

# Internal Audit & Risk Management

Cambridgeshire County Council

*Update report*

*As at 30<sup>th</sup> September 2024*

*Section 1*

**1 INTRODUCTION**

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

SECTION 1: Introduction

SECTION 2: Internal Audit Reporting Process

SECTION 3: Finalised Assignments

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

SECTION 5: Internal Audit Activity

SECTION 6: Audit Forward Planning: 2024/25

SECTION 7: Follow Up of Agreed Audit Actions

SECTION 8: Risk Management

SECTION 9: Fraud and Corruption Update

SECTION 10: Key Financial Systems Update

ANNEX A: Internal Audit Plan Progress 2024/25

ANNEX B: Outstanding Agreed Actions

## 2 INTERNAL AUDIT REPORTING PROCESS

### 2.1 THE REPORTING PROCESS

2.1.1 This quarterly report provides stakeholders, including Audit & Accounts Committee and CCLT, with a summary of internal audit activity for the first two quarters of the 2024/25 financial year.

### 2.2 HOW INTERNAL CONTROL IS REVIEWED

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

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

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

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

- Control Environment Assurance
- Compliance Assurance
- Organisational Impact

2.2.5 The following definitions are currently in use:

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

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

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

<b>Organisational Impact</b>	
<b>Level</b>	<b>Definitions</b>
<b>Major</b>	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
<b>Moderate</b>	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
<b>Minor</b>	The weaknesses identified during the review have left the Council open to low risk. This could have a minor impact on the organisation as a whole.

### 3 FINALISED ASSIGNMENTS

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

**Table 1: Finalised Assignments**

No.	Directorate	Audit Title	Assurance			Actions Agreed			
			System	Compliance	Organisational	Essential	High	Med.	Low
1.	Children's (CEF)	Multi Agency Safeguarding Hub (MASH)	Moderate	Moderate	Moderate	-	2	6	5
2.	CCC-wide	Waivers & Direct Awards Compliance	Moderate	Moderate	Minor	-	-	9	3
3.	CCC-wide	Management of Consultants	Moderate	Limited	Moderate	-	1	8	1
4.	Finance & Resources	Pensions Administration	Good	Good	Minor	-	1	6	7
5.	Adults (AH&C)	Adults Directorate Business Planning Review & Challenge	Limited	Limited	Minor	-	3	3	-
6.	Adults (AH&C)	Adults Commissioning Governance	Good	Moderate	Moderate	1	6	-	-
7.	Finance & Resources	Debt Recovery	Moderate	Good	Moderate	-	-	4	6
8.	Place & Sustainability	A14 Grant	Grant Certification provided.						
9.	Children's (CEF)	Basic Needs Funding	Grant Certification provided.						
10.	Adults (AH&C)	Disabled Facilities Grant	Grant Certification provided.						
11.	Place & Sustainability	Pothole and Challenge Fund	Grant Certification provided.						

No.	Directorate	Audit Title	Assurance			Actions Agreed			
12.	Place & Sustainability	Local Transport Capital Block Funding	Grant Certification provided.						
13.	Children's (CEF)	Castle School Financial Governance	Moderate	Moderate	N/A	N/A			
14.	Place & Sustainability	Energy Contract	Consultancy report produced.						
15.	Finance & Resources	Case 149 Investigation Report	Investigation report issued.			-	-	-	4
16.	Adults (AH&C)	Case 143 Investigation Report	Investigation report issued.			-	1	8	-
17.	Place & Sustainability	Case 154a Investigation Report	Investigation report issued.			0	0	0	0
18.	Place & Sustainability	Case 154b Investigation Report	Investigation report issued.			0	0	0	0

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

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

**Table 2: Draft Reports**

No	Directorate	Assignment
1.	Finance & Resources	Payroll
2.	Finance & Resources	Establishment Control
3.	Place & Sustainability	Highways Grants Briefing Note
4.	Finance & Resources	Treasury Management
5.	Childrens, Education & Families	Samuel Pepys School Financial Governance Audit
6.	Finance & Resources	Case 151 Investigation Report
7.	Place & Sustainability	Case 150 Investigation Report

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

## 4 *SUMMARIES OF COMPLETED AUDITS WITH LIMITED OR NO ASSURANCE*

### 4.1 MANAGEMENT OF CONSULTANTS

4.1.1 The audit provided moderate assurance over the system for managing consultants. The Consultants Policy provided clear guidance on the correct process of procuring a consultant, and included key controls requiring appropriate justification, approval, documentation, and that engagements should be based on outputs.

4.1.2 The assurance given to compliance with the system was **limited** as there was inconsistent compliance with policy. The control environment has been significantly strengthened since the previous review; there is now an eForm for officers to obtain approval to procure a consultant, and the approved forms are retained by Procurement. The Procurement team are also required to approve all Purchase Orders for consultancy services; this should be a strong control on expenditure, although the audit identified some instances where Purchase Orders had been approved by Procurement despite lacking the appropriate approval from Finance and the relevant Director.

4.1.3 However, there is no central oversight or monitoring in place for consultancy expenditure once approval to incur the expenditure is given. As a result the system relies on procuring managers complying with policy requirements and there are no central processes to detect non-compliance or error with key controls following the appointment of a consultant, such as completion of an IR35 assessment, completion of conflict of interests forms, ensuring that payments are linked to outcomes rather than on a day rate etc.

