

# Internal Audit & Risk Management

Cambridgeshire County Council

*Update report*

*As at 30<sup>th</sup> June 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 quarter 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 **March 2024**, the following audit assignments have reached completion, as set out below in Table 1.

**Table 1: Finalised Assignments**

No.	Directorate	Assignment	Systems Assurance	Compliance Assurance	Organisational impact	Audit Actions Agreed			
						Essential	High	Medium	Advisory
1.	Finance & Resources	Asset Valuations for Statement of Accounts	Limited	N/A	Moderate	0	0	1	0
2.	Finance & Resources	Grants to Voluntary Organisations Policy & Compliance	Good	Good	Minor	0	0	2	2
3.	Finance & Resources	Electronic Records Management	Limited	Limited	Minor	0	1	3	0
4.	Finance & Resources	Procurement Compliance	N/A	Moderate	Minor	0	0	1	0
5	Strategy & Partnerships	Business Continuity Planning	Good	Moderate	Minor	0	0	4	1
6.	Strategy & Partnerships	Project Management Framework and Project Assurance	Moderate	Limited	Moderate	1	0	7	1

No.	Directorate	Assignment	Systems Assurance	Compliance Assurance	Organisational impact	Audit Actions Agreed			
						Essential	High	Medium	Advisory
7.	Adults, Health & Commissioning	LD Supplier Resilience Reviews	Limited	Limited	Moderate	1	3	3	0
8.	CCC-wide	OPUS People Services & Interims	Moderate	Limited	Moderate	1	0	7	1
9.	Children, Education & Families	Dedicated Schools Grant Safety Valve	Limited	Limited	Major	2	2	9	1
10.	Children, Education & Families	Schools Capital Programme	Limited	Moderate	Moderate	1	6	5	2
11.	Children, Education & Families	Desktop Schools Deficit Recovery Plans Review	Limited	Limited	Minor	0	2	1	0
12.	Place & Sustainability	Traffic Signals Grant	Grant certification provided						

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**

<b>No</b>	<b>Directorate</b>	<b>Assignment</b>
1.	Children, Education & Families	Multi Agency Safeguarding Hub (MASH)
2.	CCC-wide	Waivers & Direct Awards Compliance
3.	CCC-wide	Management of Consultants
4.	Children, Education & Families	Castle School
5.	Place & Sustainability	Energy Contract
6.	Finance & Resources	Adults Directorate Business Planning Review & Challenge
7.	Finance & Resources	Payroll
8.	Finance & Resources	Pensions Administration
9.	Finance & Resources	Case 149 Investigation Report
10.	Finance & Resources	Case 151 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 ASSET VALUATIONS FOR STATEMENT OF ACCOUNTS

4.1.1 This Internal Audit review sought to provide assurance over the process for annually valuing property assets, ensuring accuracy, and feeding those valuations through into the Statement of Accounts. The audit identified a lack of clear policies and procedures surrounding this process and particularly regarding the relative responsibilities of the finance and property teams in managing the process and the third-party valuer, meaning that a full audit review of the process could not be completed.

4.1.2 The audit recommended a codified set of policies and procedures for the asset valuations process, to be agreed between the service areas involved. The implementation of this recommendation will allow a more in-depth audit of the process, based on established procedures, to take place.

### 4.2 PROJECT MANAGEMENT FRAMEWORK & PROJECT ASSURANCE

4.2.1 Maintaining a robust programme & project management framework and governance/assurance process is critical for local authorities to ensure that change is managed effectively, in order to deliver planned improvements, realise agreed benefits and minimise risk.

4.2.2 At Cambridgeshire County Council, considerable progress has been made with developing a proposed new Corporate Project Management Framework (CPMF), gateway review process and governance structures such as the new Change Board process in a comparatively short period of time. Equally, as many of the proposals were in draft or the earliest phases of implementation at the time of the audit fieldwork, Internal Audit could only provide moderate assurance regarding the system of control in place and limited assurance over compliance with controls.

4.2.3 As a result of the audit, a number of key actions were agreed to further strengthen the new framework and gateway review process, including the introduction of a defined change control process; greater focus on options appraisal and benefits realisation; identifying key controls within the gateway review process; and developing the use of the project sizing tool to inform prioritisation of project management resources. Internal Audit will follow up on the implementation of the new CPMF and the key agreed actions later in 2024/5, through a series of reviews of individual projects.

