

Internal Audit & Risk Management

Cambridgeshire County Council

Update report

As at 30th June 2025

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 Plan: 2025/26

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 2025/26

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 CLT, with a summary of internal audit activity for the 2025/26 financial year to date.

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:

	Compliance Assurance	Control Environment Assurance
Substantial Assurance	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

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

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

3 FINALISED ASSIGNMENTS

3.1 Since the last Internal Audit Progress Report in **March 2025**, 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	Org. Impact	Essential	High	Med.	Adv.
1.	Finance & Resources	Treasury Management	Moderate	Good	Minor	0	1	3	3
2.	Finance & Resources	Estates Health & Safety Property Checks	Limited	Limited	Moderate	0	9	9	1
3.	Strategy & Partnerships	Corporate Key Performance Indicators Review	Moderate	Limited	Minor	0	0	1	1
4.	Place & Sustainability	Light Blue Fibre Ltd	Good	Good	Minor	0	0	5	6
5.	Place & Sustainability	Street Lighting PFI	Moderate	Good	Minor	0	0	8	3
6.	Adults, Health & Commissioning	Learning Disability Partnership Pooled Budget Disaggregation Programme	Limited	Limited	Major	0	4	8	1
7.	Strategy & Partnerships	Disciplinary Policy & Compliance	Good	Moderate	Minor	0	0	2	0
8.	Strategy & Partnerships	Recruitment Policy & Compliance	Good	Moderate	Minor	0	0	3	1

No	Directorate	Audit Title	Assurance			Actions Agreed				
9.	Finance & Resources	Debt Recovery (2024/25)	Good	Good	Moderate	0	0	2	4	
10.	Children, Education & Families	Overall Schools Financial Management Report	Limited	Moderate	Minor	0	1	4	2	
11.	Finance & Resources	Investigation Case 163	Investigation report issued			0	0	4	0	
12.	CCC	Investigation Case 168	Briefing note investigation report issued			0	1	1	2	
13.	Children, Education & Families	Castle School Financial Governance Audit	Limited	Moderate	N/A	N/A ¹				
14.	Children, Education & Families	Trumpington Meadows Primary School Financial Governance Audit	Limited	Moderate	N/A	N/A				
15.	Place & Sustainability	Smart Infrastructure Pilots Programme Grant	Grant certification provided							

¹ Please note that individual actions within schools financial governance reports are not individually followed-up for implementation by Internal Audit but it is the responsibility of the school's governing body to ensure that agreed actions are implemented.

3.2 Summaries of any finalised reports with limited or no assurance (excluding individual school audits) issued as final since our last Progress Report in March 2025 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.	Strategy & Partnerships	Projects Assurance Review
2.	Adults, Health & Commissioning	Adult Social Care Complaints
3.	Finance & Resources	Investment Properties
4.	Finance & Resources	Capital Budgetary Control
5.	Children, Education & Families	Case 177 Children's Social Care
6.	Children, Education & Families	Implementation of Ofsted Action Plan
7.	Children, Education & Families	Granta School Audit
8.	Adults, Health & Commissioning	Case 148 Direct Payments

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 ESTATES HEALTH & SAFETY PROPERTY CHECKS

4.1.1 Internal Audit undertook a review of the processes in place for undertaking Estates Health & Safety Property Checks in relation to asbestos, water hygiene and planned preventative maintenance (PPM) regimes including mechanical, electrical, and gas safety checks.

4.1.2 The audit identified a number of control and compliance issues and gave a limited opinion on both the system of control in place, and compliance with controls. There was a lack of contract management procedures overall and weaknesses in the monitoring of health & safety regimes in maintained schools & non-Council-owned buildings (but for which the Council had health and safety responsibilities). There was also no complete central record of remedial actions recommended by inspections and no monitoring process to ensure the implementation of remedial actions. Remedial works identified by legionella risk assessments and temperature monitoring had not been completed; and there was a lack of evidence in place to confirm that requirements for visual asbestos inspection across the corporate portfolio and maintained schools were taking place.

4.1.3 Internal Audit made recommendations to address the risks identified, all of which have been agreed by the service, who are working toward implementation of actions to mitigate the risks. Recommendations include the introduction of contract management procedures; reconciliations between the Council's property portfolio and risk assessments/inspections; introduction of central logs to record, prioritise and monitor implementation of remedial actions; and processes to obtain assurance from maintained schools and third parties that appropriate regimes are in place.

