



CAMBRIDGESHIRE & PETERBOROUGH COMBINED AUTHORITY

Internal Audit Strategy 2023/24

Presented at the Audit and Governance Committee meeting of: 9 June 2023

This report is solely for the use of the persons to whom it is addressed.

To the fullest extent permitted by law, RSM UK Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party.

EXECUTIVE SUMMARY

In preparing our Internal Audit Plan for 2023/24 we have worked closely with management to produce the audit programme which remains mindful of the continuing developments and challenges to the organisation. We will continue to hold regular meetings with management, during the year, to deliver an internal audit programme which remains flexible and 'agile' to ensure it meets your needs in these ever changing circumstances.

The key points to note from our plan are:



2023/24 Internal Audit priorities: Internal audit activity for 2023/24 is based on analysing your risk profile as well as other factors affecting you in the year ahead, including changes within the sector. Our detailed plan for 2023/24 is included at Section 1. We note we have partially relied upon the latest Corporate Risk Register and have linked risks against the audit areas as applicable, but we have also relied on our understanding of the organisation and input from senior management in defining the areas of coverage to prioritise for 2023/24.



Level of Resource: The level of resource required to deliver the plan for 2023/24 plan has been discussed and agreed with the Executive Director for Resource & Performance and Section 73 Officer for the Combined Authority, and is in line with our contract with you. In delivering your internal audit services we continue to embrace technology when undertaking operational audits. Through tools such as 4questionnaires, MS Teams meetings, secure web portals for audit data sharing (Huddle) and data analytics, our approach consists of a combination of both on-site client presence and remote auditing. RSM UK has in place policies designed to protect both its staff and clients, which is supported through our flexible working approach. This will strengthen our sampling and focus our audit testing (see Appendix A).



Core Assurance: Following discussions with key members of the executive management team, the core areas of coverage for 2023/24 include **Strategic Planning, Business Continuity Planning, HR Digital Processes, IT Audit** coverage, and **Budget Setting and Budgetary Control**. We will build on the **Subsidiary Companies** reviews undertaken in 2021/22 and 2022/23 by undertaking a further review in 2023/24.

We have also been asked to undertake a **Key Financial Controls** review and our annual **Follow Up** review. Given the qualified Head of Internal Audit opinion in 2023/24 and negative opinions and in regard to Risk Management and internal and external concerns in regard to Governance, we have included further coverage in 2023/24 to ensure that improvements are being made in these areas. Specifically, we have a **Risk Management** review and two reviews linking into the Authority's Improvement plan in regard to the **Governance – Improvement Plan** and **Project Planning and Delivery – Improvement Plan** reviews.



'Agile' approach: Our approach to working with you has always been one where we will respond to your changing assurance needs. By employing 'agile' or a 'flexible' approach to our service delivery, we are able to change the focus of audits / audit delivery; keeping you informed of these changes in our progress papers to Audit and Governance Committee (AGC) during the year.

