

Internal Audit & Risk Management

Cambridgeshire County Council

Update report

As at 18th February 2022

Section 1

1 INTRODUCTION

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

SECTION 1: Introduction

SECTION 2: Internal Audit Reporting Process

SECTION 3: Finalised Assignments

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SECTION 5: Advisory Activities

SECTION 6: Audit Forward Planning: Next Four Quarters

SECTION 7: Follow Up of Agreed Audit Actions

SECTION 8: Risk Management

SECTION 9: Fraud and Corruption Update

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ANNEX A: Internal Audit Plan Progress 2021/22

ANNEX B: Outstanding Agreed Actions

ANNEX C: National Fraud Initiative Update

ANNEX D: Internal Audit Charter

ANNEX E: Assurance Blocks

ANNEX F: Corporate Risk Register

2 INTERNAL AUDIT REPORTING PROCESS

2.1 THE REPORTING PROCESS

2.1.1 This quarterly report provides stakeholders, including Audit & Accounts Committee and CCLT, with a summary of internal audit activity for the fourth quarter of 2021/22 and the current proposed coverage for the 2022/23 financial year.

2.2 HOW INTERNAL CONTROL IS REVIEWED

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

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

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

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

- Control Environment Assurance
- Compliance Assurance
- Organisational Impact

2.2.5 The following definitions are currently in use:

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

	detected.	
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 CLTCLT, 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 November 2021, the following audit assignments have reached completion, as set out below in Table 1.

Table 1: Finalised Assignments

No.	Directorate	Assignment	Compliance Assurance	Systems Assurance	Organisational impact
1.	Cross cutting	Fees and Charges	Limited	Moderate	Minor
2.	Cross cutting	Spend over £20k	Moderate	N/A	Minor
3.	People & Communities	Interim Team Leader Investigation	Investigation report issued.		
4.	People & Communities	Direct Payment Case Review	Case review report issued to support management of a complex Direct Payments case.		
5.	Resources	Insurance	Good	Good	Minor
6.	Cross cutting	Declarations of Interest (Employees)	Limited	Moderate	Minor
7.	Resources	Treasury Management	Good	Good	Minor

3.2 Summaries of any finalised reports with limited or no assurance are provided in Section 4.

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.	People and Communities	Friday Bridge School - Financial Governance Review
2.	People and Communities	Great Gidding C of E Primary School - Financial Governance Review

3.	People and Communities	Linton C.E Infant School - Financial Governance Review
4.	People and Communities	Little Paxton Primary School - Financial Governance Review
5.	People and Communities	Brampton Village Primary School - Financial Governance Review
6.	Cross cutting	Procurement Compliance
7.	People and Communities	Burwell Primary School - Financial Governance Review

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 Fees and Charges

- 4.1.1 The assurance for the system was moderate. A Fees and Charges Policy which includes Best Practice Guidance is available, however there is no operational ownership and monitoring of compliance. A recommendation has been agreed that the policy will be owned independently by the Head of Commercial, with a joint responsibility for supporting and embedding in services with Finance. The policy will be refreshed in the Spring and will reflect ownership and monitoring arrangements.
- 4.1.2 The assurance for compliance with the policy was limited. A central list of all concessions, subsidies, statutory prohibition and exemption charges was not available therefore, it was only possible to undertake compliance testing on a sample of statutory and discretionary charges. A recommendation has been agreed by Finance to undertake a reconciliation of the fees and charges income code and identify all types of reduced charges/free services.

4.2 Declarations of Interest (Employees)

- 4.2.1 The assurance for the system was moderate. There are two separate processes in place which have similar objectives (Corporate Declaration of Interest and Related Parties) presenting a risk of confusion and duplicated form filling; in addition, there is no corporate oversight or monitoring. A recommendation was agreed for the Council to establish a single process for staff to declare financial and non-financial interests, with one form that incorporates a section for Related Parties as well as any non-financial interests.
- 4.2.2 The assurance for compliance with declarations of interest processes was limited. Only 1 out of 10 of the sample selected had complied with the corporate employee's declaration of interest process and had a completed form. In addition to potential financial conflicts of interest such as directorships, employees could also have non-financial interests in an organisation they are professionally involved with on behalf of CCC. A recommendation was agreed that the HR Team will issue communications every year to remind staff of their obligations to disclose any new interests, or changes to existing ones.

5 *OTHER INTERNAL AUDIT ACTIVITIES*

5.1 UPDATED INTERNAL AUDIT CHARTER:

- 5.1.1 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”.
- 5.1.2 Following the service’s disaggregation from LGSS Internal Audit, a full review of the Internal Audit Charter has been undertaken, along with a review of key processes and working practice within the Internal Audit team. The Internal Audit Charter has been completely re-drafted, with appendices setting out key principles and processes for the team, including the audit planning process (see also Section 6 of this report), audit workflow, assurance ratings etc. The Charter also considers the culture of the Internal Audit team and how the service can demonstrate its professional and ethical values, as well as ensuring compliance with PSIAS.
- 5.1.3 PSIAS requires that the Internal Audit Charter is presented to senior management and the board for approval. The new proposed Internal Audit Charter is attached as Annex D to this document, for review, comment and approval.

