LGSS Internal Audit & Risk Management

Cambridgeshire County Council

Update report

As at 31st August 2021

Section 1

1   INTRODUCTION

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

SECTION 1: Introduction

SECTION 2: Internal Audit Reporting Process

SECTION 3: Finalised Assignments

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

SECTION 5: Audit Forward Planning: Next Four Quarters

SECTION 6: Follow Up of Agreed Audit Actions

SECTION 7: Risk Management

SECTION 8: Fraud and Corruption Update

APPENDIX A: Internal Audit Plan Progress 2021/22

APPENDIX B: Outstanding Agreed Actions

APPENDIX C: National Fraud Initiative Update

2   INTERNAL AUDIT REPORTING PROCESS

2.1   THE REPORTING PROCESS

2.1.1 This quarterly report provides stakeholders, including JMT and the Audit & Accounts Committee, with a summary of internal audit activity for the second quarter of 2021/22 and the current proposed coverage for the next four quarters.

2.2   HOW INTERNAL CONTROL IS REVIEWED

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

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

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

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

- Control Environment Assurance
- Compliance Assurance
- Organisational Impact

2.2.5 The following definitions are currently in use:

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

Good Assurance	The control environment has largely operated as intended although some errors have been detected.	There are minor control weaknesses that present low risk to the control environment.
Satisfactory Assurance	The control environment has mainly operated as intended although errors have been detected.	There are some control weaknesses that present a medium risk to the control environment.
Limited Assurance	The control environment has not operated as intended. Significant errors have been detected.	There are significant control weaknesses that present a high risk to the control environment.
No Assurance	The control environment has fundamentally broken down and is open to significant error or abuse.	There are fundamental control weaknesses that present an unacceptable level of risk to the control environment.

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

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

2.3 PROPOSED CHANGES TO THE REPORTING PROCESS

2.3.1 Internal Audit has proposed some minor changes to the risk and assurance ratings awarded as part of Internal Audit reports. The detail of these proposed changes is set out in a separate report.

3 FINALISED ASSIGNMENTS

3.1 Since our last Progress Report in July 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	Dedicated Schools Grant High Needs Block Funding	Satisfactory	Satisfactory	Moderate
2.	People & Communities	Schools Safer Recruitment	Good	Good	Minor
3.	Cross Cutting (CCC)	Community Testing Grant	Grant certification completed		
4.	Cross Cutting (CCC)	Payroll Analytics	Advisory Report issued		
5.	People & Communities	Foster Carer Overpayment Review (1)	Advisory Report issued		
6.	People & Communities	Libraries Self-Service Machines Review	Advisory Report issued		
7.	Cross Cutting (CCC)	Library Preschool Investigation	Investigation Report issued		

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

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

Table 2: Draft Reports

No.	Directorate	Assignment

1.	Place & Economy	Interim Investigation

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 There have been no finalised audits issued with either limited or no assurance during the period.

5. AUDIT FORWARD PLANNING: NEXT FOUR QUARTERS

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

5.2   The proposed 'flexible' Internal Audit Plan for the next four quarters (Q3 2021/22 – Q2 2022/23) is set out below, showing the current risk profiling of Internal Audit reviews over the next year. These are new jobs proposed to commence in the period, i.e. ongoing work is not included.

5.3   This programme of work is indicative only and is subject to change to ensure that the Audit Plan can be reactive as well as proactive about providing assurance over emerging risk areas. This approach also creates capacity where audits from Q1 – 2 are identified as requiring additional resource to complete due to a high level of complexity of resource requirement, e.g. the highways open book review. The team's available resources have also been impacted by a number of leavers and secondments this year. It is anticipated that these posts will be filled during Quarter 3 and Quarter 4.

5.4   The team will continue to progress each quarter's work as outlined below, assuming a full team structure; any shortfall will be re-profiled in future quarters. This is one of the advantages of the new flexible planning approach.