4.2 CORPORATE KEY PERFORMANCE INDICATORS REVIEW 2024-25

4.2.1 The audit of Corporate Key Performance Indicators gave a moderate opinion over the system design. While it identified a number of areas of weakness in performance management systems, the audit recognised that the Council's new performance management framework is still in the process of being implemented.

4.2.2 The assurance over compliance was limited. The compliance opinion was reduced in part as the system outlined in the Performance Management Framework was still under development and not yet operating as envisaged. The review of a sample of 10 KPIs reported to Committee in 2024/5 identified a number of instances of non-compliance or minor errors in the reporting, and considering the number of errors identified in the small sample size, a low level of assurance regarding overall compliance was indicated.

4.2.3 In addition, the Council had yet to finalise an updated set of Strategic Performance Indicators (SKPIs) and there had been a significant period of approximately 18 months where an agreed suite of SKPIs have not been in place.

4.2.4 Recommendations have been agreed with the service to implement the full system envisaged in the updated Performance Management Framework as a priority, including finalising strategic KPIs to align with the Council's agreed objectives and provide meaningful and balanced performance information against all objectives; implementing the balanced scorecard approach and reporting including direct links between performance information, risk management and financial management information; and undertaking quarterly audits of KPIs by the Governance & Performance team to review the effectiveness of remedial actions taken for underperforming indicators.

4.3 LEARNING DISABILITY PARTNERSHIP POOLED BUDGET DISAGGREGATION

4.3.1 Cambridgeshire County Council (CCC) operated a £122M pooled budget with the Integrated Care Board (ICB) for learning disability services under Section 75 of the NHS Act 2006. At the time of this audit review, the partnership was undergoing disaggregation due to longstanding concerns about inequitable risk sharing and governance inefficiencies. Internal Audit completed a review of the disaggregation project and in late March provided an opinion of limited assurance, due to governance, financial planning, and operational readiness issues identified during the audit fieldwork. Due to the scale of the project an opinion of major organisational impact was also given.

4.3.2 The project experienced multiple shifts in its strategic direction during the audit period, moving from anticipated Model 4 (complete disaggregation) to Model 3 (integrated operations with separate finances), then potentially to a "new model" following failure to resolve a debt dispute with the ICB by the March 12th deadline. As a result, despite the project's financial magnitude and complexity it remained at an early stage of development at the point at which the draft Internal Audit report was issued just weeks before the implementation deadline of 1st April 2025.

4.3.3 The financial implications represented a substantial shift from the original business case with projections reversing from anticipated savings to an anticipated deficit, creating substantial unplanned pressure on the Council's finances. Operational concerns included 91 disputed cases between CCC& ICB, an unsigned Memorandum of Understanding creating a lack of clarity regarding financial governance arrangements, and a lack of thorough contingency planning with documented risk mitigation strategies.

4.3.4 Internal audit made recommendations focusing on establishing critical path documentation, finalising governance frameworks, implementing robust financial tracking mechanisms and developing comprehensive contingency plans to protect

both service continuity and the Council's financial position. The management responses to the draft audit report indicate considerable progress across multiple workstreams, with several initiatives already underway including the development and sharing of critical path documentation, establishment of daily huddles and fortnightly joint programme delivery meetings, implementation of escalation procedures, and commencement of comprehensive project closure documentation.

4.3.5 Additionally, management has indicated that governance frameworks are being strengthened with updated Terms of References, financial tracking mechanisms have been developed, and quality assurance process are being established with regular monitoring and reporting arrangements being put in place to ensure sustained progress. Internal Audit will follow up the implementation of these agreed actions through our normal process and continue to report back to Committee on these actions.

4.4 OVERALL SCHOOLS FINANCIAL MANAGEMENT 2024 – 25

4.4.1 CCC Internal Audit conducted a programme of schools' finance audits in the second half of 2024. Following the completion of the 2024/25 programme of 10 schools' finance audits, individual audit reports have been issued to each school and actions agreed to address weaknesses noted. The collective findings across all 10 schools have also been reviewed by the Internal Audit team, and an 'overall' schools financial management report issued to management within the Council, to highlight common issues and themes that were observed at schools during this programme of audits.

