

**INTERNAL AUDIT & RISK MANAGEMENT**

**ANNUAL REPORT**

2023/24

# Internal Audit & Risk Management Annual Report 2023/24

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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 Head of Internal Audit & Risk Management.
- 1.1.2 The annual report is required to incorporate: the opinion; a summary of the work that supports the opinion; and a statement on conformance with the Public Sector Internal Audit Standards.
- 1.1.3 This document represents the annual internal audit opinion and report for Cambridgeshire County Council for the financial year 2023/4, in compliance with PSIAS.

## 2. CHIEF AUDIT EXECUTIVE OPINION 2023/24

### 2.1 Chief Audit Executive Opinion

2.1.1 The annual opinion of the Chief Audit Executive (CAE) must be based on an objective assessment of the framework of governance, risk management and control and include an evaluation of the adequacy and effectiveness of controls in responding to risks within the organisation's governance, operations and information systems.

2.1.2 This annual opinion of the Chief Audit Executive for Cambridgeshire County Council in 2023/4 is presented below:

*On the basis of the audit work undertaken by Cambridgeshire's Internal Audit team during the 2023/24 financial year, it is the Head of Internal Audit's opinion that overall Internal Audit can provide moderate assurance over the system of internal control in place at Cambridgeshire County Council for the financial year ended 31st March 2024.<sup>1</sup>*

*This opinion is derived from an assessment of the range of individual opinions arising from work completed in 2023/24 by the Cambridgeshire Internal Audit team, taking account of the relative materiality of each area under review and the findings; assessment of other evidence and assurances about the organisation's arrangements for internal control and managing risk; and ongoing review of management's progress in addressing control weaknesses. Full details of the work completed by Internal Audit in-year are set out in the remainder of this report and at Annex A.*

*I would particularly highlight the following key pieces of evidence on which my opinion is based:*

- Assurance opinions from Internal Audit reviews in 2023/24 showing a predominance of 'moderate' audit opinions. A single audit (Dedicated Schools Grant Safety Valve programme) identified findings which were deemed to have the potential for a 'major' organisational impact if the identified risks materialised. See Section 4.1 for more details.*
- Procurement and contract management continues to represent a key area of risk and focus for Cambridgeshire County Council, and this has been reflected in the Internal Audit plan and the findings of audit work completed throughout the year. The Council has undertaken a range of*

<sup>1</sup> The opinion of 'moderate' assurance reflects the service's standard definitions for assurance opinions, indicating that audit work has identified that there are control weaknesses that present a medium risk to the control environment; and that the control environment has mainly operated as intended, although errors have been detected. For more detail and full definitions of the assurance opinions in use, please see Section 3.2.4, below.

*actions to strengthen the control environment around procurement and contract management throughout 2023/4. See Section 4.5 for details.*

- *Project/programme management and change has been highlighted as a risk area for the authority, based on audit work completed in 2023/4. A range of actions to strengthen both revenue and capital project management controls have been agreed as an outcome of these audits, with actions due for implementation in 2024/5, and this risk area will therefore continue to be a focus for the Audit Plan in the coming year. See Section 4.9 for details.*
- *Review of the organisation's Code of Corporate Governance and the evidence supporting the Council's Annual Governance Statement, including Director's Assurance Statements. These documents demonstrate a sound core of organisational governance, while highlighting some areas within the corporate framework which require further development. The Council has progressed the implementation of actions identified within the 2022/3 Annual Governance Statement throughout the year, resulting in a range of improvements to organisational governance.*
- *75% of agreed audit actions due for implementation in 2023/24 have been completed by the organisation. This is an improvement on the implementation rate of 62% for 2022/3 and 64% for 2021/22, despite a higher number of actions being due for implementation in 2023/4 compared to the prior year. Each action completed represents an improvement in the Council's systems of internal control. See Section 4.1 for more details.*
- *Reviews of Key Financial Systems for which Cambridgeshire County Council is the Lead Authority have historically demonstrated a good or moderate assurance across all systems. At the time of writing, the 2023/4 Pensions Administration report has yet to be issued in draft by the Cambridgeshire audit team; draft opinions for the Accounts Payable and Income Processing audits are awaited from Lead Authority partners; and the Debt Recovery review has only just started fieldwork. This does reduce the assurance that can be given over these systems compared to the 2022/3 Annual Report; however, some assurance can be taken from the detailed prior-year audits of these areas carried out by the Cambridgeshire team, and the 15 actions which have been confirmed as implemented in 2023/4 to address the findings of previous audits of Accounts Payable, Income Processing and Debt Recovery. See Section 4.2 for more details.*

*During 2023/24, the Council's Internal Audit service:*

- *Operated in conformance with Public Sector Internal Audit Standards (PSIAS) requirements, and undertook a self-assessment against PSIAS during the course of the year. See Section 7.2 for more detail.*
- *Had unrestricted access to all areas, systems and information across the authority.*
- *Received appropriate co-operation from officers and Members.*
- *Operated independent of the organisation, as per the Internal Audit Charter, with no compromises of Internal Audit's independence this year.*
- *Had only just sufficient resources to enable it to provide adequate coverage of the authority's control environment. See Section 7.3.3 for more details.*

*As a result, there are no qualifications to the 2023/24 Head of Internal Audit position statement. 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.*

- *Mairead Claydon, Head of Internal Audit & Risk Management*

### **3. REVIEW OF INTERNAL CONTROL**

#### *3.1 The Basis of Assurance*

3.1.1 In order to support the annual Internal Audit opinion on the internal control environment, Internal Audit continually updates a risk-based Audit Plan. This Plan includes a comprehensive range of work that is prioritised and completed to confirm that all assurances provided as part of the system of internal audit can be relied upon by stakeholders.

3.1.2 The findings and assurance levels provided by the reviews undertaken throughout 2023/24 by Internal Audit form the basis of the annual opinion on the adequacy and effectiveness of the control environment.

3.1.3 At Cambridgeshire County Council, it is recognised that the Annual Internal Audit Plan essentially comprises two key elements:

*The “Core” Audits:* This is the part of the Plan which remains largely unchanged from year-to-year. It comprises key areas of assurance which are reviewed every year, such as Key Financial Systems, grant compliance audits, strategic risk management, and core governance reviews, as well as allowances of time for ongoing areas of work including reporting to the Audit Committee and senior management, and following-up on the implementation of agreed actions from previous audit reviews. However, it must be recognised that completion of these core audits alone would not give sufficient assurance to fully inform the Chief Audit Executive’s annual opinion.

*The “Flexible” Audits:* This is the part of the Plan which varies significantly from one year to the next, comprising audits of areas which are identified as being high-risk through the Internal Audit risk assessment process. Equally, the broader themes within the flexible audits remain largely consistent; for example, each year it is expected that a significant resource would be directed towards audits to provide assurance over financial governance arrangements, although the specific areas under review varies according to the risk assessment.

3.1.4 In practice, this means that the ‘core’ element of the Plan is set annually, while the ‘flexible’ element of the Plan is presented as a series of rolling quarterly Audit Plans, based on current risk assessments.

3.1.5 Quarterly risk assessments ensure that the timing of planned audits is always actively informed by an up-to-date assessment of the areas of highest risk, and that the flexible plan is subject to regular challenge and comment by both CLT and the Audit and Accounts Committee. This ensures the Audit Plan consistently reflects the changing public sector environment and emergence of new risks

throughout the year, and that the work completed by Internal Audit is sufficient to give an evidence-based opinion over the control environment for the year.

### 3.2 *How Internal Control is Reviewed*

3.2.1 Every Internal Audit review has three key elements. Firstly, the control environment is reviewed by identifying the objectives of the system and then assessing the controls in place mitigating the risk of those objectives not being achieved. Completion of this work enables Internal Audit to give an assurance on the control environment.

3.2.2 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.

3.2.3 Finally, where there are significant control environment weaknesses or where key controls are not being complied with, further testing is undertaken to ascertain the impact these control weaknesses are likely to have on the organisation's control environment as a whole.

3.2.4 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:

<b>Control Environment Assurance</b>	
<b>Level</b>	<b>Definitions</b>
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.
Moderate	There are 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.

<b>Compliance Assurance</b>	
<b>Level</b>	<b>Definitions</b>
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.
Moderate	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 is reported as major, moderate or minor (as defined below). Any reports with major organisational impact are reported to CLT, along with the agreed action plan.

<b>Organisational Impact</b>	
<b>Level</b>	<b>Definitions</b>
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.