4.1.3 Internal Audit recommended that the organisation should consider developing a central record for all consultancy procurements and undertaking spot checks to help prevent, detect and correct cases of non-compliance; alongside a range of other recommendations aimed at improving compliance. While some recommendations were accepted by the service, others were rejected on the basis that the Council does not have sufficient resources to implement the suggested actions. This is discussed in more detail at Section 7.

### 4.2 ADULTS DIRECTORATE BUSINESS PLANNING REVIEWS

4.2.1 The Council's Adults Service developed business planning proposals aimed at delivering £10.8 million in savings in 2024/5. An audit of these proposals, with fieldwork undertaken in March/April 2024, revealed that systems and structures for delivery were still at an early stage of development. While a number of savings proposals had dedicated oversight boards, some others lacked clearly defined governance. The Audit identified inconsistencies in the approach to the development of detailed plans, benefit realisation methodologies, and risk



management processes across the various initiatives. Additionally, there was no integrated programme timeline and insufficient resource allocation for centralised governance.

- 4.2.2 Key recommendations included implementing a comprehensive overarching governance system, developing consistent benefit realisation plans, establishing robust risk assessment and management processes, and creating an integrated programme timeline. The audit also suggested clarifying resourcing for central coordination and aligning with the corporate Project Management framework to strengthen the Council's approach to delivering these critical savings proposals.

## 5. INTERNAL AUDIT ACTIVITY

### 5.1 AUDIT PLAN PROGRESS 2024/5

5.1.1 Progress with delivery of the Audit Plan 2024/5 is provided at Annex A to this report.

### 5.2. SCHOOLS AUDITS

5.2.1 Since September, the Internal Audit team has been undertaking a programme of school finance audits. Eight out of ten schools in the sample have now been visited, one of which has had a draft report issued with other reports to follow shortly. A common theme being identified this year is a lack of budget deficit recovery plans being in place, or cash flow forecasting being undertaken, for schools who are in budget deficits.

5.2.2 An overarching thematic schools audit report will be issued after all the schools have been visited, bringing together these findings and any overarching recommendations for the Council, as well as areas of good practice identified through school visits which can be shared more widely.

### 5.3. GRANT AUDITS

5.3.1 There were a number of grants received by the Council for use in 2023/24 which Internal Audit are required to sign off in the current financial year. This work involves reviewing the terms and conditions of each grant and undertaking sample testing to provide assurance that the grant funding has been spent in line with the terms and conditions. Once satisfactorily reviewed and signed off, a declaration is provided to the funding body. In 2024/25 Internal Audit have completed the following grant reviews: the Basic Needs Funding grant; the A14 Diversionary Corridor Grant; the Disabled Facilities Grant; and ongoing assurance on the Supporting Families funding.

5.3.2 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 have completed the Pothole Fund and the Local Transport Capital Block Funding (LTCBF) grant reviews for the CPCA:

5.3.3 Three additional grants were originally scheduled for review and sign-off in 2024/5 based on the grant terms and conditions requiring audit certification: these were

the Biodiversity Net Gain Grant and two separate National Citizen Service Trust Community Experiences grants. In all three cases, in the latter stages of the fieldwork in 2024/25 the funding providers subsequently confirmed that they no longer required Internal Audit sign off; unfortunately by this point a considerable amount of audit time had been expended on the Community Experiences grants.

5.3.4 Our grant review programme also includes a review of the systems and controls in place to help ensure that grant expenditure is only spent on activities allowable under the grant conditions and that there are sufficient records in place to evidence this. Our review of the three highways related grants (the A14 grant, pothole fund and the LTCBF grant) identified there was no clear and consistently complied with timesheet system in place to clearly evidence officer time and associated costs that had been charged to projects funded by the grants.

5.3.5 A recommendation was previously made in 2019 for Highways Services to implement a time recording system, and in 2023/24 Internal Audit noted the same issue while reviewing grants and made a further recommendation to implement such a system. A Highways Grants Briefing Note has been issued to the service to reiterate these findings and recommendations that a system to record time spent needs to be implemented and that all relevant officers must complete timesheets. This is currently at draft and awaiting management responses from the service.

#### 5.4. INTERNAL AUDIT RESOURCE & RECRUITMENT

5.4.1 Following our July report, there has been significant progress in our recruitment efforts. The Senior Auditor position has been filled, with the new member already on board having joined the team in late September. Our incoming Principal Auditor is set to join the team by the end of October. For the Corporate Risk Manager role, an offer has been accepted and the onboarding process is ongoing. These appointments will strengthen our internal audit and risk management capabilities.

#### 5.5. IMPLEMENTATION OF GLOBAL INTERNAL AUDIT STANDARDS

5.5.1 As previously advised, in January 2024 new Global Internal Audit Standards (GIAS) were issued by the Institute for Internal Auditors (IIA), which replace the previous standards in its International Professional Practice Framework.

5.5.2 The authority for determining standards applicable to internal audit in the UK public sector rests with the Relevant Internal Audit Standard Setters (RIASS), who are advised by the UK public sector Internal Audit Standards Advisory Board (IASAB). Since 2012 there has been a common set of standards (the UK Public Sector Internal Audit Standards, or PSIAS) which are based on standards developed by the IIA and other mandatory material in the IIA's International Professional Practice Framework. These include additional requirements and interpretations to support application in the UK public sector.