4.4.2 Based on the program of 10 audits performed, the assurance opinion given to the overall systems of control is Limited and the overall compliance for this programme of audits is Moderate. The key findings that led to a limited assurance opinion of the systems control environment were that none of the seven schools in deficit which were part of the audit sample had produced suitable deficit recovery plans, despite this being required by Cambridgeshire County Council. This included one school which had been in deficit since 2023/24. As such, these schools have been effectively operating outside of the Council's Scheme for Financing Schools, as they were operating in deficit without an approved deficit license. Given the increased number of schools moving into a deficit budget position, this represents a financial risk.

4.4.3 A range of actions has been agreed to address the weaknesses identified by the audit; in particular, the introduction of a new deficit monitoring and intervention policy with a clear escalation process, and the introduction of a new Schools Deficit Monitoring Group. The Internal Audit team will consider the findings of the review when planning schools audit work for 2025/6 and this is likely to include further coverage of schools in deficit and the new deficit intervention processes.

5. INTERNAL AUDIT ACTIVITY

5.1 AUDIT PLAN PROGRESS 2025/6

5.1.1 Progress with delivery of the Audit Plan 2025/6 is provided at Annex A to this report.

5.2. INTERNAL AUDIT RESOURCE & RECRUITMENT

5.2.1 Internal Audit recruit Trainees/Associates under the CIPFA Apprenticeship programme which is run with Finance colleagues on an annual basis. An assessment day took place on February 28th and subsequent interviews in March; the Internal Audit Associate position was then offered to and accepted by a suitable candidate following interviews. Unfortunately, after completing pre-employment checks and registering with CIPFA, the candidate subsequently withdrew their acceptance on 27th May.

5.2.3 We have therefore re-advertised the Internal Audit Associate position on 24th June. Applications will close on 24th July, with interviews to follow in August to finalise appointment.

5.2.4 A Senior Auditor left the Internal Audit team in March 2025, and this position is currently vacant. We have advertised the Senior Auditor role on 29th May, with applications closing on 28th June and interviews to follow in July, to secure a suitable replacement.

5.3 ADVICE & GUIDANCE:

5.3.1 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:

- The Head of Internal Audit & Risk Management attended Procurement Governance Board to discuss audit findings relating to procurement and contracts, and present the proposed areas of audit review in 2025/6.
- The Head of Internal Audit & Risk Management participated in the LGA Cyber 260 review in June.
- Advice was provided to the Operations Lead in People and Communities in relation to a proposed change in recording of service user cash in supported living. The proposed change was not significant and Internal Audit was satisfied that the controls framework would not be weakened.

6. *AUDIT PLAN: 2025/26*

6.1 Core audit work is progressing in line with the agreed Audit Plan 2025/26. 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 Several amendments to the Internal Audit Plan for 2025/6 have been made during the first quarter of the financial year. This is partially due to time pressures created by the vacant Senior Auditor and trainee posts in the team; the staff sickness absences previously reported in the Annual Report; and also the extremely high level of whistleblowing referrals received in the first quarter of the year (see Section 7, below). This has reduced the amount of time available to complete audit work in Q1 of the year, and created a pressure due to unfinished work from the 2024/5 year which then needed to be completed in Q1. Recruitment processes are underway which are expected to bring the team up to full capacity in Q2; see Section 5.2, above. Additionally, in line with our usual processes of continuous risk assessment, one new area for audit in 2025/6 has been added to the Audit Plan.

6.5 The following amendments are highlighted for Committee’s awareness:

- **Grants:** The team have had confirmation that the Traffic Light Signal Obsolescence Grant and the Green Light Grant will not require Internal Audit sign-off in 2025/6, and these grants have been removed from the plan. The small amount of contingency time allowed for grants has also been reallocated to manage other time pressures. The team are also awaiting final confirmation regarding whether or not the Youth Investment Fund Pilot Grant will require audit in 2025/6.
- **Deferred audits:** Several audits initially planned to take place in 2025/6 have been identified for deferral into Q1 2026/7 to manage capacity in the team for the current year. The audits have been selected on the basis that they are lower priority in the current risk assessment; and/or have recent audit coverage to provide assurance over the key risks. The deferred audits are: Early Years Entitlements Funding; Prevent Duty; Children’s Social Care Complaints; Corporate Key Performance Indicator Framework; and Contract Overspends.
- **Scheme of Delegation:** A review of compliance with the Scheme of Delegation has been added to the plan. This reflects updates to the Contract Procedure Rules following the Procurement Act as well as other updates to the Constitution and Financial Procedure Rules, and the need to obtain assurance that delegated authorities are clearly communicated and complied with in practice.