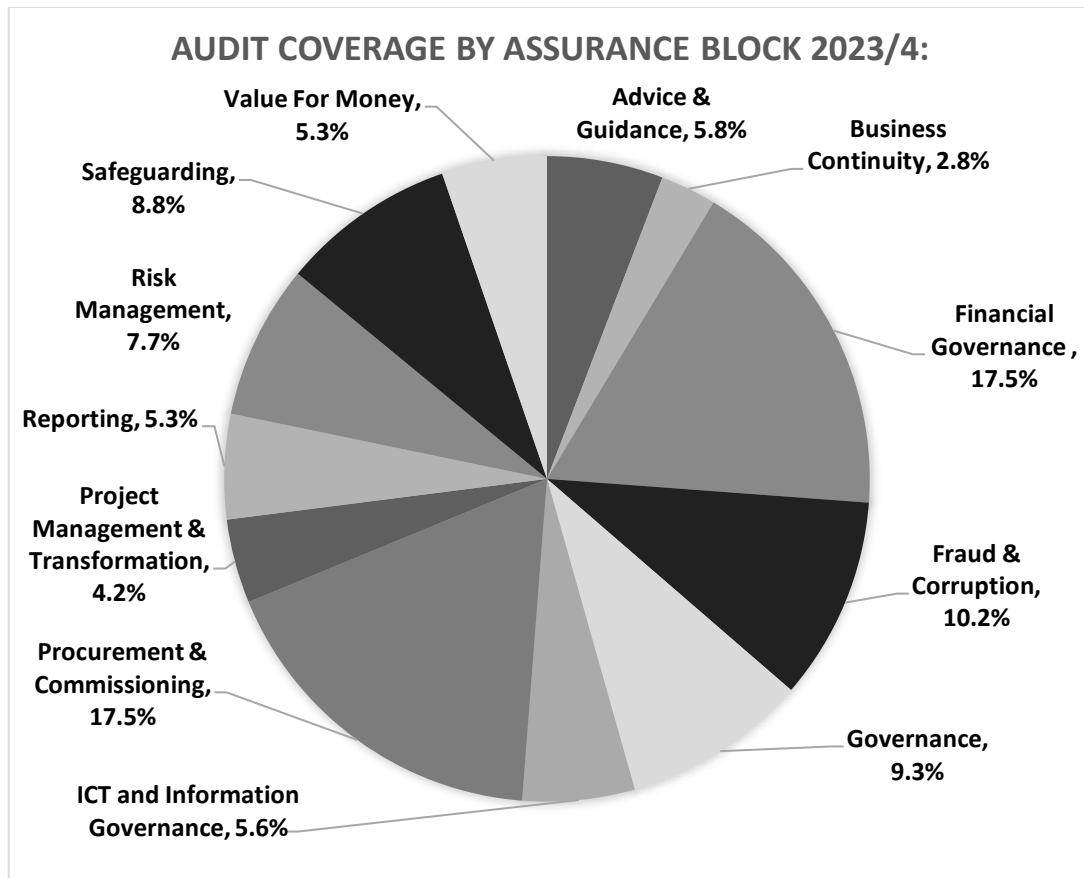
### 3.3 *Internal Audit Coverage in 2023 - 24*

3.3.1 The Council's Internal Audit Plan 2023/24 sought to provide assurance across the Council's entire control environment, with reviews 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. The Audit Plan reflects the environment in which public sector audit operates, recognising that this has changed considerably over the past few years with more focus on, for example, contract management, safeguarding and achieving value for money.

3.3.2 In order to give a sense of the breadth of coverage provided by Internal Audit reviews this year, Section 4 of this report provides more detailed information on the audit reviews carried out in 2023-24, by 'assurance block'. These assurance blocks are aligned to key risk areas for the Council, such as financial governance, procurement, or ICT and information governance risk.

3.3.3 The chart below seeks to demonstrate how Internal Audit time has been split across these different areas of assurance in practice during 2023/24:

**Chart 1: Internal Audit Coverage in 2023/24, by Assurance Block:**



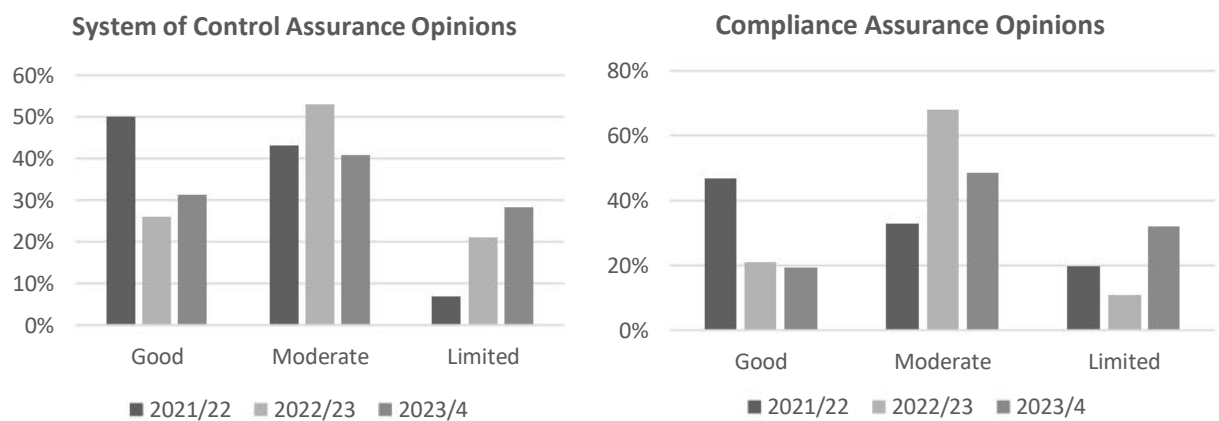
3.3.4 It should be noted however that only the primary risk assurance area for the audit has been used to calculate this chart. Some audits will provide coverage of multiple risk areas; for example, the reviews of client funds and deputyships was primarily focused on the financial governance of the service, but also considered an element of how the Council's arrangements around client funds seek to manage safeguarding risk. The true risk coverage of the audits delivered in 2023/24 will therefore be broader than that shown in the chart above.

#### 4. INTERNAL AUDIT IN 2023/24

##### 4.1 Overview and Key Findings

4.1.1 The charts below summarise the range of audit assurance opinions from internal audit reviews delivered in 2023/24, compared to the opinions issued in the previous financial years.<sup>2</sup> This demonstrates the predominance of ‘moderate’ assurance opinions in 2023/24, indicating that audit reviews have identified areas of medium risk to the control environment, and/or errors and non-compliance with controls. This underpins the overall ‘moderate’ assurance on the control environment.

**Chart 2: Internal Audit Assurance Opinions 2023/24 vs. 2022/23 and 2021/22:**



4.1.2 As the charts indicate, there has been an increase in the proportion of reviews where a ‘limited’ assurance opinion was given (28% of system opinions and 32% of compliance opinions) compared to 2022/3. It should be noted that of audits where at least one ‘limited’ opinion was given, 38% of these related to the assurance area of Project Management and Change (see Section 4.9) and 23% related to the assurance area of Procurement, Contracts and Commissioning (see Section 4.5). These are both areas where the organisation has previously recognised the need for further improvement in the control environment, and both areas have undergone considerable development throughout 2023/4. These two assurance blocks will continue to be an area of particular focus for the risk-based Internal Audit Plan in 2024/5.

4.1.3 Conversely, the proportion of ‘good’ opinions has increased for systems opinions and remained almost the same for compliance opinions, compared to 2022/3. It is positive to note that audits where at least one ‘good’ assurance opinion was given spanned a wide range of different assurance blocks, with a ‘good’ opinion given for audits covering the key risk areas of Safeguarding,

<sup>2</sup> Excluding individual schools audits.

Business Continuity, Governance, ICT & Information Governance, Financial Governance, Project Management and Change, and Procurement Contracts and Commissioning.

- 4.1.4 In 2023/4, a single audit was completed where it was considered that, if the risks highlighted materialised, it could have a 'major' impact on the organisation as a whole. This relates to the review of the Dedicated Schools Grant Safety Valve programme. A range of actions, including 2 'essential' actions, have been agreed to address the control weaknesses identified by the audit review, which are being taken forward by the new Interim Service Director of Education. Progress on implementation will be reported to the Audit & Accounts Committee in the usual way throughout the 2024/5 financial year.
- 4.1.5 For all audits, 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 recommended actions to further improve the system of control and compliance. All agreed actions from Internal Audit reviews are assigned a risk rating as follows:
- **Essential** - Action is imperative to avoid exposure to a significant organisational risk.
  - **High** - Action is imperative to avoid exposure to a significant risk to the service area.
  - **Medium** - Action is required to avoid exposure to a risk to the service area.
  - **Advisory** - Consultancy recommendations which are intended to improve operational efficiency or enhance value.
- 4.1.6 In 2023/24, 6 recommended actions have been issued that were rated 'essential'. One of these actions has already been implemented in-year, with the remaining actions due for implementation in 2024/5.
- 4.1.7 It is recognised that management has the responsibility to manage risk and that recommendations may or not be accepted, or an alternative control may be agreed that achieves the same improved governance. Where the agreed actions arising from recommendations are considered to have a 'medium' or greater impact on the system of internal control, the implementation of those actions is followed-up by Internal Audit and is reported to Audit and Accounts Committee on a quarterly basis.
- 4.1.8 An overview of the implementation of actions as at 31<sup>st</sup> March 2024 is summarised in Table 1, below<sup>3</sup>:

**Table 1: Implementation of Audit Actions 2023-24**

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<sup>3</sup> Please note that the total reflects the number of recommendations required to be implemented within 2023-24, and therefore includes recommendations made in prior years.

