

INTERNAL AUDIT & RISK MANAGEMENT

ANNUAL REPORT

2024/25

Internal Audit & Risk Management

Annual Report 2024/25

Contents:

1. INTRODUCTION

- 1.1 The Annual Reporting Process

2. CHIEF AUDIT EXECUTIVE OPINION 2024 – 25

- 2.1 Chief Audit Executive Opinion

3. REVIEW OF INTERNAL CONTROL

- 3.1 The Basis of Assurance
- 3.2 How Internal Control is Reviewed
- 3.3 Internal Audit Coverage in 2024 - 25

4. INTERNAL AUDIT IN 2024 - 25

- 4.1 Overview and Key Findings
- 4.2 Financial and Other Key Systems
- 4.3 Value for Money and Financial Governance
- 4.4 Safeguarding and Health & Safety
- 4.5 Procurement, Contracts & Commissioning
- 4.6 ICT Audit and Information Governance
- 4.7 Grants and other Head of Audit Assurances
- 4.8 Schools Audits
- 4.9 Project Management & Change
- 4.10 Governance
- 4.11 Other Work
- 4.12 Summary of Completed Reviews

5. ANTI-FRAUD & WHISTLEBLOWING IN 2024 – 25

- 5.1 Overview of Whistleblowing Cases
- 5.2 Fraud & Governance Investigations
- 5.3 Proactive Anti-Fraud Work
- 5.4 National Fraud Initiative

6. RISK MANAGEMENT IN 2024 - 25

- 6.1 Overview of Risk Management
- 6.2 Risk Management in 2024 – 25
- 6.3 Risk Assurance Reviews

7. INTERNAL AUDIT PERFORMANCE AND QUALITY ASSURANCE

- 7.1 Delivery of the 2024 – 25 Internal Audit Plan
- 7.2 Compliance with Public Sector Internal Audit Standards
- 7.3 Quality Assurance & Improvement Plan

1. INTRODUCTION

1.1 The Annual Reporting Process

1.1.1 The CIPFA *Statement on the Role of the Head of Internal Audit in Public Sector Organisations* (2019) sets out that the Head of Internal Audit in a public service organisation plays a critical role in delivering the organisation's strategic objectives by "objectively assessing the adequacy and effectiveness of governance and management of risks, giving an evidence-based opinion on all aspects of governance, risk management and internal control".

1.1.2 The Head of Internal Audit (HIA) is required to produce an evidence-based annual internal audit opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. CIPFA states that:

- This annual opinion is the most important output from the HIA and is one of the main sources of objective assurance that chief executives and the leadership team have for their annual governance statement.
- The HIA opinion is unique within the wider assurance framework in that it is independent and objective and in accordance with professional standards.
- This opinion must reflect the work done during the year and it must summarise the main findings and conclusions together with any specific concerns the HIA has.

1.1.3 The CIPFA *Code of Practice for the Governance of Internal Audit in UK Local Government* (which sits alongside and interprets the *Global Internal Audit Standards* (GIAS) of the Institute for Internal Auditors and the *Application Note: Global Internal Audit Standards in the UK Public Sector*) states that "The audit committee must review the chief audit executive's annual report, including the annual conclusion on governance, risk management and control, and internal audit's performance against its objectives".

1.1.4 This document represents the annual internal audit opinion and report for Cambridgeshire County Council for the financial year 2024/5, in compliance with GIAS, the Application Note for GIAS in the UK Public Sector, and the CIPFA Code of Practice.

2. CHIEF AUDIT EXECUTIVE OPINION 2024/25

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 2024/5 is presented below:

On the basis of the audit work undertaken by Cambridgeshire's Internal Audit team during the 2024/25 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 2025.¹

This opinion is derived from an assessment of the range of individual opinions arising from work completed in 2024/25 by the Cambridgeshire Internal Audit team (including investigative work for which no assurance opinion is assigned, and work which is partially complete but has not had a draft report issued). The opinion takes 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, including the assurance provided by other internal and external sources of assurance (such as the Council's risk management processes, External Audit reports, Ofsted reports, and the annual review letter from the Local Government & Social Care Ombudsman); 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 2024/25 showing a predominance of 'moderate' audit opinions. A single audit (LDP Disaggregation Programme) identified findings which were deemed to have the potential for a 'major' organisational impact if the identified risks materialised. No new 'essential' recommendations were issued for audits*

¹ 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.

delivered as part of the 2024/5 audit plan, although one 'essential' action from 2023/4 remains outstanding. See Section 4.1 for more details.

- The Council continues to face significant financial pressures, particularly relating to its wholly-owned development company This Land Ltd, its Waste PFI and its increasing Dedicated Schools Grant deficit. The Council's external auditors, KPMG, in their report on the 2023/4 financial year considered that together these pressures represent a significant risk of long-term strain on the financial sustainability of the Council. Similar themes are reflected in some areas of Internal Audit work in 2024/5; in particular, the audit findings relating to schools in deficit (see Section 4.8.4) and the LDP Pooled Budget Disaggregation project (Section 4.1.5) as well as the outstanding 'essential' audit agreed action relating to the DSG Safety Valve audit (see Section 4.1.8) are highlighted.*
- 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 actions to strengthen the control environment around procurement and contract management throughout 2024/5. See Section 4.5 for details.*
- The management of project and programme risk has been an area of focus for the Internal Audit team in recent years. The 2024/5 audit of Projects Assurance found that, while areas for improvement remain, there has been a strengthening of the control environment and compliance in this area. See Section 4.9 for details.*
- In 2024/5, the management of health and safety risks has represented a key area of risk and focus for the authority as a whole, following the Health & Safety Executive investigation of the Guided Busway. A review of statutory health and safety property checks was undertaken in-year by Internal Audit and resulted in a number of improvement actions being agreed to improve the control environment. This risk area will continue to be a focus for the Audit Plan in the coming financial year. See Section 4.4 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 2024/5 Annual Governance Statement throughout the year, resulting in a range of improvements to organisational governance.*

- *79% of agreed audit actions due for implementation in 2024/25 have been completed by the organisation. This is slightly higher than the implementation rate of 75% for 2023/4, despite a higher number of actions being due for implementation in 2024/5 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 assurance opinions for the 2024/5 suite of shared reviews have yet to be finalised. This does reduce the assurance that can be given over these systems; however, some assurance can be taken from the detailed prior-year audits of these areas carried out by the Cambridgeshire team, and the 14 actions which have been confirmed as implemented in 2024/5 to address the findings of previous audits of Accounts Payable, Income Processing, Debt Recovery, Pensions and General Ledger. See Section 4.2 for more details.*
- *Looking ahead, the Council faces significant uncertainty as a result of Local Government Reorganisation and the transition from the existing two-tier system of district and county councils in Cambridgeshire to having one or more single-tier unitary councils. This period of uncertainty and transition will introduce new complexities into the management of services and require robust risk management to mitigate disruption.*

During 2024/25, the Council's Internal Audit service:

- *Operated in conformance with Public Sector Internal Audit Standards (PSIAS) requirements, and undertook a self-assessment against the new Global Internal Audit Standards 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 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 2024/25 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 2024/25 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:

Control Environment Assurance	
Level	Definitions
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.

Compliance Assurance	
Level	Definitions
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.

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.