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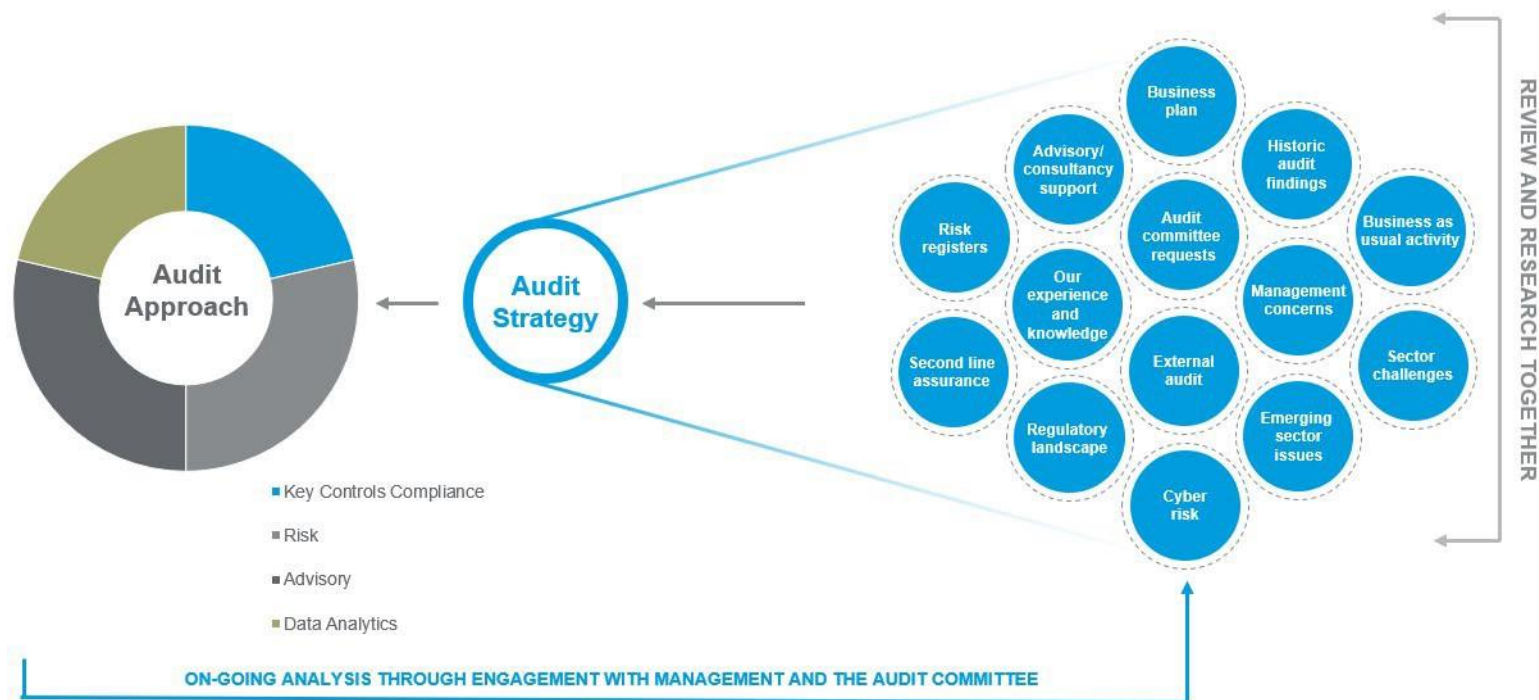
1. YOUR INTERNAL AUDIT PLAN 2023/24

Our approach to developing your internal audit plan is based on analysing your corporate objectives, risk profile and assurance framework as well as other, factors affecting Cambridgeshire & Peterborough Combined Authority in the year ahead, including changes within the sector.

Risk management processes

We have evaluated your risk management processes, however, noting the negative opinions in regard to Risk Management we have referenced the latest corporate risk register, although have not been able to place full reliance on your risk framework to inform the internal audit strategy. As such we have utilised various sources of information (see Figure A below) and discussed priorities for internal audit coverage with senior management in devising our 2023/24 Internal Audit Plan

Figure A: Audit considerations – sources considered when developing the Internal Audit Strategy.



Based on our understanding of the organisation, the information provided to us by stakeholders, and the regulatory requirements, we have developed an annual internal plan for the coming year and a high level strategic plan (see Section 2 and Appendix B for full details).

2. INTERNAL AUDIT PLAN 2023/24

The table below shows each of the reviews that we propose to undertake as part of the internal audit plan for 2023/24. The table details the corporate risks as applicable, which support the areas of defined internal audit coverage. As well as assignments designed to provide assurance or advisory input around specific risks, the strategy also includes time for tracking the implementation of actions and an audit management allocation.

	Audit approach	Proposed timing	Proposed AGC
Risk driven coverage			
Budget Setting and Budgetary Control To assess the robustness of the Authorities Budget Setting arrangements and approach and a review of the mechanisms in place in regard to Budgetary Control. Risk 21 - Financial Underspend Risk 7 - Future viability of the CA	Risk based	May 2023	September 2023
IT Audit This is a key area for the Authority and coverage will be included within each year of the internal audit strategy. The RSM IT Technology Risk Team will discuss the detailed scope with management each year. Reviews may include the treatment of cyber-crime, network security, business continuity, data security or the IT projects. As part of our scoping, we will consider the accreditations in place and other 3rd party assurance providers to avoid any potential duplication of work. Risk: Risk 26 - Cyber Security Risk: Risk 7 - Future viability of the CA	Risk based	February 2024	May 2024
Subsidiary Company Governance The specific coverage for this review is to be scoped and determined with management but will look to build off and provide independent assessment in supporting the authority through the weaknesses identified in this area in 2021/22 and to take into account outcomes of the 2022/23 review. Risk 17 - Subsidiary Companies	Risk based	January 2024	March 2024
Risk Management	Risk based	September 2023	November 2023