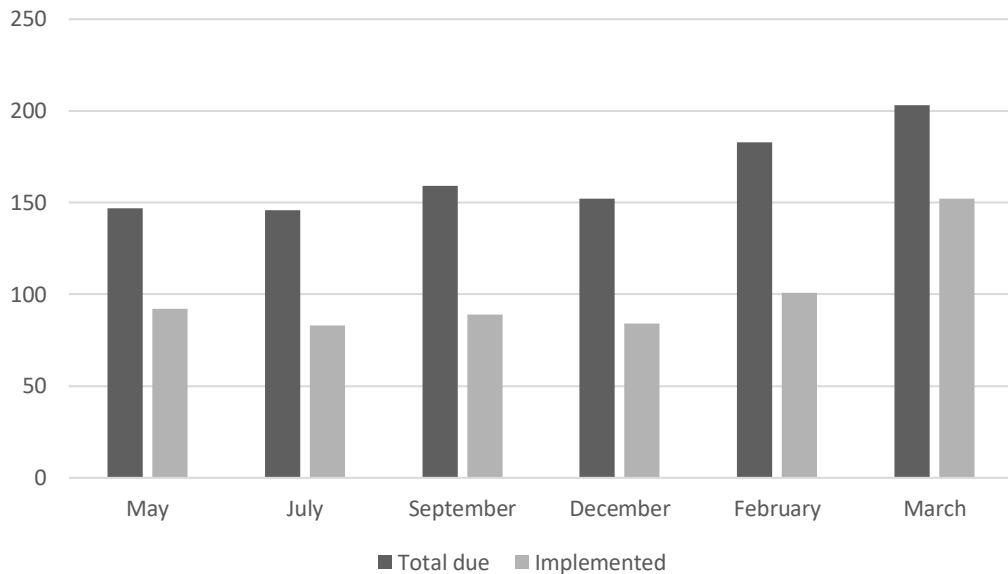
<b>Recommendation Category</b>	<b>Essential</b>	<b>High</b>	<b>Medium</b>	<b>Total</b>
<b>Agreed and implemented.</b>	2 1%	31 15%	119 59%	152 75%
<b>Agreed and due within the last 3 months, but not yet implemented.</b>	0 0%	1 0.5%	6 3%	7 4%
<b>Agreed and due over 3 months ago, but not yet implemented.</b>	0 0%	7 3%	28 14%	35 17%
<b>Agreed and due over 12 months ago, but not yet implemented.</b>	0 0%	2 1%	7 3%	9 4%
<b>TOTAL</b>	2	41	160	203

**Table 1a: Audit Actions Agreed but not due by 31/03/2024**

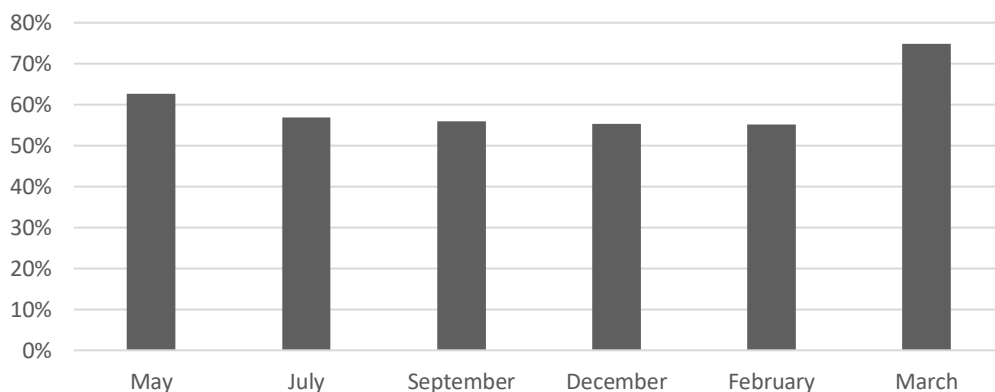
<b>Recommendation Category</b>	<b>Essential</b>	<b>High</b>	<b>Medium</b>
<b>Agreed but not due until after 31 March 2024.</b>	4	20	51

- 4.1.9 Details of all actions which are overdue for implementation are provided at Annex B to this report.
- 4.1.10 At the end of 2023/24, the total number of recommendations outstanding was 51 (25% of all recommendations due), compared to 55 recommendations outstanding at year end 2022/23 (37% of all recommendations due). The number of recommendations more than 12 months overdue has increased from 5 at the end of 2022/23 to 9 at the end of 2023/24.
- 4.1.11 Not only has the percentage of implemented recommendations increased in 2023/24 compared to 2022/23, but also an increased volume of recommendations have become due for implementation in the 2023/4 financial year. Over the course of the year, 60 more recommendations were implemented, compared to 2022/23.

**Chart 3: Volume of recommendations due vs. implemented per rolling 12-month reporting period, 2023/4:**



**Chart 4: Percentage of recommendations implemented (per rolling 12-month reporting period) 2023/4:**



4.1.12 Two essential recommendations have been implemented in 2023/24. One of these related to improving the system for removing IT access for employees and contractors. The other related to re-obtaining Public Sector Network certification, an accreditation that confirms the Council's IT infrastructure and network protection is sufficient to meet central government requirements to provide protections against malicious external activity and help ensure data is safeguarded. This is a requirement to enable the Council to interact on-line with other public bodies and is therefore an essential accreditation to facilitate effective partnership working. It is therefore a significant improvement to the Council's IT environment that this recommendation is now implemented.

4.1.13 In 2023/24, Internal Audit altered the approach to requesting progress updates from recommendation owners. The process now involves sharing spreadsheets of all recommendations in each directorate, which all action owners have access too, and requiring action owners to provide monthly updates in the directorate spreadsheet. This has enabled Internal Audit to identify cases where recommendations may have been implemented before the due date, and also to identify cases where updates are not regularly provided and contact action owners directly to discuss issues. This new process also allows for Executive Directors to have regular oversight of progress to implement recommendations in their directorates.

4.1.14 There has been good progress in implementing recommendations in general but there have also been some areas where issues have restricted progress:

- Three outstanding Accounts Payable recommendations that required changes in ERP Gold have been delayed due to the ERP Gold change freeze that was in place throughout most of 2023/24. Work is underway to implement these actions now that the change freeze has been lifted.
- There are four recommendation from the Transparency Code audit and one from the Freedom of Information & Subject Access Request audit that remain open as they are dependent on the new Information Management Board holding its first meeting. This is expected to take place in Q1 2024/5.
- There are also four recommendations from the IT Incident & Problem Management audit where the service has reported implementation has been delayed due to the disaggregation of joint IT services with Peterborough City Council. The disaggregation is required to be completed by October 2024 and the service has confirmed that the recommendations will be implemented by the end of that month.

4.1.15 Details of outstanding recommendations, with explanations and updates, are regularly reported to the Audit & Accounts Committee as part of the Internal Audit Progress Reports, and full details on action implementation to 31<sup>st</sup> March 2024 can be found at Annex B to this report.

## 4.2 *Financial and Other Key Systems*

4.2.1 This is the 2023/24 suite of annual core systems reviews, undertaken to provide assurance to management and other stakeholders, including external audit, that expected controls are in place for key financial systems and that these controls are adequately designed and are routinely complied with in practice. The work is focused on the systems that have the highest financial risk. These reviews also give an opinion as to the effectiveness of financial management procedures and the arrangements to ensure the integrity of accounts.

4.2.2 With the agreement of the Chief Finance Officer, during 2023/24 the key financial systems audits were again undertaken as joint reviews of Cambridgeshire County Council, Milton Keynes, North Northamptonshire

Council and West Northamptonshire Council financial systems, with the exception of the Treasury Management audit. As Cambridgeshire's Treasury Management is delivered in-house, this does not form part of the suite of joint reviews.

