

LGSS Internal Audit & Risk Management

Cambridgeshire County Council

Update report

As at 1st March 2021

Section 1

1 INTRODUCTION

- 1.1 Following the outbreak of the pandemic it was decided to pause the agreed 2020/21 Audit Plan and to fully align resources to risks being managed by Cambridgeshire County Council, consistent with the service's BCP. This has been achieved by increased consultation and direction by the Council's Deputy Chief Executive and Chief Financial Officer.
- 1.2 A summary of the content of the key sections of this report is provided below, for reference:

SECTION 1: Introduction

SECTION 2: Internal Audit Resources

SECTION 3: Finalised Assignments

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

SECTION 5: Key Financial Systems Audits

SECTION 6: Follow Up of Agreed Audit Actions

SECTION 7: Fraud Investigations

SECTION 8: Risk Management

APPENDIX A: Internal Audit Plan Progress 2020/21

APPENDIX B: Outstanding Agreed Actions

APPENDIX C: Corporate Risk Register

2 *INTERNAL AUDIT RESOURCES*

- 2.1 As outlined above, the original 20/21 Internal Audit Plan (circa 1,750 days) was paused in accordance with business continuity procedures and the team has been deployed to the areas of greatest need.
- 2.2 In reality, the work of the team is still being significantly impacted by the rapidly changing environment and it is envisaged this will continue forward for the foreseeable future.
- 2.3 As reported and agreed at the 26th January 2021 Audit & Accounts Committee meeting, the agreed Plan recommended for approval at Appendix A exceeds days available. This allows for some flexibility should planned work need to be rescheduled due to organisational service pressures but will also ensure that the audit team has a medium term indicative plan and work-streams that will stretch into the 2021/22 financial year. Following the success of this methodology and the positive impact of being able to target resources directly towards key risk areas that emerge, the audit team will continue this approach going forward.
- 2.4 It is expected that new risks will emerge throughout 'normal' yearly cycles and it is especially so this year. This is the reason why the Plan is submitted to JMT and the Audit & Accounts Committee approximately each quarter for challenge and direction, ensuring that resources are targeted towards those areas of highest organisational need. The internal audit team has regular meetings with colleagues in the organisation and endeavours to be responsive should requests for unplanned work be made.
- 2.5 The caveat to this flexibility is that the Chief Internal Auditor must be satisfied that the work completed in the year is sufficient and appropriate to support the annual audit opinion.
- 2.6 This year work to date is on target to ensure an evidence-based opinion can be given. Assurances have been received that the key financial system reviews being completed by colleagues based at MKC and NCC will be at final report stage by 31st March, 2021.
- 2.7 Work is progressing on the Highways Contract open book review but likely to be carried forward into the next financial year. The contractor has advised that the first tranche of prime record data requested will be forwarded to the audit team by 19th March, 2021.

3 FINALISED ASSIGNMENTS

3.1 Since January 2021, the following audit assignments have reached completion, as set out below in Table 1.

Table 1: Finalised Assignments

No.	Directorate	Assignment	Compliance Assurance	Systems Assurance	Organisational impact
1.	People & Communities	Teaching Apprenticeship Grant	Grant Certification Provided		
2.	Cross Cutting (CCC)	Daily Spend Over £20k Compliance	Satisfactory	N/A	Minor
3.	Cross Cutting (CCC)	Key Policies	N/A	Satisfactory	Minor
4.	Resources	County Farms Processes	Advisory		
5.	Resources	This Land	N/A	Satisfactory	Moderate
6.	Resources	DWP Winter Support Grant	N/A	N/A	N/A
7.	Place & Economy	Lancaster Way	Limited	Limited	Minor
8.	Place & Economy	Chisholm Trail	Limited	Limited	Minor
9.	Place & Economy	Fendon Road Roundabout	Limited	Limited	Minor
10.	Place & Economy	Wisbech Access Strategy	Limited	Limited	Minor
11.	Place & Economy	Capital Programme Governance	Limited	Limited	Moderate
12.	Resources	VAT	Satisfactory	Satisfactory	Minor

- 3.2 Summaries of the finalised reports with limited or no assurance are provided in Section 4.
- 3.3 The following audit assignments have reached draft report stage, as set out below in table 2:

Table 2: Draft Reports

No.	Directorate	Assignment
1.	Cross-Cutting (CCC-wide)	Key Performance Indicators
2.	Cross-Cutting (CCC-wide)	Accounts Payable
3.	Cross-Cutting (CCC-wide)	Debt Recovery
4.	Cross-Cutting (CCC-wide)	Infection Control Grant 2
5.	Cross-Cutting (CCC-wide)	Treasury Management
6.	Cross-Cutting (CCC-wide)	Feeder Systems
7.	Cross-Cutting (CCC-wide)	Accounts Receivable
8.	Communities and Partnerships	Community Capital Fund
9.	People and Communities	Foster Overpayment Review

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

4 SUMMARIES OF COMPLETED AUDITS WITH LIMITED OR NO ASSURANCE

4.1 P&E Capital Programme Reviews

- 4.2 At the request of the Executive Director, Place and Economy, a review was undertaken by Internal Audit following queries from Members regarding perceived overspends and delays within the capital programme. The aim of this review was to assess how robust and effective the control environment is in ensuring project delivery within the Place and Economy (P&E) Directorate is done on time and on budget. In order to fully understand the current governance in place, a sample of four projects was selected as case studies, based on the in-year overspend against detailed budget and/or the fact that the schemes are being delivered within a partnership setting.
- 4.3 Separate reports have now been issued in final for each of the case studies as well as a 5th report on the overall governance of the P&E Capital Programme. A Project Assurance Group has been set up by P&E to develop and embed a full new set of policies and procedures, including compliance assessments, which will help to ensure that the risks identified within the reviews are mitigated and the recommendations made fully implemented. Internal Audit now sits on this group and is continually assessing that the new procedures capture all the recommendations made. The full set of recommendations have an implementation date of 30th June 2021, as agreed by the Executive Director, Place and Economy.
- 4.4 In order to highlight the main issues identified within the Internal Audit reviews, and the subsequent proactive work of the service and more specifically of the Project Assurance Group, a paper, "Major Infrastructure Project Delivery, Governance and Risk Management", is being submitted to the Councils Highways and Transport Committee on 9th March 2021.
- 4.5 One significant query identified during these reviews remains outstanding. This concerns decision making within other organisations. There is no suggestion that the correct procedures have not been followed, however the Head of Internal Audit has contacted the respective organisations to highlight the query and to request assurances that the appropriate governance and transparency arrangements have been followed.

5 KEY FINANCIAL SYSTEMS AUDITS

5.1 An update on the key financial audit assignments is set out below in table 3:

Table 3: Key Financial Systems

No.	Assignment	Progress	Compliance Assurance	Systems Assurance	Organisational impact
1.	Accounts Payable	Draft Report	Good	Good	Minor
2.	Debt Recovery	Draft Report	Satisfactory	Satisfactory	Minor
3.	Treasury Management	Draft Report	Good	Good	Minor
4.	Accounts Receivable	Draft Report	Good	Good	Minor
5.	VAT	Final - Report	Satisfactory	Satisfactory	Minor
6.	Payroll	Fieldwork ongoing	TBC	TBC	TBC
7.	Bank Reconciliations	Fieldwork ongoing	TBC	TBC	TBC
8.	General Ledger	Fieldwork ongoing	TBC	TBC	TBC
9.	Pensions	Fieldwork ongoing	TBC	TBC	TBC
10.	Financial systems IT Controls	Fieldwork ongoing	TBC	TBC	TBC

5.2 Accounts Payable, Debt Recovery, Treasury Management and Accounts Receivable are delivered by the Cambridgeshire Audit Team. The other key financial system audits are delivered by audit colleagues at MKC and NCC. Whilst

some of these audits are yet to reach draft report stage, assurances have been provided that these audits are progressing well and will be completed by 31st March 2021.

- 5.3 At the time of writing this report, no significant issues or risks have been identified in audits at draft report stage or for those audits where fieldwork is progressing. A verbal update on progress on these key reviews will be given at the Audit & Accounts Committee meeting.

6 FOLLOW UP OF AGREED AUDIT ACTIONS

- 6.1 It should be noted that due to the exceptional pressures created by the Covid-19 pandemic, at the start of the 2020/21 financial year the Chief Internal Auditor agreed a change to usual working practices, to create greater capacity to respond to the additional reactive work required of the Internal Audit team at this point. As such, ongoing audit work was in some cases not completed to final report stage, but placed on hold or an action plan issued in lieu of a formal final report. Follow-up of implementation of actions was also placed on hold at this time.
- 6.2 In order to ensure that all business-critical actions are being implemented by services, Internal Audit has now completed a comprehensive review of all recommended actions that were issued by Internal Audit during this period, in action plan or draft report format. This review has re-evaluated the risk profile of each individual recommendation made, to identify where traditional audit follow-up is required for actions related to higher-risk areas; where implementation will be assessed through follow-up audits in the 2021/22 Internal Audit Plan; and where actions related to lower-risk areas do not require full formal follow-up.
- 6.3 The outstanding management actions as at 1st March 2021, including the additional actions identified for follow-up as an outcome of the above review, are summarised in the table below. This includes a comparison with the percentage implementation from the previous report (bracketed figures).