5.5.3 The IASAB has now considered the content of the GIAS and has determined that it is applicable to the internal audit of UK public sector bodies, subject to some additional requirements and interpretations. The IASAB has developed an Application Note for the UK Public Sector, setting out the interpretations and requirements.

5.5.4 The IASAB is now conducting a consultation on its draft Application Note, with responses to be provided by October 31<sup>st</sup>. Based on previous communications from the IASAB, it is expected that these new standards for the UK public sector will come into force from April 2025.

5.5.5 At the same time, the Chartered Institute of Public Finance and Accountancy (CIPFA) have released a draft Code of Practice for the Governance of Internal Audit in UK Local Government, to reflect the details of applying the GIAS within the internal audit of UK local government bodies. This document is also out for consultation with responses to be provided by 28<sup>th</sup> November 2024.

5.5.6 Cambridgeshire County Council's Internal Audit team have already started the work of reviewing the new GIAS, the draft Application Note and the draft Code of Practice. The team has begun planning the work which will need to be completed to bring our service into compliance with the new standards. The GIAS do introduce a range of new or changed requirements, including:

- Replacement of the old Code of Ethics with a set of principles and standards around Ethics & Professionalism;
- Requirements for a documented Internal Audit Mandate and Internal Audit Strategy;
- New requirements around the relationship between the Internal Audit team and the Board (which at Cambridgeshire County Council means the Audit & Accounts Committee), including how the relationship is documented and some additional requirements regarding the information which is reported to the Board;
- Stricter requirements around external quality assessments;
- Additional requirements around co-ordination with internal and external providers of assurance services.

5.5.7 As such, it is expected that the introduction of this new guidance will require a range of updates to existing Internal Audit processes and documentation at Cambridgeshire. The Internal Audit team will provide a further update on progress and planned developments in this area to the next meeting of the Audit & Accounts Committee.

5.6 ADVICE & GUIDANCE:

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

- Informal review and “critical friend” challenge of planned Committee papers relating to the Council’s Waste PFI;
- Advice on proposals for integrating confirmation of payee software into supplier maintenance procedures;
- Advice and guidance regarding the contents of contingency plans for key Council suppliers.

## 6. **AUDIT FORWARD PLANNING: 2024/25**

6.1 Core audit work is progressing in line with the agreed Audit Plan 2024/25. Progress on work underway is detailed at Annex A to this report.

6.2 At Cambridgeshire County Council, Internal Audit has recognised that the Annual Internal Audit Plan essentially comprises two key elements:

The “Core” Audits: This is the part of the Plan which remains largely unchanged from year-to-year. It comprises key areas of assurance which are reviewed every year, such as Key Financial Systems, grant compliance audits, strategic risk management, and core governance reviews, as well as allowances of time for ongoing areas of work including reporting to the Audit Committee and senior management, and following-up on the implementation of agreed actions from previous audit reviews. However, it must be recognised that completion of these core audits alone would not give sufficient assurance to fully inform the Chief Audit Executive’s annual opinion.

The “Flexible” Audits: This is the part of the Plan which varies significantly from one year to the next, comprising audits of areas which are identified as being high-risk through the Internal Audit risk assessment process. Equally, the broader themes within the flexible audits remain largely consistent; for example, each year it is expected that a significant resource would be directed towards the audit of contracts, although the specific contracts under review varies according to the risk assessment.

6.3 In practice, this means that the ‘core’ element of the Plan is set annually, while the ‘flexible’ element is presented as a series of rolling quarterly Audit Plans, based on current risk assessments. Quarterly risk assessments ensure that the timing of planned audits is always actively informed by an up-to-date assessment of the areas of highest risk, and that the flexible plan is subject to regular challenge and comment by both CLT and the Audit and Accounts Committee.

6.4 In September/October 2024, the Internal Audit team has conducted a full review and refresh of the Internal Audit Plan 2024/25. This has included revising and updating current risk assessments to reflect the changing risk environment, in consultation with members of CLT. It also includes a small reduction in planned audit days, taking into account the current level of resourcing within the Internal Audit team. While there have been some changes in the team which reduce the overall number of days available, at present taking forecasted future resource levels into account there are expected to be sufficient resources in the team to provide adequate coverage of the authority’s control environment.

6.5 Reductions in planned audit days have primarily come from cutting elements of the core plan which are not critical to the annual assurance opinion. Areas where days have been reduced include:

- Grants – the core Audit Plan included a contingency budget for any additional grant audit work identified in year, which has now been removed.
- Risk Assurance Auditing – as the new Corporate Risk Manager will not take up post until late 2024, the budget for risk assurance reviews within the core Audit Plan has been reduced to reflect this.
- Procurement Governance – while a review of Procurement Governance was scheduled for 2024/5 as part of the core Audit Plan, as the previous audit was only completed in March 2024, and taking into account the deferral of the implementation of the Procurement Act until 24<sup>th</sup> February 2025, the review will now be deferred until early 2025/6.
- Capital Projects & Change Programme – these audits have been deferred to the first quarter of 2025/6. This is in recognition of the fact that there are a considerable number of days in the Audit Plan to provide assurance over project management and change (including reviews of a range of revenue projects, and a business planning review) and therefore these reviews can be deferred to ensure time is available to review critical emerging risk areas that have been identified through the risk assessment (see below).