- 4.2.3 It was agreed that the Cambridgeshire Internal Audit team would deliver audits of the Payroll and Pensions Administration systems; North Northamptonshire the Accounts Payable audit; and West Northamptonshire were due to deliver the Income Processing and Debt Recovery system audit to the other partners. However, subsequently a staff departure in the Internal Audit Service at West Northamptonshire resulted in that service reporting that they were unable to complete the Debt Recovery Shared Service review for 2023/24. The Cambridgeshire IA Team agreed to complete this review, given that the team possess experience of delivering this audit, but were unable to commence work until April 2024 due to resource constraints. Work on this review is now underway.
- 4.2.4 The Payroll audit report has been issued as draft, with a 'moderate' assurance opinion for the control environment and a 'moderate' assurance opinion for compliance. This reflects the same level of assurance as the previous 2022/3 audit. The key findings that have contributed to these opinions include a lack of full documented procedures covering the prioritisation and timelines for processing tasks; quality assurance checklists which do not fully detail the exact checks that should be undertaken or when they should be completed; and significant volume and values of aged items in payroll control accounts.
- 4.2.5 At the time of writing, the Pensions audit report has not yet been issued as draft. The prime reason for this is that the commencement of the audit was delayed significantly due to problems gaining access to the application and data hosted on the West Northamptonshire internal network, with delays in the Audit team being able to gain access to both the pensions computer application and separately to the West Northamptonshire network. Additionally, findings made late in the fieldwork have identified some issues that require further investigation/explanation before a final assurance opinion can be provided. The fieldwork is nearly complete and the expectation is that the audit opinion will be either good or moderate, but this will not be confirmed until the full work programme is completed and signed off.
- 4.2.6 At the time of writing, Cambridgeshire has yet to receive audit reports on Accounts Payable and Income Processing from Lead Authority partners.
- 4.2.7 Table 2 below details the assurance levels of all key systems audits undertaken in 2023/24, compared to the assurance levels in 2022/23. Where reports are still at draft stage at the time of writing, the draft audit opinion is indicated.

**Table 2: Key Financial Systems Audits 2023/24**



Key Financial Systems:	Audit Opinion 2022-2023		Audit Opinion 2023-2024	
	Environment	Compliance	Environment	Compliance
Accounts Payable	Good	Good	TBC	TBC
Income Processing	Good	Moderate	TBC	TBC
Debt Recovery	Moderate	Good	TBC	TBC
Bank Reconciliation	Good	Good	N/A	N/A
ERP IT General Controls	Good	Good	N/A	N/A
Payroll Transactions (draft)	Moderate	Moderate	Moderate	Moderate
Pensions	Substantial	Substantial	TBC	TBC
Treasury Management	N/A	N/A	Good	Good

#### 4.3 *Value for Money & Financial Governance*

4.3.1 This assurance block provides assurance over the control systems in place to manage the Council's financial resources effectively and in compliance with relevant laws, regulations, and internal policies. Each audit undertaken also includes consideration of value for money at its core, assessing the controls in place to ensure that the Council uses public money efficiently and effectively to achieve its objectives.

4.3.2 As well as a range of contract reviews, discussed below at 4.5, Internal Audit conducted work in the following areas to provide assurance over value for money and financial governance:

- Asset Valuations for Statement of Accounts
- Client Funds & Deputyships
- Grants to Voluntary Organisations Policy & Compliance
- Section 106 Funding

4.3.3 At the time of writing, the 2023/4 report on Rental Income is also due from the Council's co-source Internal Audit contractor, TIAA Ltd.

#### 4.4 *Safeguarding and Health & Safety*

4.4.1 Some of Cambridgeshire's key organisational risks relate to the need to safeguard our local citizens, service users, tenants, officers and Members. The Internal Audit team therefore consider safeguarding and health and safety risks

as part of our rolling risk-based Audit Plan, both as stand-alone audit reviews with a focus on these risks, and as an element of reviews which cover a range of different risk types.

4.4.2 Risk-based reviews completed in 2023/24 which either focused on safeguarding/health and safety risk, or provided some assurance over these risks as part of a wider review, were as follows:

- Client Funds & Deputyships
- Safe Employment
- Multi-Agency Safeguarding Hub (MASH) (draft)

#### 4.5 *Procurement, Contracts and Commissioning*

4.5.1 For the Council to achieve value for money from its contracts and commissioning, it is important that officers comply with legislation, policy and best practice when procuring and managing contracts. The Internal Audit team therefore conduct reviews to provide assurance over the governance of procurement and the general extent of compliance with the key procurement controls in the Council's Contract Procedure Rules. In 2023/4 this has included reviews of:

- Procurement Governance
- Procurement Compliance
- Waivers and Direct Awards Compliance (draft)
- Management of Consultants (draft)
- Agency Staff, Interims & Opus People Services

4.5.2 Additionally, in 2023/24, Internal Audit has conducted reviews of the following major Council contracts and contract frameworks, to provide assurance over this key risk area:

- Pathfinder Legal Services
- Street Lighting PFI Variations
- Supplier Resilience Management in Learning Disability Contracting

4.5.3 At the time of writing, the Internal Audit team is also awaiting the issue of a draft report on Commissioning Governance from TIAA Ltd, the Council's co-source Internal Audit contractor.

4.5.4 During the course of 2023/24, a wide range of audit actions have been implemented across the Council to strengthen controls around procurement, contracting and commissioning. This has included the introduction of a 'breach process' to ensure any breaches of the Council's Contract Procedure Rules are reported and investigated in full, and review and update of the Council's Contract Procedure Rules (CPRs) including clarification of exemptions to the

CPRs. The Procurement & Commercial service has also carried out a range of activity to increase awareness of CPRs amongst officers, including the roll-out of new training and guidance, and visiting Directorate Management Teams to stress the importance of compliance with CPRs.

4.5.5 Further audit actions to improve procurement, commissioning and contract management are due to be implemented in 2024/5 and updates on implementation will be reported to the Audit & Accounts Committee as usual.

#### 4.6 *ICT and Information Governance*

4.6.1 Increasingly, the Council's operations are run through digital platforms which store and process large quantities of confidential data. As the Council is also subject to extensive legislation regarding its responsibilities in handling, storing and sharing data, this is a key risk area for the organisation. In 2023/24, Internal Audit has provided reviews of the following areas across ICT and Information Governance:

- Freedom of Information (FOI) and Subject Access Requests (SAR)
- ICT Incident & Problem Management
- ICT Security
- Electronic Records Management

4.6.2 A number of actions to improve controls have been agreed as a result of these audits, and the Internal Audit team continue to monitor the implementation of outstanding actions.

4.6.3 In 2023/4, an outstanding 'essential' action from a previous ICT Security audit was completed when the Council re-obtained its Public Services Network (PSN) ICT security accreditation. Looking forward to 2024/5, the re-establishment of an Information Management Board, following the decoupling from Peterborough City Council, will be a key action for Cambridgeshire, as this is a dependency for a number of agreed actions from audits in the information governance and ICT risk area.

#### 4.7 *Grants and Other Head of Audit Assurances*

4.7.1 In 2023/24, Internal Audit testing confirmed that the following grants received by Cambridgeshire County Council requiring review and certification by Internal Audit have been spent in accordance with grant conditions:

- Supporting Families
- Disabled Facilities Grant
- Basic Needs Funding
- A14 Highways Grant

4.7.2 Internal Audit also provides assurance over expenditure made by Cambridgeshire County Council on behalf of the Cambridgeshire and Peterborough Combined Authority (CPCA). These reviews provide assurance to the CPCA that central government grants passed to the Council from the CPCA have been spent in accordance with the relevant terms and conditions. The CPCA can then place reliance on Internal Audit's work to support their returns to central government. In 2023/24, Internal Audit completed the following grant reviews for the CPCA:

- Local Transport Capital Block Funding (Highways Maintenance);
- Pothole & Challenge Fund.

#### 4.8 *Schools Audits*

4.8.1 Internal Audit undertake an annual programme of Schools Financial Governance reviews of individual schools. These reviews focus on purchasing and payroll controls, and are targeted towards schools which had been identified as higher-risk via the Schools Finance team or Schools Improvement Service processes, or where there had been recent changes of leadership at the school.

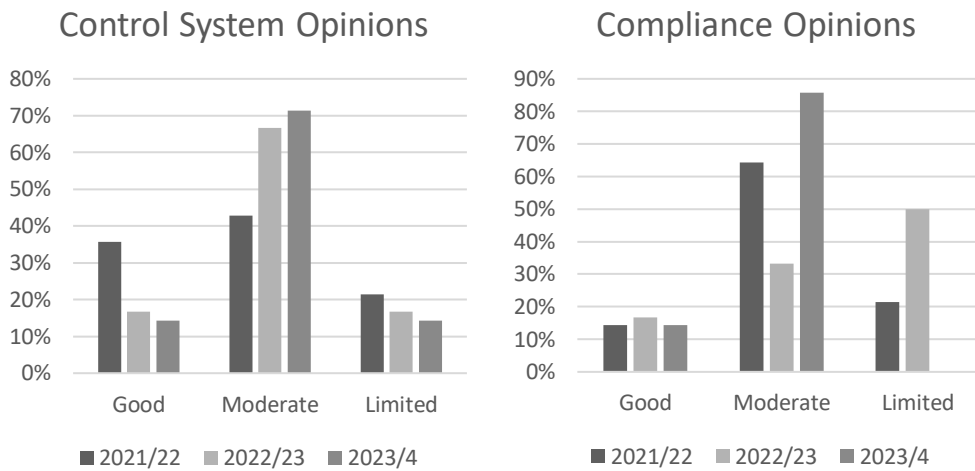
4.8.2 Internal Audit undertook 7 schools visits between September 2023 and December 2023 and issued reports to the schools. Headteachers were required to provide management responses and agree recommended actions, and return the report to Internal Audit. A final copy was then issued to the Headteacher and Chair of Governors.

