audit has seen the contract document and it has been confirmed by the Service Director: Finance & Procurement that a members shareholder sub-Committee is sitting and a report specific to the provider of interim and agency staff is scheduled to be presented to a meeting of the sub-Committee in June 2025.

7.2.2 The remaining overdue essential recommendation is from the DSG Safety Valve Review and relates to the implementation of SMART targets, prioritisation of actions, and reporting against targets and expected benefits to demonstrate how planned actions will achieve expected outcomes. The Service Director of Education has confirmed that:

'A weekly data task and finish group are monitoring the progress of clearing data quality issues and working with working with the Policy & Insights team to create a data dashboard and suite of reports within Power BI. In addition, a business case has been developed for additional data quality officers to complete the scope of work and to support with the migration and implementation of a new system. The SD Education has oversight of the data requirements to include in the data dashboard and this will be used to support reporting to the Inclusion Change Board on service performance targets including statutory timescales.

As part of the Inclusion for All programme, 6 workstrands will have an action plan with clearly defined SMART targets/KPIs which will be reported against. Each of the 6 workstrands will have a high-level project plan with key milestones and

interdependencies identified and monitored together with individual workstrand risk registers.

The Safety Valve Agreement has been updated and was submitted to the DFE on October 31st. This revised agreement has reshaped the action plan for the service and focuses on reducing high cost independent placements and supporting children to remain in mainstream provision. A revised target date of April 2025 has been provided by the service.

The Safety Valve Agreement has been updated and was submitted to the DFE on October 31st. This revised agreement has reshaped the action plan for the service and focuses on reducing high cost independent placements and supporting children to remain in mainstream provision.'

Other Overdue Recommendations:

7.2.3 There are 10 recommendations currently overdue by 12 months which is one fewer as at the last reporting cycle, one of which is a 'high' level recommendation. This recommendation is from the Government Procurement Card audit and the service is currently awaiting information from the Council's banking provider before determining whether the recommendation can be fully implemented or whether the S151 will be asked to consider accepting the residual risk.

7.2.4 Two of the 'medium' risk recommendations overdue by 12 months or more relate to the IT Incident & Problem Management audit. These were delayed due to the split from Peterborough City council. There is a new Head of IT Operations in post who is in the process of reviewing these recommendations and it is expected these will be implemented at the next reporting period. Two relate to Accounts Payable and one to Debt Recovery but the latest update from the responsible officer confirms these should be implemented by the end of March 2025. Two relate to the Insurance Fund Audit and one to the In-House Fostering service audits.

Unimplemented recommendations

7.2.5 When Internal Audit issued the Interims & Agency Staff audit report, it included the following recommendation:

Recommendation 2: *'A central database should be developed to include all interim engagements currently in place with the Council, and a process of quality assurance and compliance checking should be introduced to identify non-compliance with the Agency Worker & Interims Policy.*
The database should include a record of all documentation required by the policy for each interim and should include a record of all documentation required by the council's Contract Procedure Rules for any interim not engaged via Opus. Information should include the ERP number for the vacant post; the salary ceiling for the vacant post; confirmation that a job description and person specification is in place for the role; the rate currently being paid for the interim and the variance

to the salary for the post. These files/central record should be retained by HR and quality assurance spot checks should be undertaken to confirm relevant documents and approvals are in place, to confirm compliance/identify non-compliance and take remedial action. Regular checks should then be undertaken to confirm compliance with the policy and to identify and challenge long-term and high-cost engagements. This process could utilise ERP reporting, combined with the records in the central database.

A check of every interim should be undertaken to confirm the interim is covering a vacant post in ERP and that the Workforce Expenditure Control Panel has approved the engagement. This should be recorded on the master record. Any instances of non-compliance should be reported to the panel, and the panel should receive reporting on engagements for scrutiny and challenge

As part of recommendation 2 above, centralised spot checks should be undertaken on interims to ensure that a declaration of interests is in place. Any instances of non-compliance should be reported to the Workforce Expenditure Control Panel.