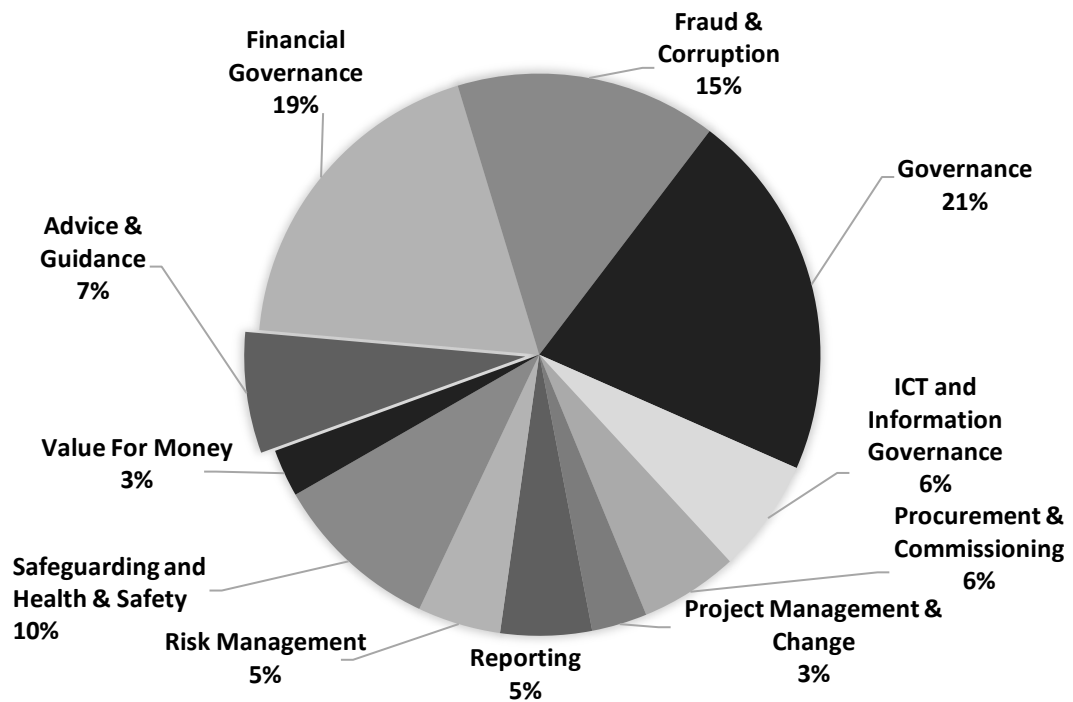
3.3 *Internal Audit Coverage in 2024 - 25*

3.3.1 The Council's Internal Audit Plan 2024/25 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 2024-25, 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 2024/25:

Chart 1: Internal Audit Coverage in 2024/25, by Assurance Block:



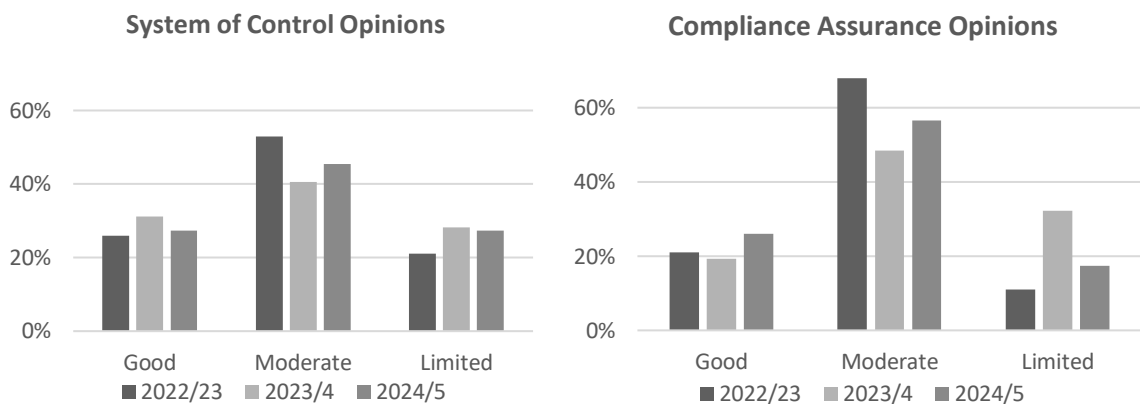
3.3.4 It should be noted however that only the primary risk assurance area for the audit has been used to calculate this chart. Some audits will provide coverage of multiple risk areas; for example, the audit of the Ofsted Action Plan Implementation has been classed as an audit providing assurance over safeguarding risk, but also provides coverage of project management practice. Therefore, the true risk coverage of the audits delivered in 2024/25 will be broader than that shown in the chart above.

4. INTERNAL AUDIT IN 2024/25

4.1 Overview and Key Findings

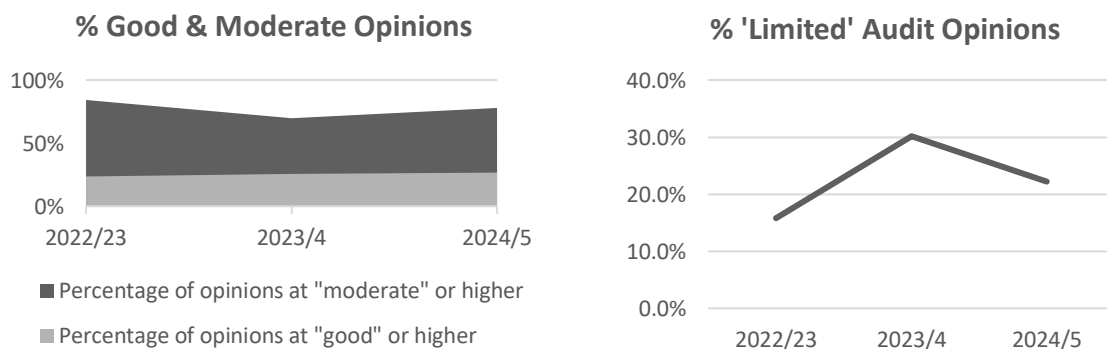
4.1.1 The charts below summarise the range of audit assurance opinions from internal audits delivered in 2024/25, compared to the previous two financial years.² This demonstrates the predominance of 'moderate' assurance opinions in 2024/25, indicating that audit reviews have identified areas of medium 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 2024/25 vs. past two years:



4.1.2 As the charts indicate, there has been an decrease in the proportion of reviews where a 'limited' assurance opinion was given (27% of system opinions and 17% of compliance opinions) compared to 2023/4, with a greater improvement in compliance opinions. Overall, in 2024/5 there was an increase in the proportion of audit opinions which were 'moderate' or 'good' (78%, compared with 70% the previous year) and a corresponding decrease in the proportion of 'limited' opinions (from 30% last year to 22% in 2024/5).

Chart 3: Internal Audit Assurance Opinions over time:



² Excluding individual schools audits.

- 4.1.3 Audits where at least one 'limited' opinion was given were spread across different assurance areas (in contrast to findings in 2023/4 where 38% of limited opinions related to the assurance area of Project Management and Change and 23% related to the assurance area of Procurement, Contracts and Commissioning). In general, when internal audit reports with low assurance opinions are spread across different areas of the control environment, it tends to indicate that issues are more isolated and not systemic and therefore this is a positive finding.
- 4.1.4 Linked to the above, audits where at least one 'good' assurance opinion was given also spanned a wide range of different assurance blocks, with a 'good' opinion given for audits covering the key risk areas of Safeguarding and Health & Safety, Procurement & Commissioning, Governance, ICT & Information Governance, Financial Governance and Value for Money.
- 4.1.5 In 2024/5, 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 LDP Pooled Budget Disaggregation Programme. At the time of writing, the report is at draft stage and a range of actions, including four 'high' risk actions, have been recommended by Internal Audit. The service is in the process of formally responding to the report, having confirmed that the management action plan will be shared with the Change Board, CLT and Adults Leadership Team. Once the final report is issued, a more detailed update will be shared with the Audit & Accounts Committee in the next progress report, and progress on implementation will be reported to the Audit & Accounts Committee in the usual way throughout the 2025/6 financial year.

Risk Rating of Audit Agreed Actions:

- 4.1.6 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. 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, in which case this is discussed and agreed as part of the draft report process.
- 4.1.7 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.