4.8.3 A consolidated schools report has also been produced by Internal Audit, bringing together the findings across the various school visits. This includes identifying good practice as well as more common areas of weakness to be shared with schools, and some recommendations to improve financial policies and governance.

4.8.4 The consolidated report gave a 'moderate' level of assurance over schools' financial governance, equivalent to the audit opinion provided in 2022/23. There were several actions from the 2021/11 School Audits which remained outstanding at the start of 2023/24, which have now all been closed as implemented. These were largely implemented through the new Scheme for Financing Maintained Schools and Scheme of Financial Management for Schools documents.

4.8.5 Individual assurance opinions from each of these reviews are detailed in Annex A to this report. A comparison of the assurance opinions awarded in 2023/24 with those given in the last two financial years is provided below, for reference. This shows a slight shift towards 'moderate' assurance opinions for schools financial governance, with a reduction in the number of 'limited' opinions in 2023/4 compared to 2022/23. Equally, it should be noted that the sample size of 7 schools in 2023/4 was smaller than the samples in prior years (12 and 14):

**Chart 5: Outcomes of Schools Finance Governance Audits:**



4.8.6 Actions recently implemented to update Schools Financial Regulations should help address outstanding risks in this area.

4.8.7 In addition, to supplement the school audit visits this year, Internal Audit also undertook a desktop exercise to review the situations surrounding schools in deficit, who are required to submit a Deficit Recovery Plan to the Council. Deficit Recovery Plans relating to the 2023/24 financial year were reviewed. A separate audit report was issued in February 2024 based on this review, which made three recommendations to increase clarity and reduce ambiguity regarding the expectations for schools in deficit, and to ensure that schools are supported in meeting those expectations. Implementation of these actions should result in better management and recovery of deficit situations by schools, and increase accountability of school staff in working to reduce deficits.

#### 4.9 *Project Management & Change*

4.9.1 Project and programme management and the delivery of corporate change is a key part of the organisation's governance. As such, in 2023/4 the Internal Audit team has conducted a range of reviews to provide assurance over the controls in place to ensure that the Council's project and programme management and corporate change activity are managed effectively and in line with good practice, to ensure that planned outcomes are delivered and risks are mitigated.

4.9.2 This work has included reviews of individual projects and programmes, including the Dedicated Schools Grant Safety Valve programme and an energy project, as well as work to assess the overarching controls in place for both revenue and capital projects:

- Climate Change & Environment Strategy
- Dedicated Schools Grant Safety Valve Project

- Implementation of Capital Project Management Agreed Actions
- Project Management Framework & Project Assurance
- Schools Capital Programme
- Adults Business Planning Reviews (draft)

4.9.3 At the time of writing, a draft report on an Energy Contract Project review is also pending issue.

4.9.5 Project and programme management audits undertaken in the year have made a range of recommendations to strengthen the control environment in the existing and proposed project management frameworks for both revenue and capital projects. This includes increasing the focus on options appraisal and benefits realisation, strengthening gateway review processes and developing reporting and oversight processes as well as enhancing the way proposed projects are assessed for risk and impact. The audits have also included agreeing actions in respect of the link between project management and financial, budgeting and contract management processes as well as the business planning process.

4.9.6 Looking forward to 2024/5, the audit team's focus going forward will be on verifying compliance with the Council's project management frameworks in practice, through more detailed sample testing focusing on a range of both capital and revenue projects. This will provide assurance regarding how effectively these new controls are operating in practice.

#### 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 In 2023/24, Internal Audit was consulted for advice and guidance on a range of projects and issues across the Council. This included:

- Providing feedback on various internal proposals and guidance for officers, including:
  - Draft Partnerships Governance Guidance for officers;
  - Proposed Horizon Scanning process to feed into CLT;
  - ERP Gold Off Network Access Full Business Case;
  - Guidance on Management of Service User Finances;
  - Proposals relating to the implementation of the Provider Selection Regime;

- Responding to queries from a maintained school about money laundering checks when purchasing a new financial system;
- Contributing to the Commercial Skills Self-Survey;
- Contributing to the Partner Working Group for the Cambridgeshire & Peterborough Combined Authority, with a particular focus on risk management.

4.10.3 In addition to the consultancy work outlined above, the Internal Audit team is also involved in responding to internal and statutory returns and requests for information. In 2023/24, this has included responding to a range of Freedom of Information requests and media inquiries; providing a significant volume of information to the Council's current and former External Auditors; developing the team's Business Continuity Plan and Business Continuity Risk Assessment; and completing requests for information from the Department for Education.

#### *4.11 Summary of Completed Reviews*

4.11.1 A summary of all audit reports issued in 2023/24 is attached at Annex A.

## 5. ANTI-FRAUD & WHISTLEBLOWING

### 5.1 Overview of Whistleblowing Cases

5.1.1 The Internal Audit service maintains a log of all whistleblowing referrals received by the team, including those which are subsequently passed to other services (such as HR or safeguarding) and the outcomes.

5.1.2 In 2023/24, a total of 34 whistleblowing referrals were received and processed by the Internal Audit Team at CCC. Table 3, below, shows the breakdown of these cases by the type of concern raised.

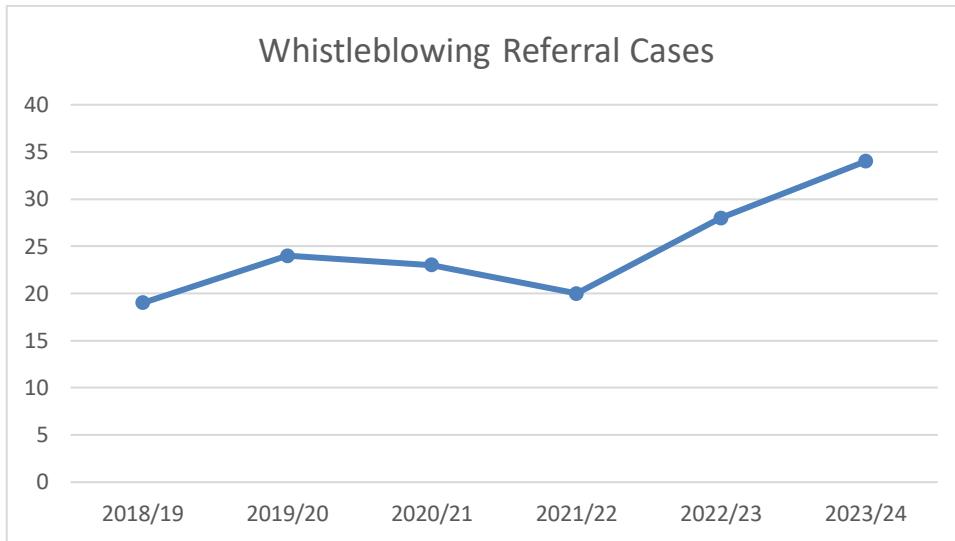
**Table 3: Whistleblowing Referrals Received by Internal Audit in 2023/24:**

Whistleblowing Cases reported to Internal Audit in 2023/24		Open	Closed	Total
<b>Fraud</b>	Third Party Fraud	0	3	8
	Bank Mandate Fraud (attempted)	2	0	0
	Blackmail	1	0	1
	Officer Fraud	1	4	5
	Direct Payments Fraud	3	0	0
	<b>Total Alleged/Attempted Fraud</b>	<b>7</b>	<b>7</b>	<b>14</b>
<b>Governance</b>	Conflict of Interest	0	3	3
	Internal Governance Allegation	2	3	5
	School Governance Allegation	0	1	1
	<b>Total Governance Allegations</b>	<b>2</b>	<b>7</b>	<b>9</b>
<b>Safeguarding</b>	Safeguarding Concerns	1	4	5
	Health & Safety	0	1	1
	<b>Total Safeguarding Allegations</b>	<b>1</b>	<b>5</b>	<b>6</b>
<b>HR</b>	Grievance / Respect at Work concerns (inc. schools)	0	2	2
<b>Theft</b>	Theft	0	3	3
<b>Total</b>		<b>10</b>	<b>24</b>	<b>34</b>

5.1.3 This represents an increase in the number of whistleblowing referrals received compared to recent years, continuing the trend seen of an increased number of referrals in 2022/3. In particular, an increase in the number of referrals relating to safeguarding concerns was seen, with 5 such referrals received in 2023/4, compared to a single referral each in 2022/3 and 2021/2.