5.2 ADVICE & GUIDANCE:

- 5.2.1 Internal Audit also provide advice, guidance and support to the organisation on governance, assurance and related issues. This work is undertaken on an ad-hoc basis as when required. Some of the key areas of support provided since the previous Progress Report include:
- Undertaking a review of complex financial arrangements for a service user whose direct payment appears to have been aggregated into other income streams, at the request of the LDP.
 - Providing assistance to Information Governance colleagues in obtaining information requested under the Data Protection Act.
 - Meeting with HR and Customer and Digital Services to discuss planning for implementation of a s113 agreement.

6. *AUDIT FORWARD PLANNING: NEXT FOUR QUARTERS*

Core audit work is progressing in line with the agreed Audit Plan 2021/22. Progress on this work is detailed at Annex A to this report.

The proposed Internal Audit Plan for the next four quarters (financial year 2022 - 2023) is set out below, showing the current risk profiling of Internal Audit reviews over the next year. These are new jobs proposed to commence in the period, i.e. ongoing work is not included.

6.1 Approach to Audit Planning:

- 6.1.1 At Cambridgeshire County Council, Internal Audit has 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 the audit of contracts, although the specific contracts under review varies according to the risk assessment.

- 6.1.2 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. 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 CCLT and the Audit and Accounts Committee.

- 6.1.3 This approach brings a number of benefits:

- Greater flexibility to introduce and reschedule planned audits in line with current emerging risks, or pressures being faced by the service due to be audited.
- A reduced need to 'cancel' audits when the risk environment changes, as the Audit Plan is no longer constrained by the year-end.
- Improved targeting of resource to areas of greater risk, with the highest risk areas always prioritised for the next quarter's work.
- Ensuring greater efficiency by eliminating the artificial cut-off of 'year end' for audit work and reducing the 'lull' at the start of a new financial year while new audits are initiated.
- Ensuring that when changes are made to the Audit Plan throughout the year, any impact of those changes on the Chief Audit Executive's ability to deliver an annual internal audit opinion is more easily understood.

6.2 Risk Assessment Process:

6.2.1 In order to develop the Audit Plan, there must first be a sound understanding of the risks facing the Council. In developing the Plan, Internal Audit undertakes a quarterly risk assessment which includes:

- Review of the corporate risk register
- 'Horizon scanning' to identify key legislative changes etc. which may impact the Authority's risk environment in the future
- Engaging with senior management
- Reviewing the outcomes of previous audit work and follow-ups on the implementation of agreed audit actions
- Identifying areas which have not recently been audited
- Benchmarking against Audit Plans developed by other Local Authorities

6.2.2 Potential audit areas identified through this process are then assessed and weighted according to the level of potential risk they relate to, and the level of urgency to complete an audit of this area. This enables Internal Audit to produce a list of audit areas which are clearly prioritised by risk.