6.4 The updated flexible Internal Audit Plan for the next four quarters (Q2 2025/6 to Q1 2026/7) is presented below:

Audit	Directorate	Days	Why
190 Days in Q2 2025/6 Flexible Internal Audit Plan			
Response to Health & Safety Incidents	Place & Sustainability	25	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.
Care Leavers	Children, Education and Families.	25	A review focused around the services provided to care leavers including pathway planning, availability and effectiveness of support services and engagement of care leavers, to provide assurance following the service's ILACs inspection.
Emergency Planning	Strategy & Partnerships	20	Review to provide assurance over the Council's emergency planning and incident response arrangements. This will focus on external emergency planning / C1 Civil Contingencies response to incidents, considering compliance with emergency planning requirements including the role of

			on-call council directors and the training provided for senior leaders.
High Cost Placements (Childrens)	Children, Education and Families.	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.
This Land Ltd	Finance & Resources	30	A review to provide assurance over the governance and shareholder monitoring arrangements in place for This Land Ltd.
Greater Cambridge Partnership Arrangements	Place & Sustainability	20	Review of Cambridgeshire County Council's relationship with the Greater Cambridge Partnership, with a focus on both governance and compliance with accountability arrangements.
Waste PFI	Place & Sustainability	30	Review to provide assurance over the ongoing management of the Council's largest PFI contract.
ICT disaster recovery	Finance & Resources	20	Review of ICT disaster recovery planning and testing.
180 Days in Q3 2025/6 Flexible Internal Audit Plan			
Dedicated Schools Grant (DSG) Safety Valve (Projects Assurance)	Children, Education and Families.	20	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.
SEND Inspection	Children, Education and Families.	20	Review to follow up on the Council's response to the Ofsted SEND Inspection, to provide assurance that key actions are being implemented effectively. This will be undertaken alongside the review of the Safety Valve project as both audits will be closely linked to the Inclusion for All programme.
Projects Assurance (Capital)	Place & Sustainability	60	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.
Brokerage	Adults Health & Commissioning	30	Review to provide assurance over the work of the Brokerage team in Adults Social Care.

Enhanced Financial Controls	Finance & Resources	30	Review to provide assurance over the effectiveness of the operation of the Council's Financial Transparency Panels and Workforce Expenditure Panel.
Health & Safety in Place & Sustainability	Place & Sustainability	20	Review of controls and compliance for key health and safety considerations in P&S Directorate including how management obtains assurance that key controls are met
190 Days in Q4 2025/6 Flexible Internal Audit Plan			
Local Government Reorganisation	Strategy & Partnerships	20	Review to provide assurance over the programme to implement the Council's response to Local Government Reorganisation.
ICT Project & Programme Management	Finance & Resources	40	Review to provide assurance over the effectiveness of project management and assurance frameworks in ICT projects, including testing a sample of projects.
Guided Busway	Place & Sustainability	30	Review to provide assurance over the controls in place to manage the operation and maintenance of the Guided Busway, including both in-house and contracted-out aspects of busway management and controls over health and safety.
ICT Procurement	Finance & Resources	20	Review of ICT procurement function including commissioning, contract management, efficiencies etc.
Scheme of Delegation	Finance & Resources	20	Review to ensure that expenditure, virements and other financial decisions are approved in line with the requirements of the Financial Procedure Rules, Contract Procedure Rules and the Constitution.
Care Agency Contract Monitoring	Adults Health & Commissioning	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.
Contract Management - Mental Health Section 75 Agreement	Adults Health & Commissioning	30	Review of this major contract with an estimated annual value of £1.4m
110 Days in Q1 2026/7 Flexible Internal Audit Plan			

Council Owned Companies	CCC	20	High level review of the governance of Council-owned companies and the operation of shareholder functions, to provide assurance that the risks associated with these companies are managed appropriately and in line with local partnerships guidance.
Early Years Entitlements Funding	Children, Education and Families.	30	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.
Children's Social Care Complaints	Children, Education and Families.	20	Review of processes to manage and respond to Children's Social Care Complaints to ensure that these are effective in identifying and responding to complaints effectively.
Inspection Programmes & Trading Standards	Place & Sustainability	20	Review of Trading Standards service following disaggregation from Peterborough, to affirm value for money is achieved.
Prevent Duty	CCC	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).