	Audit approach	Proposed timing	Proposed AGC
<p>A review of the risk management arrangements in place at the Combined Authority, with a specific focus on the revised risk management framework and updated Corporate Risk Register. Risk management coverage in 2023/24 is appropriate noting the negative assurance ratings provided in 2021/22 and 2022/23.</p> <p>Risk 7 - Future viability of the CA</p>			
<p>HR Digital Processes</p> <p>HR are reviewing how they are currently operating including utilisation of the Citrus HR system. It has been suggested an Internal Audit review late in 2023/24 would be beneficial to assess how the system and supporting HR processes are operating.</p> <p>Risk 3 - Workforce / HR</p>	Risk based	October 2023	January 2024
<p>Governance – Improvement Plan</p> <p>The specific coverage for this review is to be scoped and determined with management but will look to build off and provide independent assessment in supporting the authority through the Governance weaknesses identified at the Authority in 2021/22 and 2022/23. Governance coverage in 2023/24 is appropriate to ensure improvements are being made in a timely manner.</p> <p>Risk 15 - Governance - VfM risk relating to governance</p> <p>Risk 16 - Culture</p>	Risk based	October 2023	January 2024
<p>Project Planning and Delivery – Improvement Plan</p> <p>The specific coverage for this review is to be scoped and determined with management but will assess the design, management and oversight of projects within the Authority.</p> <p>Risk 21 - Financial Underspend</p> <p>Risk 16 - Culture</p>	Risk based	December 2023	March 2024
<p>Strategic Planning</p> <p>Clear strategic plans need to be documented to ensure that the authority can articulate the longer-term strategic direction of the organisation. We will specifically assess the strategic plan development, including stakeholder engagement and internal governance mechanisms and how the Authority is approaching implementing this strategy in support of delivering its objectives.</p>	Risk based	December 2023	March 2024

	Audit approach	Proposed timing	Proposed AGC
Risk 5 - Strategy Gap			
Other Coverage			
Business Continuity Planning We will review the robustness of the Authority's Business Continuity arrangements in place to minimise disruption and maintain services continuity in the event of a major incident occurring.	Risk based	July 2023	September 2023
Key Financial Controls To review the key controls in place for key financial control areas. This will include key controls testing, focus on any specific management concerns and follow up the implementation of previously agreed actions. The scope of the review will be agreed nearer the time but we will cover the following areas over a cyclical period: <ul style="list-style-type: none"> • General ledger; • Creditors payments; • Income and Debtors; • Cash and treasury management; • Capital Expenditure • Expenses and Credit Cards; • Asset register; We will use data analytics to undertake some analysis and inform our testing.	Key Controls	August 2023	November 2023
Grants - <i>Following the completion of a number of grant returns in 2022/23 which required the sign off of both the Chief Executive and the Chief Internal Auditor we have included a note within the internal audit plan to undertake reviews in our capacity of the CPCA Chief Internal Auditor on the use of grant funding received, which will include review of evidence to substantiate compliance against grant terms. Fees will be agreed separately. Some of these Grants also require the involvement of our grant specialists and authorised individual to sign off grant claims.</i> <i>We will liase directly with the CFO and Deputy CFO with regards to this work.</i>	Grant audit	Ongoing	Ongoing
Other Internal Audit Activity			

	Audit approach	Proposed timing	Proposed AGC
Follow Up To meet internal auditing standards, and to provide assurance on action taken to address recommendations previously agreed by management.	Follow Up	December 2023	March 2024
Advice and Consultancy To provide advice on an ongoing basis on all aspects of governance, risk management and internal control.	n/a	Throughout the year	n/a
Management This will include: <ul style="list-style-type: none"> • Annual planning • Preparation for and attendance at AGC • AGC training • Regular liaison and progress updates • Liaison with external audit and other assurance providers • Preparation of the annual opinion. 	n/a	Throughout the year	n/a

A detailed planning process will be completed for each review, and the final scope will be documented in an Assignment Planning Sheet. This will be issued to the key stakeholders for each review.

2.1 Working with other assurance providers

The AGC is reminded that internal audit is only one source of assurance and through the delivery of our plan we will not, and do not, seek to cover all risks and processes within the organisation. We will however continue to work closely with other assurance providers, such as external audit to ensure that duplication is minimised, and a suitable breadth of assurance obtained.

