

# CAMBRIDGESHIRE AND PETERBOROUGH COMBINED AUTHORITY

## Internal Audit Progress Report

29 January 2021

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# 1 Key messages

The internal audit plan for 2020/21 was approved by the Audit and Governance Committee at the November 2020 meeting. This report provides an update on progress against that plan and summarises the results of our work to date.

## 2020/21 Internal Audit Delivery

One report has been finalised in respect of the 2020/21 Internal Audit Plan in relation to Risk Management which has resulted in a **partial assurance** opinion.

Whilst we noted that the Combined Authority was making good progress towards embedding its risk management processes, there is still further work required to fully embed the changes introduced. This progress has primarily been driven by the introduction of the Risk Management Strategy and the development of various levels of risk registers, some of which were still under development. Overall, it is evident that the control framework requires further strengthening to ensure that all areas of risk can be consistently managed, reviewed and reported.



We are in the process of completing the fieldwork stages of Key Financial Controls – Accounts Payable audit and we are at the planning stages for the reviews on:

- Appointments to Boards and Committees sponsored by the Combined Authority,
- Impact of COVID-19 on CPCA delivery of projects; and
- Climate Change.

[\[To discuss and note\]](#)

## Other Matters



We have also included some sector news in Appendix B which highlights some of the current issues being faced in the sector and the areas that the Combined Authority may wish to consider. [\[To note\]](#)

## 2 Reports

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

This section summarises the reports that have been finalised since the last meeting. The executive summaries for these reports have been included as an appendix to this document.

Assignment	Opinion issued	Actions agreed		
		L	M	H

#### 2020/21 Internal Audit Plan

##### Risk Management 1.20/21

Our review found that the organisation was making some good progress towards embedding its risk management processes. This has primarily been driven by the introduction of the Risk Management Strategy and the development of various levels of risk registers, some of which are still under development. The control framework does, however, require strengthening to ensure that all areas of risk can be consistently managed, reviewed and reported.

We noted that the Authority was yet to undertake detailed risk management training, specifically in ensuring risks are clear and mitigation plans and actions are specific, measurable, achievable, realistic and time relevant (SMART). This was reflected through our review in that we noted two risk registers were yet to be fully completed and that the remaining risk registers we reviewed were not consistent in design with specific risks and SMART mitigation plans and actions. In addition, we noted the Authority does not capture evidence of the review and scrutiny of the Corporate Risk Register at an Executive level and is yet to implement a reporting framework for risk registers below the Corporate level. We further noted that risk escalation was done at the discretion of risk owners and therefore could be subjective and inconsistent.

We also found that minimum frequencies for the review of risks have not been formally documented and noted that as the organisation takes positive steps towards its compliance with the new risk management strategy and processes, it would be equally important to link assurances to the individual risks to provide insight into the management of organisational risk.



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Assignment	Opinion issued	Actions agreed		
		L	M	H
<p>Whilst we note some improvements and progress during the year, it is evident that further work is still required to ensure a fully robust and effective risk management framework is in place across the Authority. The actions identified during our review will further embed the organisations risk management culture and controls which are planned to be driven by the Corporate Management Team. We propose to undertake a follow up review at the end of the financial year to determine progress made in implementing the agreed actions, which will inform our year end opinion.</p>				

## Appendix A – Progress against the internal audit plan

Assignment and Executive Lead	Status / Opinion issued	Actions agreed			Target Audit Committee	Actual Audit Committee
		L	M	H		
Risk Management (1.19/20)		1	7	0	January 2021	January 2021
Key Financial Controls – Accounts Payable	Fieldwork ongoing	0	0	0	Was January 2021, now April 2021	
Appointments to Boards and Committees sponsored by the Combined Authority	8 February 2021	0	0	0	April 2021	
Climate Change	15 February 2021	0	0	0	April 2021	
Grant Verification - Additional Dedicated Home to School and College Transport	8 March 2021	0	0	0	April 2021	
Follow Up	8 March 2021	0	0	0	April 2021	
Impact of COVID-19 on CPCA delivery of projects	22 March 2021	0	0	0	July 2021	
IT Controls Assessment	March 2021 - TBC	0	0	0	July 2021	

## Appendix B – Other matters

### Changes to the audit plan

There have been no changes to the Audit Plan since the previous meeting.

### Information briefings

We have appended to this report the following briefings for information:

- Cyber security risk – Remote Working and New Challenges; and
- Audit and Risk Committees – Navigating COVID-19.