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 30th June 2025 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
Implemented	4 (4)	1.51% (1.56%)	41 (46)	15.47% (15.83%)	137 (141)	51.70% (54.23%)	182 (191)	68.68% (73.46%)
Actions due within last 3 months, but not implemented	0 (0)	0.00% (0.00%)	10 (2)	3.77% (0.77%)	22 (20)	8.30% (7.69%)	32 (22)	12.08% (8.46%)
Actions due over 3 months ago, but not implemented	0 (1)	0.00% (0.39%)	7 (13)	2.64% (5.00%)	26 (23)	9.81% (8.85%)	33 (37)	12.45% (14.23%)
Actions due over 12 months ago, but not implemented	1 (0)	0.38% (0.00%)	3 (1)	1.13% (0.39%)	14 (9)	5.28% (3.46%)	18 (10)	6.79% (3.85%)
Totals	5		61		199		265	

7.1.4 There are currently 83 management actions outstanding, compared to 69 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, Education and Families.		10
Adults, Health and Commissioning		18
Place and Sustainability		15
Finance and Resources Directorate	<i>Key Financial Systems</i>	14
	<i>Other</i>	21
Strategy and Partnerships		5

7.2 KEY UPDATES

Overdue 'Essential' Recommendations:

- 7.2.1 There is one 'essential' recommendation that is overdue. This 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 Director of Education has confirmed that:

“Additional resource has been identified to improve the pace of data migration. ICT revolution are being commissioned to expediate the pace of data migration to avoid unnecessary delays to meeting the go live date. Some modules will go beyond August go live but there is clear risk mitigation in place to ensure financial charges are not incurred above the budget allocated.

There is tight governance through the EYES Board.

The EYES programme is scrutinised by module - each module is RAG rated with granular detail to manage risk against not achieving the August go live date.”

- 7.2.2 The update above is concerned with the implementation of the EYES system which is the computer application that will manage the data and allow for the implementation of SMART targets and reporting. An update on the SMART KPIs and reporting has not been provided for this cycle. However, as the EYES application is not yet fully populated with quality assured data (based on the update above) the service will not have been able to implement SMART KPIs and performance reporting.

Other Overdue Recommendations:

- 7.2.3 There are 18 recommendations currently overdue by 12 months which is 8 more than as at the last reporting cycle:
- One is an 'essential' recommendation (see 7.2.1).

- Three are 'high' level recommendations:
 - One of these recommendations are from the DSG Safety Valve Review.
 - Two relate to the Capital project management audit.
 - One of these is a multi-faceted recommendation to review the capital project management framework, and is partially implemented.
 - The second recommendation from the Capital Project Management audit relates specifically to the Council's highways contract, regarding the completion of annual reconciliations based on actual cost data from the contractor. The service is preparing an options paper for the Corporate Leadership Team in July on how best to progress this action.
- The remainder are 'medium' level recommendations, with the following actions particularly highlighted:
 - Two of the 'medium' risk recommendations overdue by 12 months or more relate to the DSG Safety Valve Review.
 - Four are from the IT Incident & Problem Management audit. These were delayed due to the split from Peterborough City council. There is a new Head of IT Operations in post who is in the process of reviewing these recommendations.
 - One relates to Accounts Payable which is dependent on an ERP Gold change being completed, and one relates to Debt Recovery, which is expected to be implemented once the trial of the new write-off process is completed at West Northamptonshire.
 - Two actions relate to the Insurance Fund Audit, which are both two years overdue. The latest update from the service indicates these should be implemented in July 2025.

Unimplemented recommendations

- 7.2.4 A recommendation was made in the Government Procurement Cards (GPC) audit that: "Clear guidance to schools on GPC use should be developed. This should include clear guidelines regarding prohibited categories of expenditure and requirements to review and approve spend. This could be the same as the CCC standard GPC guidance document, or a separate document if it is believed this is required to suit schools needs. Once agreed, a copy should be circulated to all maintained schools and should be shared when schools apply for new GPC or to change a cardholder/approver." This guidance was implemented, but one aspect not included was the requirement for schools to approve GPC transactions using the same software as is used at the Council. The Accounts Payable Service Delivery Manager confirmed that this was because the Council's banking provider does not offer the same software to maintained schools and therefore it is not possible to implement this element of the action.
- 7.2.5 In line with Internal Audit procedure where a service indicates that they are not able to implement a recommendation, the Section 151 Officer reviewed the

recommendation and risk and agreed to accept the residual level of risk. Therefore, this recommendation was closed as unimplemented.