APPENDIX A - YOUR INTERNAL AUDIT SERVICE

Your internal audit service is provided by RSM UK Risk Assurance Services LLP. The team will be led by Dan Harris as your Head of Internal Audit, supported by Nick Fanning as your client manager.

Core team

The delivery of the 2023/24 audit plan will be based around a core team and complemented with additional specialist skills where required.

Conformance with internal auditing standards

RSM affirms that our internal audit services are designed to conform to the Public Sector Internal Audit Standards (PSIAS). Under PSIAS, internal audit services are required to have an external quality assessment every five years. Our risk assurance service line commissioned an external independent review of our internal audit services in 2021 to provide assurance whether our approach meets the requirements of the International Professional Practices Framework (IPPF), and the Internal Audit Code of Practice, as published by the Global Institute of Internal Auditors (IIA) and the Chartered IIA, on which PSIAS is based.

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.

Conflicts of interest

During 2022/23 we have completed several reviews of grant funding received by the Combined Authority as part of the requirements of the Authority to confirm to funding providers that expenditure has been appropriate in line with the terms of the grants. We were also requested to undertake some risk management support and training, work in regard to the administration of devolved Adult Education Budget funding, a review in regard to procurement and contract management and an engagement from our specialist investigations team.

All this work was undertaken via separate letters of engagements, led by independent engagement partners and delivered by specialist staff separate from the core Internal Audit Team. We also consider as part of any additional engagements the safeguards required to be in place and are satisfied that these have been met. When asked to undertake any additional roles / responsibilities outside of the internal audit programme, the Head of Internal Audit has discussed these areas with the Chief Finance Officer and highlighted any potential or perceived impairment to our independence and objectivity. We have also reminded the CFO of the safeguards we have put in place to limit impairments to independence and objectivity and how these continue to be managed.

RSM has not therefore undertaken any work or activity during 2022/23 that would lead us to declare any conflict of interest. We will apply the same methodology as mentioned above if we are asked to provide further support in 2023/24. Please note that a number of the above engagements are ongoing into 2023/24.

Corporate responsibility

At RSM we believe it is our responsibility to positively impact on our society and the environment. We have three pillars of corporate responsibility: environment, charity and community. For more details on RSM's commitment visit our website: [Corporate responsibility | RSM UK](#).

APPENDIX B: INTERNAL AUDIT STRATEGY 2023/24 - 2025/26

The table below shows an overview of the audit coverage to be provided through RSM's delivery of the internal audit strategy. This has been derived from the process outlined in Section 1 above, as well as our own view of the risks facing the sector as a whole.

Assurance Provided		Internal Audit – Third Line of Assurance (Independent review / assurance)					
		2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Red - Minimal Assurance / Poor Progress							
Amber/red - Partial Assurance / Little Progress							
Amber/green - Reasonable Assurance / Reasonable Progress							
Green - Substantial Assurance / Good Progress							
Advisory / AUP							
IDEA							
Audit Area	Risk Ref						
Energy Hub				✓			
Climate Change Strategy							✓
Environment, Social and Governance (ESG Maturity)						✓	
Strategic Planning	CR 5				✓		
HR Digital Processes	CR 3				✓		
Project Planning and Delivery – Governance	CR 15 & 16				✓		
Project Planning and Delivery – Improvement Plan	CR 16 & 21				✓		
Local Industry Strategy							✓
Local Transport Plan							✓
Skills Strategy							✓
Adult Education Budget			✓				
COVID 19 – Capital Grants		✓					

Affordable Housing Programme			✓			
IT Controls / Cyber	CR 7 & 26	✓	✓	✓		
Data Protection			✓		✓	
Declarations of Interest						✓
Governance, Transparency and Decision Making		✓				
CAM Project – Governance and Decision Making			✓			
Cross Charging of Corporate Services						✓
Subsidiary Company Governance	CR 17		✓	✓	✓	✓
Project Planning and Delivery		✓				
Business Continuity and Disaster Recovery				✓		✓
Procurement and Contract Management					✓	
Fraud Risk Assessment			✓		✓	
Capital Programme		✓				
Budget Setting and Budgetary Control	CR 7 & 21			✓		
Succession Planning						✓
Staff Mental Health and Wellbeing					✓	
Equality Diversity and Inclusion					✓	
Recruitment and Retention					✓	
Data Quality and Performance Management					✓	
Workforce Planning and Development					✓	
Risk Management		✓	✓	✓	✓	✓

