



# CAMBRIDGESHIRE AND PETERBOROUGH COMBINED AUTHORITY

## Internal Audit Progress Report

**2 December 2022**

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# 1 Key messages

The internal audit plan for 2022/23 was approved at the July 2022 meeting. This report provides an update on progress against that plan, the changes to the plan and summarises the results of our work to date (including the remaining audits from the 2021/22 internal audit plan).

## 2021/22 Internal Audit Delivery



Since the last meeting we have issued two further final reports from the 2021/22 internal audit plan:

- Payroll
- IT Control Framework (Part 2).

[\[To note\]](#)

## Additional 2021/22 internal audit activity



As part of our work with you we are asked from time to time to undertake ad-hoc reviews. One of these reviews was around Community Land Trusts, for which we have also issued the final report since the last meeting.

We were also asked by Officers to undertake an Analysis of Government Procurement Card Expenditure and Expenses. The draft report has been issued and the final report will be issued once we have discussed the latest draft report with Officers and responses to the action plan are received. [\[To note\]](#)

## 2022/23 Internal Audit Delivery

Since the last meeting we have also issued one final report from the 2022/23 internal audit plan – Data Protection

We have also issued one further draft report from the 2022/23 internal audit plan (Risk Management) and are awaiting responses from management.




The fieldwork for the Affordable Housing Grant Programme and Net Zero Hub - Governance audits is in progress, and the final reports are expected to be presented to the next Audit & Governance Committee (AGC) meeting.

Remaining audits are being scoped, however please note that since the last meeting we have been asked to postpone the Succession Planning audit until 2023/24 due to changes being made in that area as part of the Improvement Plan. We will discuss with management a replacement audit for the 2022/23 plan. [\[To note\]](#)

## 2 Reports

### Summary of final reports being presented to this committee

We have issued four final reports since the last meeting.

Assignment	Debrief Date	Opinion issued	Actions agreed		
			L	M	H
<p><b>Payroll (12.21/22)</b></p> <p>Overall, the control framework operating within the CPCA in relation to Payroll was relatively well designed and largely complied with including core controls for new starters, leavers and amendments. Policies and procedures however needed be developed to document and clarify the payroll processes in place at the CPCA.</p> <p>Further improvements related to the management of the payroll provider through improving the contract of the outsourced payroll provider to match the size and complexity of the Authority's payroll as well as more clarity of the responsibilities of both parties. We also identified some lower priority improvement areas where controls design and operation could be strengthened, including access to the payroll portal, ensuring new starters forms are fully completed, the development of an overpayments log, the inclusion of duplicate bank detail checks as part of the monthly payroll and the completion of timely payroll account reconciliations.</p> <p>We also factored into our opinion key processes that had been improved since our initial feedback during the planning meeting for this review which took place in October 2021 and included implementation of key detective controls such as internal reviews of variance reporting. However, please note that these were implemented midway through the financial year and we did not test all of these.</p>	14 April 2022, further evidence provided June and early July 2022.	<p>Reasonable Assurance</p> 	5	2	0
<p><b>IT Control Framework Part 2 (7.21/22)</b></p> <p>We undertook a second follow up to review progress with the previously agreed management actions from the IT Control Framework Review 5.20/21 review, debriefed in May 2021, which originally resulted in a minimal assurance opinion. There were six high and four medium priority actions agreed during the initial audit.</p> <p>Specifically, we followed up those management actions that had not been fully implemented at the first follow up of the initial review (IT Control Framework Review - Follow Up 1.21.22).</p>	5 April 2022	No overall opinion	1	2	1

Assignment	Debrief Date	Opinion issued	Actions agreed		
			L	M	H
<p>The fieldwork for the first follow up was undertaken in November 2021, and we concluded that seven actions remained outstanding. These seven actions consisted of two high, four medium and one low priority management actions. In this second follow up review (fieldwork undertaken in March and April 2022), we found that:</p> <ul style="list-style-type: none"><li>• Three actions had been fully implemented;</li><li>• Two actions had been partly through not yet fully implemented; and</li><li>• Two actions were not implemented.</li></ul> <p>Revised dates for implementation were agreed for the five actions not fully implemented.</p>					
<b>Community Land Trusts (9.21.22)</b>	23 May 2022	Advisory			11 Advisory actions
<p>We confirmed that the CPCA had a pre-existing commitment to support CLT's within the CPCA area, entered into as part of its Devolution Deal (2017) with the UK Government. We also confirmed that the CPCA Board had approved the inclusion of support for CLT's within its Business Plan for 2019/20, and that funding had been allocated for this within the Board approved budget for 2019/20 and Medium-Term Financial Plan for 2019-2023.</p> <p>However, whilst we confirmed that the Board had delegated authority to the former Joint Chief Executive to incur expenditure to establish the Community Housing Team and provide support to CLT's, we identified several issues with regards to the governance and monitoring arrangements in place with respect to the work of the Community Housing Team to support CLT's. We also noted that the CPCA had not identified forms of technical support which required specific approval prior to being provided, or the approval requirements for such support.</p> <p>With regards to the Statement of Community Benefit for the Camps Field Development, we noted that the Statement did not include a limitation clarifying that the stated benefits were not being proposed by the CPCA itself, which had led to concern over whether the CPCA was endorsing the scheme and its benefits, further heightened by the inclusion of the CPCA letterhead. We also noted that, as the Statement was considered to be a form of core technical support, it had not been formally approved through a CPCA governance process.</p>					