Checks should be undertaken to ensure that any interim appointment not through Opus has complied with the Council's Contract Procedure Rules. Any instances of non-compliance should be reported to the Workforce Expenditure Control Panel and the Head of Procurement relevant Executive Director, Head of HR and Head of Procurement'.

7.2.6 This recommendation was made to mitigate the risk that, without a central record of interim and agency engagements, effective monitoring of compliance and performance/identifying and addressing non-compliance cannot be undertaken.

7.2.7 The Service Director of HR agreed in principle that a central point of information should be created with a strong compliance and checking mechanism but recognised that this would require additional resource of an administrative role and therefore additional funding. The Service Director of HR, in conjunction with the Executive Director of Strategy and Partnerships, has now concluded that the budget will not be available to implement this recommendation.

7.2.8 The Service Director of HR has also confirmed that the service will not be implementing recommendation 8 from the Interims and Agency Staff report:

Recommendation 8: '*A contract document/more detailed placement confirmation document should be developed to clearly state the terms of an interim engagement that should be approved by both the Council and Opus. This should include: the full job description for placement: the period of the placement: terms between the council and Opus regarding remedial action that can be taken if the interim is not effectively delivering the role; and terms for termination of the placement. No placement should start without this contract being signed by the council and Opus.'*

7.2.9 The Service Director of HR confirmed that the current placement confirmation document contains sufficient details and was satisfied that OPUS has signed contracts in place with Interim/Agency staff.

7.2.10 In line with Internal Audit procedure where a service indicates that they do not accept recommended actions, the full report detailing these two recommendations and comments was provided to the Executive Director of Strategy and Partnerships who has reviewed the report and confirmed that they accept the risk of not implementing these recommendations.

7.2.11 Both these actions were risk rated ‘medium’, meaning that action was recommended by audit to avoid exposure to a risk to the service area. In conformance with the Global Internal Audit standards, Internal Audit are satisfied that the fact that these actions have not been implemented does not pose a significant risk to the organisation as a whole. The remaining actions from the report have been accepted and implemented by the service.

8.0 *RISK MANAGEMENT*

8.1 The Internal Audit & Risk Management team continues to facilitate and support the effective implementation of risk management practice across the organisation. Since the previous update on the Corporate Risk Register which was brought to the Committee in October 2024, the following work has been undertaken by the team:

- The next Corporate Risk Group meeting, originally planned for February 4th, has been rescheduled to April 9th. In preparation for this meeting, The Internal Audit & Risk Management team has liaised with colleagues in Governance & Performance to develop proposals to integrate the Corporate Risk Group into a Corporate Risk & Performance Group going forwards. An updated Terms of Reference to reflect the new dual risk/performance focus will be brought forward to the next meeting of the group on the 9th April. Additionally, the Head of Procurement and Commercial has been scheduled to deliver her presentation on Contract Risk Management during this session.

- Facilitating a meeting of the CLT Risk & Assurance Group on the 21st February to review and challenge the Corporate Risk Register. The meeting included review of the Finance & Resources Directorate Risk Register; a discussion on the risk implications of Local Government Reorganisation; review of red or 'borderline' risks from Directorate Risk Registers (i.e. those risks scoring 15 or higher), alongside a discussion of assurances and escalations from Directorate Risk Registers; review of the Corporate Risk register and proposed reporting to Strategy Resources & Performance Committee and Audit & Accounts Committee; discussion regarding the escalation of Risk 13 "Arrangements to support people with Learning Disabilities result in poor outcomes due to uncertainty of decoupling of funding arrangements via section 75 agreement" to the Corporate Risk Register.

- The recent Local Government Reorganisation announcement in the English Devolution White Paper, will significantly impact risk management at Cambridgeshire County Council, requiring both short term reassessment of risk registers and longer-term identification of transition risks. In recognition of this, an initial discussion regarding risk management in light of the LGR proposals was held at CLT on the 21st February and a range of updates to the CRR were discussed and agreed. This will continue to be an area of discussion at future CLT Risk & Assurance meetings.

- Additionally, the Head of Internal Audit & Risk Management has joined the current Local Government Reorganisation Working Group to provide advice and support on the approach to capturing and monitoring risk

relating to the proposals. This is likely to include an organisational-level risk captured on Directorate/Corporate level risk registers, and a more operational project-level risk register held by the programme, with the two levels of risk management feeding into one another.