### 4.3 ELECTRONIC RECORDS MANAGEMENT



- 4.3.1 This audit review sought to assess the extent to which controls are in place to manage the lifecycle of the Council's electronic records. The audit gave limited assurance over the controls in place and compliance with controls, due to the limited policies and procedures surrounding the management of electronic records and the need to improve the Council's approach to assigning oversight and ownership of information and to improve staff awareness and understanding of how to use existing processes such as the Information Asset Register and Retention Schedule. The audit also noted that the Council could make greater use of automated archival, deletion and retention period tracking tools within its IT suite.
- 4.3.2 Four recommendations were agreed to address the findings of the audit, in particular including a review of the policy suite to ensure there is comprehensive guidance encompassing relevant aspects of the data lifecycle and establish appropriate requirements for the creation, retention and removal of data; and developing 'smart' automated technical data retention controls (with an exceptions process) to support effective and timely electronic records and data management across the Council.

#### 4.3 LD SUPPLIER RESILIENCE REVIEW

- 4.3.1 Cambridgeshire County Council relies on a network of suppliers to deliver essential Learning Disability (LD) services to service users. An audit was conducted to review the Council's processes for managing these supplier relationships and mitigating potential service disruptions. The review resulted in a limited assurance over the control environment and a limited opinion on compliance with controls, as the audit highlighted gaps in the Council's process for risk assessment and contract management of LD suppliers. The audit noted some inconsistencies in contract documentation and monitoring, as well as absence of a formalised business continuity plan specific to the LD supplier portfolio.
- 4.3.2 Audit recommended several enhancements, these include implementing more robust due diligence checks, establishing clearly defined Key Performance Indicators (KPIs), and developing structured mechanisms for monitoring supplier performance. Additionally, developing a documented process for ongoing supplier risk assessments, refining contract documentation, and developing a business continuity plan specifically focused on the LD supplier portfolio would strengthen the Council's risk management approach.

#### 4.4 OPUS PEOPLE SERVICES & INTERIMS

- 4.4.1 Opus People Solutions (OPUS) is a recruitment company, part owned by Cambridgeshire County Council. The council uses OPUS to source interims and agency workers.

- 4.4.2 The audit sought to provide assurance over controls in place to govern interim and agency staff expenditure, including controls to ensure interim and agency staff expenditure is legitimate; appropriately approved; and compliant with the Interims and Agency Policy and Contract Procedure Rules. The client-side element of this review sought to provide assurance that governance arrangements in place to ensure the Council receives an effective value for money service from OPUS.
- 4.4.3 The assurance given to system design was moderate, noting that there is an Agency Worker & Interims Policy in place which establishes clear controls around approval of interims/agency staff and maximum engagement periods etc. It was recommended that the system could be further strengthened by introducing systems for centralised oversight to improve the identification of non-compliance. Additionally, the control environment opinion was reduced by the lack of clarity around governance arrangements and service level agreements in place with Opus, and a key recommendation is for officers to clarify these arrangements.
- 4.4.4 The compliance assurance opinion was limited, as audit testing identified some non-compliance in key areas. The agreed action to implement a centralised database and oversight process to record and monitor all agency worker and interim arrangements should support the Council in improving compliance levels.

#### 4.5 DEDICATED SCHOOLS GRANT SAFETY VALVE

- 4.5.1 In March 2023, Cambridgeshire County Council entered into a 'Safety Valve' agreement with the Department for Education. This agreement ensured that the Council would receive an additional £49m of Dedicated Schools Grant budget support over several years, in return for CCC providing assurance that strengthened processes have been implemented in line with the agreement, and demonstrating a return to a positive in-year balance on its Dedicated Schools Grant account by the end of 2026/7. Given the long-term nature of the agreement and the high value of the funding, it is important that the Council maintains adequate governance arrangements to monitor and manage the implementation of required actions to deliver the Safety Valve Agreement.
- 4.5.2 Based on the audit's finding at the time of fieldwork, the report provides limited assurance that the Council's Safety Valve programme will be able to deliver actions to ensure that the Council meets the conditions of the Safety Valve agreement. This is due to a number of issues which have hindered the ability of officers to develop an effective action plan to deliver required outcomes. Most significantly, the audit identified issues with data quality that inhibited forecasting and financial modelling. Consequently, the action plan relating to the project was lacking defined SMART targets or expected benefits for each action, and the project was not able to demonstrate that completion of the Action Plan would result in the achievement of objectives. Risks identified had not been assigned mitigation actions, and reporting on project progress overlooked the impact of these issues on project progress. Staffing capacity is also a concern for the programme.

