



CAMBRIDGESHIRE AND PETERBOROUGH COMBINED AUTHORITY

Annual internal audit report 2020/21

16 July 2021

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THE ANNUAL INTERNAL AUDIT OPINION

This report provides an annual internal audit opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes. The opinion should contribute to the organisation's annual governance reporting.

The opinion

For the 12 months ended 31 March 2021, the head of internal audit opinion for Cambridgeshire and Peterborough Combined Authority is as follows:



Please see appendix A for the full range of annual opinions available to us in preparing this report and opinion.

It remains management's responsibility to develop and maintain a sound system of risk management, internal control and governance, and for the prevention and detection of material errors, loss or fraud. The work of internal audit should not be a substitute for management responsibility around the design and effective operation of these systems.

Scope and limitations of our work

The formation of our opinion is achieved through a risk-based plan of work, agreed with management and approved by the audit and governance committee, our opinion is subject to inherent limitations, as detailed below:

- internal audit has not reviewed all risks and assurances relating to the organisation;
- the opinion is substantially derived from the conduct of risk-based plans generated from a robust and organisation-led assurance framework. The assurance framework is one component that the board takes into account in making its annual governance statement (AGS);
- the opinion is based on the findings and conclusions from the work undertaken, the scope of which has been agreed with management / lead individual;
- where strong levels of control have been identified, there are still instances where these may not always be effective. This may be due to human error, incorrect management judgement, management override, controls being by-passed or a reduction in compliance;
- due to the limited scope of our audits, there may be weaknesses in the control system which we are not aware of, or which were not brought to our attention; and
- our internal audit work for 2020/21 has been undertaken through the substantial operational disruptions caused by the COVID-19 pandemic. In undertaking our audit work, we recognise that there has been a significant impact on both the operations of the organisation and its risk profile, and our annual opinion should be read in this context.

FACTORS AND FINDINGS WHICH HAVE INFORMED OUR OPINION

Our opinion has been informed by seven assurance reviews undertaken during 2020/21. One review concluded with minimal assurance (IT Control Framework Review) and resulted in six high and four medium priority management actions being agreed. We also issued one partial assurance opinion for the Risk Management review.

Five further reviews were undertaken, four of these resulting in reasonable assurance being taken by the Authority for the following reviews:

- Impact of COVID-19 on Project Delivery
- Accounts Payable
- Appointments to Boards and Committees;
- COVID-19 Capital Grants

In addition, our Follow Up review, conducted on a sample of the recommendations from the previous internal auditors concluded that the Authority had made **good progress** in implementing recommendations. We confirmed that seven recommendations had been fully implemented and two had been superseded. We did agree a management action in relation to the monitoring and reporting of management actions agreed, given that this was not formally in place at the time of our review.

We issued one audit where the Authority could take only partial assurance.

For this area, the Authority could take partial assurance that the controls to manage these risks are suitably designed and consistently applied. However, action was needed to strengthen the control framework to manage the identified risks:

Risk Management (1.20.21)

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). 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 had not at the time of the review implemented a reporting framework for risk registers below the Corporate level. We further noted that risk escalation was 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 individual risks and controls.

Since issuing the final report we have held various meetings with Officers to discuss how CPCA could further develop the risk management control framework and strategy whilst satisfying the issues identified through our review.

We issued one audit where the Authority could take only minimal assurance.

IT Control Framework Review (5.20.21)

Overall, the Combined Authority is at the early stages with respect to the development and operation of an overarching IT control framework. We were advised by the Authorities IT provider that some controls surrounding IT are in place. Further work was however required to address some significant control weaknesses where we concluded improvements were required, in particular regarding IT management experience (including IT contract management) within the Combined Authority, network access and security, patch management, incident response and backups. Furthermore, we noted that policies and procedures were not in place for any IT area, for example IT security, data protection and remote working specifically for the Combined Authority.

We also noted issues with engagement between the Combined Authority and the ICT provider, including the fact that a contract/Service Level Agreement is not in place and periodic meetings were not being held between the Combined Authority and the ICT provider to discuss service performance.

It should be noted that since our fieldwork, we understand the Combined Authority are being supported by an external consultancy provider in respect of the Combined Authority IT control framework.

Since the issue of the draft report, the Combined Authority has changed IT provider. The new providers have been informed of key priorities which include addressing cyber security and business continuity risks.

