Internal Audit & Risk Management

Cambridgeshire County Council

Update report

As at 29th February 2024

Section 1

1   INTRODUCTION

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

SECTION 1: Introduction

SECTION 2: Internal Audit Reporting Process

SECTION 3: Finalised Assignments

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

SECTION 5: Internal Audit Activity

SECTION 6: Public Sector Internal Audit Standards (PSIAS) Review

SECTION 7: Follow Up of Agreed Audit Actions

SECTION 8: Risk Management

SECTION 9: Fraud and Corruption Update

SECTION 10: Key Financial Systems Update

ANNEX A: Internal Audit Plan Progress 2023/24

ANNEX B: Outstanding Agreed Actions

2   INTERNAL AUDIT REPORTING PROCESS

2.1   THE REPORTING PROCESS

2.1.1   This quarterly report provides stakeholders, including Audit & Accounts Committee and CCLT, with a summary of internal audit activity for the 2023/24 financial year to date.

2.2   HOW INTERNAL CONTROL IS REVIEWED

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

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

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

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

- Control Environment Assurance
- Compliance Assurance
- Organisational Impact

2.2.5   The following definitions are currently in use:

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

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

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

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

3   FINALISED ASSIGNMENTS

3.1   Since the last Internal Audit Report in **February 2024**, the following audit assignments have reached completion, as set out below in Table 1.

Table 1: Finalised Assignments

No.	Directorate	Assignment	Systems Assurance	Compliance Assurance	Organisational impact	Audit Actions Agreed			
						Essential	High	Medium	Advisory
1.	Finance & Resources	Procurement Governance (TIAA Ltd)	Good	Moderate	Moderate	0	3	6	3
2.	Place & Sustainability	Section 106 Funding (TIAA Ltd)	Limited	Moderate	Moderate	0	3	5	0
3.	Place & Sustainability	Implementation of Capital Project Management Actions	Moderate	Limited	Moderate	0	4	3	1
4.	Children, Education & Families	Meridian Primary School	Moderate	Moderate	N/A	N/A[1]			
5.	Children, Families & Adults	Case 126 Transport Contracts	Investigation Report Issued			0	2	2	0

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

3.2 Summaries of any finalised reports with limited or no assurance (excluding individual school audits) which have been issued as final since our last Progress Report in February 2024 are provided in Section 4. Summaries of investigation reports are provided in Section 9.

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

Table 2: Draft Reports

No	Directorate	Assignment
1.	CCC-wide	Agency Workers, Interims & Client-side Review of Opus People Services
2.	Finance & Resources	Electronic Records Management
3.	Children, Education & Families	Schools Capital Programme
4.	Children, Education & Families	Castle School
5.	CCC-wide	Waivers & Direct Awards
6.	CCC-wide	Use of Consultants
7.	Children, Education & Families	DSG Safety Valve
8.	Children, Education & Families	Schools Deficit Recovery Plan Desktop Review
9.	Strategy & Partnerships	Project Framework & Projects Assurance
10.	CCC-wide	Grants to External Organisations

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 SECTION 106 FUNDING

4.1.1 Section 106 (s106) agreements are legal obligations imposed on developers as part of the planning permission process to mitigate the impact of their developments. Based on the completion of an audit by the Cambridgeshire's co-source Internal Audit contractor, TIAA Ltd, limited assurance was given over the Council's systems for receipt, monitoring and disbursement of S106 funds.

4.1.2 The audit identified fragmented data management systems which complicates the effective tracking and management of S106 funds, and the lack of a formalised process for communicating new S106 agreements. The audit gave moderate assurance over the Council's compliance with Section 106 agreements, and highlighted a lack of comprehensive and best practice guidance materials/training, alongside resource constraints within the service which limit the Council's ability to monitor trigger points within S106 agreements.