6.5 As well as removing or reducing some audit time in the plan, new audit areas have also been added to reflect the changing risk assessment. In particular, this includes a review of the Council’s response to health and safety incidents and a review of Council-wide compliance with the statutory guidance on the Best Value Duty for local authorities in England which was issued earlier this year.

6.6 The proposed ‘flexible’ Internal Audit Plan for the next four quarters (Q3 2024/5 – Q2 2025/6) is set out below, showing the current risk profiling of Internal Audit reviews over the next year. This reflects the approach outlined above, and reflects new jobs proposed to commence in the period. Ongoing work is not included, as this is reflected in Annex A.

**Table 5: Proposed ‘Flexible’ Internal Audit Plan (Next Four Quarters)**

Audit	Directorate	Category	Days	Why
<b>Proposed Flexible Audit Plan for Q3 24/25:</b>			<b>190</b>	
IT & Digital Strategy & Service Planning	Finance & Resources	Business Continuity	20	Review of service planning within ITDS following the process of decoupling from PCC, with a focus on 'second line of defence' arrangements around cyber and data security, and the front door programme and customer services.

Audit	Directorate	Category	Days	Why
Adult Social Care Complaints	Adults	Safeguarding	20	Review of processes to manage and respond to Adult Social Care Complaints to ensure that these are effective in identifying and responding to complaints effectively.
Response to Information Security Incidents	Strategy & Partnerships	ICT and Information Governance	20	Following up on information security incidents to verify that agreed actions have been implemented to prevent recurrence.
Best Value Guidance	CCC	Value For Money	20	A review of Cambridgeshire County Council against the Best Value Standards & Intervention Guidance published by the Department for Levelling Up, Housing & Communities
Social Care Debt Management	Adults	Value For Money	20	Reviewing Council management of social care debt.
Adult Social Care Finance	Adults	Financial Governance	20	Assurance over the policies and processes in place within the Adults Social Care Finance team, with a particular focus on reviewing invoicing, cost recovery and the link to debt management.
High Cost Placements (Childrens)	Children's	Value For Money	20	Review of high-cost external placements in Children's with a focus on residential and out-of-county placements to provide assurance that placements are made in line with policy and achieve value for money while safeguarding service users.
Projects Assurance (Non-Capital)	Strategy & Partnerships	Project Management & Change	20	Review of a sample of key projects focusing on compliance with the corporate project management framework and the implementation of actions from the 2023/4 review of Project Framework & Projects Assurance.
LDP Pooled Budget Disaggregation (Projects Assurance)	Adults	Project Management & Change	15	Review of the programme to disaggregate the pooled budget with health for the Learning Disability Partnership, to provide assurance over governance and programme management



Audit	Directorate	Category	Days	Why
				especially financial management and business continuity.
Dedicated Schools Grant (DSG) Safety Valve (Projects Assurance)	Children's	Project Management & Change	15	Embedded assurance review of the Council's response to the DSG Safety Valve agreement including a review of progress with implementing planned actions and programme management. This review will follow up on the findings of the previous audit in 2023/24.
<b>Proposed Flexible Audit Plan for Q4 24/25:</b>			<b>140</b>	
Contract Management - Integrated Sexual Health and Contraception Service	Public Health	Procurement & Commissioning	20	Review of this major contract with an estimated annual value of £4.1m
Connecting Cambridgeshire Superfast Broadband	Place & Sustainability	Project Management & Change	20	Review of this key contract with an annual value of £7.5m and the wider governance of the Connecting Cambridgeshire programme.
Business Planning	Strategy & Partnerships	Governance	30	Review of governance, compliance, management and monitoring, and benefits realisation.
Response to Health & Safety Incidents	Place & Sustainability	Safeguarding	20	Review the policies and processes in place to identify, report and respond to health and safety incidents including how management obtains assurance that risks are addressed effectively
Implementation of Ofsted Inspection Action Plan	Children's	Safeguarding	20	Review to provide assurance over the implementation of key actions arising from the Ofsted ILACS review in March 2024, to verify that plans to address key findings are in place and are being actively implemented and monitored.

Audit	Directorate	Category	Days	Why
Care Agency Contract Monitoring	Adults	Safeguarding	30	Review of the arrangements for monitoring care agencies who contract with the Council, with a focus on how the Council monitors agencies for compliance with safeguarding and health and safety requirements, as well as considering supplier resilience and continuity.
<b>Proposed Flexible Audit Plan for Q1 25/26:</b>			<b>205</b>	
High Cost Placements (Adults)	Adults	Value For Money	20	Review of high-cost care packages and Direct Payments in Adults to provide assurance that arrangements are made in line with policy and achieve value for money while safeguarding service users.
Projects Assurance (Capital)	Place & Sustainability	Project Management & Change	40	Review of a sample of key projects focusing on compliance with the corporate project management framework and the implementation of actions from the 2023/4 review of Capital Project Governance.
Social and Education Transport Services	Children's	Procurement & Commissioning	20	Review of the Council's social and education transport services covering how services are planned and commissioned and the monitoring frameworks in place to ensure that suppliers deliver in line with the Council's requirements.
Change Programme	Strategy & Partnerships	Project Management & Change	20	Review of the implementation of new change governance structures both centrally and throughout the Council's directorates.
Greater Cambridge Partnership Arrangements	CCC	Governance	20	Review of Cambridgeshire County Council's relationship with the Greater Cambridge Partnership, with a focus on both governance and provision of professional and administrative support.
Early Years Entitlements Funding	Children's	Value For Money	20	To provide assurance that robust and efficient processes are in place to ensure payments to Early Years providers are timely

