

LGSS Internal Audit & Risk Management

Cambridgeshire County Council

Update report

As at 6th January 2021

Section 1

1 INTRODUCTION

- 1.1 Following the outbreak of the Pandemic it was decided to pause the agreed 2020/21 Audit Plan and to fully align resources to risks being managed by Cambridgeshire County Council, consistent with the service's BCP. This has been achieved by increased consultation and direction by the Council's Deputy Chief Executive and Chief Financial Officer.
- 1.2 Section 2 of this report summarises where resources have been deployed to date. When the Audit Plan was paused, the business continuity arrangements dictated that the normal granularity of detail supporting resource allocation was suspended however, Section 3 of this report gives a detailed overview of the work undertaken and the current Plan for the remainder of the year (and slightly beyond) is attached at Appendix A.
- 1.3 Members will recall that there was a detailed Internal Audit and Risk Management update report presented to the 24th November 2020 Audit & Accounts Committee therefore this update only covers a period of one month.

2 INTERNAL AUDIT RESOURCES

- 2.1 As outlined above, the original 20/21 Internal Audit Plan (circa 1,750 days) was paused in accordance with business continuity procedures and the team has been deployed to the areas of greatest need.
- 2.2 In reality, the work of the team is still being significantly impacted by the rapidly changing environment and it is envisaged this will continue forward for the foreseeable future.
- 2.3 As reported and agreed at the 24th November 2020 Audit & Accounts Committee meeting, the agreed Plan recommended for approval at Appendix A currently stands at 2040 budgeted days. This allows for some flexibility should planned work need to be rescheduled due to organisational service pressures but will also ensure that the audit team has a medium term indicative plan and work-streams that will stretch into the 2021/22 financial year.
- 2.4 It is expected that new 'risks' will emerge throughout 'normal' yearly cycles and it is especially so this year. This is the reason why the Plan is submitted to JMT and the Audit & Accounts Committee, roughly, each quarter for challenge and direction, ensuring that resources are targeted towards those areas of highest organisational need. The internal audit team has regular meetings with colleagues

in the organisation and endeavours to be responsive should requests for unplanned work be made.

- 2.5 The caveat to this flexibility is that the Chief Internal Auditor must be satisfied that the work completed in the year is sufficient and appropriate to support the annual audit opinion. This year work to date is on target to ensure an evidence based opinion can be given however the key financial systems will need to be given priority in the final quarter.

3 SUMMARY OF WORK UNDERTAKEN IN THE PERIOD

3.1 Highways Contract Open Book Review

Following the initial Highways Service Contract Review undertaken by internal audit, the team was requested by the service to assist with undertaking the reconciliation of payments made by the Council to costs incurred by the contractor, in order to allow for the open book review to be undertaken by Internal Audit.

In February 2020, the contractor confirmed that in their process of validating the reconciliation, they had identified overpayments which was repaid to the Council via a credit note.

Further discussions have been escalated to Contractors Commercial Director who provided the Council with the remaining information requested by internal audit in order to complete the reconciliation(s) for the 3 financial years up to and including 2019/2020. This information identified further overpayments by the Council, to the Contractor. The Commercial Director agreed to repay this amount immediately rather than waiting for the next stage of the work to be undertaken.

The Commercial Director has also formally confirmed that the information provided to the Council reflect the Contractors actual costs, and a Mid-January start date for the next stage of this review i.e. the validation of the costs detailed, has been agreed with the service and the Contractor.

The Audit and Accounts Committee has requested that the service attend the meeting scheduled for 26th January and give an update on the latest position.

For ease, the service has requested that their update is an appendix to this report. In that it contains business sensitive information, the appendix, Appendix C, has been classed as confidential/exempt and has only been made available to the Committee. Any discussion of its detail will need to involve excluding the press and public and should be taken at the end of the item after discussions on the other sections of the report have concluded.