- 4.1.8 For audits relating to the 2024/5 financial year, no recommended actions were issued that were rated 'essential'. Four 'essential' recommendations from prior-year audits have been implemented in 2024/25; however there is one essential recommendation that remains open from 2023/24. This relates to the Dedicated Schools Grant (DSG) Safety Valve Audit and the need to develop the action plan to address the deficit on the Council's DSG account, to include defined and prioritised actions, clear expected benefits and identification of interdependencies.
- 4.1.9 In respect of this action, the service report that they are currently awaiting a response from the Department for Education (DfE) having submitted an updated Safety Valve Agreement to the DfE in October 2024. The Education service are working on developing action plans for the workstreams within the Inclusion For All programme which should satisfy this recommendation, but have stated that that has been inhibited by issues with implementing a new ICT system, and state that currently they lack the resource to develop modelling which would allow expected benefits to be quantified and measured.
- 4.1.10 As such, Internal Audit cannot provide assurance that there are effective plans in place to mitigate the risk that the Council is unable to access Safety Valve funding and/or to reduce the DSG deficit prior to 31st March 2026, when the statutory override (which allows the deficit to be held in a separate reserve on the Council's balance sheet) will end. This therefore represents a significant risk to the Council's financial sustainability. Internal Audit has agreed with the Executive Director of Children, Education & Families that a follow-up audit will be undertaken in this area around September/October 2025 following the planned implementation of the new system in August.

Implementation of Audit Agreed Actions:

- 4.1.11 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.
- 4.1.12 An overview of the implementation of actions as at 31st March 2025 is summarised in Table 1, below³:

³ Please note that the total reflects the number of recommendations required to be implemented within 2024-25, and therefore includes recommendations made in prior years.

Table 1: Implementation of Audit Actions 2024-25

Recommendation Category	Essential	High	Medium	Total
Agreed and implemented.	4 (1.49%)	52 (19.33%)	157 (58.36%)	213 (79.18%)
Agreed and due within the last 3 months, but not yet implemented.	0 (0%)	2 (0.74%)	17 (6.32%)	19 (7.06%)
Agreed and due over 3 months ago, but not yet implemented.	1 (0.37%)	8 (2.97%)	17 (6.32%)	26 (9.67%)
Agreed and due over 12 months ago, but not yet implemented.	0 (0%)	1 (0.37%)	10 (3.72%)	11 (4.09%)
TOTAL	5	63	201	269

Table 1a: Audit Actions Agreed but not due by 31/03/2025

Recommendation Category	Essential	High	Medium
Agreed but not due until after 31 March 2025.	0	10	43

4.1.13 Details of all actions which are overdue for implementation are provided at Annex B to this report.

4.1.14 At the end of 2024/25, the total number of recommendations outstanding was 56, compared to 51 recommendations outstanding at year end 2023/24. However, it should be noted that over the course of the 2024/5 year, 66 more recommendations were due for implementation and 61 more were implemented, compared to 2023/24. When the percentage of outstanding recommendations is considered, the amount overdue at the end of 2024/5 (21% of all recommendations due in-year) is slightly lower compared to that at the end of 2023/4 (25%). The number of recommendations more than 12 months overdue has increased from 9 at the end of 2023/24 to 11 at the end of 2024/25.

Chart 3: Volume of recommendations due vs. implemented (per rolling 12-month reporting period) 2024/5:

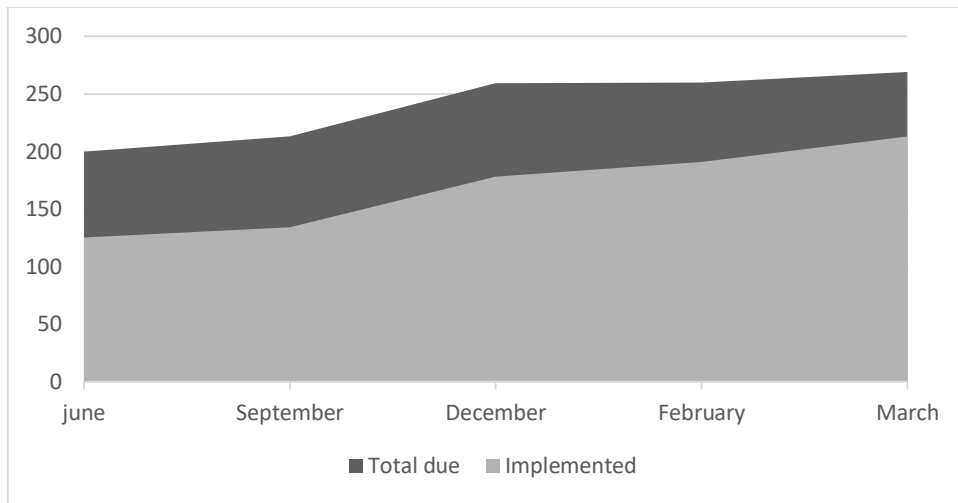
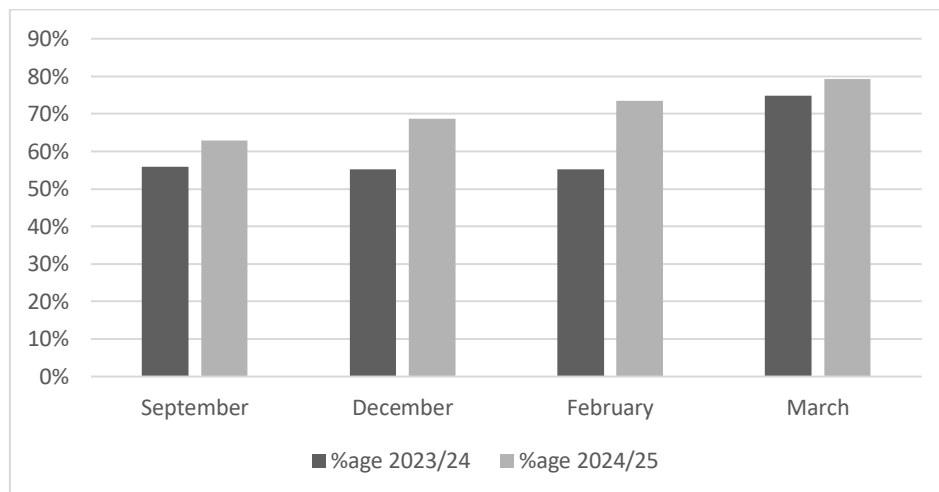


Chart 4: Percentage of actions implemented (per rolling 12-month reporting period) 2023/24 and 2024/25:



4.1.12 These charts demonstrate a more consistent rate of implementation of Internal Audit agreed actions throughout 2024/5, when compared to the previous year. Following up on the implementation of audit actions remains a focus for the audit team and a number of enhancements to the system for reporting on action implementation have been made:

- In late 2023/24, Internal Audit transitioned to a new approach where spreadsheets of all recommendations in each directorate are shared with Executive Directors on a monthly basis, allowing senior managers in each directorate to provide updates via the spreadsheets and ensuring direct senior management oversight of action updates.

- This has been further enhanced in 2024/25 to assign, in addition to the original operational officer, a service Director or more senior officer as the ultimate responsible officer for implementing each recommendation.
- As part of the balanced scorecard approach to performance reporting, in 2024/5 a new corporate performance indicator was developed for implementation of audit actions. Each month, the Percentage of Agreed Audit actions implemented on time over a rolling 12-month period is provided to CLT. This increases corporate oversight of the rate and timeliness of implementation of audit agreed actions.

Overdue Audit Agreed Actions:

4.1.13 While there has generally been consistent progress in implementing recommendations in 2024/5, there have also been some areas where issues have restricted progress or the audit team have not received regular updates:

- There are 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 was completed by October 2024. Following the disaggregation, a new Head of IT Operations was appointed who has now taken over responsibility for ensuring these recommendations are implemented.
- There are two recommendations from the Insurance Fund audit, to implement an insurance strategy and to update the claims handling manual, that have been outstanding since 2022 and 2023 respectively. Internal Audit has not received an update as part of monthly follow up process since November 2024.
- At the time of writing, there is also a number of actions within the Children, Education and Families Directorate for which the audit team are awaiting an update.

4.1.14 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 31st March 2025 can be found at Annex B to this report.