4.1.3 A number of actions have been agreed with the service to address the findings of the review. This includes undertaking an analysis of the timeliness of S106 fund allocation to projects and developing an action plan to improve the allocation process; introducing Key Performance Indicators for the team; and conducting an evaluation of the team's current staffing and system needs to identify whether an increase in resource may increase receipts. The implementation of these actions will be followed up and reported in line with the usual process for Internal Audit actions.

4.2 IMPLEMENTATION OF CAPITAL PROJECT ACTIONS

4.2.1 This Internal Audit review sought to follow up on the implementation of 26 actions agreed as part of previous audit reviews of project management and governance within major infrastructure projects in the Council's Capital Programme. This audit confirmed that the service has made a range of changes to strengthen the project management framework in place and the corporate control and oversight of capital projects within Project Delivery, including the implementation of a gateway review model, a new approach to budgeting and cost, and a quality assurance process.

4.2.2 Overall Internal Audit have given a moderate opinion on the control environment for project management and governance within these capital projects, and a limited opinion on the compliance with controls. While the control environment has been developed significantly, and officers have demonstrated a strong commitment to improving practice, there remain areas where the processes in place continue to expose the Council to risk in delivery of projects.

4.2.3 Internal Audit has closed the recommendations from the previous review and issued new recommendations based on the current audit findings. In particular, there is a need to implement a formal approach to project risk assessment/project sizing and clarify which elements of the process are mandatory for projects, and to ensure that guidance documents are regularly updated for consistency. The service has agreed to undertake a full review of the capital project framework and policies to incorporate the range of recommendations made as part of the audit.

4.2.4 Although the project gateway process and quality assurance arrangements have been implemented, as yet they lack formal enforcement or centralised control to enforce compliance, and there is a need to develop a clear escalation route for cases where quality assurance processes identify extended non-compliance. The service has agreed to redevelop the quality assurance process and expand on reporting on capital project delivery. The implementation of the actions agreed as part of the review will be followed up and reported in line with the usual process for Internal Audit actions.

INTERNAL AUDIT ACTIVITY

5.1   AUDIT PLANING 2024/5

5.1.1 The Internal Audit team have been preparing the draft Internal Audit Plan 2024/5 in consultation with CLT and key officers. Full details of the proposed Audit Plan and how it was developed are provided in the separate Draft Internal Audit Plan 2024/5 report.

5.2   AUDIT PLAN PROGRESS 2023/4

5.2.1 Progress with delivery of the Audit Plan 2023/4 is provided at Annex A to this report.

5.2.2 It should be noted that the Council received notification of an Ofsted inspection at the end of February. In order to allow colleagues in the Children's, Families & Education service to focus on responding to the Ofsted visit, the audits of the Multi-Agency Safeguarding Hub (MASH) and Quality Assurance in Children's Social Care have been paused.

5.2.3 As the MASH audit fieldwork was complete by the time of the Ofsted visit, it should still be possible to issue the draft report by the end of the financial year; however the work on Quality Assurance was still at an early stage and therefore the draft report will now not likely be issued until at least April 2024.

5.3   ADVICE & GUIDANCE:

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

- Advice was provided to Service Delivery Manager (Accounts Payable) regarding a proposal for multi-client supplier bank detail changes. Currently, when a commercial supplier changes their bank details, verification checks are undertaken before making the change in ERP Gold – a key control against bank mandate fraud. Where the same supplier with the same bank details exists in multiple clients (e.g. CCC and MKC) in ERP Gold these checks are undertaken for each client. This is resource intensive and so Accounts Payable are proposing that when a supplier changes their bank details for one client the Accounts Payable team will make the same changes for the supplier in the other clients. A report will be developed to identify such cases and the change will only be made where the existing bank details are an exact match. Internal Audit a advised that robust testing

of the proposed report and process should be undertaken prior to implementation.

- The Audit team provided advice and guidance on money laundering checks to a primary school, relating to a purchase of a new IT system.

- The Policy & Insights team shared a copy of a draft Partnerships Advice & Guidance Document and Internal Audit provided feedback on the current draft.