Current Proposed Flexible Internal Audit Plan for Q3 2021 - 22:		Days: 225	(Oct – Dec 2021)
Contract Management - Cambridgeshire Energy Performance Contracting Project	P&E	30	Review of contract management within the Cambridgeshire Energy Performance Contracting project, which holds two major contracts with a combined annual value of £11m.
Street lighting PFI	P&E	30	Second highest-value contract by gross budget. Previous audits had identified weak contract management. Review of contract management.
ICT Disaster Recovery	C&D	15	Review of policies and procedures relating to disaster recovery surety in ICT, including compliance with testing and policies.
Use of Block Contracts	P&C	30	Significant use of block contracts in Adults & Older Peoples services. Review of the usage of block contract spaces, how need is forecast and monitored, and value for money.
Business Planning	CCC	30	Review of governance, compliance, management and monitoring, and benefits realisation.

Loans to External Organisations	Resources	20	Review of the Council's policies on providing loans to external organisations and compliance with policy in practice. This audit was previously deferred from the 2020/21 Audit Plan.
Individual Schools Finance Audits	P&C	50	Focus on schools payroll, finance and financial governance arrangements with audit visits to a selection of higher-risk schools identified through the Schools Causing Concern process. These visits specifically exclude provision of Internal Audit assurance over safeguarding, however prior to schools visits assurance will be sought from the Schools Intervention Service regarding their most recent safeguarding checks at the relevant schools and whether the service has any safeguarding concerns at the relevant school.
Current Proposed Flexible Internal Audit Plan for Q4 2021 - 22:	**210**	**(Jan – March 2022)**	
Safeguarding Assurances	P&C	30	Review of assurances over the Council's safeguarding arrangements for children and adults, including internal review processes, contractual assurances, and assurances received from third parties such as Ofsted, peer reviews etc. This audit was previously deferred from the 2020/21 Audit Plan.
Client-side Review of Pathfinder Legal Services Ltd	L&C	20	Client-side review of Cambridgeshire's Pathfinder Legal Services Ltd legal provision.
Contract Management	CCC	20	Noted as a risk area given the outcomes from recent audits. Reviewing contract management guidance available to managers in the organisation. High impact area.
Home to School Transport & Contracts	P&C	30	Key pressure area, difficulties faced in keeping down costs in rural locations. Ensure the Council gets best value from providers. Follow up on areas of concern from 2015/16 audit. High area of focus for Transformation who have requested a review for the final quarter of 2021/22.
Supplier Resilience Reviews	CCC	20	Review of a sample of key strategic suppliers, with a focus on suppliers of care and transport to vulnerable service users, to identify assurances in place over supplier resilience and continuity planning.
ICT Security	C&D	20	Review of ICT security strategy and compliance with key measures such as PSN etc.

Fostering	P&C	20	Reviewing fostering arrangements in light of the high cost of fostering placements to the Council. Also in light of previous audit report which raised issues re: overpayments.
Contract Management - Minor Works Framework	Resources	30	Annual value of £8m. This audit was previously deferred from the 2020/21 Audit Plan.
ICT Strategy	C&D	20	Following ICT moving in-house from LGSS, a review of current strategy and governance within the ICT service
Current Proposed Flexible Internal Audit Plan for Q1 2022 - 23:		**225**	**(Apr – June 2022)**
Capital Strategy	Resources	20	Review of the Council's Capital Strategy, in light of the CIPFA Prudential Code requiring Local Authorities to have a Capital Strategy in place from April 2019.
Contract Management - Public Transport, Park & Ride, and Guided Busway Contract	P&E	30	Annual value of £3m. This audit was previously deferred from the 2020/21 Audit Plan.
Information Security	C&D	20	Review of arrangements for controlling information security risk, with a focus on: policies and procedures; compliance with legislative requirements; communication and staff awareness; compliance monitoring; and incident handling.
Cambridgeshire County Council Client Monitoring Arrangements for This Land Ltd	Resources	30	A review to provide comprehensive follow-up on findings and implementation of actions following the previous audit review of This Land Ltd.
Social Care Transitions	P&C	20	Review of service user transitions between child and adult services including LD, PD and LAC, with a focus on providing assurance that processes are streamlined and efficient. This audit was previously deferred from the 2020/21 Audit Plan.
Health, Safety & Wellbeing Policy Compliance	CCC	15	Review of compliance with key controls within the Council's Health, Safety and Wellbeing Policy. This audit was previously deferred from the 2020/21 Audit Plan.
Financial Regulations Monitoring & Compliance, including Delegated Authorities	CCC	20	Review to ensure that budget variations are approved in line with the requirements of the Financial Procedure Rules and the Constitution.
Demand management strategies	CCC	20	Community resilience; review how the Council is working to reduce demand for high-cost services and whether plans to manage