**Chart 6: Whistleblowing Referrals by Year:**



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

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

5.1.4 An overview of the outcomes of referrals received in 2023/24 is set out at Table 4, below, for the 24 cases which have been closed to date:

**Table 4: Outcomes of Whistleblowing Referrals Received in 2023/24:**

Outcome of Case	2023/4 Cases	2022/3 Cases
<b>No action required</b> ( <i>Initial review of the referral finds no investigation is required e.g. the issue has already been dealt with or is not serious enough to warrant a full investigation</i> )	3 (12%)	5 (21%)
<b>Referred to relevant process</b> ( <i>Where initial review identifies that this should be dealt with through another corporate process rather than whistleblowing e.g. as a formal complaint or grievance, or safeguarding referral, and this is referred into the relevant process.</i> )	5 (21%)	7 (29%)
<b>No powers to investigate.</b> ( <i>Where concerns raised are not within the Council's powers to investigate, for example if they relate to an academy school or District Council services. Where possible the referral is passed on to the relevant organisation.</i> )	3 (12%)	1 (4%)

<b>Informal Audit advice &amp; recommendations.</b> ( <i>Where a full investigation is not required but informal advice or guidance is issued to the relevant service on improving the control environment.</i> )	1 (4%)	3 (12%)
<b>Investigation indicates no serious concerns.</b> ( <i>An investigation has been initiated but subsequently finds the allegation is not substantiated or only minor issues are found</i> )	4 (17%)	2 (8%)
<b>Full audit investigation and recommendations.</b>	6 (25%)	2 (8%)
<b>Police Referral / Taken to court</b>	1 (4%)	3 (12%)
<b>Other External Referral</b>	1 (4%)	0 (0%)
<b>Recovery action</b> ( <i>Recovery action is taken to recoup losses including setting up a payment plan, recouping overspends etc.</i> )	0 (0%)	1 (4%)
<b>Resolved within service.</b> ( <i>The issue is resolved within the relevant service without requiring a full investigation or onward referrals</i> ).	0 (0%)	0 (0%)
<b>Totals</b>	<b>24</b>	<b>24</b>

## 5.2 *Fraud & Governance Investigations*

5.2.1 Where Internal Audit investigations into whistleblowing referrals are completed, Internal Audit issue recommendations to address any areas of weakness that the investigation identifies in the Council's systems of governance. Implementation of these recommendations is then followed-up by Internal Audit in the normal way and reported to Audit & Accounts Committee as part of the follow-ups process.

## 5.3 *Proactive Anti-Fraud Work*

5.3.1 During 2023/24 the Internal Audit team undertook a range of pro-active counter-fraud activities.

### Policy Reviews and Updates:

5.3.2 Following release of the new Anti-Fraud and Corruption Policy and new Anti-Money Laundering Policy in 2022/3, Internal Audit has been developing new E-learning modules to communicate the key messages of the policies in a way which is accessible and easy to digest. A new Anti-Money Laundering E-learning was released on the Our Development portal in March, and highlighted to staff through a communications campaign including Camweb, Friday Focus emails and email cascade via Service Directors. The other E-learning module, which covers fraud, bribery and whistleblowing is still in development, and will be

highlighted using the same communications methods when it has been released.

Direct Payments:

- 5.3.4 A previous audit recommendation was for the Council to introduce a Direct Payments Fraud and Misuse Policy, which aims to strengthen the culture around identifying and reporting fraud, as well as outlining processes to be followed if Direct Payments fraud or misuse is identified.
- 5.3.5 The Head of Finance Operations for Adults, Health and Commissioning has confirmed that the policy has been completed in draft and is due for approval, after which it will be formally brought into force and deployed via the Practice, Governance and Standards Board, newsletters and factsheets. Whilst the policy is yet to be formally implemented, Internal Audit has observed that managers have considered the draft Direct Payments Fraud and Misuse Policy when responding to recent instances of suspected Direct Payments fraud or misuse.

Council Tax NFI Project:

- 5.3.6 Throughout 2023/24, Internal Audit have been providing support and advice to a project run in conjunction with the District Councils, to reduce Council Tax single person discount fraud. This aims to identify fraud by data-matching using the 'Fraud Hub', specialist cloud-based software supplied by the Cabinet Office as an optional addition to the National Fraud Initiative exercise (NFI - see Section 5.4 below for more details). As Internal Audit are the service which co-ordinates the NFI for the Council, a representative from Audit joined the project to provide specialist input on the data-matching function and the collation of datasets for the project.
- 5.3.7 At the end of September 2023, a "first phase" of the project was completed, which was undertaken based on data provided for the last NFI exercise. Sample testing of the outcomes of responses to fraud identified highlighted that the first phase was successful, resulting in £66.5k of arrears having been returned to the Council by the end of September, which was based on roughly six months of work (due to staff appointments required, the first phase running up to the end of September was shorter than six month for some Districts). NFI calculation methodologies suggest that the actual savings generated by this exercise will be higher than the £66.5k already returned, as the identification of erroneous single person discounts prevents future losses which would have occurred from the fraud continuing until the next biennial NFI exercise.
- 5.3.7 Since the results of the sample testing were presented to S151 Officers of all participating Councils in January 2024, it was agreed to continue the first phase of the project for another 12 months, to allow a longer period for analysing the actual success of the first phase. The first phase of the project is being funded by CCC, with CCC retaining the benefits generated. If it is agreed to proceed

beyond the first phase of the project in 2025, District Councils involved will begin to benefit from a percentage of the savings generated, in return for contributing towards the costs of running the project.

5.4 *National Fraud Initiative (NFI) 2023/24:*

5.4.1 The NFI compares different data sets provided nationally by local authorities, central government, and partner organisations. CCC pensions data, for example, is compared with data from other local authorities to identify 'matches' i.e. anomalies, such as any individuals in receipt of a pension who are recorded elsewhere as being deceased. This enables errors to be highlighted, as well as potentially fraudulent transactions.

5.4.2 The current exercise commenced in September 2022, when the Council supplied datasets for national data matching purposes, including payroll, creditors, concessionary travel, and procurement data. Identified 'matches' were then released by the NFI in January 2023; these matches are being investigated by the Council, with oversight from the Internal Audit team. The total number of matches for CCC is 4,229 across 35 reports which have a high or medium risk rating. Given the extremely high volume of matches, a risk assessment process is undertaken to prioritise the most high-risk matches for review. Outcomes are reported to Audit & Accounts Committee on an ongoing basis, as part of the quarterly Internal Audit Progress Reports.

## **6. RISK MANAGEMENT IN 2023-24**

### *6.1 Overview of Risk Management*

6.1.1 Under the Council's constitution, the Strategy, Resources & Performance Committee is responsible for the development and oversight of the Council's risk management and strategy. The Audit & Accounts Committee also has important functions in relation to risk, including considering the effectiveness of the risk management arrangements and associated control environment and to seek assurances that appropriate action is being taken in response to risk.

6.1.2 The risk management approach adopted by the Council is based on identifying, assessing, managing and monitoring risks at all levels across the Council. Risk registers operate at three tiers across the organisation: (a) service/project specific, (b) directorate, and (c) corporate. The Council's Risk Management Policy makes provision for escalation and de-escalation of risk through the tiers. On behalf of the corporate leadership team (CLT), the Executive Director of Strategy & Partnerships champions and takes overall responsibility for seeking to ensure that effective risk management processes operate throughout the Council, including co-ordinating identified improvement activity.

### *6.2 Risk Management in 2023/24*

6.2.1 The Corporate Risk Register has been updated throughout the year, reviewed by the Corporate Leadership Team (CLT) Risk & Assurance group and presented to the Strategy, Resources & Performance Committee and Audit & Accounts Committee at regular intervals. No new risks were added to the Corporate Risk Register during the FY 23/24.

6.2.2 To enhance risk awareness and understanding among Members, a dedicated risk management training session was organised on September 14th 2023. This session covered the fundamental of risk management, the council's risk management policies and processes, and the role of Members in Overseeing risk management. A recording of the training is also available to all Members on an ongoing basis, via the Learning & Development portal.

6.2.3 The Internal Audit and Risk Management team continued to provide support and guidance to officers across the Council on risk management activities, throughout 2023/4. This included facilitating reviews of directorate risk registers, such as those for the Adults Health & Commissioning Directorate and the Strategy & Partnership Directorate.

6.2.4 The Corporate Leadership (CLT) Risk & Assurance group met regularly throughout the financial year, with meetings in July, October, January and March. These meetings serve as a platform for CLT to review and scrutinise the

corporate risk register, discuss risks escalated from directorate risk registers and deliberate on emerging corporate risks.

- 6.2.5 In October 2023, the CLT Risk & Assurance group undertook a comprehensive review of the risk scoring matrices used by the council. While considering alternative weighted approaches that placed greater emphasis on either the impact or likelihood scores, the group decided to retain the current 5x5 linear model. Those decision was based on the belief that changing the risk scoring methodology could potentially disrupt the ongoing effort to embedded and communicate the council's risk management approach consistently across the organisation.
- 6.2.6 To foster a more collaborative and inclusive approach to risk management, the Corporate Risk Group was reestablished in November 2023. This group comprises risk champions from various directorate and serves as platform for sharing diverse perspectives, challenging risk assessments, and ensuring consistency in the Council's response to risks. The Corporate Risk Group meets roughly quarterly, with meetings held in November 2023 and February 2024.
- 6.2.7 To streamline the reporting process for directorate risk registers (DRRs), the council developed a standardised template for presenting risks to the relevant committees. This template approved by the CLT Risk and Assurance group, aims to promote consistency in the information provided to Committees when DRRs are reported.
- 6.2.8 The Council's Risk Management Strategy (2023-26) and action plan has been developed following a Risk Maturity Assessment undertaken by the Cambridgeshire County Council Internal Audit & Risk Management service in April 2023, in line with Institute for Internal Auditors (IIA) guidance. Implementation of the action plan is detailed below in Section 6.3.
- 6.2.9 The annual report on Risk Management will be presented to Audit & Accounts Committee and Strategy, Resources & Performance Committee in July 2024. This report will provide a more detailed overview of all risk management activities undertaken throughout the year and the implementation of the Risk Strategy.