Table 4: Implementation of Recommendations

	Category 'Essential' recommendations		Category 'Important' recommendations		Total	
	Number	% of total	Number	% of total	Number	% of total
Implemented	1 (0)	1.32% (0%)	59 (55)	77.63% (78.5%)	60 (55)	78.95% (78.5%)
Actions due within last 3 months, but not implemented	0 (0)	0% (0%)	4 (2)	5.26% (2.9%)	4 (2)	5.26% (2.9%)
Actions due over 3 months ago, but not implemented	2 (2)	2.63% (2.9%)	10 (11)	13.16% (15.7%)	12 (13)	15.79% (18.6%)
Totals	3		73		76	

6.4 There are currently 16 management actions outstanding. Further detail on all outstanding actions is provided at Appendix B.

7 FRAUD INVESTIGATIONS UPDATE

- 7.1 A summary of fraud investigations open and closed in 2020/21 is provided at Table 5, below:

Table 5: Fraud Investigations

Allegation Type:	No. Closed	No. Open	Total Cases
Anti-competitive activity allegation		1	1
Blue Badges	4	2	6
Conflict of Interest	1		1
Contract Fraud		2	2
Direct Payments	2	2	4
Fraudulent school admission allegation	1		1
Phishing fraud	1		1
Schools governance allegation		1	1
Theft		1	1
Third Party Fraud	1		1
Totals:	10	9	19

- 7.2 In addition to the cases outlined above, during the course of the year to date, Internal Audit has received three whistleblowing allegations of HR-related concerns. These have been passed to HR to lead on addressing the concerns through the appropriate procedures, and all three cases have now been resolved. A further concern relating to information security was also passed to Internal Audit, and this has now been investigated and resolved, with input from HR colleagues and the Council's Data Protection Officer (DPO).

8 *RISK MANAGEMENT*

- 8.1 In November 2019, a new risk management process was proposed by the Director for Business Improvement and Development (BID) and the Head of Internal Audit & Risk Management and subsequently agreed by JMT. The Director of BID has the accountability for ensuring that effective and proportionate risk management is embedded within the organisation.
- 8.2 This process cemented the quarterly cycle for risk management, which includes the risk management team offer to meet with the relevant CRR and Directorate Risk Register (DRR) risk owners to review, refresh and update risks as appropriate.
- 8.3 Work to embed the new process into the organisation and to refresh the CRR was commenced at the start of 2020, however this work was paused following the outbreak of the Covid-19 pandemic.
- 8.4 Reassurances have been given to Audit & Accounts Committee that throughout the financial year there has been a fortnightly standing agenda item on JMT Gold to ensure that risks could be appropriately escalated.
- 8.5 In November 2020 as the Council moved to a more BAU period, a further paper on risk management was presented to JMT. It was agreed at this point that the CRR was in need of a refresh and re-focus to ensure it has captured the correct risks and triggers as well as confirming that the controls in place and agreed action plans/target dates are proportionate.
- 8.6 Since that update to JMT, all the corporate risks have been reviewed by the relevant risk owner and at the time of writing this report there only remained a refresh of the control environment for corporate risk 7 to be completed.
- 8.7 Following this process and positive engagement from JMT, the CRR has been slimmed to 7 risks and the full register is attached at Appendix C of this report. The proposed corporate risks are as follows:
- Risk 01 – The Council's arrangements for safeguarding vulnerable children and adults fails
 - Risk 02 – The Council does not have enough budget to deliver agreed corporate objectives
 - Risk 03 – In the midst of the Covid-19 pandemic, a serious incident occurs, preventing services from operating and/ or requiring a major incident response.
 - Risk 04 - The Council does not deliver on its' statutory or legislative obligations

- Risk 05 – Our resources (Human resources and business systems) are not sufficient to meet business need
- Risk 06 – Insufficient community infrastructure to deliver the Council's services
- Risk 07 – Failure to deliver key Council services

- 8.8 The next stage for the risk management team will be to ensure that the directorate risk registers align to the CRR register and to recommence work to embed the new process agreed.
- 8.9 Following the completion of this full refresh, then standardised quarterly update process, as specified within the risk management framework, can be complied with on an ongoing basis.