3.2 Internal audit continues to give the necessary independent assurances required to support grant claims. These include the programme of Troubled Family Grant claims. Also, as a consequence of the Department of Health and Social Care awarding a second Infection Control Grant with amended conditions and reporting requirements, Internal Audit has begun work to provide assurance that governance arrangements have been sufficiently modified to ensure compliance with the conditions and will undertake compliance testing between the first reporting period in November and the end of the grant period in March 2021.

3.3 Work is currently in progress on the following areas:

- Key Performance Indicators
- Key Policies
- Infection Control Grant 2
- Schools Finance Monitoring
- LGSS Law Client Side
- Treasury Management
- Accounts Payable
- Accounts Receivable
- Debt Recovery
- Community Capital Fund
- Highways Contract OBR
- Foster Overpayments recovery review
- SEND
- Daily Spend – Over £20k
- Teaching Apprenticeship Grant

4 FOLLOW UPS

- 4.1 The outstanding management actions as at 6th January 2021 are summarised in the table below, which includes a comparison with the percentage implementation from the previous report (bracketed figures).

	Category 'Essential' recommendations		Category 'Important' recommendations		Total	
	Number	% of total	Number	% of total	Number	% of total
Implemented	0 (0)	0% (0%)	55 (51)	78.5% (81%)	55 (51)	78.5% (81%)
Actions due within last 3 months, but not implemented	0 (1)	0% (1.6 %)	2 (0)	2.9% (0%)	2 (1)	2.9% (1.6%)
Actions due over 3 months ago, but not implemented	2 (1)	2.9% (1.6%)	11 (10)	15.7% (15.8%)	13 (11)	18.6% (17.4%)
Totals	2		68		70	

- 4.2 There are currently 15 management actions outstanding. Further detail on all outstanding actions is provided at Appendix B.

5 NATIONAL FRAUD INITIATIVE - background and mandatory participation

- 5.1 The National Fraud Initiative (NFI) has operated since 1996 and is currently administered by the Cabinet Office. The NFI data matching exercise involves analysing and matching data sets across, and between, various organisations and includes participants in both the public and private sectors. The exercise operates on a two year cycle whereby in year 1 the data sets are submitted and in year 2 the data matches are analysed and investigated.
- 5.2 Under the Local Audit & Accountability Act 2014 (schedule 9), local authorities are mandatory participants in the NFI for the purposes of:
- Assisting in the prevention and detection of fraud,
 - Assisting in the prevention and detection of errors and inaccuracies, and
 - Assisting in recovery of debt owing to public authorities.

5.3 From 2020, the Cabinet Office are exercising the right to charge a penalty fee (£190) to any local authorities who fail to submit their data in line with the specified timetable and quality standards.

5.4 The data sets submitted by CCC for matching include those relating to the following key risk areas:

- Trade creditors;
- Payroll;
- Pensions;
- Blue badges;
- Private residential care homes;
- Concessionary travel; and
- Personal budgets.

5.5 There are a comprehensive range of data matches, with further matches often being trialled to make the best possible use of the information available. Some of the key matches include, for example:

- Individuals on the payroll who are also directors of an organisation to whom the Council has paid invoices;
- Personal budgets relating to individuals who had deceased;
- Duplicate invoices; and
- Active blue badges assigned to individuals who had deceased.

5.6 Costs and benefits - the participation fee charged to the Council is in line with that charged to all county councils. The table below sets out the costs and benefits recorded in relation to the last completed NFI data matching round (relating to data uploaded in 2018).