Audit	Directorate	Category	Days	Why
				and accurate and there are appropriate controls in place to reduce the risk of fraud.
Minimum Revenue Provision	Finance & Resources	Financial Governance	20	Review of the calculation of the Council's Minimum Revenue Provision (MRP) to provide assurance that this is in line with statutory guidance. N.B. if an external MRP review is commissioned then this will be removed from the Audit Plan
ICT disaster recovery	Finance & Resources	ICT and Information Governance	20	Review of ICT disaster recovery planning and testing.
Integrated Care System Arrangements	CCC	Governance	25	Review of the Council's relationship with the Integrated Care System including the Integrated Care Board and Partnership, considering the effectiveness of governance arrangements in place.
<b>Proposed Flexible Audit Plan for Q2 25/26:</b>			<b>140</b>	
Contract Price Variations	Finance & Resources	Procurement & Commissioning	20	Sample testing for compliance with the Council's guidelines for agreeing price variations in contracts, to provide assurance that cost increases are controlled appropriately
Governance of Lead Authorities Arrangements	Finance & Resources	Governance	20	Review of the governance arrangements to manage the Lead Authorities arrangements including ERP.
Modern Day Slavery Act	CCC	Governance	20	Review of the Council's compliance with its obligations to tackle modern day slavery.
Fleet Management	Place & Sustainability	Value For Money	20	Review of the Council's fleet management processes to consider assurance over compliance with key health and safety controls, how value for money is achieved and how climate change considerations are being addressed.

Audit	Directorate	Category	Days	Why
Contract Management Policies & Compliance	Finance & Resources	Procurement & Commissioning	20	This would review contract management guidance and training available to managers in the organisation, and implementation of contract management processes.
Prevent Duty	CCC	Governance	20	Review of the Council's compliance with its obligations to deliver the Prevent duty within the Counter-Terrorism and Security Act 2015 (CTSA 2015).
Emergency Planning	Strategy & Partnerships	Business Continuity	20	Review to provide assurance over the Council's emergency planning and incident response arrangements.

- 6.7 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.

## 7. FOLLOW UP OF AGREED AUDIT ACTIONS

### 7.1 OVERVIEW OF FOLLOW UPS

7.1.1 The outstanding management actions from Internal Audit reports as at 30<sup>th</sup> September 2024 are summarised in table 7 below. This includes a comparison with the percentage implementation from the previous report (bracketed figures).

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

**Table 7: Implementation of Recommendations**

	Category 'Essential' recommendations		Category 'High' recommendations		Category 'Medium' recommendations		Total	
	Number	% of total	Number	% of total	Number	% of total	Number	% of total
<b>Implemented</b>	2 (2)	0.94% (1.09%)	28 (27)	13.15% (13.50%)	104 (96)	48.83% (48.00%)	134 (125)	62.91% (59.52%)
<b>Actions due within last 3 months, but not implemented</b>	1 (3)	0.47% (1.50%)	2 (12)	0.94% (6.00%)	11 (23)	5.16% (11.50%)	14 (38)	6.57% (19.00%)
<b>Actions due over 3 months ago, but not implemented</b>	2 (0)	0.94% (0.00%)	13 (2)	6.10% (1.00%)	32 (24)	15.02% (12.00%)	47 (26)	22.07% (13.00%)
<b>Actions due over 12 months ago, but not implemented</b>	0 (0)	0.00% (0.00%)	3 (3)	1.41% (1.50%)	15 (8)	7.04% (4.00%)	18 (11)	8.45% (5.50%)
<b>Totals</b>	<b>5</b>		<b>46</b>		<b>162</b>		<b>213</b>	

7.1.4 There are currently 79 management actions outstanding, compared to 75 in the last reporting period. Further detail on outstanding actions is provided at Annex B.

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

**Table 8: Overdue Actions By Directorate**

Directorate		Outstanding recommendations
Children's		26
Adults, Health and Commissioning		1
Place and Sustainability		16
Finance and Resources Directorate	<i>Key Financial Systems</i>	4
	<i>Other</i>	15
Strategy and Partnerships		17

## 7.2 KEY UPDATES

### *Overdue 'Essential' Recommendations:*

- 7.2.1 There are three 'essential' recommendations that are overdue. The first of these is from the DSG Safety Valve Review and relates to the implementation of SMART targets, prioritisation of actions, and reporting against targets and expected benefits to demonstrate how planned actions will achieve expected outcomes. The service has confirmed that a data reporting action plan has been developed and is being monitored weekly by a task and finish group and progress reported to the Service Director of Education on a weekly basis. An Inclusion Transformation Programme plan is currently being developed and will include KPIs and targets.
- 7.2.2 The second overdue essential recommendation is from the Schools Capital Programme audit and relates to ensuring that the Design and Build Framework is signed by an appropriate representative of the council and each of the building firms appointed to the framework. The service has confirmed that all contractors have now signed the framework contract with the exception of two. One of these contractors currently has no work awarded and the service has confirmed they have written to the contractor to confirm they will not be awarded any call off contracts and are no longer considered part of the framework as they have not signed the framework contract. The service has confirmed that the other contractor is complying with the most high-risk controls referred to in the audit all for all works ongoing and that the contractor is expected to sign the contract by the end of October. The responsible officer has reported this issue to the Head of Procurement, the Executive Director of Children's and Education Services and has reported the breach under the new process within the contract procedure rules.
- 7.2.3 The third essential recommendation is from the Interims and Agency Workers audit and became overdue at the end of July. It relates to ensuring there is a shareholder agreement, shareholder board, and overarching corporate contract to govern the council's relationship with OPUS People Services. The Service has confirmed that

work is underway to ensure that a signed deed of variation is in place and that discussions will take place with OPUS People Services to implement an SLA and KPI's. The Service has reported that the establishment of an organisation wide shareholder board is broader than the specific recommendation relating to arrangements over OPUS People Services and that discussions will be held with the Corporate Leadership Team to establish the best way of implementing this.