Topics judged relevant for consideration as part of the annual governance statement (AGS)

The Combined Authority should consider including the 'partial' and 'minimal' assurance opinions in the AGS for the areas identified above together with the actions planned and undertaken to date to improve the weaknesses identified.

The Combined Authority may also wish to consider whether any other significant issues have arisen, including the results of any external reviews, which it might want to consider for inclusion in the AGS. In addition, the current COVID19 pandemic and its impact on the operations of the Combined Authority will obviously need reflecting in the AGS.

THE BASIS OF OUR INTERNAL AUDIT OPINION

As well as those headlines previously discussed, the following areas have helped to inform our opinion. A summary of internal audit work undertaken, and the resulting conclusions, is provided at appendix B.

Acceptance of internal audit management actions

Management have agreed actions to address all of the findings reported by the internal audit service during 2020/21.

Implementation of internal audit management actions

Our follow up of the actions agreed to address previous years' internal audit findings shows that the organisation had made **good progress** in implementing the agreed actions.

We undertook one Follow Up reviews in June 2021 and confirmed 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. However, we 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.

Working with other assurance providers

In forming our opinion, we have not placed any direct reliance on other assurance providers.

OUR PERFORMANCE

Wider value adding delivery

Area of work	How has this added value?
Sector Briefings	Issued briefings relating to the sector within our progress reports presented to the AGC to assist officers and committee members in being informed on the latest developments within the sector.
RSM Business Continuity Planning – COVID-19	We provided details of our response to the COVID-19 pandemic, including the focus of the health and welfare of our clients and staff, our ability to support you in all scenarios and delivery of our planned audit reviews.
Coronavirus: Various briefings and webinars	RSM have delivered a number of webinars and client briefings in relation to Coronavirus (ranging from Government financial support for employers, fraud briefings, HR and Legal Support etc).
Audit and Governance Committee attendance	We have attended all AGC's and where appropriate contributed to the wider agenda.
Webinar invitations	Various invitations have been sent to management to attend webinars to inform of any sector and wider sector updates. Examples include VAT, Employment Tax and COVID-19.

Conflicts of interest

RSM has not undertaken any work or activity during 2020/2021 that would lead us to declare any conflict of interest.

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 2016 to provide assurance whether our approach meets the requirements of the International Professional Practices Framework (IPPF) published by the Global Institute of Internal Auditors (IIA) on which PSIAS is based.

The external review concluded that 'there is a robust approach to the annual and assignment planning processes and the documentation reviewed was thorough in both terms of reports provided to audit committee and the supporting working papers.' RSM was found to have an excellent level of conformance with the IIA's professional standards.

The risk assurance service line has in place a quality assurance and improvement programme to ensure continuous improvement of our internal audit services. Resulting from the programme, there are no areas which we believe warrant flagging to your attention as impacting on the quality of the service we provide to you.