Key Financial Controls / Core Control Framework	✓	✓	✓	✓	✓	✓
Payroll		✓				✓
Follow Up	✓	✓	✓	✓	✓	✓

APPENDX C - INTERNAL AUDIT CHARTER

Need for the charter

This charter establishes the purpose, authority and responsibilities for the internal audit service for Cambridgeshire & Peterborough Combined Authority. The establishment of a charter is a requirement of the Public Sector Internal Audit Standards (PSIAS), and approval of the charter is the responsibility of the AGC.

The internal audit service is provided by RSM UK Risk Assurance Services LLP ("RSM").

We plan and perform our internal audit work with a view to reviewing and evaluating the risk management, control and governance arrangements that the organisation has in place, focusing in particular on how these arrangements help you to achieve its objectives. The internal audit function is required to comply with the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) as follows:

- Core principles for the professional practice of internal auditing;
- Definition of internal auditing;
- Code of ethics; and
- The Standards.

Mission of internal audit

As set out in the PSIAS, the mission articulates what internal audit aspires to accomplish within an organisation. Its place in the IPPF is deliberate, demonstrating how practitioners should leverage the entire framework to facilitate their ability to achieve the mission.

"To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight".

Independence and ethics

To provide for the independence of internal audit, its personnel report directly to the Partner Daniel Harris (acting as your head of internal audit). The independence of RSM is assured by the internal audit service reporting to the chief executive, with further reporting lines to the Chief Finance Officer

The head of internal audit has unrestricted access to the chair of AGC to whom all significant concerns relating to the adequacy and effectiveness of risk management activities, internal control and governance are reported.

Conflicts of interest may arise where RSM provides services other than internal audit to Cambridgeshire & Peterborough Combined Authority. Steps will be taken to avoid or manage transparently and openly such conflicts of interest so that there is no real or perceived threat or impairment to independence in providing the internal audit service. If a potential conflict arises through the provision of other services, disclosure will be reported to the AGC. The nature of the disclosure will depend upon the potential impairment, and it is important that our role does not appear to be compromised in reporting the matter to the AGC. Equally we do not want the organisation to be deprived of wider RSM expertise and will therefore raise awareness without compromising our independence.

Responsibilities

In providing your outsourced internal audit service, RSM has a responsibility to:

- Develop a flexible and risk based internal audit strategy with more detailed annual audit plans. The plan will be submitted to the AGC for review and approval each year before work commences on delivery of that plan.
- Implement the internal audit plan as approved, including any additional tasks requested by management and the AGC.
- Ensure the internal audit team consists of professional audit staff with sufficient knowledge, skills, and experience.
- Establish a quality assurance and improvement program to ensure the quality and effective operation of internal audit activities.
- Perform advisory activities where appropriate, beyond internal audit's assurance services, to assist management in meeting its objectives.
- Bring a systematic disciplined approach to evaluate and report on the effectiveness of risk management, internal control and governance processes.
- Highlight control weaknesses and required associated improvements together with corrective action recommended to management based on an acceptable and practicable timeframe.
- Undertake follow up reviews to ensure management has implemented agreed internal control improvements within specified and agreed timeframes.
- Report regularly to the AGC to demonstrate the performance of the internal audit service.

For clarity, we have included the definition of 'internal audit', 'senior management' and 'board'.

- Internal audit – a department, division, team of consultant, or other practitioner (s) that provides independent, objective assurance and consulting services designed to add value and improve an organisation's operations. The internal audit activity helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes.
- Executive management who are the team of individuals at the highest level of organisational management who have the day-to-day responsibilities for managing the organisation.
- Board - The highest level governing body charged with the responsibility to direct and/or oversee the organisation's activities and hold organisational management accountable. Furthermore, "board" may refer to a committee or another body to which the governing body has delegated certain functions (e.g., an AGC).

Client care standards

In delivering our services we require full cooperation from key stakeholders and relevant business areas to ensure a smooth delivery of the plan. We proposed the following KPIs for monitoring the delivery of the internal audit service:

- Discussions with senior staff at the client take place to confirm the scope six weeks before the agreed audit start date.
- Key information such as: the draft assignment planning sheet are issued by RSM to the key auditee six weeks before the agreed start date.
- The lead auditor to contact the client to confirm logistical arrangements at least 15 working days before the commencement of the audit fieldwork to confirm practical arrangements, appointments, debrief date etc.