- 7.2.6 A recommendation from the Safe Employment audit to agree a corporate recommendation on the frequency of DBS re-checks to ensure all relevant post holders are subject to regular DBS checking. A cost and risk analysis was undertaken by the service and an options paper was provided to the Executive Directors of Adults, Health & Commissioning and Children, Education and Families. The option paper stated that current practice is to seek a DBS check on entry to the organisation for relevant posts, and also if/when an officer moves internally to another post that requires a DBS check. It also confirmed that current practice did not include re-checking for current employees. The option chosen by the Executive Director of Adults, Health & Commissioning and the Executive Director of Children, Education and Families was to continue with current practice.

8.0 *RISK MANAGEMENT*

8.1 The Annual report on Risk Management provides details on risk management activity and therefore a separate update has not been provided in this report.

9 FRAUD AND CORRUPTION UPDATE

9.1 WHISTLEBLOWING & FRAUD INVESTIGATIONS 2025/26

9.1.1 The current Internal Audit caseload of investigations is summarised below in Table 7. As at the 10th July 2025, Internal Audit has received 18 whistleblowing referrals in the 2025/26 financial year; this is a very significant increase on the number of referrals received by the same point in 2024/25 (8 cases) and represents a high caseload for the team. For comparison, 36 referrals were made in the entirety of the 2024/5 financial year. This is creating a pressure for the team.

9.1.2 There is 1 open case which have been carried forward from 2023/24; in this case a draft report has been issued, so at this point the team are finalising agreed actions before the cases will be formally closed. There are 8 open cases carried forward from 2024/25, and 9 cases from 2024/5 have been closed in the first quarter of 2025/6.

Table 9. Current Internal Audit Whistleblowing & Investigations Caseload

Open Cases From 2023/24		Open	Closed	Total
<i>Carried Forward</i>				
Fraud and Theft	Direct Payments	1	0	1
Total		2	0	2
Open Cases From 2024/25		Open	Closed	Total
<i>Carried Forward</i>				
Fraud and Theft	Council Officer Fraud	2	2	4
	Direct Payments	0	2	2
Grievance/Bullying	Conduct/Grievance	0	1	1
Governance	Internal Governance Issue	3	3	6
Safeguarding and Health & Safety	Safeguarding	2	1	3
	Health and Safety	1	0	1
Total		8	9	17
All Cases Reported in 2025/26		Open	Closed	Total
<i>To Date</i>				
Fraud and Theft	Bank Mandate Fraud	1	0	1
	Council Officer Fraud	3	1	4
	Theft	0	1	1
	Third Party Fraud	1	2	3
Grievance/Bullying	Conduct/Grievance	1	1	2
Governance	Internal Governance Issue	3	0	3
	Schools governance	1	0	1
Safeguarding and Health & Safety	Safeguarding	2	0	2

External issues	Not related to CCC	0	1	1
Total		12	6	18

9.1.3 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.

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

- **Internal Governance (6 open cases)** – Internal Audit is currently handling six open cases related to internal governance concern including financial management and resource allocation , conflict of interest issues regarding educational procurement, concern about Children’s social care management, tenancy conduct matters, handling of employment issues, and procurement compliance regarding service contracts. These investigations involve audit reviews and liaison with relevant service to address governance weakness.
- **Bank Mandate Fraud (1 open cases)** – Internal Audit is investigating a concern regarding fraudulent attempts to redirect payments form school bank accounts. The matter involves suspicious payments requests and Internal Audit is providing advise and guidance to the affected schools regarding security measures and appropriate reporting procedure. It should be noted that while a fraud has been attempted against these schools, no money has been lost as the payment requests were flagged as suspicious.
- **Third Party Fraud (1 open cases)** – Internal Audit is currently investigating 1 case of alleged fraud by a third party, involving a school. Advice and guidance have been provided to help identify any potential breaches in school security.
- **Council Officer Fraud (5 open cases)** –. There are currently five open cases involving allegations of possible fraud by council employees. These include concerns about agency workers in dual roles, workers receiving inappropriate payments, and misuse of Council IT systems. In several of these instances, draft reports have been issued; a particular recommendation is the implementation of an agreed policy for dealing with instances of alleged dual working/polygamous working fraud.
- **Direct Payments (1 open cases)** – Internal Audit is reviewing an allegation of potential misuse of Direct Payments. An audit of Direct Payments is also underway.