- Internal Audit provided feedback on a proposal from Finance regarding the centralisation of legal costs.

6. PUBLIC SECTOR INTERNAL AUDIT STANDARDS (PSIAS) REVIEW

6.1 INTRODUCTION AND BACKGROUND

6.1.1 Public Sector Internal Audit Standards (PSIAS) define the nature of internal auditing across the UK public sector and were introduced in 2013, and later updated in 2017. They set basic principles and a framework for internal audit services, which will provide value to organisations. The PSIAS apply to all internal audit service providers, whether in-house, shared services or outsourced and therefore, establish the basis for the evaluation of internal audit performance.

6.1.2 A self-assessment of CCC internal audit activities is conducted every year by the Cambridgeshire Internal Audit service, in line with PSIAS requirements. An external assessment is undertaken every five years; this was last conducted by the Chief Internal Auditor of Peterborough City Council during 2022.

6.1.3 The goal of PSIAS is to align internal audit services with best practice for effective auditing. PSIAS gives us the definition of internal audit, code of ethics and international standards for the professional practice of internal auditing, and are broken down into two specific areas:

6.1.4 The Attribute Standards, which look at the characteristics of the organisation and the individuals performing internal audits, cover the following areas:

- Purpose, Authority, and Responsibility;
- Independence and Objectivity;
- Proficiency and Due Professional Care; and
- Quality Assurance and Improvement Program.

6.1.5 The Performance Standards, which describe the nature of internal auditing and provide quality criteria against which the performance of these services can be measured, cover the following areas:

- Managing the Internal Audit Activity;
- Nature of Work;
- Engagement Planning;
- Performing the Engagement;
- Communicating Results;
- Monitoring Progress; and
- Communicating the Acceptance of Risks.

6.1.6 It against the above areas that the self-assessment is undertaken. The 2023/4 self-assessment by the Cambridgeshire Internal Audit team was undertaken by the incoming Deputy Head of Internal Audit.

6.1.7 It should be noted that the Global Institute of Internal Auditors has released new Global Internal Audit Standards on January 09, 2024, with the Standards becoming effective 12 months from the release date, in 2025. The UK Public Sector Internal Audit Standards Advisory Board (IASAB), which is responsible for setting the PSIAS, has confirmed that they have begun to review the new Global Standards and consider the impact of this change on the PSIAS. The IASAB have stated:

> "*The format of the new standards is different from the current IPPF and some of the content is different. The IASAB will determine the implications for the PSIAS and will develop proposals for revised material which will be suitable for the UK public sector context. Any subsequent changes to the UK's PSIAS, and their implementation, will be subject to consultation and appropriate transitional arrangements.*"

6.1.8 As such, in 2024/5 the Internal Audit team will continue to maintain compliance with the current PSIAS, while awaiting further information 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.

6.2 KEY OBSERVATIONS AND RECOMMENDATIONS

6.2.1 The self-assessment conducted to evaluate the CCC internal audit practices against public sector internal audit standards did not identify any instances of non-compliance. Equally, the self-assessment proved to be a valuable exercise in identifying opportunities for enhancing the operation of the internal audit function.

6.2.2 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.

6.2.3 The Internal Audit team has therefore identified some action points to further improve practice in 2024/5, which are listed below:

a) Internal Audit Charter:

The existing internal audit charter is well structured and included all the necessary guidance; however, the following cosmetic changes will be introduced in the next update of the Charter:

- Include the seven principles of public life (the 'Nolan Principles');
- Update the nomenclature of JLT (Joint leadership team) to CLT (Corporate leadership team);
- Enhance the charter by including links to guidance notes and templates used for audit execution planning and reporting.

b) Quality Assurance and Improvement Plan

The Standards require that a Quality Assurance and Improvement Plan (QAIP) be developed which covers all aspects of the internal audit activity. Internal audit has established a QAIP to ensure the audit function consistently meets professional standards. However, currently the majority of the team's key performance indicators (other than completion of the Internal Audit Plan), are only reported internally within the service and at the end of the year as part of the Annual Internal Audit report. The following actions will be undertaken within the team to improve the QAIP process in future:

- Develop a comprehensive formal skills matrix and tailored training plan for the team in 2024 /25. This proactive measure will enable Internal Audit to identify and bridge any skills gaps, ensuring team possess the necessary competencies to deliver high quality audits effectively. Additionally, the training plan will provide opportunities for development, including exploring external training avenues, contributing to the team's continuous growth and knowledge enhancement.
- Implement quarterly reporting of KPIs to the Statutory Officers Group to enhance oversight.
- Conduct a review of the current KPIs in place to ensure the suite of KPIs aligns with the internal audit team's objectives, communicate expectations, and monitor progress to drive continuous improvement.

c) Proficiency, Due Professional Care and Policies & procedures

The Internal Audit function upholds the standards of the due professional care ad proficiency in executing its responsibilities. Supervisors review all work to ensure adherence to relevant standards and to ensure assignments are delivered with due professional care and proficiency. Additionally, weekly team meetings are conducted to provide ongoing training and guidance to staff, reinforcing their competencies and enhancing their skills sets. To further strengthen this aspect of the team's work, it has been agreed that:

- Refresher training sessions will be undertaken in team meetings in 2024/25 to cover all key audit procedures from start to finish of the audit process. This will include sessions on writing terms of reference documents, preparing work programmes, analytical reviews, report writing etc. This dedicated series of training sessions will ensure that the whole team remains proficient in executing audit assignments with due professional care.

d) Nature of work:

The internal audit activity is committed to evaluating and contributing to improvement of the organisation's governance, risk management and control

processes. To obtain valuable feedback and insights, audit has introduced customer feedback surveys to solicit input from senior management and recipients of internal audit reports. However, currently there is no follow up process in place and feedback is not being received consistently for all audits. To address this gap and increase the volume of feedback received, it is agreed that the team will:

- Implement an ongoing follow-up protocol for client feedback surveys in 2024/25. This measure will ensure internal audit function receives comprehensive feedback, enabling them to identify any areas for improvement.

e) Risk Management

The PSIAS state the requirement for Internal Audit to evaluate the effectiveness and contribute to the improvement of risk management processes. All CCC internal audit assignments consider the relevant risks and controls and evaluate the effectiveness of the control environment in mitigating any risk. Risk management assurance audits are also carried out and an audit was originally included in the team's annual plan for 23/24; however, due to the resourcing constraints this year it was not undertaken, hence it is agreed:

- To include a risk management assurance audit in annual audit plan for 24/25

f) Communication and acceptance of risk:

Regarding risk acceptance by management, internal audit has a process in place whereby if a risk is identified in an audit and management wish to accept the risk, but audit consider this to represent a level of risk that may be unacceptable to the organization, this is first discussed with the relevant Director, and then if the matter is not resolved it is brought the attention of the Audit & Accounts Committee at the next meeting. However currently while this process operates in practice it is not defined and documented in detail, hence it has been agreed:

- To include detail on the procedure for risk acceptance in the internal audit charter.

g) Retention requirements for engagement records:

Under PSIAS, Internal audit must have a records retention policy in place. The audit team has a file disposal and archiving guide is in place; however it is old and needs to be reviewed and updated, hence it has been agreed to:

- Review and update the CCC file disposal and archiving guide. Eliminate any redundant, outdated, or unnecessary documentation stored in the team's electronic document storage system, Sharepoint.

6.3   OVERALL CONCLUSION

6.3.1   Overall, the review concluded that the CCC Internal Audit Service is substantially compliant with the requirements of the Public Sector Internal Audit Standards, with some areas for improvement. No areas of concern have been identified which would suggest that the Internal Audit Service is unable to form a judgement as to whether the council has appropriate risk management processes, governance arrangements and a sound system of internal control.

6.3.2   The improvement actions outlined above 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 the Internal Audit Annual Report and subsequent Progress Reporting.