6.3 Review of the Audit Plan:

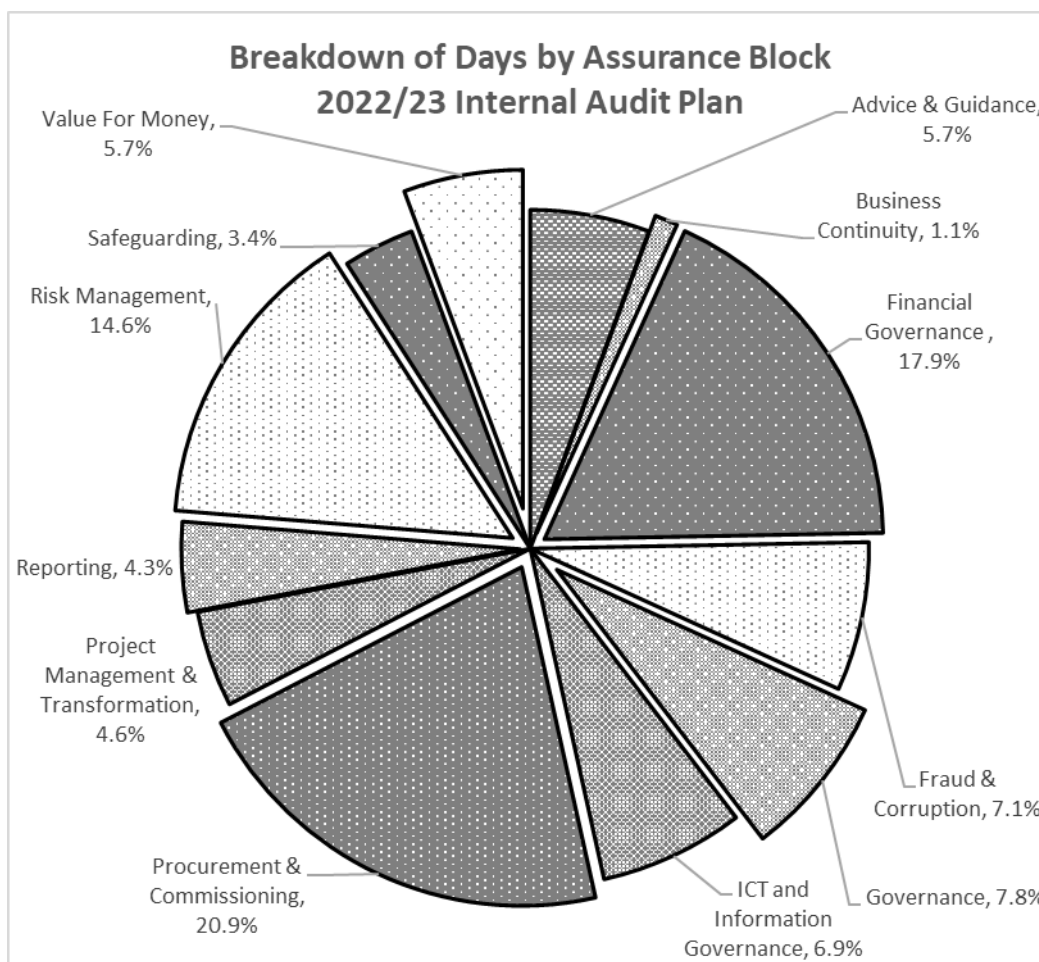
- 6.3.1 In Q4 of each financial year, CCLT and the Audit & Accounts Committee are provided with a full draft Audit Plan for the next financial year, incorporating both the 'core' and 'flexible' audits planned, for review and challenge.
- 6.3.2 In the quarterly Internal Audit reporting, CCLT and the Audit & Accounts Committee are asked to approve the next quarter's 'flexible' plan. They are also provided with a current 'indicative' draft of the audits that are likely to be included in the following four quarters after that i.e. a full-year forecast of upcoming audits based on the current risk assessment, for review and challenge.

6.4 Audit Plan 2022 – 23 Assurance Summary and Resources:

- 6.4.1 In summary, the Audit Plan maintains a focus on risk-based and compliance audits as well as providing assurance on key financial systems. This reflects the need to focus on the management of emerging risks and to ensure the continued operation of key controls within the Council's governance arrangements, systems and processes. Maintaining an Audit Plan which is dynamic, challenging and prioritised based on the organisation's risks is not a new concept; however, in the current environment it is ever more critical if Internal Audit is to help the Council to respond effectively to the scale of change required in 2019/20 and beyond.
- 6.4.2 The Internal Audit coverage for 2022/23 is proposed as 1,750 days, in line with previous years. This is split across the 'core' and 'flexible' plans as follows:
- 'Core' Plan: 930 days
 - 'Flexible' Plan: 820 days
- 6.4.3 In order to manage resources effectively, Internal Audit estimates the time requirement for each individual audit; these time allocations are set out at Section 6.5 and 6.6, below. In practice, the amount of time spent on each piece of work may vary, depending on business need and risk.
- 6.4.4 Within the resource days set out above, the Internal Audit plan needs to include an appropriate and comprehensive range of work which is sufficiently robust to inform the annual audit opinion of the Head of Internal Audit. In line with Public Sector Internal Audit Standards, this must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.
- 6.4.5 In order to achieve this cross-cutting assurance across a wide range of Council activities and risks, the Internal Audit Plan is based on 'assurance blocks' that each provides an opinion over key elements of the control environment, targeted towards in-year risks. Visualising how the proposed Audit Plan is broken down by assurance block helps to demonstrate how the planned

reviews will provide coverage of key organisational risk areas. The proposed approximate split of time across the 2022/23 Audit Plan by assurance block (based on the current indicative assessment of all four quarterly 'flexible' plans) is as follows:

Table 3: Analysis of Audit Plan by Assurance Block:



6.4.6 More detailed information on assurance blocks is provided in Annex E to this report.

6.4.7 Full detail of the proposed coverage is set out below, in sections 6.5 and 6.6.

6.5 'Core' Internal Audit Plan 2022/23

6.5.1 The 'Core' Plan for 2022/23 is largely equivalent to the Core Plan in 2021/22. The key changes are:

- Adjustments to the Grant Audit section to reflect actual grants which require certification in 2022/23, as this varies by year.

- Adjustments to the annual reviews of Key Financial Systems to reflect changes in the risk profile following the disaggregation of LGSS. Testing of IT access controls in key financial systems will now be conducted as part of the core audit of that system rather than as a separate access controls audit.