Assignment	Debrief Date	Opinion issued	Actions agreed		
			L	M	H
We also noted that the CPCA did not have appropriate processes in place to monitor the work of CLT's within the CPCA area, to ensure that their schemes and decisions were being made in the interest of the local community, and that appropriate community engagement was being completed by CLT's.					
<b>Data Protection – deep dive (1.22.23)</b>	20 July 2022	Advisory	2	9	1
A number of significant issues were identified as an outcome of this assignment, which required timely management attention to ensure that the necessary controls were in place to facilitate and govern the control framework in relation to GDPR, and to ensure that all the actions recommended by the ICO following the November 2021 data breach had been fully implemented. We agreed a total of 12 management actions to address these issues.					
All management actions were prioritised to inform internal planning, of which there were one high, nine medium and two low priority actions. One high priority area identified by the Information Commissioner, which resulted in a recommendation to hold a brainstorming session, aimed at understanding potential consequences for data subjects as a result of the data breach which occurred in November 2021, has not been actioned and Officers have decided to accept this risk.					

## Appendix A – Progress against the internal audit plan 2021/22 – remaining audits only

Assignment	Timing / Status / Opinion issued	Actions agreed			Target AGC	Actual AGC
		L	M	H		
Additional audit: Payroll	FINAL – Reasonable Assurance	5	3	0	December 2022 (September 2022)	December 2022
Additional follow up: IT Control Framework Part 2	FINAL (no overall opinion)	1	2	1	December 2022 (September 2022)	December 2022
Community Land Trusts	FINAL - Advisory	11 advisory actions			December 2022 (September 2022)	December 2022
Analysis of Government Procurement Card Expenditure and Expenses	DRAFT report issued 16 December 2021 Revised DRAFT reports issued 12 May 2022 and 28 September 2022				TO BE CONFIRMED	

## Appendix B – Progress against the internal audit plan 2022/23

Assignment	Timing / Status / Opinion issued	Actions agreed			Target AGC	Actual AGC
		L	M	H		
<b>Data Protection – deep dive</b>	<b>FINAL - Advisory</b>	<b>2</b>	<b>9</b>	<b>1</b>	<b>January 2023 (September 2022)</b>	<b>December 2022</b>
Risk management	DRAFT report issued 17/11/22				January 2023	
Affordable housing grant programme*	Fieldwork in progress				(January 2023) March 2023	
Net zero hub - governance	Fieldwork in progress				January 2023	
Core control framework	12 December 2022				March 2023 (January 2023)	
Subsidiary companies – deep dives	16 January 2023				March 2023	
IT Audit	6 February 2023*				June 2023 (January 2023)	
Follow up	20 March 2023				June 2023	
Governance	20 February 2023				June 2023	
Succession planning*	Delayed to 2023/24 plan at management request. Replacement audit TBC				N/A	

\* please see explanation of change below

## Appendix C – Other matters

### Changes to the audit plan

Since the last meeting there have been the following changes to the 2022/23 internal audit plan:

Audit/Area	Change Proposed
Succession Planning	The Succession Planning audit was originally scheduled to take place in October 2022. We were initially requested by management to delay this until January 2023 due to ongoing work in this area, and we have now been asked to delay the audit to summer 2023, and it will therefore form part of the 2023/24 internal audit plan. We are discussing with management a replacement audit for the 2022/23 plan.

The following changes were previously reported:

Audit/Area	Change Proposed
Affordable Housing Programme	At the July Audit & Governance Committee, it was suggested that the proposed Affordable Housing Programme audit may overlap with other work being undertaken. We discussed with management the potential scope of the audit and whether it remained appropriate to be included within the plan, or whether it should be replaced with something else. We agreed that the audit should focus on the grant programme, and therefore there would be no overlap with the work being undertaken by the scrutiny committee.
IT Audit	A scoping meeting was held with the audit sponsor, at which we were asked to push the audit back due to the current transition period which includes IT changes. This audit will now take place in February 2023.