4.2 Financial and Other Key Systems

4.2.1 This is the 2024/25 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.

Audits of Key Financial Systems in 2024/5:

- 4.2.2 With the agreement of the Chief Finance Officer, during 2024/25 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 Debt Recovery systems; North Northamptonshire the Accounts Payable audit; and West Northamptonshire the Income Processing system audit to the other partners.
- 4.2.4 At the time of writing, the Payroll audit fieldwork is still underway. The prime reasons for this delay has been staff absence in the Internal Audit team and a member of the team leaving the Council after a period of sickness absence. The ICT access permissions required to undertake the payroll audit testing across multiple councils are complex and take some time to arrange; as such, this has had a particularly significant impact on the delivery of the payroll testing as it is difficult to swap in alternative officers to work on the audit at short notice. Whilst fieldwork is ongoing, there have been no indications at the time of writing that there will be reduced assurance opinions for 2024/2025
- 4.2.5 At the time of writing, the Debt Recovery audit report has yet to be 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. Subsequently, 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 cannot 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. The West Northamptonshire audit team, who are delivering the Income Processing report, have confirmed that due to significant resource issues the fieldwork on the review has yet to be started and as at the time of writing they have yet to confirm when this will be re-commenced. The income processing system

received ‘good’ assurance opinions for both system and compliance in 2023/4, and ‘good’ for the system with ‘moderate’ for compliance in 2022/3. These prior-year opinions do therefore provide some assurance over the effectiveness and reliability of the system while the 2024/5 report is awaited.

Internal Audit of the Pension Fund:

- 4.2.7 In previous years, a single annual audit of the Pension Fund has been undertaken as part of the shared Lead Authority approach alongside the other audit reviews of key financial systems outlined above. After completing the audit for the 2023/4 financial year (which was finalised in August 2024 with ‘good’ assurance over system and controls), the Cambridgeshire Internal Audit service recommended that a new and more comprehensive approach to the auditing of Cambridgeshire and Northamptonshire pension funds should be developed. This would ensure that a rolling Audit Plan would cover the full range of risks facing the Fund, taking into account other sources of assurance, and enable greater input from Pensions service officers and the members of Pension Fund Boards and Committees.
- 4.2.8 This approach was agreed by the Lead Authority Board in October 2024, and Cambridgeshire’s Head of Internal Audit worked in conjunction with the Head of Pensions to develop a three-year, risk-based Internal Audit Strategy & Plan for the Pension Funds. This was presented to meetings of the Cambridgeshire and Northamptonshire Pension Fund Committees and Boards during March and April 2025. Work to deliver the first year of the plan will commence in the first quarter of 2025/6. This new approach should strengthen the assurance over the Fund in the long-term.

Overview of Assurance Levels:

- 4.2.9 Table 2 below details the assurance levels of all key systems audits undertaken in 2024/25, compared to the assurance levels in 2023/24. Where reports are still at draft stage at the time of writing, the draft audit opinion is indicated.

Table 2: Key Financial Systems Audits 2024/25

Key Financial Systems:	Audit Opinion 2024-2025		Audit Opinion 2023-2024	
	Environment	Compliance	Environment	Compliance
Accounts Payable	TBC	TBC	Good	Good
Income Processing	TBC	TBC	Good	Good
Debt Recovery	TBC	TBC	Moderate	Good

Payroll Transactions (draft)	TBC	TBC	Moderate	Moderate
Pensions	N/A	N/A	Good	Good
Treasury Management	Moderate	Good	N/A	N/A

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 These assurance blocks link to Risk 3 on the Corporate Risk Register: “The Council does not have enough budget to deliver agreed short and medium-term corporate objectives.”

4.3.3 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:

- Rental Income (reviewed by TIAA Ltd)
- Establishment Control
- Investment Properties (draft)
- Capital Budgetary Control (draft)

4.3.4 Looking ahead to 2025/6, planned audit work in this area includes reviews of Direct Payments, High-Cost Placements, and the Council’s Enhanced Financial Controls including the Financial Transparency Panels and Workforce Expenditure Panel.

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 This assurance block links to Risk 1 “There are reputational and legal impacts when the Council’s arrangements for Safeguarding Adults with Care and

Support needs fail”, Risk 2 “Failure of the Council’s arrangements to safeguard vulnerable children and young people”, and Risk 5 “Serious failure of corporate governance” on the Corporate Risk Register.

4.4.3 Risk-based reviews completed in 2024/25 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:

- Estates Health & Safety Property Checks
- In House Foster Carers - New Applicants & Placements
- Implementation of Ofsted Inspection Action Plan (draft)
- Adult Social Care Complaints (draft expected)

4.4.4 Following the recent Health and Safety Executive (HSE) prosecution related to the Guided Busway, Cambridgeshire County Council has increased its focus on health and safety risks across all operations. The audit review of Estates Health & Safety Property Checks excluded fire safety checks (as these were subject to a separate audit in 2023/4) but considered systems in place to provide assurance over other types of checks in properties for which the Council has estate health and safety responsibilities (including schools). The audit resulted in a limited assurance opinion over both systems and compliance, and the team have agreed a number of recommendations to strengthen the control environment. Further detail will be provided to the Committee in the next Internal Audit Progress Report.

4.4.5 Continuing the focus on management of health and safety risk, in 2025/6, the Audit Plan includes reviews of the Response to Health & Safety Incidents, a review of controls and compliance for Health and Safety in the Place & Sustainability Directorate. On the safeguarding side, the Plan also includes audits of Care Leavers, Children’s Social Care complaints, and Care Agency contract monitoring.

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, as well as reviews of major Council contracts and contract frameworks. This assurance area links to Risk 10 on the Corporate Risk Register: “Failure of key contracts.”

4.5.2 In 2024/5 Internal Audit has undertaken reviews of the following areas within the procurement, contracts and commissioning assurance block:

- Procurement Compliance

- Commissioning Governance (delivered by TIAA Ltd)
- Street Lighting PFI

4.5.2 Additionally, in 2024/25, it was agreed that Internal Audit would undertake informal review of decision papers relating to the Waste PFI. Tight timescales on the papers meant that a full audit was not possible, but the Internal Audit team instead provided review and challenge in a ‘critical friend’ style for colleagues in the Waste service.

4.5.3 Procurement and contract management continues to represent a key area of risk and focus for Cambridgeshire County Council. A number of audit agreed actions to strengthen the control environment around procurement and contracting have been implemented throughout the 2024/5 financial year, including:

- Implementation of a ‘breach procedure’ allowing officers to formally report to Members on known breaches of the Contract Procedure Rules and how these have been dealt with;
- A review of waiver categories under the Contract Procedure Rules, and updates to the waiver request form and approach to reporting on waivers;
- Updates to the Consultancy Policy and inclusion of a new template for monitoring consultancy engagements.

4.5.4 Looking ahead to 2025/6, planned reviews in this area include reviews of the new Procurement Breach Process, the Mental Health Section 75 Agreement, Brokerage, the Highways Contract and the Waste PFI.

4.6 *ICT Audit 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. This assurance area links to both Risk 8: “The Council is a victim of cyber crime” and Risk 9: “The Council fails to comply with Information Governance legislation and industry standards” on the Corporate Risk Register.

4.6.2 In 2024/25, Internal Audit has undertaken reviews of the following areas across ICT and Information Governance:

- Mosaic System Uploads, Data Integrity and Key Controls (undertaken by TIAA Ltd)
- IT Security for Employees Working Overseas
- Response to Information Security Incidents

4.6.3 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. Looking forward to 2025/6, the Audit Plan includes reviews of ICT Disaster Recovery and ICT Procurement.