- **Conduct/Grievance (1 open case)** – Internal Audit is currently investigating cases linked to employee conduct and behaviour, these cases are being handled with appropriate guidance provided by Internal Audit.
- **Safeguarding/Health & Safety (5 open cases)** - Five safeguarding or health and safety-related cases are currently being investigated, including concerns about staffing levels and recruitment practices, health and safety issues at an primary school, and safeguarding failures at a care home facility.

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 162 : Legal Document Processing*

Internal Audit investigated concerns regarding alleged procedural issues in legal document processing. Investigation found that the concerns arose from human error rather than systematic problems, and appropriate corrective measures had been implemented. The service confirmed that additional training and oversight procedures were put in place to prevent similar issues occurring in future.

9.2.3 *Case – 163: Tenancy Investigation*

A whistleblower raised concerns regarding the award of a farm tenancy and Internal Audit conducted a review of the evaluation and award of the tenancy. This did not identify evidence to substantiate the concerns that the award was not carried out fairly and competitively. However, the investigation did identify some areas for improvement within the service, particularly around the transparency of the award process and the retention of documentation and due diligence checks. An investigation report was issued and several actions were agreed with the service to address this, including reviewing the guidance provided to prospective tenants, ensuring due diligence checks are undertaken and evidence of this retained on file, and implementing a protocol for filing and retaining all evidence from tenancy applications and awards.

9.2.4 *Case 166 : Direct Payment Management Concerns:*

Internal audit received concerns regarding the management of a direct payment including client contribution issues, monitoring challenges and staff tax information matters. These concerns had been previously raised in 2020. Following liaison between Internal Audit and the service, a Direct Payment termination letter was issued in April 2025, and the arrangement was discontinued.

9.2.5 *Case – 168: Whistleblowing & Complaints Investigation*

A whistleblower raised concerns regarding whether the Whistleblowing Policy and Complaints Policy had been followed in relation to the Council's response to several concerns they had raised between 2023 and 2024. Internal Audit conducted a full investigation and identified some areas for improvement in the Council's response to both the whistleblowing concerns and a complaint raised. An investigation report was issued with several recommendations, including for the Customer Care Team to implement a defined work process for complaints investigations, and for a process to be developed to clarify how to handle social care referrals when they are made in respect of internal staff where there is or may be a risk that existing professional relationships may be impacted. The Head of Internal Audit will also seek to deliver a session on handling whistleblowing referrals to the Extended Leadership Team in 2025/6.

9.2.6 *Case 170: Direct Payment Misuse Investigation:*

Internal audit investigated reported misuse of direct payment funds. Investigation confirmed that funds had been misused, and the client contribution had not been paid as required. The Direct Payment was removed and will not be reinstated, with invoices raised for the recovery of misused funds. The case has been closed and recovery action is being pursued.

9.2.7 *Case 173: Pension Fund Impersonation Attempt:*

Internal Audit was notified of an incident where someone had fraudulently attempted to impersonate the member of the Cambridgeshire Pension Fund to claim pension entitlement. The fraudulent attempt was detected when the genuine member was alerted by a letter from the Fund, prompting immediate contact with the Pension Fund to stop the payment. Internal audit review identified that key controls to prevent such occurrences had already been recommended and agreed in the recent Pensions Audit. No further action was required, as the existing control improvements will address this type of risk.

9.2.8 *Case 175: Children's Home Management Concerns*

Internal Audit received a whistleblowing allegation regarding management behaviour at a children's residential home. This was passed to the Commissioning service as a safeguarding referral. The provider undertook an investigation which identified no serious concerns but made some recommendations. The commissioning service also conducted a monitoring visit which did not identify any significant issues.

9.2.9 *Case 182: Council Employee Printing Misuse*

Concerns regarding excessive printing costs by a single council employee were reported to Internal Audit. The service investigation confirmed this was a case of poor practice on behalf of the employee but that the printing did constitute

legitimate business use, and the case was closed with advice provided regarding monitoring and oversight of printing usage.

9.2.10 Case 184: Children's Services Financial Management

Internal Audit reviewed concerns about financial management and resource allocation within Children's Services, including questions about payment distribution and staffing arrangements. Review found that payments were made in line with approved procedures and there was no evidence of financial irregularities.