4.5.3 Internal Audit made a number of recommendations to address the issues surrounding data accuracy, improved action planning and risk management, and to increase the level of assurance that our reporting to the Department for Education provides over strengthened administration of Dedicated Schools Grant funds. It has also been agreed that an evaluation will be conducted of the Safety Valve programme's staffing resource requirements.

#### 4.6 SCHOOLS CAPITAL PROGRAMME

4.6.1 Cambridgeshire County Council has a portfolio of schools capital projects which are delivered through the Council's 'Design and Build' framework contract. The audit of the governance and contract management arrangements in place for the Schools Capital Programme (SCP) gave limited assurance over the system and governance arrangements in place, and moderate assurance over compliance. Overall there was a lack of evidence of centralised contract management, quality assurance and compliance checking by the Council to verify that projects were delivered in line with expectations and that poor performance would be identified and addressed.

4.6.2 A number of recommendations were agreed in response to the findings of the audit, in particular the need to ensure that the Design and Build Framework contract has been signed by all contractors and to implement the use of Key Performance Indicators within future call-off contracts. It was also agreed that the Education Capital Team will implement a formal documented framework for contract management including monitoring against KPIs and spot checks for some key controls, as well as a clear escalation process for any under-performance by contractors.

#### 4.7 DESKTOP DEFICIT RECOVERY PLANS REVIEW

4.7.1 This light-touch 'desktop' audit review of schools' Deficit Recovery Plans (DRPs) provided limited assurance over the procedures in place around enacting DRPs in line with set timescales and monitoring them, as well as limited assurance over compliance with DRP requirements set out in the Council's Scheme for Financing Schools.

4.7.2 The audit found that schools were not clear on their responsibilities in a deficit situation, such as how to enact a DRP showing how a balanced budget will be reached within three years. The majority of DRPs reviewed were submitted to the Council without SMART targets or clear actions outlining how the school is proposing to address its deficit. Schools were not sure where to seek support in completing DRPs, and DRPs submitted without sufficient information were not sent back as incomplete.

4.7.3 The audit made three recommendations to address this issue, including expanding and clarifying guidance on responsibilities in deficit situations for both school staff and the School Finance Team. The audit recognised that staffing pressures exacerbate the issue, and also recommended a risk-based review of how best to allocate existing staffing resources in order to respond to identified risks.

## 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 & SCHOOLS CAUSING CONCERN

5.2.1 As part of our work to provide assurance over key risks relating to the governance of maintained schools, Internal Audit has started attending the Schools Causing Concern (SCC) meetings undertaken between various Council teams involved in working with schools, such as Schools Finance and the School Improvement Service.

5.2.2 SCC meetings occur termly, and attendance at the meeting by an Internal Audit representative allows audit input into discussions around identifying or mitigating risks, or improving controls from an audit perspective, as well as giving Internal Audit a greater insight into the pressures and risks facing Cambridgeshire schools, which is helpful to inform our programme of schools audits.

5.2.3 Internal Audit is currently in the planning phase for our set of 2024/25 school finance audits, with schools visits planned to take place in the Autumn Term. The findings from the June SCC meeting have informed the sample of schools selected for audit this year.

### 5.3. GRANT AUDITS

5.3.1 There has been a significant increase in the number of grants requiring Internal Audit review in 2024/25. Last year there were six grants that required Internal Audit sign-off, but this has increased to twelve in 2024/25. This is in part due to new grants being awarded to the Council, and in some cases the terms and conditions of existing funding being amended to require Internal Audit review.

5.3.2 Whilst grant reviews are smaller pieces of work compared to the majority of audits, some can be complex, particularly where the grant has not been subject to a prior audit and officers may not be aware of audit evidence requirements. Most grant audits have a deadline for sign-off in the early autumn, meaning that a significant proportion of audit team time will be spent focusing on grant audit work between July and September.

### 5.4. STAFFING, RESOURCE & RECRUITMENT

5.4.1 Internal audit has also made progress in its recruitment campaigns. Three critical positions have been advertised: Principal Auditor, Senior Auditor and Corporate Risk Manager. Applications for these roles have been received and the team is set to conduct interviews throughout July. A further update will be brought in the next Audit Progress Report.

## 5.5 ADVICE & GUIDANCE:

5.5.1 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:

- Feedback on proposals regarding the establishment of a Shareholder Committee for Council-owned companies;
- Internal Audit team members have supported colleagues in Information Governance with testing and providing feedback on proposed new corporate training on data protection and Freedom of Information requests;
- Providing advice on whistleblowing arrangements linked to the update of Children's Social Care online procedures;
- Providing advice to the Governance and Performance Team on their initial plans for an ongoing review of a sample of Key Performance Indicators.
- Internal Audit has input into several Freedom of Information Act requests received by the Council which related to or linked to the work of the team.