In November and December 2024, the draft corporate Risk Management eLearning has been tested by members of the Internal Audit team and further updates made. It is planned to launch the new eLearning modules in March 2025.

9 *FRAUD AND CORRUPTION UPDATE*

9.1 WHISTLEBLOWING & FRAUD INVESTIGATIONS 2024/25

9.1.1 The current Internal Audit caseload of investigations is summarised below in Table 7. As at the 28th February 2025, Internal Audit has received 35 whistleblowing referrals in the 2024/25 financial year, slightly higher to the number of referrals received by the same point in 2023/24 (29 cases). There are 2 open cases which have been carried forward from 2023/24.

Table 9. Current Internal Audit Whistleblowing & Investigations Caseload

Open Cases From 2023/24 *Carried Forward*		**Open**	**Closed**	**Total**
Fraud and Theft	Council Officer Fraud	1	0	1
	Direct Payments	1	0	1
Total		**2**	**1**	**2**
All Cases Reported in 2024/25 *To Date*		**Open**	**Closed**	**Total**
Fraud and Theft	Council Officer Fraud	4	1	5
	Third Party Fraud	1	4	5
	Theft	0	1	1
	Direct Payments	2	0	2
	Compliant	0	1	1
	Money Laundering	0	1	1
Grievance/Bullying	Conduct/Grievance	1	2	3
Governance	Internal Governance Issue	7	3	10
	Breach of Contract	1	0	1
Safeguarding and Health & Safety	Safeguarding	1	1	2
	Health and Safety	1	1	2
External issues	Not related to CCC	0	2	2
Total		**18**	**17**	**35**

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:

- **Internal Governance (7 open cases)** – Internal Audit are currently investigating seven cases relating to internal governance concerns. Internal Audit have initiated audit reviews of five situations and for remaining two cases Internal Audit will get in touch with services to initiate the investigation.

- **Council Officer Fraud (5 open case)** – Internal Audit is currently investigating five cases of alleged fraud involving someone working for CCC.

- **Third Party Fraud (1 open cases)** – Internal Audit is currently investigating one case of alleged fraud against the Council by third parties. A draft report has been issued by Internal Audit and discussed with the service prior to the final report being issued.

- **Conduct/Grievance (1 open case)** – Internal Audit is currently investigating a case linked to employee conduct, in conjunction with HR colleagues. Preliminary advice has been provided in this case however it is not concluded yet.

- **Direct Payments (3 open cases)** – Internal Audit is reviewing three allegations of potential misuse of Direct Payments. These include concerns over eligibility, monitoring, and compliance with policies. Where necessary, investigations are being conducted in conjunction with Adult Social Care colleagues.

- **Breach of Contract (1 open case)** – Internal Audit is currently undertaking one allegation of a breach of contract.

9.2 WHISTLEBLOWING CASES CLOSED

9.2.1 The following cases have been closed by Internal Audit since the last reporting date. Summaries of the reasons for closure are outlined below.

9.2.2 *Case 145 Investment property review*

Internal Audit previously received a request to review the decision-making process behind the council's investment in one of its investment properties. Early work identified governance weaknesses that were in place at the time of initial investment, which had already been addressed by the time of the audit review. The investigation was therefore terminated without a report being issued; any residual risk has been picked up by the internal audit of Investment Properties, which covered all the council's investment properties rather than focusing on a single property. A draft report on this audit has been issued and will be reported in the usual way.

9.2.3 *Case 150 Missing IT Equipment*

Internal Audit investigated concerns regarding missing IT equipment from Council buildings. The review assessed resource management processes and identified opportunities to enhance inventory tracking and security protocols. Recommendations were made to strengthen oversight of Council IT assets and improve awareness of equipment stewardship responsibilities. A final investigation report has been issued.