*Recommendations due over 12 months:*

- 7.2.5 There are 18 recommendations currently overdue by 12 months or more. Three of these are “high” level recommendations, with two of these from the Transparency Code audit. These relate to the introduction of an Information Management Strategy and identifying the key Officers responsible for ensuring that the Transparency Code data is published in line with requirements. There are also three further “medium” recommendations from the Transparency Code and Freedom of Information audits which became overdue in June and July. These actions are all dependent on the approval of draft policies by the new Information Management Board (IMB) which has now held its first meeting. The latest update from the service indicated they expect the Transparency Code/ Freedom of Information recommendations to be implemented by the end of October.
- 7.2.7 The third “high” level recommendation over 12 months overdue is from the Government Procurement Card (GPC) audit and relates to the development of GPC guidance for schools. The Service has reported that draft guidance has now been produced and needs to be reviewed and approved before going live.
- 7.2.3 Of the remaining 15 recommendations, 7 became overdue by 12 months in September 2024. Four of these relate to the In-House Fostering audit. Three recommendations from the Government Procurement card audit became overdue by 12 months in June 2024. See Annex B for full details.

7.3 ACTIONS CLOSED AS UNIMPLEMENTED:

*Accounts Payable Audit:*

- 7.3.1 One recommendation from the Accounts Payable 2022/23 audit review has been closed as unimplemented. The recommendation was concerned with amending the process for manual spreadsheet uploads to ensure that only budget holders can approve payments contained in manual uploads; that they can only approve upload payments against their own budget; and that they cannot approve individual payments in excess of their agreed limit in line with each Council's scheme of financial management.
- 7.3.2 The Accounts Payable Service has held detailed technical discussions with Business Systems colleagues, which have determined it is not possible for spreadsheets to be approved as recommended. A manual upload spreadsheet has

to be approved in its entirety, so all individual payments on the spreadsheet are approved at the same time. This means that where individual payments in the spreadsheet relate to different cost centres and budget holders (as may be the case for example with Adults Social Care payments) they cannot be sent to all relevant budget holders for approval. The Head of Finance Operations has written to the S151 Officers at each of the four Councils that use the Accounts Payable shared service to confirm whether they will accept the risk associated with not being able to implement this recommendation. All S151 Officers have confirmed they accept the risk and so this recommendation has now been closed.

#### *Management of Consultants Audit:*

7.4.3 When Internal Audit issued the draft version of the Management of Consultants audit report, the Head of Procurement and Commercial Services notified us that three of the ten recommendations made in the report that the Procurement Service would not be implemented as the Procurement Service did not have the resources to undertake the additional work related to the recommendations. These recommendations were made to implement controls designed to enforce compliance and mitigate the risk that value for money is not achieved. The recommendations the service confirmed would not be implemented are noted below:

- Recommendation 1: *“A central database or record should be developed to include all consultant contracts within the Council. In addition, a process of quality assurance and compliance checking should be introduced to identify potential non-compliance with the policy and Contract Procedure Rules in a timely manner.”*

This recommendation was made to mitigate the risk that, without a central record of consultant contracts, effective monitoring of compliance and performance/identifying and addressing non-compliance cannot be undertaken.

The Head of Procurement and Commercial Services has confirmed that the Procurement and Commercial Team do not have the resources to either develop the database, to undertake the recommended spot checks. On that basis, the recommendation was not accepted without alternative resources to undertake the work.

- Recommendation 2: *“Reporting on consultant expenditure should be further developed to include:*
  - a. the total cost and number of consultants engaged in each directorate*
  - b. the total cost and number of consultants procured in each service area;*
  - c. the twenty consultant contracts with the highest cost*
  - d. details of any consultant contract that has been subject to extensions beyond the initial scope or time period*



*e. details of any consultant contract that has exceeded the original expenditure amount approved.”*

This recommendation was made to mitigate the risk that consultant engagements are not being appropriately reviewed and scrutinised by directors leading to an increased the risk that value for money may not be obtained. The Head of Procurement & Commercial Services confirmed points d) and e) of recommendation 2 could not be implemented as the information for these bullet points is not available centrally.

- Recommendation 5: *“The policy should be amended to require any consultancy Purchase Order to have a valid e-form (approval form) reference number quoted. This will allow Procurement officers to easily check Finance and Director approval is in place before approving the Purchase Order on ERP. Procurement should complete a monthly reconciliation of all approved Purchase Orders and the request for consultancy e-form database. Any cases where a Purchase Order has been approved without a valid request form in place should be reported to the Head of Procurement and Commercial.”*

The purpose of this recommendation was to ensure that Procurement colleagues are able to verify that an approved eForm is in place for the purchase prior to approving consultancy Purchase Orders as this is a key control on expenditure. The Head of Procurement and Commercial Services rejected this recommendation as the associated audit finding related to two cases where this had occurred. Instead of implementing the recommendation, the Head of Procurement and Commercial Services has confirmed she has advised her team of the importance of checking the e form approval.