7.   *FOLLOW UP OF AGREED AUDIT ACTIONS*

7.1   OVERVIEW OF FOLLOW UPS

7.1.1   The outstanding management actions from Internal Audit reports as at 28th February 2024 are summarised in table 7 below. This includes a comparison with the percentage implementation from the previous report (bracketed figures).

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

7.1.3   Internal Audit has recently introduced a new process for following up recommendations. The new process involves the Executive Assistants in each directorate sharing a spreadsheet of all recommendations with the officers responsible for implementing each recommendation on a monthly basis. Responsible officers are required to provide monthly updates on each recommendation. Internal Audit review those updates to assess whether any recommendations can be closed as implemented, and to provide information on follow ups in this report and Annex B of this report. This new process should increase directorate oversight of outstanding actions.

Table 7: Implementation of Recommendations

	Category 'Essential' recommendations		Category 'High' recommendations		Category 'Medium' recommendations		Total	
	Number	**% of total**	**Number**	**% of total**	**Number**	**% of total**	**Number**	**% of total**
Implemented	2 (2)	1.05% (1.09%)	23 (25)	12.11% (13.66%)	85 (74)	44.74% (40.44%)	110 (101)	57.89% (55.19%)
Actions due within last 3 months, but not implemented	0 (0)	0.00% (0.00%)	2 (0)	1.05% (0.00%)	21 (19)	11.05% (10.38%)	23 (19)	12.11% (10.38%)
Actions due over 3 months ago, but not implemented	0 (0)	0.00% (0.00%)	14 (14)	7.37% (7.65%)	31 (49)	16.32% (26.78%)	45 (63)	23.68% (34.43%)

Actions due over 12 months ago, but not implemented	0 (0)	0.00% (0.00%)	0 (0)	0.00% (0.00%)	12 (n/a)	6.32% (n/a)	12 (n/a)	6.32% (n/a)
Totals	**2**		**39**		**149**		**190**	

7.1.4 There are currently 80 management actions outstanding, compared to 85 in the last reporting period. Further detail on outstanding actions is provided at Annex B.

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

Table 8: Overdue Actions By Directorate

Directorate		Outstanding recommendations
Children's		13
Adults, Health and Commissioning		7
Place and Sustainability *Actions (see footnote 3)*		2
Finance and Resources Directorate	*Key Financial Systems*	9
	Other	33
Public Health		2
Strategy and Partnerships		14

7.2 ACTION IMPLEMENTATION DEPENDENCIES:

7.2.1 Internal Audit highlight the following areas where the implementation of multiple overdue actions from the same audit are dependent on a limited number of actions:

- There are 9 recommendations that to a greater or lesser degree are dependent of the introduction of new consolidated schools finance guidance. The service has advised that it expects to launch of the new guidance for the start of the 2024/25 financial year.

- There are 5 recommendation from the Transparency Code and Freedom of Information Request audits that are dependent on the development of a new Information Management Board (IMB). A paper has now been to CLT regarding the formation of the new board and the first meeting of the IMB likely to be in April 2024.

- There are 6 VAT recommendations that cannot be fully implemented until the new overarching procedures have been reviewed and approved by key technical officers and management. It is anticipate that this will be done before the end of April 2024.

- There are 4 Accounts Payable recommendations that have been delayed due to the change freeze in ERP Gold or the introduction of new software. The change freeze has now been lifted and work is underway to address these recommendations.

7.3 ACTIONS CLOSED AS UNIMPLEMENTED:

7.3.1 Two recommendations from the Client Funds & Deputyships audit have recently been closed as unimplemented. The client funds service supports a range of service users who do not have mental capacity to fully manage their finances.

7.3.2 In addition to Client Funds managing service users' ongoing financial commitments such as rent/mortgage etc, service users have varying amounts of money that they may use as they wish on a day to day basis. Two recommendations in the audit report were aimed at introducing further reconciliations and monitoring of this day to day expenditure, with the intention of mitigating against potential theft or fraud. However, on advice from the Chair of the Association of Public Authority Deputies (APAD) the service proposed to not implement those recommendations.