**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 The proposed ‘flexible’ Internal Audit Plan for the next four quarters (Q2 2024/5 – Q1 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)**

Current Proposed Flexible Internal Audit Plan for Q2 24/25:			190	
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.
Business Planning	Strategy & Partnerships	Governance	30	Review of governance, compliance, management and monitoring, and benefits realisation. This will focus on a retrospective review of the 2023/4 Business Planning process, to inform the 2024/5 process.
Light Blue Fibre Ltd	Place & Sustainability	Governance	20	Review of this wholly-owned Council company with a focus on confirming appropriate governance arrangements in place, in line with Local Partnerships Guidance.
Investment Properties	Finance & Resources	Value For Money	20	The Council holds a number of investment properties. This would review management of investments, income streams etc. Reputational risk area.
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.
Direct Payments	Adults	Value For Money	20	Review of direct payments policies and procedures and compliance with procedures in practice, to provide assurance that direct payments are managed in a way that safeguards public funds and ensures that they achieve best value.
Quality Assurance in Adult Social Care	Adults	Safeguarding	20	Review of quality assurance arrangements in Adults; effective quality assurance is key to ensuring that key safeguarding risks are mitigated through appropriate monitoring of practice.
IT Security for Employees Working Overseas	Finance & Resources	ICT and Information Governance	20	Review of policies regarding IT security for employees working overseas and assurance over compliance with policies in practice.
Capital Budgetary Control	Finance & Resources	Financial Governance	20	Review of budgetary control for capital budgets with a focus on processes for budget forecasting and virements, and how these link to project management processes.

**Current Proposed Flexible Internal Audit Plan for Q3 24/25:**

**170**



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.
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.
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 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>Current Proposed Flexible Internal Audit Plan for Q4 24/25:</b>			<b>170</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
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.
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.
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.
Adult Social Care Complaints	Adults	Safeguarding	20	Review of the Adults Social Care Complaints process to provide assurance that the process is effective, clearly-communicated and used effectively to improve systems and processes.
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.
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>Current Proposed Flexible Internal Audit Plan for Q1 25/26:</b>			<b>145</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.
ICT Asset Inventory	Finance & Resources	ICT and Information Governance	20	Review of how physical ICT assets are inventoried and managed throughout the Council, especially with the move to increased remote working.
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 Funding Process	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 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.

6.5 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> June 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)	1.00% (1.09%)	27 (23)	13.50% (12.11%)	96 (85)	48.00% (44.74%)	125 (110)	62.50% (57.89%)
<b>Actions due within last 3 months, but not implemented</b>	3 (0)	1.50% (0.00%)	12 (2)	6.00% (1.50%)	23 (21)	11.50% (11.05%)	38 (23)	19.00% (12.11%)
<b>Actions due over 3 months ago, but not implemented</b>	0 (0)	0.00% (0.00%)	2 (14)	1.00% (7.37%)	24 (31)	12.00% (16.32%)	26 (45)	13.00% (23.68%)
<b>Actions due over 12 months ago, but not implemented</b>	0 (0)	0.00% (0.00%)	3 (0)	1.50% (0.00%)	8 (12)	4.00% (6.32%)	11 (12)	5.50% (6.32)
<b>Totals</b>	<b>5</b>		<b>44</b>		<b>151</b>		<b>200</b>	

7.1.4 There are currently 75 management actions outstanding, compared to 80 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		20
Adults, Health and Commissioning		1
Place and Sustainability		21
Finance and Resources Directorate	<i>Key Financial Systems</i>	5
	<i>Other</i>	12
Public Health		1
Strategy and Partnerships		15

## 7.2 KEY UPDATES

### *Overdue 'Essential' Recommendations:*

- 7.2.1 There are three 'essential' recommendations that have recently become overdue (in May 2024). Two of these essential recommendations are from the DSG Safety Valve Review and relate to the implementation of a new information system and then utilising the system and data for introducing and reporting against targets and expected benefits. The service has confirmed that the system is now in place and user training is taking place. There are still a number of implementation issues which require continued support from the IT Project Team to resolve before the system is fully live.
- 7.2.2 The third recently 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 will not be awarded any call off contracts unless the framework contract is returned signed. 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. This contractor has queried two points before signing the contract. Officers have replied to these and are waiting for the signed contracts to be returned. The responsible officer has reported the 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.