- Recommendation 10: *“The policy should be amended to include a clearly defined upper limit for the length of consultancy contracts. Any contracts that are expected to exceed this limit should be reviewed and a new separate approval request should be submitted before the end of the period. Any such cases should be formally monitored on a monthly basis and reported to CLT.”*

The Head of Procurement and Commercial Services accepted the recommendation with the exception of the reporting aspect as ‘it is not the role of the Procurement and Commercial Team to provide the monitoring.’

7.4.4 In line with Internal Audit procedure where a service indicates that they do not accept recommended actions, the full report detailing these recommendations and comments from the Head of Procurement and Commercial Services was provided to the S151 Officer who has reviewed this report and confirmed that he accepts the risk of not implementing these aspects of the recommendations. The remaining actions from the report have been accepted by the service.

## 8.0 RISK MANAGEMENT

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

## 9 FRAUD AND CORRUPTION UPDATE

### 9.1 WHISTLEBLOWING & FRAUD INVESTIGATIONS 2024/25

9.1.1 The current Internal Audit caseload of investigations is summarised below in Table 7. As at the 30<sup>th</sup> September 2024, Internal Audit has received 15 whistleblowing referrals in the 2024/25 financial year, similar to the number of referrals received by the same point in 2023/24 (14 cases). There are 3 open cases which have been carried forward from 2023/24.

**Table 9. Current Internal Audit Whistleblowing & Investigations Caseload**

<b>Open Cases From 2023/24 Carried Forward</b>		<b>Open</b>	<b>Closed</b>	<b>Total</b>
Fraud and Theft	Council Officer Fraud	1	0	1
	Direct Payments	1	0	1
Governance	Internal Governance Issue	1	0	1
<b>Total</b>		<b>3</b>	<b>0</b>	<b>3</b>
<b>All Cases Reported in 2024/25 To Date</b>		<b>Open</b>	<b>Closed</b>	<b>Total</b>
Fraud and Theft	Council Officer Fraud	1	1	2
	Third Party Fraud	2	2	4
	Theft	1	0	1
	Money Laundering	0	1	1
Grievance/Bullying	Conduct/Grievance	1	1	2
Governance	Internal Governance Issue	1	2	3
Safeguarding and Health & Safety	Safeguarding	0	1	1
	External issues	Not related to CCC	0	1
<b>Total</b>		<b>6</b>	<b>9</b>	<b>15</b>

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

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

- **Internal Governance (2 open cases)** – Internal Audit are currently investigating two cases relating to internal governance concerns. Internal Audit have initiated audit reviews of both situations, and a draft report has been issued in relation to one.
- **Council Officer Fraud (2 open cases)** – Internal Audit is currently investigating two cases of alleged fraud involving people working for CCC, in conjunction with HR colleagues. Briefing notes are to be issued in relation to these cases.
- **Third Party Fraud (2 open cases)** – Internal Audit is currently investigating two cases of alleged fraud involving the Council by members of the public. These cases are being investigated by Internal Audit, including reviews of the control environment where appropriate.
- **Conduct/Grievance (1 open case)** – Internal Audit is currently investigating one case relating to employee conduct, in conjunction with HR colleagues.
- **Theft (1 open case)** – Internal Audit is currently undertaking one investigation in relation to concerns of theft. A draft report has been issued in relation to this case recommending improvements to the control environment.
- **Direct Payments (1 open case)** – Internal Audit has investigated one case of Direct Payments fraud, reviewed the procedures for addressing such situations, and will be releasing a report appraising the control environment.

## 9.2 WHISTLEBLOWING CASES CLOSED

9.2.1 The following cases have been closed by Internal Audit since the last reporting date. Summaries of the reasons for closure are outlined below.

### 9.2.2 CASE 138 ATTEMPTED BLACKMAIL INVESTIGATION

Internal Audit received a report of an alleged attempt to blackmail the Council with the threat that confidential information would be compromised otherwise. This was reported to the police, and CCC Information Governance lead on managing the internal response. The Council has now had confirmation that the confidential information being leveraged has been deleted.

### 9.2.3 CASE 141 SAFEGUARDING REFERRAL

A report from a member of the public about children working at a property was referred to the Child Employment Team, who followed this up. The outcome of this case was that a work permit application was made, and a work permit issued in June.

### 9.2.4 CASE 143 DIRECT PAYMENTS INVESTIGATION REPORT

Concerns were raised by social care colleagues in relation to misuse of a Direct Payment, where the account had been emptied of contingency funds and money had been spent on things that were not part of the Care Plan, despite advice from the Council. Internal Audit therefore worked with colleagues to conduct a review of the case and usage of the payment, and issued an investigation report which made 9 recommendations.

The agreed actions covered specific changes to be made to this individual direct payment, including recovering misspent funds, and moving the Direct Payment to an arranged provision to prevent further misuse; but also included wider recommendations to improve the Council's control environment across all direct payments. This included making amendments to the arrangements for payment of contingency funds, and implementing more robust monitoring procedures in conjunction with Direct Payment Support Services. A full audit of Direct Payments has also been initiated by the Internal Audit team and this review has been scoped to take into account some of the findings from this investigation.