4.7 *Grants and Other Head of Audit Assurances*

4.7.1 In 2024/25, 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
- Contain Outbreak Management Fund (COMF)
- Open to All Community Experience Grant
- Targeted Community Experience Grant
- Traffic Signals 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 2024/25, Internal Audit completed the following grant reviews for the CPCA:

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

4.7.3 Work on the Local Transport Capital Block Funding (LTCBF); A14 Corridor Diversionary Traffic Highway Works; and the Pothole Fund in 2024/25 identified that timesheets had not been implemented consistently across Highways projects. Internal Audit had previously recommended that a timesheeting system should be introduced to ensure that staff costs allocated to grant-funded projects can be accurately determined, to reduce the risk of challenge from grant funding bodies or the risk that Internal Audit may not be able to sign off highways grants in future years. A briefing note was issued to the service on this issue in September 2024, to reiterate the recommendation.

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 10 schools visits between September 2024 and December 2024 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.

Consolidated Schools Report 2024/5:

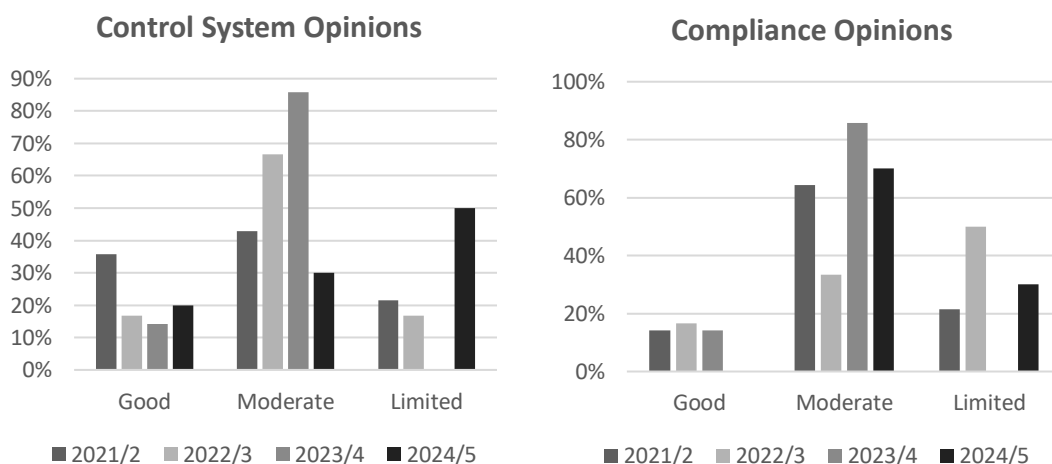
- 4.8.3 A consolidated schools report has also been produced by Internal Audit, bringing together the findings across the various school visits. This includes identifying good practice as well as more common areas of weakness to be shared with schools, and some recommendations to improve financial policies and governance.
- 4.8.4 The consolidated report is currently in draft and has given a 'limited' level of assurance over the systems of control for schools' financial governance, and a 'moderate' level of assurance over compliant. This is a reduction from the audit opinion provided in 2023/24 (a double 'moderate' opinion). The key findings that led to the limited assurance opinion of the systems control environment were that, of the seven schools in the audit sample which were in deficit, none had produced suitable deficit recovery plans as required by CCC; this included one school which had been in deficit since 2023/24. As such, these schools were effectively operating outside of the Council's Scheme for Financing Schools, as they were operating in deficit without an approved deficit license. This represents a financial sustainability risk to the Council.
- 4.8.5 Linked to the above, an audit of schools' deficit recovery plans was previously undertaken in 2023/24. An audit recommendation to establish a clear process for managing schools in deficit, including an escalation protocol and clarity on roles and responsibilities for supporting schools, remains incomplete at the time of writing this report, having had an original target date for implementation of 30th September 2024. Implementing this agreed action would also assist in reducing the risk outlined above.
- 4.8.6 The Education service and Schools Finance team have been working to address these risks and implement the agreed action noted above. The service has produced a Deficit Monitoring and Intervention Policy and has set up Finance Support Groups and Finance Improvement Groups to monitor, review and support schools. Whilst this is a positive development, the process note does not yet include some elements of the recommendation. Internal Audit is therefore continuing to liaise with the service to discuss further development of the policy to provide greater clarity on support for schools and monitoring of deficit positions. In 2025/6, Internal Audit will continue to focus work on schools in deficit positions to provide assurance over the mitigation of this risk area.

4.8.7 There were eleven actions from the 2021/22, 2022/23, and 2023/24 consolidated School Audits which remained outstanding at the start of the 2024/5 financial year, but all have now all been closed as implemented, largely through the new Scheme for Financing Maintained Schools and Scheme of Financial Management for Schools documents which form the overall framework for the Councils regulations for schools. This is a positive step towards strengthening the control environment and improving the clarity of how key controls are applied to schools.

Individual Schools Audits 2024/5:

4.8.8 Individual assurance opinions from each of these reviews are detailed in Annex A to this report. A comparison of the assurance opinions awarded in 2024/25 with those given in the last three financial years is provided below, for reference. This shows an increased number of 'limited' opinions and reflects the increased risk around school deficits noted above.

Chart 5: Outcomes of Schools Finance Governance Audits:



4.8.6 The implementation of agreed actions and a process for deficit intervention should assist in reducing this risk.

4.8.7 In 2024/5, the Internal Audit team has also started regularly attending the Schools Causing Concern forum and has provided informal input to the operation of SCC process. This assists the team in monitoring the risk profile of schools to inform audit sample selection, and in developing an appropriate scope for the annual audits.

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 2024/5 the Internal Audit

team has conducted 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. These reviews link to both Risk 7 "Failure to deliver Key Council Services" and Risk 11 "Failure of Collaborative Working" on the Corporate Risk Register. In 2024/5, this work has included reviews of:

- LDP Pooled Budget Disaggregation
- Projects Assurance (Non-Capital)

4.9.2 The Projects Assurance Review undertaken in 2024/25 assessed the effectiveness of the implementation of the new Corporate Project Management Framework. The audit report is at draft stage, with an opinion of 'moderate' assurance over the control environment and 'moderate' assurance over compliance. Audit have made recommendations to strengthen project risk management, financial management and change management processes as well as managing resources within projects. both inside and outside of the organisation are understood.

4.9.3 While there remains a number of areas for further development to ensure that risks around corporate project management and change are managed effectively, the 'moderate' assurance opinion does represent considerable improvement from previous audit reviews in this area and demonstrates a positive direction of travel.

4.9.6 Looking forward to 2025/6, the audit team's focus going forward will be on verifying compliance with the Council's project management frameworks in capital projects and ICT, through detailed sample testing. This will provide assurance regarding how effectively these new controls are operating in practice. The Audit Plan also includes a review of the Dedicated Schools Grant (DSG) Safety Valve programme and supporting work, to follow-up on the findings of the 2023/4 audit.

4.10 *Governance and Business Continuity*

4.10.1 In practice, the Council's corporate governance framework encompasses elements of all the different assurance block areas listed in this report. This 'governance' assurance area focuses on aspects of cross-cutting organisational governance which do not clearly fall within one of the other assurance blocks covered by Internal Audit. For example, this includes (but is not limited to) the performance management framework, HR policies, whistleblowing, and governance of partnerships and Council-owned companies.

4.10.2 This assurance block primarily links to Risk 5: "Serious failure of corporate governance" as well as Risk 6: "The Council's workforce is not able to meet business need" and Risk 11: "Failure of Collaborative Working" on the

Corporate Risk Register. In 2024/5, audit reviews which provided assurance over this risk area were:

- Disciplinary Policy & Application (draft)
- Recruitment Policy & Compliance
- Light Blue Fibre Ltd
- Corporate Key Performance Indicator Framework

4.10.3 Looking ahead to 2025/6, key areas of focus for the Internal Audit team within this assurance area will include a review of This Land Ltd, an audit of emergency planning arrangements, and a review of the Council's compliance with its obligations to deliver the Prevent duty within the Counter-Terrorism and Security Act 2015.

4.11 *Other Work*

4.11.1 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.

4.11.2 As well as the consultancy work outlined above, the Internal Audit team is also involved in responding to internal and statutory returns and requests for information. In 2024/25, 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; and completing requests for information from the Department for Education.