### Sector Updates

#### [Investment needed to protect and improve local services](#)

The Local Government Association (LGA) has used its submission to set out the need for the Chancellor to use the Comprehensive Spending Review to provide an additional £10.1bn per year in core funding to councils in England by 2023/24. Councils will face a funding gap of more than £5bn by 2024 to maintain services at current levels. The LGA's submission to the Treasury shows how with the 'right powers, sustainable funding, and enhanced flexibilities councils can continue this vital work and ensure communities are able to prosper in the future.'

#### [High needs funding arrangements](#)

The Education and Skills Funding Agency (ESFA) has published information for local authorities and institutions about high needs funding arrangements for the 2021 to 2022 financial and academic year.

#### [£30m boost to help unlock land for new homes](#)

Cabinet Office Minister, Lord Agnew, has announced that the government is boosting its Land Release Fund (LRF) and the One Public Estate (OPE) programme with an additional £30m. The LRF, which targets small sites with a focus on supporting SME builders, will offer councils the opportunity to bid for £20m for remediation works and infrastructure to bring their surplus sites forward for housing. It is currently supporting 73 council projects which are on track to release land for more than 6,000 homes by next March.

The OPE programme will provide £10m, supporting the earliest stages of development. New and existing partnerships will be able to bid for practical support to deliver ambitious property programmes in collaboration with central government and other public sector partners, which deliver homes, jobs, efficiencies and improved public services.

## Appendix C - Key performance indicators (KPIs) for 2020/21 delivery

	Delivery				Quality		
	Target	Actual	Notes (ref)		Target	Actual	Notes (ref)
Audits commenced in line with original timescales following scoping	Yes	100%		Conformance with PSIAS and IIA Standards	Yes	Yes	
Draft reports issued within 15 days of debrief meeting	100%	100%		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

\* Our first draft report was issued on 11 December 2020 however, due to a combination of the Christmas break responses were not received within 15 days of the draft report.

## FOR MORE INFORMATION CONTACT

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# Cyber security risk

## Remote working and new challenges

**Unfortunately in times of uncertainty criminals will try to exploit vulnerability and confusion. As such we are seeing increases in cyber crime particularly utilising common social engineering techniques such as phishing, whaling and ransomware.**



### What is phishing?

Phishing is when multiple individuals are targeted by a single scam. Typically, a blanket email is sent in the hope that some will reply with sensitive information, transfer funds or open rogue links or attachments.



### What is whaling?

Whaling targets a small group of individuals, usually senior executives or individuals who can authorise funds transfer. Typically a hacker will pose as a senior official and request personal information, bank detail changes or a large funds transfer.



### What is ransomware?

Ransomware is when hackers gain unauthorised access to a network and system and take it over. They hold an organisation to ransom by blocking system access until a substantial payment is made.

### What challenges are organisations facing during Covid that make these threats more of a risk?

- Increased number of people are working from home and outside of normal working hours.
- Employees are using their own home IT infrastructure and in some cases personal email addresses.
- Employees could be printing and downloading commercially sensitive or personal data locally.
- Employees could be less vigilant and distracted given they are not in the office.
- Security on personal equipment and devices may not be as robust as office based infrastructures and networks.
- Cyber criminals are using Covid as a means of luring individuals into accessing sites and links.

### What safeguards can organisations put in place against cyber risk?

- Awareness and education is key – remind all users / employees of the IT security policy, what it covers and where to find it. This should include how to escalate concerns and incident reporting.
- Ensure all employees have completed the most up to date cyber awareness training. Run remote refresher training sessions.
- Consider running a covert phishing/whaling exercise whilst people are working at home to expose any weaknesses in controls and awareness.
- Ensure all employees are using corporate equipment (laptops, phones, etc) with latest patches and anti-virus updates applied.
- Reiterate that personal or commercially sensitive data should not be printed, downloaded or saved onto unencrypted removable media devices.

- If users find any corporate devices are running slower than normal or application systems not operating as normal they should inform IT immediately.
- Remind users not to open links or download apps onto corporate devices.
- Remind users that when they are on a video conference there is a possibility that someone could be recording the event.
- If employees are utilising home WIFI, ensure it is adequately secured and shipped passwords have been changed.
- Remind users that social media groups between employees should be used professionally as a record/log is maintained of the entire chat history.
- If a data breach is suspected inform IT immediately.

