

CAMBRIDGESHIRE AND PETERBOROUGH COMBINED AUTHORITY

Internal Audit Progress Report

25 June 2021

This report is solely for the use of the persons to whom it is addressed.
To the fullest extent permitted by law, RSM Risk Assurance Services LLP
will accept no responsibility or liability in respect of this report to any other party.

CONTENTS

Contents	2
1 Key messages	3
2 Reports	4
Appendix A – Progress against the internal audit plan	7
Appendix B – Other matters	8
Appendix C - Key performance indicators (KPIs) for 2020/21 delivery	9
For more information contact	10

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.

As the developments around Covid-19 will continue to impact on all areas of the organisation's risk profile, we will continue to work closely with management to deliver an internal audit programme which remains flexible and 'agile' to ensure it meets your needs in the current circumstances.

2020/21 Internal Audit Delivery

Four reports have been finalised in relation to:

- Appointments to Boards and Committees;
- Accounts Payable;
- COVID-19 Capital Grants; and
- Follow Up since the previous audit committee.

Two reports remain in draft at the time of preparing this report on Impact of COVID-19 on CPCA delivery of projects and IT Control Framework Review.

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

2021/22 Internal Audit Plan

The 2021/22 Internal Audit plan was presented to the previous audit committee, and we are in the process of scheduling the planning meetings for the audits identified within the programme for 2021/22. [\[To note\]](#)


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

Summary of final reports being presented to this committee

This section summarises the reports that have been finalised since the last meeting.

Assignment	Opinion issued	Actions agreed		
		L	M	H
2020/21 Internal Audit Plan				
Appointments to Boards and Committees including those sponsored by the Combined Authority (3.20/21)	Reasonable Assurance 	2	2	0
<p>Overall, we consider the Authority’s control framework in respect of Appointments to Boards and Committees to be well designed, with a decision making structure that has been set out in the Constitution and a defined approach in place for making appointments to the Board and Committees also being documented. We found this has been adhered to when making appointments. We also found that membership of the both the Combined Authority and Business Board, as well as the regulatory and executive committees had been aligned to the membership requirements set out in the constitution and representation requirements were also met.</p> <p>However, we have noted several areas of weakness in respect of overarching governance controls. We found that Code of Conduct forms and Register of Interest forms were not on file for all members of the sample we reviewed, as well as others that were on file having not been completed within the previous year. Additionally, we identified where advisory level groups have not reported into the Combined Authority Board as per their Terms of Reference requirements, where the Constitution requires updating in respect of the decision making structure as this no longer represents the current arrangements and some instances where some Committees are not following up on actions set during meetings.</p>				

Accounts Payable (4.20/21)

The CPCA constitution clearly outlined high-level responsibilities, principles and guidance around purchase orders, BACS payments and expenses. We identified that invoices were paid in a timely manner, with all of our sample paid within 30 days of request and relevant documentation retained on file supporting the payment. We also found that BACS payment runs are reviewed and authorised, with an auditable trail maintained to support this, along with the completion of monthly bank reconciliations.

The Combined Authority did, however, lack documented guidance on new supplier set ups, changes to supplier details and suspense accounts. In addition, we identified improvements to be made with the completion of purchasing card statement forms and the retention of supporting receipts for some low level expenditure, as well as capturing evidence of checks carried out on new suppliers being setup and amendments made to existing supplier details. Furthermore, we found issues with the expense claims process relating to the period prior to the implementation of a new expenses system (Citrus HR) and an absence of a purchase order exemptions list, as mandated by the Financial Management Procedure Rules.

Whilst we note improvements and continuous progress is being made to strengthen internal control frameworks, it is evident that further work will be taking place following the implementation of the new finance system to ensure a fully robust and effective financial controls framework is in place across the Authority. Please note that our opinion does not reflect our findings noted in appendix A, with this aspect of our review being of an advisory nature and not supported by substantive testing.



Follow Up (6.20/21)

In our opinion Cambridgeshire and Peterborough Combined Authority has demonstrated **good progress** in implementing agreed management actions from previous audit reports.

We identified through our fieldwork that from the nine management actions sampled, seven of these (78 per cent), had been fully implemented with the remaining two actions superseded based on changes to working arrangements.

We have however agreed a management action in relation to the monitoring and reporting of action progress/implementation, given that this was not formally in place at the time of our review which is to be implemented by the end of September 2021.