9.2.3 *Case 158 Direct Payment Prepaid Cards Investigation*

Internal Audit investigated an incident whereby a confidence fraud was perpetrated against a user of Direct Payment prepaid cards over a significant period of time from 2022 to 2024. As a result of the nature of the fraud, a number of the normal controls on direct payment prepaid cards were bypassed by the card user, however several advisory actions have been agreed by the service to strengthen controls over these cards in future. A partial refund of the defrauded monies has been issued by the card provider, and Internal Audit will liaise with the police to identify whether there is potential for further recovery if a prosecution of the perpetrator is taken forward by police.

9.2.4 *Case 173 Penson Fund Impersonation*

Internal audit was notified of a case where someone had fraudulently impersonated a member of the Cambridgeshire Pension Fund to attempt to claim their pension entitlement; they were able to do so as the fraudster had obtained access to the Pension Fund members' email account. The fraud was detected when a BACS remittance letter alerted the genuine member that the payment was due, and they contacted the Fund and stopped the payment.

Internal audit review identified that a further control which would help to prevent similar situations occurring has already been recommended and agreed in the recent Pensions audit, so no further action was required. Informal audit advice was provided.

9.2.5 *Case 176 Road Planings Management*

A concern was raised regarding road planings which had been dumped in a certain area, as well as noting that planings are treated as waste by CCC but have a value and are sought after by landowners. On review by Internal Audit, it was confirmed that the risks and issues highlighted in these concerns were the same as those raised in a separate whistleblowing earlier in the year (Case 150), and the actions agreed in the report from that investigation will address the concerns. No further action was required.

9.2.6 *Case 180 Trading Standards Inspection Complaint*

A member of the public who runs a farm raised concerns regarding a recent inspection by Trading Standards. On reviewing the concerns, Internal Audit

determined this was not the whistleblowing but a complaint as it related to an individual's personal experience with a Council service. The individual was therefore advised to raise this as a corporate complaint through the appropriate channels.

9.2.7 *Case 181 Health & Safety at a Primary School*

The Council's whistleblowing inbox received concerns regarding the Health and Safety issue at a Primary School. The matter was referred to the Health and Safety team, who conducted a site visit on February 10th, which confirmed that reported roof leaks had been resolved. A further recommendation was made by Health & Safety colleagues to replace the wet and damaged panels, which the school has agreed to implement. No further action was required.

9.3 NATIONAL FRAUD INITIATIVE (NFI)

9.3.1 The NFI is a statutory exercise led by the Cabinet Office, which compares different data sets provided nationally by local authorities and partner organisations, for the purpose of detecting and preventing fraud. The NFI works on a two-yearly cycle, and data matches which indicate a possibility of fraud in Cambridgeshire are returned to the Local Authority for investigation.

9.3.2 A new NFI exercise commenced data collection in October 2024. Adult Social Care datasets were not collected in the first round of data matching this year, and the NFI anticipate that Adult social Care datasets will be collected and matched as part of a later supplementary exercise.

9.3.3 Matches were released from the first round of data matching on the 20th December 2024. Internal Audit will be in touch with key contacts so they can start reviewing them.

10 *KEY FINANCIAL SYSTEMS UPDATE*

10.1 2024/25 KEY FINANCIAL SYSTEMS AUDITS

10.1.1 A paper on the approach and scope for the 2024/5 audits of key financial systems via the Lead Authority model was taken to the Lead Authority Board and approved on the 23rd October. It has been agreed that the Cambridgeshire Internal Audit Team will undertake the Payroll and Debt Recovery shared service audits to commence in January 2025, with the Accounts Payable and Income Processing audits to be undertaken by the West Northamptonshire and North Northamptonshire teams.

10.1.2 The Cambridgeshire Internal Audit service recommended that a new and more comprehensive approach to the auditing of Cambridgeshire and Northamptonshire pension funds should be developed with greater input from the pensions service. This was agreed by the Lead Authority Board and work on this has commenced, and is being led by Cambridgeshire's Head of Internal Audit in conjunction with the Head of Pensions. The approach currently being developed will be finalised in March/April, with audit work to commence in quarter 1 of 2025/26. Further updates will be brought to the Committee in due course.

10.1.3 The Cambridgeshire Internal Audit service is currently undertaking the Payroll and Debt Recovery shared service audits for 2024/25. These are both in the early stages.