### 6.3 *Risk Strategy Implementation*

- 6.3.1 Throughout the year, the Internal Audit & Risk Management team and colleagues throughout the Council made significant progress in implementing the actions outlined in the corporate Risk Strategy.

- To enhance the consideration of risk in decision making processes, the Service Director of Legal and Governance conducted a comprehensive review of the Committee report template and associated guidance. The revised template, launched in November 2023, places a greater emphasis on providing sufficient information on risk management in all reports presented to committees.
- As mentioned above, the Corporate Risk Group was reestablished.
- In collaboration with the Head of Change Portfolio, the Internal audit & Risk Management team have supported the development of new project management procedures that include guidance on routine risk management for corporate projects. These procedures will ensure that all significant new revenue and capital projects are consistently assessed for risk as part of the project management process.
- To further enhance risk management awareness and capabilities, the Internal Audit and Risk Management team has initiated the development of a risk management e-learning module. This module, scheduled for launch in the first quarter of 2024/25, will be made available to all staff and will include guidance on escalating risks between different management levels and risk registers.

6.3.2 Recognising the need for dedicated resource to drive continuous improvement in risk management process, plans were put forward during the business planning process to introduce a designated Risk Manager position in the Internal Audit & Risk Management team for the 2024/25 financial year.



## 7. INTERNAL AUDIT PERFORMANCE AND QUALITY ASSURANCE

### 7.1 *Delivery of the 2023/24 Internal Audit Plan*

7.1.1 The Cambridgeshire County Council Internal Audit Plan for 2023/24 was developed in early 2023, with the required resources confirmed as 1,750 days. The draft Audit Plan was reviewed by Corporate Leadership Team (CLT), and by the Audit & Accounts Committee (AAC) on the 9<sup>th</sup> February 2023.

7.1.2 Subsequently, during the year it was recognised that the Internal Audit team faced serious resourcing pressures in a challenging recruitment market. As a result, the team undertook work to identify a reduced Audit Plan which represented the minimum level of resource required to provide sufficient assurance for the annual Chief Internal Auditor opinion.

7.1.3 The reduction in days primarily came from reducing elements of the core plan which were not considered to be critical to the assurance opinion, such as time allowances for risk management, advice and guidance, fraud investigations and grants. Effort was made to retain balanced coverage of different Council activities and risk areas in the revised plan. The re-phased Audit Plan of 1,425 days was presented to CLT and then to Audit & Accounts Committee on the 28<sup>th</sup> July 2023.

7.1.4 The Internal Audit team at Cambridgeshire seeks to be highly responsive to emerging risks, and in accordance with best practice, the Internal Audit Plan is regularly re-assessed and updated in line with changing risks throughout the year. After the major restatement of the Plan in July, further minor changes to the 2023/4 Internal Audit Plan were reviewed and challenged by CLT and the Audit and Accounts Committee through regular progress reporting.

7.1.5 The Internal Audit team maintains and tracks Key Performance Indicators (KPIs) to monitor delivery of the Internal Audit Plan. Delivery of the Plan is measured using three key metrics:

- **Audit Plan Days Delivered:** The total number of productive days of Internal Audit staff time which has been spent on active delivery of work within the Audit Plan during the financial year.
- **Audit Plan Individual Reviews Delivered:** This measures the number of individual pieces of audit work in the Audit Plan which have been delivered to draft report stage or further by the end of the financial year (31<sup>st</sup> March). This metric also includes 'ongoing' pieces of work which are delivered throughout the year (for example, work on the Supporting Families Grant, which requires a series of grant sign-offs throughout the year, is counted as a single 'ongoing' piece of work).



- **Audit Team Productivity:** This measures the percentage of the team’s available time which is spent on active delivery of work within the Audit Plan, excluding non-productive time such as training or supervisions.

7.1.6 Considering all these metrics collectively gives the most balanced overall view of the delivery of the Audit Plan. The performance against these metrics in 2023/4 is presented below in Table 4, with comparison to the same metrics in 2022/3:

**TABLE 5: Cambridgeshire County Council Audit Plan Delivery 2023/24:**

Delivery KPIs	2023/4			2022/23		
	Actual	Target	%	Actual	Target	% Delivery
Delivery of the <u>core</u> Internal Audit Plan (days)	747	715	104%	738	930	79%
Delivery of the <u>flexible</u> Internal Audit Plan (days)	689	710	97%	540	820	66%
<b>Audit Plan delivered (days)</b>	<b>1436</b>	<b>1425</b>	<b>101%</b>	<b>1278</b>	<b>1750</b>	<b>73%</b>
% Delivery of the <u>core</u> Internal Audit Plan (individual reviews) to draft report stage or further by 31 <sup>st</sup> March.	49	51	96%	62	73	85%
% Delivery of the <u>flexible</u> Internal Audit Plan (individual reviews) to draft report stage or further by 31 <sup>st</sup> March.	20	29	69%	11	20	55%
<b>Audit Plan delivered (% individual reviews)</b>	<b>69</b>	<b>80</b>	<b>86%</b>	<b>73</b>	<b>93</b>	<b>78%</b>
<b>Audit Team Productivity (%)</b>	<b>90.5%</b>	<b>85%</b>		<b>88.3%</b>	<b>85%</b>	

7.1.7 As the Internal Audit team operates a ‘rolling’ approach to audit planning, there were a number of audit reviews which were underway at the end of 2023/24 but not delivered to draft report stage by 31<sup>st</sup> March 2023. The majority of the reports not at draft stage as of 31<sup>st</sup> March were close to finalising fieldwork and therefore have had draft reports issued at the start of the 2024/5 financial year; however the following reports have been rolled-over and will instead be delivered in the 2024/25 financial year as part of the flexible plan:<sup>4</sup>

- **Quality Assurance in Children’s Social Care** – This audit was placed on hold during the Ofsted inspection of children’s services in

<sup>4</sup> N.B. that as these audits were originally planned to be completed in 2023/4, they have been included as incomplete in the figures at Table 4.

February/March 2023, and therefore it was not possible to complete the review in 2023/4 as planned.

- **Estate Health & Safety Inspections** – Due to delays in completion of the Rental Income audit by the Council’s co-source internal audit partner, it was decided to defer completion of this audit into 2024/5 to reduce the pressure on the Council’s Property team.
- **Establishment Control** – Completion of this audit was slowed by delays in the Payroll audit, as the Establishment Control work seeks to place reliance on aspects of the system controls reviewed as part of the Payroll audit.
- **Mosaic System** – This audit was due to be completed by the Council’s co-source external contractor in 2023/4, however the work was not started in-year.
- **Street Lighting PFI** – This audit was originally scoped as a single review of the PFI contract but was subsequently split into two audits, one focused on variations to the PFI contract (final report delivered in 2023/4) and one focused on the performance indicators within the contract (to be delivered in early 2024/5).

7.1.8 At the time of writing, the Audit team are also awaiting issue of the draft reports on Rental Income and Commissioning Governance from TIAA Ltd, the Council’s co-source Internal Audit contractor.

7.1.9 In addition to the audit days delivered to Cambridgeshire County Council, the Internal Audit team also delivers key financial systems reviews to North Northamptonshire, West Northamptonshire and Milton Keynes Councils, and delivers internal audit work to Pathfinder Legal Services. This external provision accounted for c.115 days of Internal Audit time in 2023/24; this time has not been included in the table above, which only shows delivery of the Cambridgeshire Audit Plan by the team.

7.1.10 All Internal Audit reviews delivered in-year are detailed at Annex A, below.

## 7.2 *Compliance with Public Sector Internal Audit Standards*

7.2.1 The Internal Audit service has operated in compliance with Public Sector Internal Audit Standards (PSIAS) throughout the year.

7.2.2 In line with Public Sector Internal Audit Standards (PSIAS), the Internal Audit service maintains an Internal Audit Charter. Under PSIAS, the Charter is “a formal document that defines the internal audit activity’s purpose, authority and responsibility. The Internal Audit Charter establishes the internal audit activity’s position within the organisation; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities”. The Charter was completely rewritten and refreshed in 2022, and was reviewed and approved by Audit &

Accounts Committee on the 7<sup>th</sup> March 2022. A further review is planned in 2024/5.