6.5.2 The detail of the proposed plan can be found at Table 4, below:

Table 4: Proposed 'Core' Internal Audit Plan 2022/23:

Audit	Directorate	Category	Days	Why
Total Days in the Core Internal Audit Plan:			930	
Annual Audit Reviews of Key Financial Systems			103	
Accounts Receivable	CCC	Financial Governance	20	Annual assurance over Key Financial Systems; conducting transactional testing across core systems.
Purchase to Pay	CCC	Financial Governance	20	Annual assurance over Key Financial Systems; conducting transactional testing across core systems.
Payroll	CCC	Financial Governance	13	Annual assurance over Key Financial Systems; conducting transactional testing across core systems.
Treasury Management	CCC	Financial Governance	20	Annual assurance over Key Financial Systems; conducting transactional testing across core systems.
Debt Recovery	CCC	Financial Governance	20	Annual assurance over Key Financial Systems; conducting transactional testing across core systems.
Pensions	CCC	Financial Governance	10	Annual assurance over Key Financial Systems; conducting transactional testing across core systems.
Grant Certification Work Required In-Year			100	
Troubled Families	P&C	Financial Governance	40	Annual cycle of grant certification requirement.
Local Transport Capital Block Funding	P&E	Financial Governance	5	Annual cycle of grant certification requirement.
Pothole and Challenge Fund	P&E	Financial Governance	5	Annual cycle of grant certification requirement.
Disabled Facilities Grant	P&C	Financial Governance	5	Annual cycle of grant certification requirement.

Test Track and Trace Grant	P&C	Financial Governance	10	Annual cycle of grant certification requirement.
Basic Needs Funding	P&C	Financial Governance	10	Annual cycle of grant certification requirement.
Covid Grant Testing Contingency	P&E	Financial Governance	5	Contingency in case of additional requests for testing on Covid-related grant expenditure.
Community Testing Grant	P&C	Financial Governance	10	Annual cycle of grant certification requirement.
Contain Outbreak Management Fund	P&C	Financial Governance	10	Annual cycle of grant certification requirement.
Annual Allowance for Fraud Investigations & National Fraud Initiative			125	
Fraud Investigations	CCC	Fraud & Corruption	75	Receive whistleblowing referrals and allocation of time to investigate alleged fraud or theft.
Council Tax NFI Project	Resources	Fraud & Corruption	10	Providing support to the Council Tax NFI project with the District Councils.
National Fraud Initiative	CCC	Fraud & Corruption	40	Management of statutory National Fraud Initiative.
Strategic Risk Management and Assurance			255	
Annual Assurance on Risk Management	CCC	Risk Management	5	Maintaining the CRR, reporting to stakeholders and providing an annual assurance over the Council's Risk Management framework.
Strategic Risk Management Assurances	CCC	Risk Management	40	Strategic reviews to assess the level of assurance that can be provided over management of the Council's top corporate risks and top directorate-level risks, on a quarterly basis.
Risk Management	CCC	Risk Management	60	Strategic risk management processes, workshops and reporting.
Compliance - Corporate and Key Directorate Risks	CCC	Risk Management	150	A programme of compliance checks on key controls mitigating the Corporate risks and top 3 Directorate-level risks to provide assurance on whether critical controls are routinely complied with in practice. Each risk will be audited once during the audit cycle.
Core Procurement & Commissioning Audit Work			70	(plus min. 200+ days in rolling Audit Plan)

Procurement Compliance	CCC	Procurement & Commissioning	20	Review of sample of invoices, to provide assurance over risk that best value is not being achieved across all Council procurement. Once invoices have been selected, the review will work backwards through the commissioning process to confirm compliance and VFM.
Procurement Governance	CCC	Procurement & Commissioning	20	Review covering policies and procedures governing procurement processes, and arrangements for monitoring compliance with procurement policies. Assurance over risk that best value is not being achieved across all Council procurement.
Highways Contract	P&E	Procurement & Commissioning	30	Ongoing support to the Highways Contract
Contract Reviews	CCC	Procurement & Commissioning		A minimum of 200 days is committed to review of contracts and commissioning. The specific reviews undertaken will be identified through the quarterly risk assessment process and included in quarterly planning.
Annual Core Governance Reviews			102	
Annual Governance Statement/Code of Corporate Governance	CCC	Governance	15	Annual Governance Statement/Code of Corporate Governance.
Corporate Key Performance Indicator Framework	CCC	Governance	5	Providing an annual assurance over the effectiveness of the Council's corporate Key Performance Indicator framework.
Annual Key Policies & Procedures Review	CCC	Governance	5	Following previous year audit reviews of core policies and procedures, this review will provide assurance that key policies are reviewed, updated and accessible to staff.
Whistleblowing Policy Annual Review	CCC	Governance	15	Work to review the whistleblowing policy, conduct awareness-raising activities across the organisation, and produce the annual report on whistleblowing cases.
Sustainability Panel	CCC	Governance	5	Attending panel to review grant applications by childcare providers.
Public Sector Internal Audit Standards (PSIAS) Review	CCC	Governance	5	Annual review to verify compliance with PSIAS