- Fieldwork takes place on agreed dates with key issues flagged up immediately.
- A debrief meeting will be held with audit sponsor at the end of fieldwork or within a reasonable time frame.
- Draft reports will be issued within 10 working days of the debrief meeting and will be issued by RSM to the agreed distribution list / Huddle.
- Management responses to the draft report should be submitted to RSM.
- Within three working days of receipt of client responses the final report will be issued by RSM to the assignment sponsor and any other agreed recipients of the report.

Authority

The internal audit team is authorised to:

- Have unrestricted access to all functions, records, property and personnel which it considers necessary to fulfil its function.
- Have full and free access to the AGC.
- Allocate resources, set timeframes, define review areas, develop scopes of work and apply techniques to accomplish the overall internal audit objectives.
- Obtain the required assistance from personnel within the organisation where audits will be performed, including other specialised services from within or outside the organisation.

The head of internal audit and internal audit staff are not authorised to:

- Perform any operational duties associated with the organisation.
- Initiate or approve accounting transactions on behalf of the organisation.
- Direct the activities of any employee not employed by RSM unless specifically seconded to internal audit.

Reporting

An assignment report will be issued following each internal audit assignment. The report will be issued in draft for comment by management, and then issued as a final report to management, with the executive summary being provided to the AGC. The final report will contain an action plan agreed with management to address any weaknesses identified by internal audit.

The internal audit service will issue progress reports to the AGC and management summarising outcomes of audit activities, including follow up reviews. As your internal audit provider, the assignment opinions that RSM provides the organisation during the year are part of the framework of assurances that assist the board in taking decisions and managing its risks.

As the provider of the internal audit service, we are required to provide an annual opinion on the adequacy and effectiveness of the organisation's governance, risk management and control arrangements. In giving our opinion it should be noted that assurance can never be absolute. The most that the internal audit service can provide to the board is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes. The annual opinion will be provided to the organisation by RSM UK Risk Assurance Services LLP at the financial year end. The results of internal audit reviews, and the annual opinion, should be used by management and the Board to inform the organisation's annual governance statement.

Data protection

Internal audit files need to include sufficient, reliable, relevant and useful evidence in order to support our findings and conclusions. Personal data is not shared with unauthorised persons unless there is a valid and lawful requirement to do so. We are authorised as providers of internal audit services to our clients (through the firm's terms of business and our engagement letter) to have access to all necessary documentation from our clients needed to carry out our duties.

Quality Assurance and Improvement

As your external service provider of internal audit services, we have the responsibility for maintaining an effective internal audit activity. Under the standards, internal audit services are required to have an external quality assessment every five years. In addition to this, we also have in place an internal quality assurance and improvement programme, led by a dedicated team who undertake these reviews. This ensures continuous improvement of our internal audit services.

Any areas which we believe warrant bringing to your attention, which may have the potential to have an impact on the quality of the service we provide to you, will be raised in our progress reports to the AGC.

Fraud

The AGC recognises that management is responsible for controls to reasonably prevent and detect fraud. Furthermore, the AGC recognises that internal audit is not responsible for identifying fraud; however internal audit will be aware of the risk of fraud when planning and undertaking any assignments.

Approval of the internal audit charter

By approving this document, the internal audit strategy, the AGC is also approving the internal audit charter.

FOR FURTHER 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.

Our report is prepared solely for the confidential use of Cambridgeshire & Peterborough Combined Authority, and solely for the purposes set out herein. This report should not therefore be regarded as suitable to be used or relied on by any other party wishing to acquire any rights from RSM UK Risk Assurance Services LLP for any purpose or in any context. Any third party which obtains access to this report or a copy and chooses to rely on it (or any part of it) will do so at its own risk. To the fullest extent permitted by law, RSM UK Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by any person's reliance on representations in this report.

This report is released to you on the basis that it shall not be copied, referred to or disclosed, in whole or in part (save as otherwise permitted by agreed written terms), without our prior written consent.

We have no responsibility to update this report for events and circumstances occurring after the date of this report.

RSM UK Risk Assurance Services LLP is a limited liability partnership registered in England and Wales no. OC389499 at 6th floor, 25 Farringdon Street, London EC4A 4AB.