### 9.2.5 CASE 149 ATTEMPTED BANK MANDATE FRAUD INVESTIGATION REPORT

This case focussed on the attempt by an unknown individual to commit a bank mandate fraud against the Council. The fraud attempt was unsuccessful, and no money was paid out from the Council's bank account. The Accounts Payable Service and Supplier Maintenance Team undertook an initial investigation and identified some improvements to the system to further mitigate the risk of potential future bank mandate fraud. Internal Audit then reviewed the service's investigation and proposals for control improvements. Our review identified that the service's proposals were appropriate but made 4 additional advisory recommendations to strengthen the control improvements identified. These recommendations focused on greater clarity in documented procedures, and improving the communication of some aspects of procedures across the Council.

### 9.2.6 CASE 154a AND 154b INVESTIGATION REPORTS

The Head of Internal Audit & Risk Management was asked by HR colleagues to act as the Investigating Manager for a case arising under the Council's Disciplinary Procedure, in relation to employee conduct. Subsequently during the course of the

investigation, it became apparent that two separate investigations were required. Both matters have been investigated and reports produced.

#### 9.2.7 CASE 159 INVESTIGATION

Concerns were raised with Internal Audit which prompted the opening of an investigation with the case number 159. Subsequently, following receipt of further allegations, it has been identified that two separate open cases relate to the same matter. Case 159 has therefore been marked as closed to allow all the relevant allegations to be considered in one investigation.

#### 9.2.8 CASE 160 ALLEGED PERJURY

A member of the public made an allegation that a Council employee lied under oath as part of court proceedings. The whistleblower was unable to provide details of what lies were allegedly made and when, despite repeated follow up by the Internal Audit team. As such this case has been closed, due to there being insufficient information to investigate.

#### 9.2.9 CASE 164 DUAL WORKER FRAUD

Internal Audit received an anonymous allegation via another Council's Fraud team that a full-time agency worker under contract with the other council was committing dual worker fraud (i.e. working two full-time jobs simultaneously). Internal Audit ascertained in liaison with HR that the person mentioned is not listed in ERP as a CCC employee, and our agency worker provider has confirmed that the person mentioned has never worked for Cambridgeshire or Peterborough as part of their agency contract with CCC. This case has therefore been closed.

### 9.3 NATIONAL FRAUD INITIATIVE (NFI)

9.3.1 The NFI is a statutory exercise led by the Cabinet Office, which compares different data sets provided nationally by local authorities and partner organisations, for the purpose of detecting and preventing fraud. The NFI works on a two-yearly cycle, and data matches which indicate a possibility of fraud in Cambridgeshire are returned to the Local Authority for investigation.

9.3.2 A new NFI exercise has commenced data collection in October 2024, with data owners having until the 25th October to upload data submissions to the national online portal. At Cambridgeshire County Council, the Internal Audit team work to co-ordinate data owners across the Council, to ensure that all required data sets are submitted by owners on time to the NFI exercise. Of these submissions, three datasets are outstanding and yet to be uploaded - Internal Audit is in touch with these data owners to ensure that the deadline is met. Adult Social Care datasets are not being collected in the first round of data matching this year, and the NFI

anticipate that Adult social Care datasets will be collected and matched as part of a later supplementary exercise.

9.3.3 Matches will be released from the first round of data matching from the 20th December 2024.

## 10 *KEY FINANCIAL SYSTEMS UPDATE*

### 10.1 2023/24 KEY FINANCIAL SYSTEMS AUDITS

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

10.1.2 The Pensions, Debt Recovery and Payroll audits have now been completed. Final Pensions and Debt Recovery reports have been issued, and a draft Payroll report has been issued to the clients. None of the reports contains any essential rated recommendations.

10.1.3 The final Pension opinions are good for the system design and compliance with key controls. The main control issue identified from this review was the need to enhance controls in relation to bank account verification for other pensions schemes and bank account changes for pensioners.

10.1.4 The Debt Recovery audit final report gives a moderate assurance opinion for the system design and good for compliance. Recommendations included a targeted review of aged debts and updating documented procedures to reflect current practice and to include clear criteria on the use of external recovery agencies.

10.1.5 The current assurance opinions in the Payroll audit are moderate for the system design and compliance with key controls, which is equivalent to the assurance given in the 2022/23 audit. The review did not identify any fundamental control issues in relation to the starter and leaver processes, or the overall payment file process. System improvements recommended are focussed on the implementation of wider procedures documents and enhanced quality assurance checklists. Some issues were identified with the effectiveness on control account reconciliations, although overall the balance of aged unreconciled items has improved from previous years.

10.1.6 The Heads of Internal Audit at West Northamptonshire and North Northamptonshire have confirmed that the Income Processing and Accounts

Payable 2023/24 audits have now been completed with the audit assurance opinions being good for system and compliance on both audits.

## 10.2 2024/25 KEY FINANCIAL SYSTEMS AUDITS

- 10.2.1 The approach and scope for the 2024/5 audits of key financial systems via the Lead Authority model is currently being developed in collaboration with the Heads of Internal Audit from the other authorities. A paper on this is expected to be taken to the Lead Authority Board for approval on the 23<sup>rd</sup> October and further updates will be brought to the Committee in due course.