7.3.3 The Chair of APAD advised that implementation of recommendation would be a restrictive action and give rise to a risk of processes not being in line with the Mental Capacity Act. The Council's S151 Officer has confirmed to Internal Audit that he is supportive of the service not implementing these recommendations and has confirmed acceptance of the remaining financial risk.

8.0 *RISK MANAGEMENT*

8.1 Please see the separate report on the Corporate Risk Register and risk management update.

9 *FRAUD AND CORRUPTION UPDATE*

9.1 FRAUD INVESTIGATIONS 2023/4

9.1.1 The current Internal Audit caseload of investigations is summarised below in Table 7. As at the 29th February 2024, Internal Audit has received 29 whistleblowing referrals in the 2023/24 financial year, more than the number of referrals received by the same point in 2022/23 (22 cases). There are no open cases which have been carried forward from 2022/23.

Table 9. Current Internal Audit Investigations Caseload

All Cases Reported in 2023/24 *To Date*		Open	Closed	Total
Fraud and Theft	Conflict of Interest	0	3	3
	Council Officer Fraud	2	3	5
	Third Party Fraud	2	2	4
	Theft	0	3	3
	Attempted blackmail	1	0	1
Governance	Internal Governance Issue	1	3	4
	Schools Governance	0	1	1
Grievance/Bullying	Staff Conduct/Grievance	0	2	2
Safeguarding and Health & Safety	Safeguarding	1	4	5
	Health and safety	0	1	1
Total		**7**	**22**	**29**

9.1.2 It should be noted that the Internal Audit team records all whistleblowing referrals we receive; however Internal Audit normally act as the investigating service only for referrals relating to theft, fraud, corruption and governance concerns. Where whistleblowing referrals relate to e.g. safeguarding or HR issues, the referrals are passed on to the appropriate service to investigate and respond.

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

- **Safeguarding (1 open case)** – One case of safeguarding concerns raised by a member of the public is currently open, which is being investigated by Children's Social Care.

- **Internal Governance (1 open case)** – Internal Audit are currently investigating one case relating to internal governance concerns. Internal Audit have initiating an audit review of this case.

- **Council Officer Fraud (2 open cases)** – Internal Audit is currently investigating two cases of alleged fraud involving people working for CCC, in conjunction with HR colleagues.

- **Third Party Fraud (2 open cases)** – Internal Audit is currently investigating two cases of alleged fraud involving the Council by members of the public. These cases are both being investigated by Internal Audit, including a review of the control environment where appropriate.

- **Attempted blackmail (1 open case)** – There is currently one open case relating to attempted blackmail. This is being dealt with in conjunction with the police and Information Governance colleagues.

9.2 WHISTLEBLOWING, ANTI-FRAUD AND ANTI-MONEY LAUNDERING E-LEARNING

9.2.1 Following the implementation of the new Anti-Fraud and Corruption Policy and new Anti-Money Laundering Policy which both came into force in 2022, Internal Audit is undertaking, in conjunction with the Learning and Development team, to create two e-learning modules to support the embedding of these new policies for both existing and new staff.

9.2.3 Following the update provided in January's report, the Money Laundering training module is now available for staff on the Our Development e-learning platform. A campaign of communications to highlight this training, particularly to key teams, is being formulated for circulation as soon as possible. The Whistleblowing & Anti-Fraud training module is still being drafted. Progress has been hindered by resourcing issues in Internal Audit, which have resulted in a scarcity of time to work on the modules in light of priority audit work.

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.

9.3.2 The current exercise commenced in September 2022 when data was supplied for matching purposes by all relevant parties, including CCC. The matched output was released by the NFI in January 2023. The total number of matches for CCC as at January 2023 was 4,200 across 34 reports which have a high or medium risk rating, depending on the nature of the data. The NFI released an extra data set recently regarding residential parking permits therefore the total number of matches is now 4229 across 35 reports.