	£	£
Standard fee		(3,750.00)
Resource cost (average of 23 audit days over each two year cycle)		
Monies recovered		
Payroll	12,744.86	
Pensions	1,821.63	
Personal budgets	6,346.67	
Total monies recovered		20,913.16
Notional savings		

Blue badges	147,775.00	
		147,775.00

- 5.7 The notional savings are based on values assigned by the Cabinet Office on the estimated financial savings associated with the recovery of blue badges. This is based on estimated use of fraudulent blue badges where the genuine holder had deceased. It should be noted that the Counter Fraud team are also actively working with the Council's Blue Badge team throughout the year and have successfully secured a number of prosecutions against those misusing this valuable scheme.
- 5.8 Non-financial benefits - Participation supports the reputation and accountability of the authority, assisting other organisations as well as the Council in identifying indicators of fraud or error which could result in recovery, or savings, of public money. This supports the Council's zero tolerance to fraud and corruption and the promotion of the exercise should further act as a deterrent to those considering attempting fraud against the organisation.
- 5.9 The NFI data matching is well established and acts as the safest, regulated way of data matching recommended across the public sector.

6 *RISK MANAGEMENT*

- 6.1 Work to refresh the CRR and DRR's was undertaken at the start of 2020, however this work was paused following the outbreak of the Covid-19 pandemic. At this point, JMT Gold requested that a separate risk register was created to ensure full visibility of this new and rapidly changing trigger. In order to develop this risk register in a time efficient way, there was positive, proactive input from JMT Gold, risk owners and other key officers as appropriate, and once the risk register was developed there was a clear and regular update and reporting process to incorporate emerging risks and triggers into the register, in order to allow for proportionate action plans and then controls to be developed.
- 6.2 In September 2020, as the Council moved to a more BAU period, a further paper on risk management was presented to JMT Gold which determined that Covid-19 is better, going forward, treated as a trigger, and reflected at the CRR and DRR level, and subject to escalation in the same way as any other trigger. It was agreed at this point that the CRR was in need of a refresh and re-focus to ensure it has captured the correct risks and triggers as well as confirming that the controls in place and agreed action plans/target dates are proportionate. This refresh is essential to give an assurance that the CRR remains an effective tool to support JMT Gold in managing organisational risk.
- 6.3 There has been positive input and involvement in this process from directorates and CRR risk owners. However, given the current operational pressures and the

fact that corporate risk owners are JMT Gold members, the CRR is not yet ready to be presented to this Committee.

- 6.4 Reassurance can be given to the Committee that there is a fortnightly standing agenda item on JMT Gold to ensure that risks can be escalated.

7. *FARMS AUDIT UPDATE FOLLOWING THE COMMITTEE MEETING ON 23RD DECEMBER 2020*

- 7.1 Members are asked to note the progress of the work being done to complete this audit.
- 7.2 Background and progress - At the last meeting of this committee, it was noted that an appointment of an independent audit firm was being progressed to finish this audit. Following a competitive process, on 23 December 2020, Mazars LLP were appointed to complete the audit. Mazars are an international firm, and a UK top 10 accountancy and business assurance practice. This assignment is being handled by the company's investigations team, and the firm has wider relevant expertise as the appointed external auditor for more than 50 local authorities elsewhere in England, as well as in real estate matters.
- 7.3 Between 30 December 2021 and 5 January 2021, following initial liaison, adherence to data sharing protocols, and conflict of interest checks by the firm, Mazars were sent all of the papers which had been provided to the Chief Executive by the Chief Internal Auditor.
- 7.4 On 4th January 2021, Officers met with Mazars to discuss their approach to the audit and to provide practical support and contacts for any issues which they required support for. The Chairman of this committee met with them initially on 4th January to express the importance of the audit and the need for its timely completion in line with the brief given to the auditors.
- 7.5 Since that time there have been a number of meetings with officers and others including the Chief Executive to enable Mazars to complete this audit. Any request for information has been responded to immediately. The audit team from Mazars have also requested a number of additional meetings with individuals, in order that they can complete sufficient assurance procedures for their own part and from a professional perspective
- 7.6 Further meetings are being held this week to finalise the timetable for this audit to be completed and for a decision to be taken by this committee on the date that will be set for this audit to be received and considered by the committee. The committee will be updated at this meeting.