### *Public Health Open Book Accounting Recommendations:*

- 7.2.3 As at the last progress report, two recommendations relating to open book accounting in Public Health had been overdue for nearly a year. One of these was from the contract audit of the Integrated Drug and Alcohol Treatment System and

has now been implemented and audit have reviewed the evidence and discussed with the service to verify that open book processes are now in place and operational.

- 7.2.4 The other recommendation related to the review of the Healthy Child Programme contract, which is now 12 months overdue. The service has confirmed that a process (the same process which has now been implemented for the Integrated Drug and Alcohol Treatment System) has been agreed in conjunction with Head of Diligence & Best Value and that an open book accounting review of estates costs has begun. The service has confirmed that this is being rolled-out across all elements of the contract and that at the next finance meeting for the Healthy Child Contract there will be evidence this process occurring across the whole contract. As such it is expected that this recommendation will be marked as implemented before the next Internal Audit progress report.

*Recommendations due over 12 months:*

- 7.2.5 In the previous Internal Audit progress report, we highlighted two recommendations from the Fire Risk Assessments audit that had been outstanding for more than a year. Both of these recommendations have now been closed as implemented. Similarly, the remaining recommendation from the Chartwell Assurance audit that was 12 months overdue has now been implemented.
- 7.2.6 In addition to the Healthy Child Programme recommendation mentioned above, two other high level recommendations have recently become 12 months overdue. Both of these are 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. In the last progress report the service had reported that these actions are dependent on approval by the Information Management Board which has not yet been re-established following the decision to de-couple services previously delivered jointly with Peterborough City Council.

7.3 ACTION IMPLEMENTATION DEPENDENCIES:

- 7.3.1 Internal Audit highlight the following areas where the implementation of multiple overdue actions from the same audit are dependent on a limited number of actions:
- There are 5 recommendations from the Transparency Code and Freedom of Information Request audits that are dependent on the development of a new Information Management Board (IMB). A paper has now been to CLT regarding the formation of the new board and the first meeting of the IMB likely to be in July 2024.
  - There are 4 Accounts Payable recommendations that have been delayed due to the change freeze in ERP Gold or the introduction of new software.

The change freeze has now been lifted and work is underway to address these recommendations.

#### 7.4 ACTIONS CLOSED AS UNIMPLEMENTED:

- 7.4.1 One recommendation (number 8) from the Climate Change and Environment Strategy audit has been recategorized as an advisory recommendation and as such the implementation will no longer be monitored by internal Audit; the rationale for this is set out below.
- 7.4.2 The Climate Change and Environment Strategy audit made a recommendation to incorporate implementing recommendations from two Cambridge University Science & Policy Exchange (CUSPE) reports into the strategy's programme plan. The service report that the recommendations from the CUSPE report are now being addressed through the implementation of audit recommendation 1, for Energy Services to agree on how to reduce emissions, "reflecting CUPSE's 2023 report", and audit recommendation 2: to refine the strategy's targets related to biodiversity and natural capital. As such, recommendation 8 is essentially duplicating the work being undertaken to address audit actions 1 and 2; the audit team have agreed this activity will be monitored for implementation through actions 1 and 2 and recommendation 8 can therefore be downgraded to "advisory" with no separate follow-up required.
- 7.4.5 One recommendation from the Income Processing audit has also been downgraded to an advisory recommendation and therefore will no longer be formally followed up and reported on. This recommendation related to a discrepancy in the ZAR10 control account. The discrepancy was £355 and had existed in the monthly reconciliations since the beginning of the financial 2022/23. The recommendation associated with this discrepancy was given a medium rating in large part as other wider issues with the control account reconciliations were identified in the Income Processing 2022/23 Internal Audit report and so at the time of the audit, the discrepancy was considered part of a larger thematic issue.
- 7.4.6 The other recommendations from the Income Processing 2022/23 pertaining to wider issues regarding control account reconciliations have now been implemented. As such, Internal Audit has reviewed the remaining recommendation relating to the £355 discrepancy and reclassified the risk as minimal and amended the recommendation to an advisory rating. Accordingly, this recommendation will no longer be formally followed up and reported on.