Information Management Board	CCC	Governance	2	Attending panel to provide support on information management and security issues
Schools Assurance Auditing	P&C	Governance	50	Annual assurance over key risks in schools, with a focus on financial governance and payroll risks.
Advice & Guidance Work			100	
Advice & Guidance	CCC	Advice & Guidance	50	Providing support and guidance to staff on ad-hoc queries.
Freedom of Information Requests	CCC	Advice & Guidance	5	Allowance of time to respond to FOI requests received in-year.
Follow-Ups of Agreed Actions	CCC	Advice & Guidance	45	Confirming agreed actions have been implemented to reduce key organisational risks.
Management & Committee Reporting and Planning			75	
Committee Reporting	CCC	Reporting	25	Reporting to Audit and Accounts Committee.
Management Reporting	CCC	Reporting	25	Reporting to CLTCLT.
Audit Plan	CCC	Reporting	25	Development of the Internal Audit Plan and in-year revisions/updates.

6.6 'Flexible' Internal Audit Plan 2022/23:

- 6.6.1 The 'flexible' Internal Audit Plan is split into rolling quarterly plans of around 200 days each; the precise number of days included each quarter is likely to vary slightly around this number, to maintain some flexibility based on the audits prioritised for inclusion in that quarter.
- 6.6.2 This programme of work is indicative only, and is subject to change to ensure that the Audit Plan can be reactive as well as proactive about providing assurance over emerging risk areas. The team will continue to progress each quarter's work as outlined below at Table 5, assuming a full team structure; any shortfall will be re-profiled in future quarters:

Table 5: 'Flexible' Internal Audit Plan 2022/23:

Audit	Directorate	Category	Days	Why
Current Proposed Flexible Internal Audit Plan for Q1:			205	
Investment Properties	Resources	Value For Money	20	The Council holds a number of investment properties. This would review management of investments, income streams etc. Reputational risk area.

Adult's Social Care Commissioning Strategies	P&C	Procurement & Commissioning	25	Review of strategic planning for commissioning and contracting across Adults Social Care, to provide assurance that commissioning is proactive, considers demand and how this may be managed, and takes into account the condition of local markets.
Schools Capital Programme	P&C	Procurement & Commissioning	20	Major Design & Build contract with an annual value of £100m.
Capital Project Management	CCC	Project Management & Transformation	20	Review of implementation of new project management processes within the Major Infrastructure Delivery team, to verify implementation of key Internal Audit recommendations and management of key risks.
Climate Change & Environment Strategy	CCC	Governance	20	Review of the Council's Climate Change and Environment Strategy, how the aims of this strategy are reflected in broader corporate policies and governance processes, and progress with action plans within the strategy.
Rental Income	Resources	Value For Money	20	Ensuring that the Council maximises the value of its property, including farms and other properties. Deferred to the first quarter of 2022/23 due to staff vacancies in the service.
ICT Strategy	C&D	ICT and Information Governance	20	The ICT service is in the process of a major refresh of strategy and governance. This review will aim to work collaboratively with the service to consider progress to date and suggestions for ongoing strategy development.
Taxation / VAT	Resources	Financial Governance	20	Review of taxation compliance following the disaggregation of the Finance team from LGSS meaning there is no longer a single dedicated VAT specialist, and considering the impact of Making Tax Digital.
Client Funds and Deputyships	Resources	Safeguarding	20	Review of client funds and deputyships arrangements which have been brought back in-house following disaggregation from LGSS.

ICT Incident and Problem Management	C&D	ICT and Information Governance	20	Review of policies, procedures and compliance with managing identified incidents, issues and problems with ICT systems and services.
Current Proposed Flexible Internal Audit Plan for Q2:			205	
ICT Procurement	C&D	Procurement & Commissioning	20	Review of ICT procurement function including commissioning, contract management, efficiencies etc.
Fire Safety Checks	Resources	Safeguarding	20	Confirm that fire safety check processes are up to date, carried out, and compliant with relevant legislation.
Contract Management - Minor Works Framework	Resources	Procurement & Commissioning	30	Review of this major contract with an annual value of £8m.
Demand management strategies	CCC	Value For Money	20	Community resilience; review how the Council is working to reduce demand for high-cost services and whether plans to manage demand in one area end up increasing demand in another area.
Adult Social Care Finance	P&C	Financial Governance	20	Assurance following the major restructure and centralisation of the Adults Social Care Finance team, particularly reviewing invoicing processes, cost recovery and the link to debt management.
Mosaic System Uploads & Data Integrity	P&C	ICT and Information Governance	5	A review of key controls in the Mosaic system with regards to security, and how data integrity is maintained from feeder systems and uploads.
Financial Regulations Monitoring & Compliance, including Delegated Authorities	CCC	Financial Governance	20	Review to ensure that budget variations are approved in line with the requirements of the Financial Procedure Rules and the Constitution.
Statutory Health & Safety Property Inspections	Resources	Safeguarding	20	Confirm that statutory inspections of property for health and safety are up to date, carried out, and compliant with relevant legislation. Confirm that recommendations are implemented and implementation is monitored.
FOI and SAR	C&D	ICT and Information Governance	20	Freedom of Information & Subject Access Requests are legally required to be completed by the Council within set timescales.