COVID-19 Capital Grants (7.20/21)





Our review identified that robustly designed and well applied controls had been introduced following the Combined Authority's announcement to make the COVID-19 Capital Grant scheme available to SMEs. In particular, we confirmed that CPCA had developed comprehensive documented procedural guidance, had developed a communications campaign as well as set up a dedicated website for the grant scheme. Our sample



testing also confirmed controls around the processing and payment of grants, including documentation retention, completion of assessor reports and payment approval had been consistently applied.

However, we did identify issues in relation to maintaining a complete audit trail where there had been changes in applications during the assessment phase of the claim. We also found that bank details of successful applicants were not being validated against an independent source, increasing the Combined Authority's exposure to fraud related risks. Finally, we identified areas for improvement in relation to documenting approval routes for grant claims and bank detail checks performed before payment.

Appendix A – Progress against the internal audit plan

Assignment and Executive Lead	Status / Opinion issued	Actions agreed			Target Audit Committee (as per previous audit committee)	Actual Audit Committee
		L	M	H		
Risk Management (1.20/21)		1	7	0	January 2021	January 2021
Impact of COVID-19 on Project Delivery (2.20/21)	Draft report issued: 16 March 2021				Was June 2021, now September 2021	
Appointments to Boards and Committees including those sponsored by the Combined Authority (3.20/21)		2	2	0	Was April 2021, now June 2021	June 2021
Key Financial Controls – Accounts Payable (4.20/21)		5	3	0	Was April 2021, now June 2021	June 2021
IT Controls Assessment	Draft report issued: 25 May 2021				Was June 2021, now September 2021	
Follow Up (6.20/21)	Good Progress	0	1	0	June 2021	June 2021
COVID-19 Capital Grants (7.20/21)		1	2	0	June 2021	June 2021

Appendix B – Other matters

Information briefings

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

- Assignment Report Refresh – 2021/22

Sector Updates

Councils given further £200m in next stage of successful rough sleeping programme

Robert Jenrick, Housing Secretary, has announced a further £203m fund which will be allocated to councils across England and will support vital projects such as shelters, specialist mental health or addiction services, and targeted support to help rough sleepers off the streets. This funding is one part of the £750m investment this year to tackle homelessness and rough sleeping and part of the government's drive to end rough sleeping by the end of this Parliament. Analysis of the Rough Sleeping Initiative, now in its fourth year, shows that the programme has reduced rough sleeping by almost a third compared to areas which have not taken part in the programme

Councils to test the use of digital tools in planning process

The Housing Minister has announced a £1.1m fund to test the use of digital tools and data standards across 10 local areas. The planning white paper 'Planning for the future', published in August 2020, proposed reforms to the planning system to streamline and modernise the planning process. By introducing a digital system that makes plans map-based and accessible online, local people will be able to engage with planning in their local area, which will help get homes built quicker.

Funding boost to develop new local design guide for housing development

A new national design code ensuring areas are beautiful, well-designed and locally led is being tested across 14 areas in England, the government has announced. The National Model Design Code (NMDC) will ensure future developments are beautiful and fit in with local character. 14 councils will receive £50,000 each to develop new design codes.

Initial learning from the government's response to the pandemic

The National Audit Office (NAO) has published a report drawing out learning from the reports that have been published to date, as well as other work that have been published by the NAO covering the coronavirus pandemic.

It sets out this learning across six themes:

- risk management;
- transparency and public trust;
- data and evidence;
- coordination and delivery models;
- supporting and protecting people; and
- financial and workforce pressures.

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%	40%	*	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.

Two further reports were issued in draft where we have not received management responses within 15 days of the draft report. These require further internal management discussions regarding the coverage of the review and some wider discussions with stakeholders external to CPCA.

FOR MORE INFORMATION CONTACT

Daniel Harris – Head of Internal Audit

Email: Daniel.Harris@rsmuk.com

Telephone: 07792 948767

Jay Desai – Manager

Email: Jay.Desai@rsmuk.com

Telephone: 07436 268278

rsmuk.com

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 and 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 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 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.