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> June 2024, Internal Audit has received 8 whistleblowing referrals in the 2023/24 financial year, similar to than the number of referrals received by the same point in 2023/24 (6 cases). There are 8 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
	Bank Mandate Fraud	1	0	1
	Direct Payments	2	0	2
	Attempted blackmail	1	0	1
Governance	Internal Governance Issue	2	0	2
Safeguarding and Health & Safety	Safeguarding	1	0	1
<b>Total</b>		<b>8</b>	<b>0</b>	<b>8</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	0	1
	Third Party Fraud	3	0	3
	Theft	1	0	1
	Money Laundering	0	1	1
Grievance/Bullying	Staff Conduct/Grievance	1	0	1
Safeguarding and Health & Safety	Safeguarding	0	1	1
External issues	Not related to CCC	0	1	1
<b>Total</b>		<b>6</b>	<b>3</b>	<b>9</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:

- **Safeguarding (1 open case)** – One case of safeguarding concerns raised by a member of the public is currently open, which is being addressed by the Child Employment Team.
- **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.
- **Council Officer Fraud (2 open cases)** – Internal Audit is currently investigating two cases of alleged fraud involving people working for CCC, in conjunction with HR colleagues.
- **Third Party Fraud (5 open cases)** – Internal Audit is currently investigating five cases of alleged fraud involving the Council by members of the public (including Direct Payments cases). These cases are being investigated by Internal Audit, including reviews of the control environment where appropriate.
- **Attempted Blackmail (1 open case)** – There is currently one open case relating to attempted blackmail. This is being dealt with in conjunction with the police and Information Governance colleagues.
- **Staff Conduct/Grievance (1 open case)** – Internal Audit is currently investigating one case relating to staff conduct, in conjunction with HR colleagues.
- **Theft (1 open case)** – Internal Audit is currently undertaking one investigation in relation to concerns of theft.

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

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

9.2.3 Following the update provided in March's report, the Whistleblowing & Anti-Fraud training module has been completed in draft form and an initial 'test' version of the e-Learning has been produced by the Learning & Development team. It is therefore hoped that the final version will be launched to staff in late summer/early autumn.

### 9.3 NATIONAL FRAUD INITIATIVE (NFI)

- 9.3.1 The NFI compares different data sets provided nationally by local authorities and partner organisations, for the purpose of detecting and preventing fraud.
- 9.3.2 The current exercise commenced in September 2022 when data was supplied for matching purposes by all relevant parties, including CCC. The matched output was released by the NFI in January 2023. The total number of matches for CCC as at January 2023 was 4,200 across 34 reports which have a high or medium risk rating, depending on the nature of the data. The NFI released an extra data set recently regarding residential parking permits therefore the total number of matches is now 4229 across 35 reports.
- 9.3.3 As at June 2024, 2801 matches have been reviewed and cleared resulting in £1,462.46 identified to recover. This sum relates to pension payments made to a deceased person and the Pension Team Leader (West Northamptonshire) is progressing this case. The purpose of the match is to identify instances where an occupational pensioner has died but the pension is still being paid.
- 9.3.4 413 blue badges have been cancelled; the Cabinet Office estimates a notional saving of £268,450 for these.

## 10 KEY FINANCIAL SYSTEMS UPDATE

### 10.1 2023/24 KEY FINANCIAL SYSTEMS AUDITS

- 10.1.1 The CCC Internal Audit Team undertook the Payroll and Pensions Administration 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 previously been responsible for the Accounts Payable, Income Processing and Debt recovery audits, whilst the Pensions and Payroll work has been undertaken by IA Teams at other local authorities that are part of those shared services.
- 10.1.2 Both the Pensions and Payroll audits have now been completed and draft reports have been issued to the clients. Neither report contains any essential rated recommendations.
- 10.1.3 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.
- 10.1.3 Fieldwork has also been completed on the Pensions Administration audit covering the Cambridgeshire and West Northamptonshire schemes. The current opinions are good for the system design and compliance with key controls. The main control issue identified in this review is the need to enhance controls in relation to bank account verification for other pensions schemes and bank account changes for pensioners.
- 10.1.4 A staff departure in the Internal Audit Service at West Northamptonshire resulted in that service reporting that they were not able to undertake the Debt Recovery Shared Service review for 2023/24. The Cambridgeshire IA Team agreed to complete this review given that the team possess experience of delivering this annual review. The team are nearing the end of the fieldwork for this audit and at the time of writing no fundamental system issues have been identified in the review.
- 10.1.5 The Heads of Internal Audit at West Northamptonshire and North Northamptonshire have confirmed that the Income Processing and Accounts Payable 2023/24 audits are also at draft stage, and that both systems have indicative good assurance opinions for the system controls and compliance.