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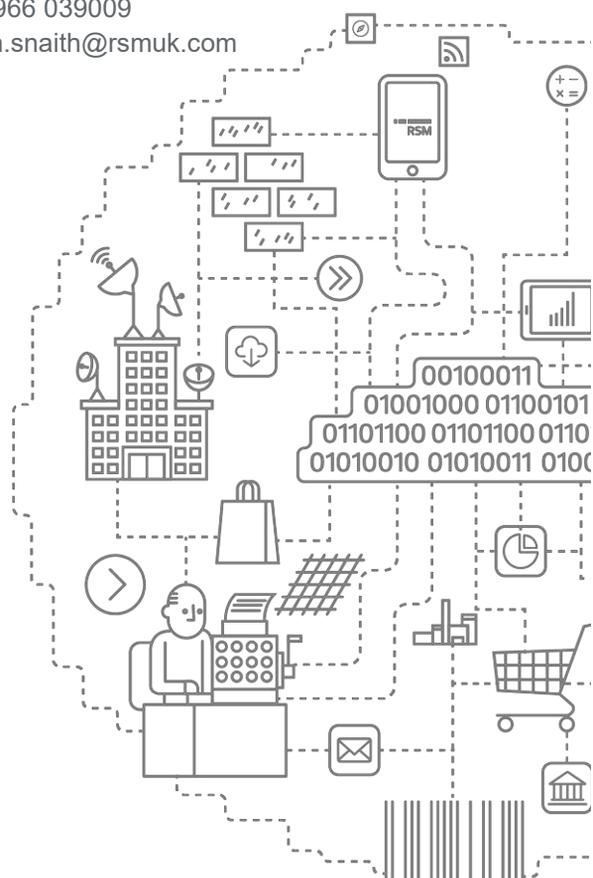
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## Audit and Risk Committees: Navigating Covid-19

The Covid-19 outbreak has impacted us all, and affected every part of the public sector, in one form or another. At this time, and as we move forwards, the role of Audit and Risk committees is ever more vital.

Audit and Risk committees must support the board and accounting officer in several ways; including in the areas of risk management, governance, and the control environment.

Very few organisations could have predicted that the Covid-19 pandemic would manifest as it has done. And organisations have had to move quickly to respond. In practice this has led to marked changes in risk appetite and often to significant changes in the control environment and governance arrangements.

Within this briefing we look more closely at these areas, with direct reference to the National Audit Office's (NAO) 'Guide for audit and risk committees on financial reporting and management during COVID-19.'

### A changed environment

The control environment will no doubt have changed during the pandemic and there may well be some longer lasting changes to working practices, such as for example, an increase in remote working as part of the new "business as usual".

Audit and Risk committees will therefore need to understand areas where previous controls are no longer able (or appropriate) to operate in this new environment, leading, potentially to new areas of risk. This may include for example, IT systems which may not have the capacity for organisation-wide remote working or changes to the way in which control functions are actually performed.

During the pandemic the organisation's risk appetite could have also changed, through necessity and at pace, again potentially impacting upon the controls in place as well as the need for new controls.

In its guidance the NAO is clear that it expects 'organisations to consider their risk assessments when making changes to their internal controls, enhancing and prioritising the critical controls needed to reduce the risk of fraud or error.'

### Assurance on risk management, governance and the control environment

Audit and Risk committees will need to be sure that any changes in controls are both sustainable and that controls, both new and old, are operating in the correct manner.

First and second line assurance is important in understanding operating practices and the related changes that have been and / or remain in place, and particularly in capturing any learning.

Independent and objective assurance from Internal Audit allows the organisation to ensure that any amended or new internal controls occasioned by these changes are properly designed and are being implemented effectively.

### Questions Audit and Risk committees could ask

The NAO poses several questions for Audit and Risk committees to consider including:

- 'Were any changes needed to the design and implementation of internal controls to respond to COVID-19?'
- 'Has internal audit assessed the design, implementation and operational effectiveness of revised internal controls?'
- 'Can the negative impact of any changes be reversed?'
- 'Where changes were made to controls, did the organisation understand where there was increased risk because of this?'
- 'Has remote working affected the operational effectiveness of internal controls?'
- 'How have IT services performed during the outbreak?'
- 'Where service organisations are used, have there been any changes to the design and implementation of their controls?'
- 'Have the provisions in Procurement Policy Note 02/2020 been used by management?'

The above questions form a useful basis for Audit and Risk committees to understand how the control environment may have changed, new risks that are being faced and to understand and assess how governance processes are now operating especially where many of these, from necessity, operate on a remote basis.

### Reporting and learning

The NAO is clear that more detailed reporting on the Covid-19 outbreak will be required within the 2020-21 reporting period. Each organisation will clearly be operating within its distinct set of circumstances and areas of service delivery.

Capturing learning will also be important, but as new strategies and operating models develop, organisations will need to maintain the fundamentals of governance, internal control and risk management and be assured that this is the case.

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