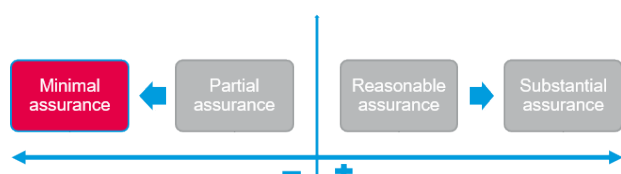
ASSIGNMENT REPORT

REFRESH 2021/22

Internal audit assurance levels

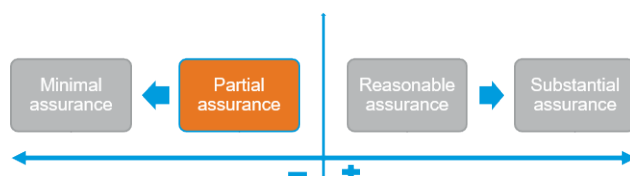
We always appreciate feedback from clients; and one of the consistent comments we are asked about is the use of the term 'no assurance' as one of our opinions. Having considered this and acknowledging that there is always some degree of control in place, we have updated our wording to change '**no assurance**' to '**minimal assurance**'. This change will be effective from audit plans that commence after 1 April 2021.

As you will be aware, each assurance level is illustrated with a graphic, which is accompanied by the formal wording which we include in our reports. For '**minimal assurance**' (previously 'no assurance') this is represented by a red graphic. As we are making this subtle change to the wording, we have also taken the opportunity to refresh the graphics we use for all of our assignment assurance levels (see below).



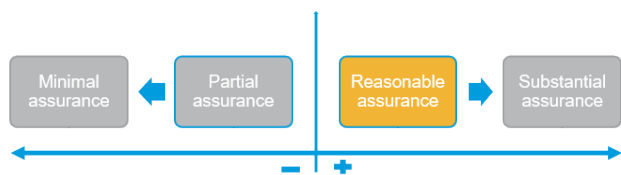
Taking account of the issues identified, the board can take **minimal assurance** that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective.

Urgent action is needed to strengthen the control framework to manage the identified risk(s).



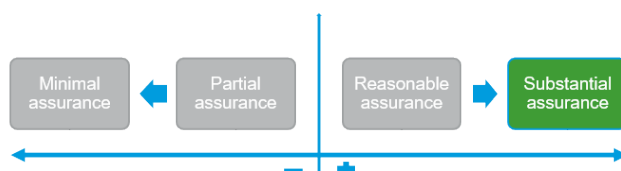
Taking account of the issues identified, the board can take **partial assurance** that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective.

Action is needed to strengthen the control framework to manage the identified risk(s).



Taking account of the issues identified, the board can take **reasonable assurance** that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.

However, we have identified issues that need to be addressed in order to ensure that the control framework is effective in managing the identified risk(s).



Taking account of the issues identified, the board can take **substantial assurance** that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.

For more information please contact

Mark Jones

Head of Internal Audit, Risk Assurance

T +44 (0)7768 952 387

E mark.jones@rsmuk.com

Shauna Mallinson

Technical Director, Risk Assurance

T +44 (0)7800 617 447

E shauna.mallinson@rsmuk.com

The UK group of companies and LLPs trading as RSM is a member of the RSM network. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm each of which practises in its own right. The RSM network is not itself a separate legal entity of any description in any jurisdiction.

The RSM network is administered by RSM International Limited, a company registered in England and Wales (company number 4040598) whose registered office is at 50 Cannon Street, London EC4N 6JJ. The brand and trademark RSM and other intellectual property rights used by members of the network are owned by RSM International Association, an association governed by article 60 et seq of the Civil Code of Switzerland whose seat is in Zug.

RSM Corporate Finance LLP, RSM Restructuring Advisory LLP, RSM Risk Assurance Services LLP, RSM Tax and Advisory Services LLP, RSM UK Audit LLP, RSM UK Consulting LLP, RSM Northern Ireland (UK) Limited and RSM UK Tax and Accounting Limited are not authorised under the Financial Services and Markets Act 2000 but we are able in certain circumstances to offer a limited range of investment services because we are licensed by the Institute of Chartered Accountants in England and Wales. We can provide these investment services if they are an incidental part of the professional services we have been engaged to provide. RSM Legal LLP is authorised and regulated by the Solicitors Regulation Authority, reference number 626317, to undertake reserved and non-reserved legal activities. It is not authorised under the Financial Services and Markets Act 2000 but is able in certain circumstances to offer a limited range of investment services because it is authorised and regulated by the Solicitors Regulation Authority and may provide investment services if they are an incidental part of the professional services that it has been engaged to provide. RSM & Co (UK) Limited is authorised and regulated by the Financial Conduct Authority to conduct a range of investment business activities. Before accepting an engagement, contact with the existing accountant will be made to request information on any matters of which, in the existing accountant's opinion, the firm needs to be aware before deciding whether to accept the engagement.