Contract Management - Residential & Short Break Care for Children and Young People with a Disability	P&C	Procurement & Commissioning	30	Review of this key contract with an annual value of £2.35m.
Current Proposed Flexible Internal Audit Plan for Q3:			200	
ICT Security	C&D	ICT and Information Governance	20	Review of ICT security strategy and compliance with key measures such as PSN certification.
Business Planning	CCC	Financial Governance	30	Review of governance, compliance, management and monitoring, and benefits realisation.
Supplier Resilience Reviews	CCC	Business Continuity	20	Review of a sample of key strategic suppliers, with a focus on suppliers of care and transport to vulnerable service users, to identify assurances in place over supplier resilience and continuity planning.
Contract Management - Cambridgeshire Energy Performance Contracting Project	P&E	Procurement & Commissioning	30	Review of contract management within the Cambridgeshire Energy Performance Contracting project, which holds two major contracts with a combined annual value of £11m.
Budgetary Forecasting	Resources	Financial Governance	20	Review of processes for forecasting high demand demographically-driven budgets across People & Communities to ensure processes are robust and forecasting is accurate.
Information Security	C&D	ICT and Information Governance	20	Review of arrangements for controlling information security risk, with a focus on: policies and procedures; compliance with legislative requirements; communication and staff awareness; compliance monitoring; and incident handling.
Early Years Entitlements Funding	P&C	Value For Money	20	To provide assurance that robust and efficient processes are in place to ensure payments to Early Years providers are timely and accurate. £38m of DSG is classed as Early Years funding in 2021/22.

Most Economically Advantageous Tenders	CCC	Procurement & Commissioning	20	Review MEAT where the lowest price was not successful, to assess the cost of additional quality. Review the appropriateness of specification, evaluation criteria (and compliance), including rationale for award.
Adoption	P&C	Value For Money	20	Review of new in-house adoption processes to confirm value for money following termination of outsourcing contract with Coram Cambridgeshire Adoption
Current Proposed Flexible Internal Audit Plan for Q4:			210	
Project Management Framework and Project Assurance	BI&D	Project Management & Transformation	20	Review of the implementation and development of Council-wide project management framework and project assurance arrangements.
Projects Assurance	BI&D	Project Management & Transformation	40	Provision of assurance over a sample of key projects and review of the efficacy of extant assurance processes.
Client-side Review of Pathfinder Legal Services	L&C	Procurement & Commissioning	20	Client-side review of Cambridgeshire's Pathfinder Legal Services legal provision.
ICT Asset Inventory	C&D	ICT and Information Governance	15	Review of how physical ICT assets are inventoried and managed throughout the Council, especially with the move to increased remote working.
Management of Consultants and Interims	CCC	Procurement & Commissioning	20	Review of the use of consultants and interims at the Council to gain assurance over compliance with contract procedure rules, appropriate use of employment status, and effective contract management.
Contract Management	CCC	Procurement & Commissioning	20	Noted as a risk area. This would review contract management guidance and training available to managers in the organisation, and implementation of contract management processes. High impact area.
Decentralised Corporate Controls	CCC	Governance	15	A review looking at key corporate controls which are delegated to individual managers (such as declarations of interest, vehicle and driver license checks, corporate induction completion etc), to identify which controls are delegated to budget managers and the extent of corporate oversight and control over

				compliance and completion.
Children's Social Care Commissioning Strategies	P&C	Procurement & Commissioning	30	Review of strategic planning for commissioning and contracting across Children's Social Care, to provide assurance that commissioning is pro-active, considers demand and how this may be managed, and takes into account the condition of local markets.
Contract Management - Public Transport, Park & Ride, and Guided Busway Contract	P&E	Procurement & Commissioning	30	Annual value of £3m.

7. FOLLOW UP OF AGREED AUDIT ACTIONS

- 7.1 The outstanding management actions from Internal Audit reports as at 18th February 2022 are summarised in the table below. This includes a comparison with the percentage implementation from the previous report (bracketed figures).
- 7.2 In line with the new rolling audit plan, implemented recommendations now only includes those closed within the last five quarters. Any recommendations that were closed more than five quarters ago are not included in the figures below.