- 7.2.3 An external assessment of Internal Audit's compliance with Public Sector Internal Audit Standards (PSIAS) is required every five years. An external 'peer-to-peer' review by the Head of Internal Audit at Peterborough City Council was last completed in 2022/23. The full report on this review was presented to Audit & Accounts Committee in November 2022, and concluded that the CCC Internal Audit team fully conforms to the requirements of the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note.
- 7.2.4 In line with PSIAS, a self-assessment of compliance with PSIAS is also undertaken annually, and in 2023/4 this was completed by the incoming Deputy Head of Internal Audit. The self-assessment did not identify any instances of non-conformance with the Standards; equally, while the existing charter and overall framework were found to be largely compliant and well structured, the self-assessment highlighted some specific minor areas where improvements could be implemented. These areas encompass refining the Internal Audit Charter, strengthening the quality and improvement program, and ensuring consistent adherence to best practices across key audit procedures.
- 7.2.5 The improvement actions identified will be incorporated into the CCC Internal Audit Service's Quality Assurance & Improvement Plan for 2024/5 and addressed alongside a refresh of the Internal Audit Charter. Further updates on implementation will be included in Progress Reporting to CLT and Audit & Accounts Committee throughout the year.
- 7.2.6 It should be noted that the Global Institute of Internal Auditors has released new Global Internal Audit Standards on January 9<sup>th</sup> 2024, with the Standards becoming effective 12 months from the release date, in 2025. As such, in 2024/5 the Internal Audit team will continue to maintain compliance with the current PSIAS, while awaiting further information from the UK Public Sector Internal Audit Standards Advisory Board (IASAB) on the future of the UK public sector audit standards. The team will also review the new Global Standards and assess how best to implement compliance with the new framework.

### 7.3 *Quality Assurance & Improvement Plan*

- 7.3.0 In accordance with the UK PSIAS Attribute Standard 1300, a Quality Assurance and Improvement Programme (QAIP) has been developed by Internal Audit. This includes both external assessments (discussed above at Section 7.2) and internal assessments to provide ongoing monitoring of Internal Audit activity and to provide assurance over the service's continued compliance with Public Sector Internal Audit Standards.

#### Continuing Professional Development:

- 7.3.1 Continuing professional development has been a major focus of the Internal Audit quality assurance programme in 2023/24, to ensure that staff have the skills to carry out their responsibilities with proficiency and deliver work of the required quality. A system of post-audit assessments against the CIPFA Excellent Internal Auditor standard is used to evaluate audit activity and identify areas for development on an ongoing basis, as part of regular supervision of all staff.
- 7.3.2 The CCC Internal Audit service also uses weekly team meetings to deliver regular focused training and development to all Internal Audit staff. This includes development sessions delivered by managers within the team, as well as welcoming colleagues from other Council services to speak at Internal Audit meetings, both to enhance professional development and to encourage networking across the Council. In 2023/4, sessions delivered through regular team meetings have included areas such as:
- Presentations on the roles of the Schools Intervention Service and the Emergency Planning team;
  - A series of sessions on specific key elements of the internal audit process, including: Terms of References, Work Programmes, Analytical Reviews, Audit Evidence, Visualising Audit Findings, and Root Cause Analysis.
  - Members of the team presenting key findings and reflections from specific individual audit reviews, including audits of the Transparency Code, Climate Change & Environment Strategy.
  - Sessions focused on general professional development and sector issues including: IT skills in Microsoft Excel and Word; Auditing Culture; Artificial Intelligence in Internal Audit; the National Numeracy Challenge; Councils warning of S114 notices; and the role of Internal Audit in Enterprise Risk Management.

Staffing and Capacity:

- 7.3.3 In 2023/24, the Internal Audit & Risk Management team has experienced significant staffing challenges, in the context of an extremely competitive job market for internal audit across the UK. Feedback from other local authorities in the region suggests that maintaining sufficient qualified staffing is a common issue for public sector Internal Audit teams.
- 7.3.4 These vacancies created significant challenges in the delivery of the Audit Plan this year, which was managed through the re-phasing of the plan outlined at Section 7.1, above. As well as seeking to recruit to vacant posts, the team also commissioned external resource and a co-source partner to deliver additional audit work in-year to supplement the resources within the service; however it should be noted that this is far less cost-effective than maintaining an in-house team.

- 7.3.5 As such, it is considered that the team has had resources that are just sufficient to enable it to provide adequate coverage authority’s control environment to provide the annual opinion; however, resourcing remains a significant risk for the team in 2024/25. By the end of the 2023/4 financial year, the vacant Deputy Head of Internal Audit and Senior Auditor posts within the team had been filled, leaving one vacant Principal Auditor post and the new Corporate Risk Manager post which will need to be filled in 2024/5. The current co-sourcing Internal Audit contract is available for use in the new financial year if required to manage delays in recruitment.
- 7.3.6 A key part of the Internal Audit team’s succession planning continues to be the operation of an Internal Audit Graduate Trainee scheme, run in conjunction with the Financial Management Graduate Trainee scheme. Trainees are taken on as Apprentices to study for chartered accountant status with the Chartered Institute for Public Finance and Accountancy (CIPFA). In September 2023, a new Associate Auditor started work in the team under this scheme; and following a successful recruitment campaign undertaken with Finance, a further new Associate Auditor is expected to start work in September 2024.

Customer Feedback Outcomes:

- 7.3.7 The Internal Audit team issue Customer Feedback Surveys to obtain feedback on the work of the team from senior management and recipients of Internal Audit reports. Surveys are issued via a short eForm, to ensure the process is straightforward and accessible for officers, and are shared when final audit reports are issued. The audit team also issued a survey requesting general feedback from CLT in March 2024.
- 7.3.8 In total, in 2023/24 nine completed surveys were returned to the team, the same number as in 2022/3. This is considered a low response rate, despite work having been undertaken by the Audit team in March/April 2024 to follow up on audits where responses had not been received, as well as to request more general team feedback from senior managers. As part of the Quality Assurance & Improvement Plan in 2024/5, the team will review whether there are any other actions that can be taken to increase the volume of feedback received.
- 7.3.9 Where surveys were completed, results were generally very positive; detail on the findings from these surveys is provided below, compared to average scores in 2022/3:

**Table 6: Customer Feedback Survey Responses:**

<b>Questions:</b>	<b>2023/4</b>	<b>2022/3</b>
	<b>Average score:</b>	<b>Average score:</b>

How far do you agree that the auditors involved were professional, knowledgeable and approachable?		<b>4.2</b> out of 5 <i>(1: strongly disagree 5: strongly agree)</i>	<b>4.2</b> out of 5 <i>(1: strongly disagree 5: strongly agree)</i>
How far do you agree that auditors engaged with officers to understand key service concerns and risks during the audit?		<b>4.1</b> out of 5 <i>(1: strongly disagree 5: strongly agree)</i>	<b>3.9</b> out of 5 <i>(1: strongly disagree 5: strongly agree)</i>
How far do you agree that the draft audit report gave findings in sufficient detail and there was a chance to discuss findings and recommended actions appropriately?		<b>4</b> out of 5 <i>(1: strongly disagree 5: strongly agree)</i>	<b>4.6</b> out of 5 <i>(1: strongly disagree 5: strongly agree)</i>
How far do you agree that final actions agreed as a result of the audit were relevant and reflected appropriate improvements in risk management and control?		<b>4</b> out of 5 <i>(1: strongly disagree 5: strongly agree)</i>	<b>4.1</b> out of 5 <i>(1: strongly disagree 5: strongly agree)</i>
Has your perception of Internal Audit changed following your experience?	Yes - positively	4 (44%)	2 (22%)
	Yes - negatively	1 (11%)	0 (0%)
	No change	4 (44%)	7 (78%)

7.3.10 There was one response where feedback was generally less positive. It is noted that this related to a specific audit report which was completed in 2022/23 financial year, rather than the 2023/4 year. The officer giving feedback on this report noted that they felt one of the recommendations in the report was a “disproportionate recommendation and did not take account of deliverability”. The officer also noted that “my general perception of audit is that it is overzealous in this authority”. In response to this feedback and the PSIAS self-assessment noted at Section 7.2, above, the team will seek to update the Audit Charter with more detailed documented information on the process by which agreed recommendations can be varied/reported as unimplemented. The team will also undertake a training session on issuing final reports, with a reminder of the process for agreeing actions with officers prior to report issue.

7.3.11 Some other comments received from officers in the surveys included:

- “Whilst the auditors engaged proactively, the processes themselves were far more involved than they normally are. It was clear that there was a degree of inexperience [...] However, I am pleased that all auditors engaged effectively and areas were amended as details were clarified”.

- “Really appreciated the supportive approach that took account of the context in which this work has been developed”.
- “Internal audit have always provided helpful assurance. The team have always conducted themselves in a supportive and transparent manner which has helped to engage the service”.
- “I have found the support & advise has been readily available during and following the audit process and that has supported the service greatly”.