

Internal Audit Progress Report

To: Audit & Accounts Committee

Date: 28th September 2021

From: Neil Hunter, Head of Internal Audit and Risk Management

1. Purpose

- 1.1 To report on the main areas of audit coverage for the period to 31st August 2021.

2. Background

- 2.1 The role of Internal Audit is to provide the Audit Committee and Management independent assurance on the effectiveness of the controls in place to ensure that the Council's objectives are achieved. Internal Audit coverage is planned so that the focus is upon those areas and risks which will most impact upon the Council's ability to achieve these objectives.
- 2.2 The 2021-22 Internal Audit Plan was presented to JMT on 4th March 2021 before being approved at Audit and Accounts Committee on 23rd March 2021. This agreed a new approach, whereby the annual Audit Plan is split out into two elements: the 'core' plan, comprising key areas of assurance that are reviewed every year and audit support work (e.g. to working parties or panels) which is ongoing throughout the year; i.e. the areas of audit coverage that vary from year to year, with planned coverage based on a risk assessment process. For 2021/22, it was agreed that the 'core' plan will be set annually, and the 'flexible' plan will be set quarterly in advance, to ensure that it is more reactive to areas of emerging or changing risk.
- 2.3 Cambridgeshire County Council (CCC) Joint Management Team (JMT) considered this report on 14th September 2021 prior to its submission to the Audit & Accounts Committee on 28th September 2021.

3. Outstanding Audit recommendations

- 3.1 Appendix B details all outstanding audit recommendations as at 31st August 2021.
- 3.2 There is one outstanding 'Essential' recommendation. This relates to a review of aged debt and became overdue on 30th June 2021. The Head of Finance Operations has developed a Service Improvement Plan and the points in the recommendation are primarily being addressed by the implementation of new

BAU processes. The Debt Team is sharing debt data, including aged debts, with services to enable targeted communication and actions. The Head of Service has confirmed she will be reporting directly to A&A Committee on a regular basis, providing updates on service improvement and activity. In addition, the Debt Team has now commenced a review of debts over 12 months old to establish the next steps in relation to each customer. The service has advised that this recommendation will be implemented 31st December 2021.

- 3.3 The number of recommendations not implemented includes the 26 recommendations arising from the Major Infrastructure Delivery review that became due on 30th June 2021. The revised date for full implementation has been updated by the service to 30th September 2021.

4. Investigations Caseload

- 4.1 Section 8 of the Progress Report summarises the open cases currently under review by the Internal Audit Team. Additional detail on progress with these cases is provided below:

- **Direct Payments (2 investigations)** – Internal Audit has investigated two cases of alleged misuse of Direct Payments, by family members of service users. In both cases, the investigation has confirmed that misuse appears to have taken place. Draft reports have been provided to social care colleagues, and Audit is working with the service to agree and pursue next steps in dealing with these cases.
- **Blue Badges (1 investigations)** – One remaining legacy case which was being progressed by the LGSS Counter Fraud Team will be reviewed to confirm it can be closed by the Cambridgeshire team.
- **Third Party Fraud (1 investigation)** – A draft report has been produced relating to an allegation of timesheet fraud committed by an interim worker.
- **Anti-competitive Activity Allegation (1 investigation)** – Internal Audit has investigated a number of allegations regarding a preschool currently housed in a County-owned building in Soham and produced an issued a draft report.
- **Safeguarding Allegation (1 investigation)** – Safeguarding concerns have been raised by a former foster carer in relation to the Council's Fostering Service. The allegations have been passed to the Director to review and respond in line with the Whistleblowing Policy.

- 4.3 A number of cases under investigation have been closed within the reporting period. In particular, Internal Audit has issued a report after conducting a review of the control environment relating to Libraries self-service machines, following a number of suspected low value cash thefts from the machines. A

number of recommendations to improve processes and reduce the risk of further thefts were made.

4.4 Several concerns raised with Internal Audit were also able to be closed after a brief initial review, which identified no serious concerns. This included:

- An attempted fraud on a maintained school, which was correctly identified as such by the school and no money was lost;
- An anonymous whistleblowing relating to an officer's conduct. HR confirmed they did not believe that the Code of Conduct had been breached by the officer in question and the case was closed;
- Overpayments of night allowances due to an administrative error were identified within the Reablement Service by colleagues in Finance. HR confirmed they are reviewing all employees in receipt of such allowances, to confirm that the allowance is being applied appropriately across the board.

4.5 **National Fraud Initiative (NFI)** - The current exercise commenced in September 2020 when data was supplied for matching purposes by all relevant parties, including CCC. Following a request by the Audit and Accounts Committee further details on the NFI process and work to date has been provided in Appendix C.

5. Highways Update

5.1 Work continues on the Open Book Review of the Highway Contract. Internal Audit officers have recently held successful meetings with Contractor officers at their head offices in order to start the validation of actual costs in key areas. Further meetings and a programme of work have been arranged and agreed between the Internal Audit team and the Contractor, and a provisional date of November has been agreed for completion of the work.

6. Pathfinder Legal Services Ltd Update

6.1 The Internal Audit team has been awarded the 2021-22 contract with Pathfinder Legal Services Ltd, formerly known as LGSS Law Ltd to undertake Internal Audit services for the company. An approved plan of 70 days has been agreed and work has now commenced to deliver this.

7. Payroll

7.1 In our previous report to the Committee in July 2021, Internal Audit noted that the annual Payroll report for 2020/21 was yet to be completed. This was due to be delivered by colleagues at Milton Keynes Council, under joint arrangements for reviewing shared financial systems, and Cambridgeshire had been provided with assurance that this report would be at draft stage for the 31st July 2021.

- 7.2 Colleagues at Milton Keynes have subsequently contacted the Head of Internal Audit to confirm that due to staff sickness, they are currently unable to complete the Payroll audit.
- 7.3 Cambridgeshire Internal Audit has completed a piece of work on Payroll Analytics to review any trends, patterns or significant variances within full time equivalent (FTE) averages. As a result of this work no significant variances or anomalies were identified.

8. Recommendation

- 8.1 The Committee is asked to note and comment on the report

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