4.11.3 In addition to the work of the Internal Audit team, the service is supported by the work of the Audit & Accounts Committee. In 2024/5, this has particularly included the Committee's engagement with following up on outstanding Internal Audit agreed actions via the new Director's assurance process, as well as referring matters to the relevant policy and service committee for review when appropriate. This has included referring an action for reporting on s106 monies to the Strategy Resources & Performance Committee (from the May 2024 meeting), and an update on professional indemnities for external providers to be sent to Adults & Health Committee (from the January 2025 meeting).

4.12 *Summary of Completed Reviews*

4.12.1 A summary of all audit reports issued in 2024/25 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.

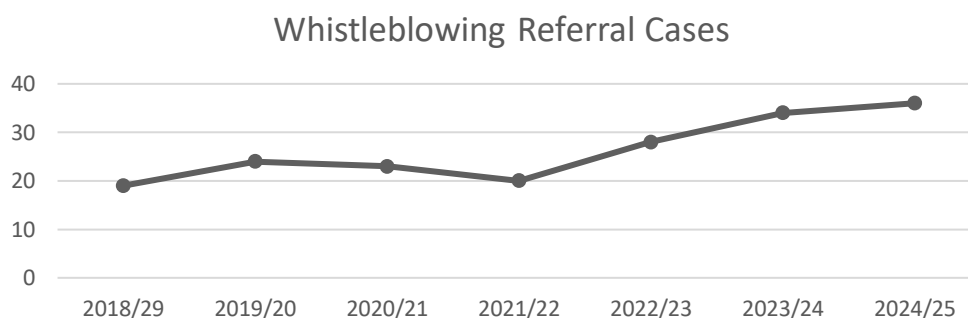
5.1.2 In 2024/25, a total of 36 whistleblowing referrals were received and processed by the Internal Audit Team at CCC. Table 3, below, shows the breakdown of these cases by the type of concern raised.

Table 3: Whistleblowing Referrals Received by Internal Audit in 2024/25:

Whistleblowing Cases reported to Internal Audit in 2024/25		Open	Closed	Total
Fraud	Council Officer Fraud	4	1	5
	Direct Payments	2	0	2
	External issue	0	1	1
	Third Party Fraud	0	5	5
	Total Alleged/Attempted Fraud	6	7	13
Governance	Breach of Contract	1	0	1
	Internal Governance issue	7	3	10
	Total Governance Allegations	8	3	11
Safeguarding	Safeguarding Concerns	2	1	3
	Health & Safety	1	1	2
	Total Safeguarding Allegations	3	2	5
Grievance / Bullying	External issue	0	1	1
	Staff Conduct / Grievance	1	2	3
	Total Grievance / Bullying Allegations	1	3	4
Money Laundering	Money laundering	0	1	1
Theft	Theft	0	1	1
Complaints	Complaints	0	1	1
Total		18	18	36

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 2024/25. The 24/25 financial year saw 36 referrals, representing a continued upward trend, with a 6% increase from the 34 cases received in 2023/24. This marks the highest number of referrals recorded in the 7 year period for which data is available, indicating sustained confidence in the whistleblowing mechanism. Fraud-related referrals remain the predominant category, with 13 cases (36% of total referrals) relating to alleged fraud.

Chart 6: Number of 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 2024/25 is set out at Table 4, below, for the 18 cases which have been closed to date, with a comparison to the closed 2023/4 cases:

Table 4: Outcomes of Whistleblowing Referrals Received:

Outcome of Case	2024/5 Cases	2023/4 Cases
No action required (<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>)	1 (6%)	3 (9%)
Referred to relevant process (<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 (28%)	8 (25%)
No powers to investigate. (<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>)	1 (6%)	3 (9%)
Informal Audit advice & recommendations. (<i>Where a full investigation is not required but informal advice or guidance</i>	5 (28%)	2 (6%)

Outcome of Case	2024/5 Cases	2023/4 Cases
<i>is issued to the relevant service on improving the control environment.)</i>		
Investigation indicates no serious concerns. (<i>An investigation has been initiated but subsequently finds the allegation is not substantiated or only minor issues are found</i>)	3 (17%)	6 (19%)
Full audit investigation and recommendations.	1 (6%)	9 (28%)
Police Referral / Taken to court	1 (6%)	1 (3%)
Other External Referral	0 (0%)	0 (0%)
Recovery action (<i>Recovery action is taken to recoup losses including setting up a payment plan, recouping overspends etc.</i>)	0 (0%)	0 (0%)
Resolved within service. (<i>The issue is resolved within the relevant service without requiring a full investigation or onward referrals</i>).	0 (0%)	0 (0%)
Insufficient information to investigate (<i>While the allegation is serious enough to warrant an investigation, there is not enough information available to allow an investigation to proceed.</i>)	1 (6%)	0 (0%)
Totals	18	32

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.
- 5.2.2 During 2024/25, Internal Audit completed several significant investigations that have led to tangible improvements in the Council's control environment, delivered substantial organisational value. A notable example was Case 150 regarding the disposal of road planings, which identified governance gaps in decision making, documentation, and resource allocation processes. The investigation led to a number of recommended actions being agreed with the service, including: developing clear policies to distinguish between routine maintenance and surface changes; ensuring documentation of approval processes for disposal of planings; strengthening stakeholder communication and consultation protocols; and establishing a comprehensive work policy covering risk assessments, resource allocation, and legally binding agreements.

5.2.3 Other significant investigations completed this year included a review of Direct Payment prepaid cards, which led to improved controls and partial recovery of defrauded funds, demonstrating the team's commitment to safeguarding public money.

5.2.4 Through these and other investigations, Internal Audit has added value to the Council by identifying systemic issues, recovering misappropriated funds, preventing further financial losses, and developing practical solutions that strengthen governance while enhancing the Council's reputation for sound financial management and transparency.

5.3 *Proactive Anti-Fraud Work*

5.3.1 During 2024/25 the Internal Audit team undertook a range of pro-active counter-fraud activities.

5.3.2 The internal audit team successfully developed and launched the Whistleblowing & Anti-Fraud E-learning module, which has now been designated as "essential" learning for all employees. This eLearning effectively translates technical policy requirements into practical guidance, equipping staff with the knowledge to identify fraud indicators, understand appropriate whistleblowing channels, and fulfil their reporting responsibilities. The module enhances the Council's fraud prevention capabilities by building confidence and awareness throughout the organisation, creating a stronger first line of defence that protects public resources.

5.3.3 The Council's Whistleblowing Policy has also undergone a comprehensive review and refresh, and was presented to the Audit and Accounts Committee in October 2024. The policy revisions stemmed from the Protect Whistleblowing benchmark exercise completed early 2024, where internal audit facilitated a self-assessment against detailed whistleblowing standards covering Governance, staff engagement, and operations. Through the Council's arrangements generally scored well when benchmarked against similar organisations, specific improvements were implemented including: the appointment of a member of CLT as the 'whistleblowing champion'; clearer guidance on the distinction between confidentiality and anonymity for whistleblowers; and inclusion of multiple external reporting channels, including relevant regulators. These updates, developed with input from HR, Information Governance, and the Monitoring Officer, have significantly strengthened the Council's whistleblowing framework and will enhance the overall control environment by encouraging appropriate reporting of concerns.

5.4 *National Fraud Initiative (NFI) 2024/25:*

5.4.1 The National Fraud Initiative invites (NFI) is a data matching exercise conducted by the Cabinet Office, aimed at identifying and preventing fraud across the public sector. Cambridgeshire County Council (CCC) participates by submitting

various datasets, including payroll, pensions, trade creditors etc. These datasets are matched against those from other organisations to detect anomalies, such as individuals receiving payments despite being recorded as deceased, thereby highlighting potential errors or fraudulent activities.

- 5.4.2 A new NFI exercise commenced with data collection in October 2024. Adult social care datasets were not collected in the first round of data matching this year and are expected to be collected and matched as part of a later supplementary exercise. Matches from the first round of data matching were released on December 20th, 2024. The total number of matches for CCC as at December 2024 was 9,329 across 38 reports which have a high or medium risk rating, depending on the nature of the data. As at May 2025, 1,892 matches have been reviewed and cleared. Outcomes are reported to Audit & Accounts Committee on an ongoing basis, as part of the quarterly Internal Audit Progress Reports.