## Grant Funding work undertaken by RSM to date

Audit/Area	Work Undertaken by RSM
Grant Funding	<p>Work continues to be undertaken by our specialist team on grant funding received by the Combined Authority. This includes the following: These specifically relate to the grant funding noted below, one of which is pass-through funding (Local Transport Capital Block Funding) whereby expenditure is incurred by constituent councils and therefore they provide their own assurance however we are required to confirm that the CPCA have paid the constituent councils in line with the decisions made by the Mayor and other grants where expenditure is incurred by the Combined Authority. We have summarised the grants below:</p> <ul style="list-style-type: none"><li>• Transforming Cities Fund – 2021/22 and Peer to peer Network grants claim 2021/22</li><li>• BSOG Devolved LTA Funding 2022/23</li><li>• Skills bootcamps Wave 3</li><li>• Local Transport Capital Block Fundings 2021/22</li><li>• Green Homes Grant (Local Authority Delivery Phase 2)</li></ul>

## RSM External reviews of quality

One of the key measures of quality is an independent third-party assessment and, as a firm we are required to conform to the requirements of the International Professional Practices Framework (IPPF) published by the Global IIA. Under the Standards, internal audit services are required to have an external quality assessment (EQA) every five years. The RSM UK Risk Assurance service line commissioned an external independent review of our internal audit services in 2021, to provide assurance as to whether our approach continues to meet the requirements.

The external review concluded that RSM 'generally conforms to the requirements of the IIA Standards' and that 'RSM IA also generally conforms with the other Professional Standards and the IIA Code of Ethics. There were no instances of non-conformance with any of the Professional Standards'. The rating of 'generally conforms' is the highest rating that can be achieved, in line with the IIA's EQA assessment model.

## Information briefings and Sector updates

Our latest Employment Matters newsletter issued on 28 October included the following:

**HR:** <https://www.rsmuk.com/ideas-and-insights/human-resources/christmas-parties>

**Tax:** <https://www.rsmuk.com/ideas-and-insights/employment-tax/staff-christmas-parties-reminder-for-employers>

**Global mobility:** <https://www.rsmuk.com/blog/how-hmrc-looking-at-unexpected-time-spent-in-uk-during-covid>

**Legal:** <https://www.rsmuk.com/ideas-and-insights/employment-matters/legal/top-people-issues-2023>

**Payroll:** <https://www.rsmuk.com/ideas-and-insights/payroll/payroll-processes-mini-budget-reversal>

**Employment Law bulletins:**

<https://www.rsmuk.com/employment-law-bulletin/settlement-agreements-cannot-settle-unspecific-future-claims>

<https://www.rsmuk.com/employment-law-bulletin/treating-whistleblowers-detrimentally-can-be-costly>

<https://www.rsmuk.com/employment-law-bulletin/employers-must-consult-employees-before-selection-for-redundancy>

<https://www.rsmuk.com/employment-law-bulletin/legal-advice-privilege-cannot-be-retrospectively-applied-to-documents>

<https://www.rsmuk.com/employment-law-bulletin/coronavirus-ill-health-may-not-become-a-disability>

## Appendix C - Key performance indicators (KPIs) for 2022/23 delivery

Delivery				Quality		
	Target	Actual	Notes (ref)		Target	Actual
Audits commenced in line with original timescales following scoping	Yes	80%	Succession planning audit has been delayed	Conformance with PSIAS and IIA Standards	Yes	Yes
Draft reports issued within 15 days of debrief meeting	100%	0	Report required specialist review and was issued after 25 days	Liaison with external audit to allow, where appropriate and required, the external auditor to place reliance on the work of internal audit	Yes	Yes
Management responses received within 15 days of draft report	100%	0		Response time for all general enquiries for assistance	2 working days	100%
Final report issued within 3 days of management response	100%	100%		Response for emergencies and potential fraud	1 working days	N/A
Notes						

The above KPIs take into account changes agreed by management and the Audit & Governance Committee during the year.

## FOR MORE INFORMATION CONTACT

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The matters raised in this report are only those which came to our attention during the course of our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Actions for improvements should be assessed by you for their full impact. This report, or our work, should not be taken as a substitute for management’s responsibilities for the application of sound commercial practices. We emphasise that the responsibility for a sound system of internal controls rests with management and our work should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of fraud and irregularity should there be any.

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