Table 6: Implementation of Recommendations

	Category 'Essential' recommendations		Category 'Important' recommendations		Total	
	Number	% of total	Number	% of total	Number	% of total
Implemented	3 (3)	2.44% (2.40%)	55 (60)	44.72% (48.00%)	58 (63)	47.51% (50.40%)
Actions due within last 3 months, but not implemented	1 (0)	0.81% (0.00%)	13 (14)	10.57% (11.20%)	14 (14)	11.38% (11.20%)
Actions due over 3 months ago, but not implemented	0 (1)	0.00% (0.80%)	51 (47)	41.46% (37.60%)	51 (48)	41.46% (38.40%)
Totals	4		119		123	

- 7.3 There are currently 65 management actions outstanding. Further detail on outstanding actions is provided at Annex B.
- 7.4 There is only one current outstanding 'Essential' recommendation which only passed its target date at the end of November 2021. This recommendation relates to the completion of the IT Health Check and associated work that is required for the Council to obtain Public Services Network certification. An initial IT Health Check was undertaken in January 2022, having been delayed by the deferred move of the data centre. The service report that 80% of the high level findings from this check have already been resolved and they are in the process of developing a Remediation Plan setting out the work required to address the remaining findings. This is expected to be in place by the end of February. Once the Remediation Plan is fully developed, IT will be in a position to share a target date for re-obtaining PSN certification. Internal Audit continue to receive regular updates from the IT service on progress with this key action.

7.5 The Table below shows the number of outstanding recommendations in each directorate.

Directorate	Outstanding recommendations
Customer and Digital	4
Business Improvement & Development	1
People and Communities	10
Place and Economy	36
Resources	13
Monitoring Officer	1

8.0 *RISK MANAGEMENT*

- 8.1 CCLT held a meeting in February to discuss the Corporate Risk Register, and outcomes from the meeting, which included a refresh of the corporate risks and supporting details, are being worked on at the time of this report. The Committee will be given an update on progress at the meeting.

9 FRAUD AND CORRUPTION UPDATE

9.1 FRAUD INVESTIGATIONS

- 9.1. The current Internal Audit caseload of investigations is summarised below in Table 5. As at the 18th February 2022, Internal Audit has received 616 whistleblowing referrals in the 2021/22 financial year, broadly similar to the number of referrals received by the same point in 2020/21 (22 cases).

Table 7. Current Internal Audit Investigations Caseload

Open Cases from 2020/21 <i>Carried forward</i>		Open	Closed	Total
Fraud	Direct Payments	2	0	2
Total		2	0	2
All Cases in 2021/22 <i>To Date</i>				
Fraud	Third Party Fraud	0	1	1
	Schools Fraud	0	1	1
	Officer Fraud	0	1	1
	Direct Payments Fraud	1	0	1
	School Admissions Fraud	0	1	1
Governance	Officer Code of Conduct	0	1	1
	Conflict of Interest	1	1	2
	Internal Governance Allegation	1	2	3
	School Governance Allegation	1	0	1
	Fostering Service	1	0	1
Safeguarding	Safeguarding Concerns	0	1	1
Overpayment	Payroll Overpayment (Night Allowances)	0	1	1
Theft	Libraries Theft	0	1	1
Total		5	11	16

- 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. In the table above, the investigations into the referrals relating to the Officer Code of Conduct, the payroll overpayment and the allegation of officer fraud and misconduct were led by the Assistant Director of HR & Learning; and a safeguarding concern in the Fostering service was passed on to the Director of Children's Services.

9.1.3 Summaries of the current open investigation cases are provided below:

- **Direct Payments (3 investigations)** – Internal Audit has investigated two cases of alleged misuse of Direct Payments, by family members of service users, and issued draft reports. Audit is working with the service to agree and pursue next steps in dealing with these cases. Indicative action for both cases is that the Direct Payment will be terminated and the service user moved to an arranged provision. A third case of suspected misuse of a Direct Payment has recently been reported to Internal Audit and the investigation is currently being scoped and planned.
- **Safeguarding Allegation (1 investigation)** – Safeguarding concerns have been raised by a former foster carer in relation to the Council's Fostering Service. The allegations have been passed to the Director to review and respond in line with the Whistleblowing Policy.
- **Schools Governance Allegation (1 investigation)** – An allegation that a school is not complying with statutory and local requirements around financial governance and the role of governors. This is being picked up as part of the wider Internal Audit review of financial governance in maintained schools; an audit visit has been undertaken to the school and a draft report is being produced.
- **Third Party Fraud (1 investigation)** – An allegation relating to a consultancy framework is currently being investigated by the Internal Audit team.
- **Conflict of Interest (1 investigation)** – Internal Audit have been asked to provide assurance over the management of a possible conflict-of-interest.