6. RISK MANAGEMENT IN 2024-25

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 2024/25

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. Risk no. 12 "Climate Change" was retitled as "Cambridgeshire County Council is not adequately prepared for the impacts of the changing climate" and a new register was recorded on the GRACE system and reviewed for the first time during the CLT Risk and Assurance September 2024 meeting. A new risk, Risk 13 - concerning the Learning Disability Partnership - was also added to the Corporate Risk Register in February 2025, after being escalated from the Adults, Health and Commissioning Directorate Risk Register following an increase of the score to 16.

6.2.2 The Internal Audit and Risk Management team continued to provide support and guidance to officers across the Council on risk management activities, throughout 2024/5. This included facilitating reviews of directorate risk registers, and providing ad hoc advice to officers on request.

6.2.3 The Corporate Leadership (CLT) Risk & Assurance group met regularly throughout the financial year, with meetings in July, September, November and February. 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. In September 2024, the CLT Risk & Assurance group undertook a comprehensive review of the Council's Risk Appetite, and all updates were reflected in the Risk Toolkit.

- 6.2.4 The reestablished Corporate Risk Group continued to meet roughly quarterly with meetings in September, November and April. Meetings included presentations from members on topics related to their respective fields such as health and safety and contract risk management. The Groups' role is to foster a more collaborative and inclusive approach to risk management and comprises risk champions from various directorate and serves as platform for sharing diverse perspectives, challenging risk assessments through review of the Corporate Risk Register and ensuring consistency in the Council's response to risks.
- 6.2.5 An update for the original The Council's Risk Management Strategy (2023-26) was developed (2024-26) along with an updated action plan based on the 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. Section 6.3 below summarises the progress on implementation of the action plans, which were structured around the principles of the Orange Book. Each principle included specific action points aimed at strengthening governance, integration and continuous improvement.
- 6.2.6 The annual report on Risk Management will be presented to Audit & Accounts Committee and Strategy, Resources & Performance Committee in July 2025. 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 The Risk Strategy sets the strategic direction for risk management at Cambridgeshire, and an update on implementation of key actions, aligned to the core principles set out in the Strategy, is provided below.
- 6.3.2 **Principle 1 - Governance and Leadership:** An e-learning module on risk management, developed by Internal Audit and Risk, went live in March 2025 and is accessible to all staff. A risk communication plan was created, and future delivery will be undertaken by the newly-appointed Corporate Risk Manager.
- 6.3.3 **Principle 2 - Integration:** Five of six actions completed, including the proposal to add in new performance management responsibilities to the Corporate Risk Group, to create a new Corporate Risk and Performance Group to promote best practice across both risk and performance management at the Council. The draft Terms of Reference for this group have been agreed, with the first meeting scheduled for Q2 2025 (originally scheduled for Q1).
- 6.3.4 **Principle 3 - Collaboration and Best Information:** the Council successfully decoupled from the shared GRACE system with Milton Keynes CC, with a standalone system launched on 1 April 2025.

6.3.5 Principles 4 and 5 Risk Management Processes and Continuous Improvement:

A comprehensive assurance review of the Council's Risk Management Maturity has been completed, with a report to be shared shortly. The review also examined Corporate and Directorate level risk registers and informed further action plans to update the Strategy 2025-26 for strengthening maturity across all levels of the Council. These actions contribute to the Council's commitment to continuous improvement and support the development of a more mature, embedded risk culture.

7. INTERNAL AUDIT PERFORMANCE AND QUALITY ASSURANCE

7.1 *Delivery of the 2024/25 Internal Audit Plan*

7.1.1 The Cambridgeshire County Council Internal Audit Plan for 2024/25 was developed in early 2024, 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) in March 2024.

7.1.2 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. Due to resourcing challenges within the team (see Section 7.3.5 below for details), as well as the resourcing pressures created by a high level of whistleblowing and counter-fraud work required, the Plan was subject to in-year reductions of days, with the re-phased plan presented to CLT and Audit & Accounts Committee regularly.

7.1.3 The reduction in days primarily came from deferring or cutting elements of the plan which were not deemed critical to the annual assurance opinion, in order to support a mix of audit work over a wide range of organisational risk areas. For example, this included cutting the contingency budget for grant audits which was not required; a reduction of time allowed for risk assurance reviews due to the Corporate Risk Manager post remaining vacant for much of the year.

7.1.4 When deciding which audits may be deferred to the next financial year, the Head of Internal Audit considers the risk profile of the area under review, as well as the types of risk the audit will provide coverage over, and the directorate within the Council (where relevant). The aim is to maintain a balanced Audit Plan which provides coverage across a wide range of organisational risks and areas, which is focused on the areas of highest risk, and which is sufficient to enable an annual assurance opinion to be given across the Council's control environment.

7.1.5 As part of the Quality Assurance & Improvement Programme (see Section 7.3, below), 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 for the end of the financial

year. 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 2024/5 is presented below in Table 4, with comparison to the same metrics in 2023/4. This demonstrates that, despite resourcing challenges including an unusually high level of team sickness absence at the end of the financial year, the team delivered a higher number of productive days than had been forecast:

TABLE 5: Cambridgeshire County Council Audit Plan Delivery 2024/25:

Delivery KPIs	2024/5			2023/4		
	Actual	Target	%	Actual	Target	%
Delivery of the <u>core</u> Internal Audit Plan (in days)	951	938	101%	747	715	104%
Delivery of the <u>flexible</u> Internal Audit Plan (in days)	639	568	113%	689	710	97%
Audit Plan delivered (days)	1590	1506	106%	1436	1425	101%
% Delivery of the <u>core</u> Internal Audit Plan (individual reviews)	62	64	97%	49	51	96%
% Delivery of the <u>flexible</u> Internal Audit Plan (individual reviews)	17	21	81%	20	29	69%
Audit Plan delivered (% individual reviews)	79	85	93%⁴	69	80	86%
Audit Team Productivity (%)	91.3%	85%		90.5%	85%	

7.1.7 As the Internal Audit team operates a ‘rolling’ approach to audit planning, there were several audit reviews which were underway at the end of 2024/25 but not delivered to draft report stage by the end of the financial year. Where the reports not at draft report stage as of 31st March were close to finalising

⁴ See section 7.1.7.

fieldwork and therefore have had draft reports issued at the start of the 2024/5 financial year, these are counted as 'complete' in the table above. If these three reports are excluded from the figures, the percentage of the audit plan delivered based on the number of individual audit reviews would reduce to 89% overall.

7.1.8 However, the reports on Quality Assurance in Children's Social Care; Social Care Debt Management; Business Planning; Best Value Guidance; Payroll and Debt Recovery have been rolled-over and will instead be delivered in the 2025/26 financial year. As these audits were originally planned to be completed in 2024/5, they have been included as 'incomplete' in the figures at Table 4, above. The team's ability to finalise these pieces of work prior to the end of the financial year was impacted by an unusually high level of sickness absence between February and the end of April this year, with 55 days lost to sick leave across the team as a whole over that time period.

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 the Pension Fund. This external provision accounted for c.149 days of Internal Audit time in 2024/25; 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 (PSIAS) and Global Internal Audit Standards (GIAS)*

7.2.1 The Internal Audit service has operated in compliance with Public Sector Internal Audit Standards (PSIAS) throughout the 2024/5 financial year. Going forward the team will be subject to the new standards regime set by the Global Internal Audit Standards in the UK Public Sector which came into effect from the 1st April 2025; as such, there have been some updates to the team's templates and key documents in-year to prepare for the implementation of the new standards. This has included a redraft of the Audit Charter.