			demand in one area end up increasing demand in another area.
ICT Incident and Problem Management	C&D	20	Review of policies, procedures and compliance with managing identified incidents, issues and problems with ICT systems and services.
Fire Safety Checks	Resources	20	Confirm that fire safety check processes are up to date, carried out, and compliant with relevant legislation.
Procurement Team Oversight of Major Procurements Compliance	Resources	10	Recommendation from a previous audit that a monthly report of all purchase orders above £100k raised in the last month is extracted from ERP and that this is compared to the known contracts that have been created in the last month to check for contracts above £100k that were not overseen by the Procurement Team. Procurement have indicated that this would be too expensive for them to implement so Internal Audit will conduct compliance testing on this key control.
Current Proposed Flexible Internal Audit Plan for Q2 2022 - 23:		**280**	**(July – Sept 2022)**
ICT Procurement	C&D	20	Review of ICT procurement function including commissioning, contract management, efficiencies etc.
Equality Impact Assessments	BI&D	20	Review of the implementation of the new Equality Impact Assessment process and compliance
Adults Safeguarding Framework	P&C	20	Review of the current safeguarding framework with a focus on the adequacy and relevance of current policies and procedures. Ensuring that they are modern and up to date; comprehensive and consistent with other authorities and with national guidance; and communicated effectively to staff.
Children's Social Care Commissioning Strategies	P&C	30	Review of strategic planning for commissioning and contracting across Children's Social Care, to provide assurance that commissioning is pro-active, considers demand and how this may be managed, and takes into account the condition of local markets.
Unannounced Visits	CCC	20	2 - 3 services will be identified in conjunction with contract managers, for unannounced visits focusing on compliance with the Council's policies and expectations for management of finances and safeguarding risks, and providing an appropriate deterrent to fraud.

Budgetary Forecasting	Resources	20	Review of processes for forecasting high demand demographically-driven budgets across People & Communities to ensure processes are robust and forecasting is accurate.
ICT Change Management	C&D	20	Review of policies, procedures and compliance with managing change in ICT systems and processes.
Statutory Health & Safety Property Inspections	Resources	20	Confirm that statutory inspections of property for health and safety are up to date, carried out, and compliant with relevant legislation. Confirm that recommendations are implemented and implementation is monitored.
FOI and SAR	C&D	20	Freedom of Information & Subject Access Requests are legally required to be completed by the Council within set timescales.
Contract Management - Residential & Short Break Care for Children and Young People with a Disability	P&C	30	Annual value of £2.35m.

6. *FOLLOW UP OF AGREED AUDIT ACTIONS*

6.1 The outstanding management actions from Internal Audit reports as at 31st August 2021 are summarised in the table below. This includes a comparison with the percentage implementation from the previous report (bracketed figures).

6.2 In line with the new rolling audit plan, from this reporting period onward implemented recommendations now only includes those closed within the last five quarters. Any recommendations that were closed more than five quarters ago are not included in the figures below.

Table 4: Implementation of Recommendations

	Category 'Essential' recommendations		Category 'Important' recommendations		Total	
	Number	**% of total**	**Number**	**% of total**	**Number**	**% of total**
Implemented	3 (3)	2.75% (2.97%)	52 (44)	47.71% (43.56%)	55 (47)	50.46% (46.53%)
Actions due within last 3 months, but not implemented	1 (1)	0.92% (0.99%)	39 (43)	35.78% (42.57%)	40 (44)	36.70% (43.56%)
Actions due over 3 months ago, but not implemented	0 (1)	0.00% (0.99%)	14 (9)	12.84% (8.91%)	14 (10)	12.84% (9.90%)
Totals	**4**		**105**		**109**	

6.3 There are currently 54 management actions outstanding. Further detail on outstanding actions is provided at Appendix B.