9.3.3 As at February 2024, 2,741 matches have been reviewed and cleared resulting in £1,462.46 identified to recover. This sum relates to pension payments made to a

deceased person and the Pension Team Leader (West Northamptonshire) is progressing this case. The purpose of the match is to identify instances where an occupational pensioner has died but the pension is still being paid.

9.3.4 413 blue badges have been cancelled; the Cabinet Office estimates a notional saving of £268,450 for these.

9.4 TRANSPORT CONTRACTS BACKLOG INVESTIGATION

9.4.1 The Head of Internal Audit was approached by Passenger Transport regarding a significant backlog of historic contracts that were never issued to Council home to school and social care transport providers. Internal Audit conducted a review with the aim of verifying that the backlog consisted solely of expired contracts where the service had been provided and paid in full and that the current contracting process is sufficient to prevent any further backlog building up.

9.4.2 The audit identified that the service did not have processes in place to identify the total amount paid on each contract or verify that total payments per contract are in line with expected contract value. Internal Audit recommended that the service implement a process to conduct full reconciliations between payments and contracts, and introduce a more detailed tracking spreadsheet to monitor the contracting process.

9.4.3 The review also identified a number of occasions over the year prior where call-off contracts had been sent but not returned signed, and a high proportion of cases where signed contracts were not in place prior to the start of the service. However, it should be noted that as all transport routes are awarded via the Council's Dynamic Purchasing System (DPS) framework contract and no operator can bid for work without having signed the DPS agreement, the risk associated with unsigned call-off contracts is significantly reduced.

9.4.4 Internal Audit has recommended that the service explore with legal support whether they are able to tighten the terms of the DBS to dispense with the need for agreement of a separate call-off contract as far as possible, and to dedicate resources to work with the Procurement & Commercial team to review their processes and aim to explore alternative approaches such as whole-school contracting.

9.4.5 The service have agreed these recommendations, which will be followed up by Internal Audit and reported in line with the usual process for audit actions.

10   KEY FINANCIAL SYSTEMS UPDATE

10.1   2023/24 KEY FINANCIAL SYSTEMS AUDITS

10.1.1   The CCC Internal Audit Team are undertaking the Payroll and Pensions Administration key financial system audits for 2023/24 for authorities which share these services under the Lead Authority model. This is a change in approach, as since the implementation of ERP Gold in 2018, the CCC IA Team had previously been responsible for the Accounts Payable, Income Processing and Debt recovery audits, whilst the Pensions and Payroll work has been undertaken by IA Teams at other local authorities that are part of those shared services.

10.1.2   Both the Pensions and Payroll audits are underway. Fieldwork undertaken to date on the payroll starter and leaver processes has not identified any significant issues. Similarly, work undertaken to date has not found fundamental issues sting on overpayments, emergency payments, and the overall payment file process. Work is continuing on the review of control accounts and clearance of aged items from those accounts.

10.1.3   Work is also underway on the Pensions Administration audit covering the Cambridgeshire and West Northamptonshire schemes. Fieldwork will include coverage of key transfer processes, payments, bank account changes, and performance reporting. The commencement of fieldwork was significantly delayed, as there were delays in the processes to give the Cambridgeshire IA Team access to the ALTAIR pensions computer application and the West Northamptonshire IT network on which the ALTAIR application is hosted. As of mid-January, the Cambridgeshire team obtained access to Pensions systems and work is progressing. Work to date has not identified any significant issues or concerns.

10.1.4   A recent staff departure in the Internal Audit Service at West Northamptonshire has resulted in that service reporting that they will be unable to complete the Debt Recovery Shared Service review for 2023/24. The Cambridgeshire IA Team has agreed to complete this review given that the team possess experience of delivering this annual review. The team are currently awaiting working papers from the team at West Northamptonshire to assess the work they have undertaken to date before agreeing the plan for completing the review; however this will not be commenced until late March/early April.