7.2.2 As part of the implementation of the new GIAS in the UK Public Sector, the Internal Audit team has undertaken a self-assessment of compliance against GIAS, which is a mandatory component of the standards regime. Full detail on the findings of this assessment is provided in the separate report to Audit & Accounts Committee and is therefore not repeated here, other than to note that a finding of 'generally conforms' has been made in respect of the team's conformance to GIAS.

7.2.3 An external assessment of Internal Audit's conformance with GIAS is required every five years. Given the transition to the new standards, it is proposed that an external assessment should be commissioned to take place in 2025/6.

7.3 *Quality Assurance & Improvement Plan*

7.3.0 In accordance with the Global Internal Audit Standards (GIAS) for the UK Public Sector, Standard 8.3, 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 GIAS.

Continuing Professional Development:

7.3.1 Continuing professional development has been a major focus of the Internal Audit quality assurance programme in 2024/25. Professional development ensures that colleagues have the skills and competencies to deliver high-quality audit work which reflects best practice and the evolving UK government landscape.

7.3.2 A key aspect of the team's commitment to continuing professional development is our system of post-audit assessments against the CIPFA Excellent Internal Auditor standard. Post-audit assessments are used to evaluate audit activity and identify areas for development on an ongoing basis, as part of regular supervision of all staff.

7.3.3 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 2024/5, sessions delivered through regular team meetings have included areas such as:

- Presentations from colleagues both internal to Cambridgeshire County Council as well as from key partners, including:
 - The Head of Procurement & Commercial delivered a presentation on the Procurement Act;
 - The Service Director of Communities, Libraries & Skills presented some of the key work in the Communities directorate;
 - The Head of Change shared updates on the implementation of the corporate Project Management Framework;
 - The Road Safety Manager delivered a session on the work of the Road Safety team;

- The Head of the Programme Management Office at the Cambridgeshire & Peterborough Combined Authority shared a presentation on their Best Value Notice and Improvement Programme.
 - A series of sessions on specific key elements of the internal audit process, including: Contract Audit; researching for audits; following-up on implementation of audit agreed actions; and a workshop on Audit Planning for 2025/6.
 - Sessions focused on general professional development and sector issues including: constructive challenge; dealing with difficult conversations; the disclaimed opinion on Whole of Government Accounts; case studies of serious governance failings in UK local government; ethical auditing practice; and the impact of increasing use of artificial intelligence.
 - Members of the team presenting key findings and reflections from their work on an ongoing basis.
- 7.3.4 Colleagues within the Cambridgeshire Internal Audit team are all either professionally qualified, or working towards a qualification in either accountancy or internal audit. In 2024/5 the team has also funded two colleagues to undertake formal Accredited Counter Fraud Specialist training with CIPFA; increasing the number of colleagues with accredited counter fraud training will continue to be a focus for the team in future as this is a complex area and it is important to ensure that investigations into any allegations of fraud or theft are undertaken in line with best practice.

Human Resources and Capacity:

- 7.3.5 In 2024/25, the Internal Audit & Risk Management team continued to experience some resourcing challenges, in the context of an extremely challenging environment for recruitment and retention across the wider Internal Audit sector. However, the overall stability of the team improved from 2023/4, and in the 2024/5 financial year the team has delivered the highest number of productive audit days since 2021/22 (when the Cambridgeshire team first disaggregated from the former LGSS Internal Audit service).
- 7.3.6 In the 2024/5 financial year, the team received resignations from one Principal Auditor (November 2024), two Senior Auditors (June 2024 and February 2025), and one Associate Auditor (September 2024). Over the same time period, the team appointed two Principal Auditors (who joined the team in October 2024 and February 2025), a Corporate Risk Manager (February 2025), one Senior Auditor (September 2024) and one Associate Auditor (who will join the team c. July 2025, as this is an annual recruitment process). Overall therefore, while one Senior Auditor post remains vacant as at the end of the 2024/5 financial year, team resourcing has stabilised considerably.
- 7.3.7 As such, it is considered that the team has had resources that are sufficient to enable it to provide adequate coverage authority's control environment to

provide the annual opinion; however, resourcing and professional development for colleagues will continue to be a focus for the team in 2025/26.

- 7.3.8 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). It is notable that our outgoing Principal Auditor, formerly a member of the trainee scheme, has moved to a post in the Council's Finance team; and that one of our incoming Principal Auditors has joined us from the shared Finance/Internal Audit accountancy Apprenticeship scheme. This demonstrates the value of this apprenticeship not just to the Internal Audit team, but to the wider organisation.

Customer Feedback Outcomes:

- 7.3.9 Customer feedback is an important part of the Internal Audit team's Quality Assurance and Improvement Plan (QAIP). Feedback from officers involved in internal audit helps the team to pinpoint areas where the audit process can be enhanced, and provides insights into what stakeholders find valuable. Seeking customer feedback is part of the Cambridgeshire Internal Audit team's commitment to continuous improvement and supports our compliance with Global Internal Audit Standards in the UK Public Sector.
- 7.3.10 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. In April 2025, the audit team also issued the same survey, requesting general feedback, to: members of CLT; Heads of Service and Service Directors who regularly interact with Internal Audit (such as Finance, Procurement etc.); and members of the Audit & Accounts Committee.
- 7.3.11 In total, for 2024/25 eleven completed surveys were returned to the team, slightly higher than the nine responses received in 2023/4 and 2022/3. This is a lower response rate than was hoped for, despite work having been undertaken by the Audit team in March/April 2025 to follow up on audits where responses had not been received, as well as to request more general team feedback from senior managers and Members.
- 7.3.12 Where surveys were completed, results were generally very positive and demonstrate a year-on-year improvement in feedback received. More detail on the findings from these surveys is provided below, compared to average scores in the previous two financial years:

Table 6: Customer Feedback Survey Responses:

Questions:		2024/5	2023/4	2022/3
		Average score:	Average score:	Average score:
How far do you agree that the auditors involved were professional, knowledgeable and approachable?		4.5 out of 5 <i>1: strongly disagree 5: strongly agree</i>	4.2 out of 5 <i>1: strongly disagree 5: strongly agree</i>	4.2 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?		4.6 out of 5 <i>1: strongly disagree 5: strongly agree</i>	4.1 out of 5 <i>1: strongly disagree 5: strongly agree</i>	3.9 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?		4.5 out of 5 <i>1: strongly disagree 5: strongly agree</i>	4 out of 5 <i>1: strongly disagree 5: strongly agree</i>	4.6 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?		4.4 out of 5 <i>1: strongly disagree 5: strongly agree</i>	4 out of 5 <i>1: strongly disagree 5: strongly agree</i>	4.1 out of 5 <i>1: strongly disagree 5: strongly agree</i>
Has your perception of Internal Audit changed following your experience?	Yes - positively	1 (9%)	4 (44%)	2 (22%)
	Yes - negatively	1 (9%)	1 (11%)	0 (0%)
	No change	9 (81%)	4 (44%)	7 (78%)

7.3.13 Some of the comments received from officers in the surveys included:

- “The Audit took a very long time to complete meaning that some of the fieldwork had to be re-done. The Auditors themselves were communicative and always strove to understand the viewpoint of the service area.”
- “Audit was undertaken effectively, the communication throughout and during the review of the draft report was effective and we had the opportunity to discuss and reflect any minor changes that were required prior to the issue of the final report .”

- “This audit had to be done and will hopefully draw a line under the [issue]. [The auditor] has been easy to work with but it has been difficult dealing with three audits in close succession at a very busy time. One downside of the audits is that the team are becoming more apprehensive and risk averse when carrying out their day to day work and this could lead to inertia and paralysis at a time when we need to innovate and move forward. "Do they not trust us to do our work" was one comment made. I think audit should recognise that this can be an impact no matter how necessary it is to carry out an audit and this could impact staff retention. ”
- “Only said ‘no change’ to Q5 because my perception of the service has been very positive for a long time. I genuinely believe that the audits carried out add real value, and constructive challenge, to the work that we do.”
- “Thanks [auditors] for the support and guidance with this particularly complex and challenging case. I have learnt lots from this case which will prove invaluable in my practice going forward. ”