9.2.11 Case 189: Council Tax and Benefits Fraud Concerns

A whistleblower was signposted to report concerns regarding council tax and housing benefits to the relevant lower-tier authority and the DWP fraud reporting website.

9.2.12 Case 191: GPC Usage

Internal Audit investigated concerns that an employee had allegedly used a Government Procurement Card to pay for personal items. Investigation of the transactions confirmed that the allegation was not substantiated and there were no serious concerns identified.

9.2.13 Case 192: Service Workplace Grievance

An employee raised workplace concerns regarding various allegations, creating a hostile work environment, and various management issues. The employee was advised to pursue the matter through the Council's Resolving Workplace Concerns policy and was signposted to HR support and the Employee Assistance Programme.

9.2.14 Case 194: Service Petty Cash Fund Discrepancy

A discrepancy of £59.81 was identified in a service's petty cash fund during reconciliation. Investigation revealed inadequate cash management procedures, including infrequent reconciliation, unclear documentation, and poor organisation of loose change. While fraud could not be determined, the service implemented corrective measures including weekly cash checks with dual verification, consolidation of loose change, improved record keeping, and staff training. Internal Audit determined no further investigation was warranted as the service completed appropriate reconciliation and implemented reasonable preventative measures.

9.2.15 Case 197: Children's Services Financial Support

Internal Audit received concerns regarding a family receiving financial support from Children's Services. The concerns suggested the individual may be receiving additional income beyond the weekly subsistence payments. Following initial

review, Internal Audit advised that the council had no powers to investigate beyond requesting bank statements to verify eligibility. The case was closed with advice that any future concerns requiring detailed investigations should be referred to appropriate authorities.

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 commenced data collection in October 2024. Adult Social Care datasets were not 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 were released from the first round of data matching on the 20th of December 2024. The total number of matches for CCC as at December 2024 was 9,329 across 38 reports which have a high or medium risk rating, depending on the nature of the data. As of June 2025, 1,897 matches have been reviewed and cleared.

10 KEY FINANCIAL SYSTEMS UPDATE

10.1 2024/5 KEY FINANCIAL SYSTEMS AUDITS

10.1.1 A paper on the approach and scope for the 2024/5 audits of key financial systems via the Lead Authority model was taken to the Lead Authority Board and approved in October 2024. It was agreed that the Cambridgeshire Internal Audit Team will undertake the Payroll and Debt Recovery shared service audits with the Accounts Payable and Income Processing audits to be undertaken by the West Northamptonshire and North Northamptonshire teams.

10.1.2 The Cambridgeshire Internal Audit service recommended that a new and more comprehensive approach to the auditing of Cambridgeshire and Northamptonshire pension funds should be developed with greater input from the pensions service. This was agreed by the Cambridgeshire and Northamptonshire Funds during March/April, with audit work to commence in quarter 2 of 2025/26; the first audit will focus on risk management.

10.1.3 Key updates on the audits are as follows:

- **Accounts Payable:** The final report for the Accounts Payable service has now been completed by colleagues at North Northamptonshire, with the final report giving good assurance opinions over the system and compliance.
- **Debt Recovery:** The audit for Cambridgeshire County Council has been completed by the team, and a final report has now been issued. The opinion on the debt recovery system and compliance for Cambridgeshire is good, an improvement from the moderate opinion on the system in 2023/24. However the organisational impact opinion is 'moderate', which reflects the financial risks presented by the substantial growth in overall debt, particularly in medium-term and backdated Adult Social Care charges
- **Income Processing:** This audit is underway at West Northamptonshire but has not reached draft report stage.
- **Payroll:** The Cambridgeshire Internal Audit service is currently undertaking the Payroll Shared Service audit. Fieldwork is now completed and is undergoing quality checks prior to producing the draft report.

10.2 2025/6 KEY FINANCIAL SYSTEMS AUDITS

10.2.1 The Heads of Internal Audit for the Lead Authorities met in June to discuss the programme of work for 2025/6. It is proposed that this will be in line with the work

carried out in 2024/5, with the same authorities completing each review. Additionally, the authorities will collaborate on reviews of the Bank Reconciliation process, but each team will produce a report locally as parts of the bank reconciliation process are completed separately by each authority.

- 10.2.2 The formal proposals will be presented to the Lead Authority Board later in the summer for formal approval..