9.2 PRO-ACTIVE COUNTER-FRAUD WORK

9.2.1 The Internal Audit team also undertakes a range of pro-active counter-fraud activities. Currently the team is reviewing the Council's Anti-Fraud and Corruption Policy, with the intention of bringing an updated policy to CCLT and the Audit & Accounts Committee in May 2022.

9.2.2 Additionally, Internal Audit are providing support to a project run in conjunction with the District Councils, to reduce Council Tax single person discount fraud, and to consider whether there is potential for the project could be expanded to support other internal counter-fraud activities. Internal Audit is also working with colleagues in People & Communities to review and update policy and guidance on dealing with suspected fraud and misuse of direct payments.

9.3 NATIONAL FRAUD INITIATIVE (NFI)

9.3.1 The NFI compares different data sets provided nationally by local authorities and partner organisations, for the purpose of detecting and preventing fraud. The current exercise commenced in September 2020 when data was supplied for matching purposes by all relevant parties, including CCC. The matched output was released by the NFI in January 2021. The total number of matches for CCC is 8,629 across 31 reports which have a high or medium risk rating, depending on the nature of the data. As at February 2022, a total of 6,169 matches have been reviewed and closed at CCC.

9.3.2 Please see Annex C for further details on the NFI process and work to date.

9.4 TIMESHEET FRAUD

9.4.1 An investigation has been concluded and an Internal Audit report issued relating to an allegation of timesheet fraud committed by an interim worker. This temporary employee, while working for CCC on a full-time basis had another full-time contract with another Local Authority. During the period of time that the interim worker was supplying services to both Cambridgeshire and the other Local Authority, they were paid £44,584.32. The contract with this individual has been terminated and the Executive Director of Highways & Economy has agreed to write to the professional institute to which the interim worker belongs to share these concerns; however, the Monitoring Officer has concluded that Cambridgeshire does not have a contractual basis to withhold payment from the interim's agency.

9.4.2 As part of the investigation, Internal Audit has made a number of recommendations to improve controls over interim and agency staff at Cambridgeshire. Colleagues in HR acted swiftly following receipt of the draft audit report in September 2021 to update the Council's Agency Workers & Interim Policy to provide further guidance to staff on a range of issues including:

- Requiring additional approvals where interim staff are paid more than 20% over the top of the pay scale for the substantive post they are covering;
- Confirming that anyone who is engaged as an interim themselves must not engage another interim or be responsible for negotiating or managing the supply of interims or consultants.
- Requiring every agency worker/interim to sign a declaration form detailing any other work they are or intend to undertake at the same time as delivering work for the Council, and to declare any other personal interests which may carry the risk of a conflict-of-interest during their work for us.

9.4.3 A number of actions were also agreed with the Highways service including that a full review should be undertaken of the c.30 existing interim workers within the service, to ensure that contractual arrangements are sufficiently robust and that

staff are monitored with regards to delivery of planned outcomes. None of the service's actions have yet been completed, although Internal Audit has seen evidence that the service has started to collate declarations of interest and confirm that contractual job descriptions are in place for these interim staff. As these actions are now overdue for implementation, the detail of the outstanding actions can be viewed at Annex B to this report.

10 *KEY FINANCIAL SYSTEMS UPDATE*

- 10.1 Accounts Payable (AP), Debt Recovery (DR), Treasury Management and Accounts Receivable (AR) are delivered by the Cambridgeshire Internal Audit Team. This year we will also undertake a Bank Reconciliation audit to be commenced in March 2022.
- 10.2 As noted in section 3, the Treasury Management Audit has already been completed. Internal Audit provided good assurance over system controls and compliance, and the Officers have already confirmed that two of the three the recommendations have been implemented.
- 10.3 The AP, AR and DR audits are all currently at the fieldwork stage and will be completed by year end. No significant issues have yet been identified in the work undertaken to date:
- AP testing to date has confirmed that invoice, non-commercial and CHAPS payments are subject to separation of duties and approval controls and that these are complied with in practice. BACS process testing has also confirmed controls are complied with.
 - AR sample testing to date has confirmed that payments have been correctly applied to invoices by both automated and manual processes, and that manual uploads to create sales orders were accurately processed.
 - DR testing to date has not identified any significant issues; has confirmed that automated recovery activity was undertaken in line with prescribed timescales; that there is a robust write off approval process in place; and that all write off were approved by appropriate officers.
- 10.4 The other key financial system audits, Payroll and Pensions, are being delivered by audit colleagues at West Northamptonshire Council (WNC). These audits are at the early stages, so there are as yet no emerging findings to note. Internal Audit is aware that External Audit have raised some issues with Finance colleagues regarding access to payroll information, and there appear to be concerns over timely reconciliation of payroll control accounts. In light of this, Internal Audit has contacted colleagues at WNC to ascertain whether assurance will be provided over payroll control accounts.