6.4 There is one outstanding 'Essential' recommendation. This relates to a review of aged debt and became overdue on 30th June 2021. The Head of Finance Operations has developed a Service Improvement Plan and the points in the recommendation are primarily being addressed by the implementation of new BAU processes. The Debt Team is sharing debt data, including aged debts, with services to enable targeted communication and actions. The Head of Service has confirmed she will be reporting directly to A&A Committee on a regular basis, providing updates on service improvement and activity. In addition, the Debt Team has now commenced a review of debts over 12 months old to establish the next steps in relation to each customer. The service has advised that this recommendation will be implemented 31st December 2021.

7.0　*RISK MANAGEMENT*

7.1　The Corporate Risk Management update will be brought to Committee in February 2022.

8   *FRAUD AND CORRUPTION UPDATE*

8.1   FRAUD INVESTIGATIONS

8.1.   The current Internal Audit caseload of investigations is summarised below in Table 5. As at the end of August, Internal Audit has received 8 whistleblowing referrals in the 2021/22 financial year, in line with the number of referrals received by the same point in 2020/21.

Table 5. Current Internal Audit Investigations Caseload

Open Cases from 2020/21 *Carried forward*		Open	Closed	Total
Fraud	Direct Payments	2	0	2
	Blue Badges	1	0	1
Governance	Anti-competitive activity allegation	1	0	1
Total		**4**	**0**	**4**
All Cases Reported in 2021/22 *To Date*				
Fraud	Third Party Fraud	1	0	1
	Schools Fraud	0	1	1
	School Admissions Fraud	0	1	1
Governance	Officer Code of Conduct	0	1	1
	Fostering Service	0	1	1
Safeguarding	Fostering Service	1	0	1
Overpayment	Payroll Overpayment (Night Allowances)	0	1	1
Theft	Libraries Theft	0	1	1
Total		**2**	**6**	**8**

8.1.2   It should be noted that the Internal Audit team records all whistleblowing referrals we receive; however Internal Audit normally act as the investigating service only for referrals relating to theft, fraud, corruption and governance concerns. Where whistleblowing referrals relate to e.g. safeguarding or HR issues, the referrals are passed on to the appropriate service to investigate and respond. In the table above, the referrals relating to the Officer Code of Conduct and a safeguarding concern in the Fostering service were passed on to the Assistant Director of HR & Learning and the Director of Children's Services, respectively, to review and respond.

8.2   WHISTLEBLOWING POLICY & COMMUNICATION

8.2.1   The previous meeting of the Audit & Accounts Committee on the 22nd July 2021 approved the revised and updated corporate Whistleblowing Policy. The new

policy has been published on the Council's corporate website as well as the staff intranet (CamWeb), and a notification of the new policy was also published to staff via the weekly newsletter, Friday Focus.

8.2.2   Internal Audit has worked with colleagues in the Corporate Communications Team to design a new Whistleblowing poster to be printed and distributed around key Council office buildings, as well as developing a series of graphics with key excerpts from the policy which will be used to run a full awareness campaign on the staff intranet and in Friday Focus newsletters. The intention is that this campaign will be launched on Friday 10th September and run for five weeks through to the 8th October.

8.2.3   Following on from this piece of work, Internal Audit is planning to review and update the corporate Anti-Fraud & Corruption Policy. The proposed updated policy will also be brought to Audit & Accounts Committee for approval.

8.3   NATIONAL FRAUD INITIATIVE (NFI)

8.3.1   The NFI compares different data sets provided nationally by local authorities and partner organisations, for the purpose of detecting and preventing fraud. The current exercise commenced in September 2020 when data was supplied for matching purposes by all relevant parties, including CCC. The matched output was released by the NFI in January 2021. The total number of matches for CCC is 8,629 across 31 reports which have a high or medium risk rating, depending on the nature of the data. As at August 2021, a total of 634 matches have been reviewed and closed at CCC.

8.3.2   Please see Appendix C for further details on the NFI process and work to date.