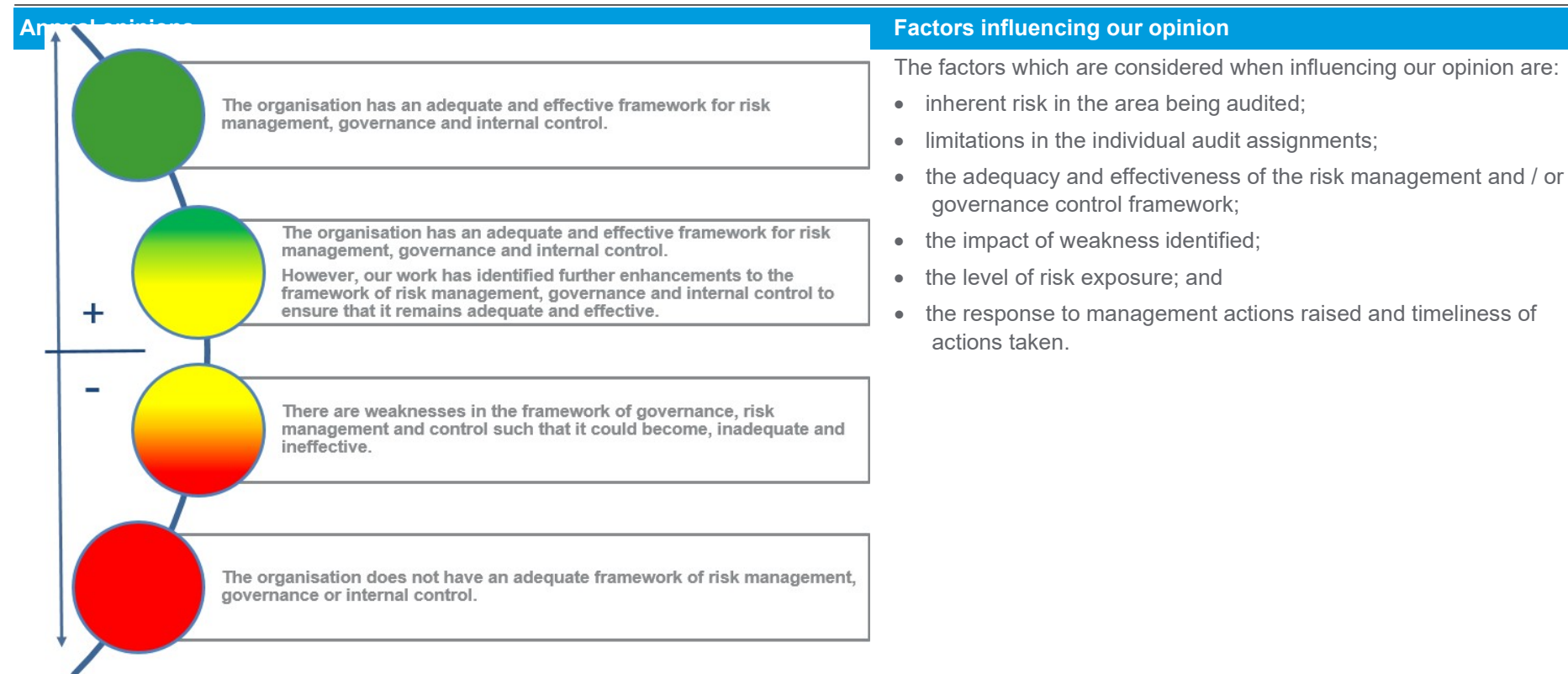
Quality assurance and continual improvement

To ensure that RSM remains compliant with the PSIAS framework we have a dedicated internal Quality Assurance Team who undertake a programme of reviews to ensure the quality of our audit assignments. This is applicable to all Heads of Internal Audit, where a sample of their clients will be reviewed. Any findings from these reviews are used to inform the training needs of our audit teams.

This is in addition to any feedback we receive from our post assignment surveys, client feedback, appraisal processes and training needs assessments.

APPENDIX A: ANNUAL OPINIONS

The following shows the full range of opinions available to us within our internal audit methodology to provide you with context regarding your annual internal audit opinion.



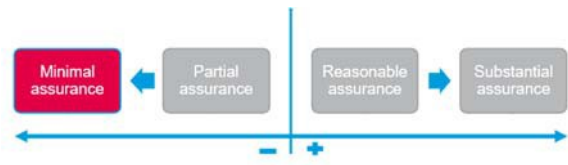
APPENDIX B: SUMMARY OF INTERNAL AUDIT WORK COMPLETED 2020/21

All of the assurance levels and outcomes provided above should be considered in the context of the scope, and the limitation of scope, set out in the individual assignment report.

Assignment	Executive lead	Assurance level	Actions agreed		
			L	M	H
Risk Management 1.20.21 FINAL	Robert Parkin, Chief Legal Officer (Monitoring Officer)	Partial Assurance [●]	1	7	0
Impact of COVID-19 on Project Delivery 2.20.21	Jon Alsop – Head of Finance / Chief Finance Officer	Reasonable Assurance [●]	3	2	0
Appointments to Boards and Committees 3.20.21 FINAL	Robert Parkin, Chief Legal Officer (Monitoring Officer)	Reasonable Assurance [●]	2	2	0
Accounts Payable 4.20.21	Jon Alsop, Chief Finance Officer Robert Emery, Deputy Chief Finance Officer	Reasonable Assurance [●]	5	3	0
IT Control Framework Review 5.20.21	Jon Alsop, Chief Finance Officer Robert Parkin, Chief Legal Officer and Monitoring Officer	Minimal Assurance [●]	0	4	6
Follow Up 6.20.21	Robert Emery – Deputy Chief Finance Officer	Good progress	0	1	0
COVID-19 Capital Grants 7.20.21	Jon Alsop – Chief Finance Officer	Reasonable Assurance [●]	1	2	0

APPENDIX C: OPINION CLASSIFICATION

We use the following levels of opinion classification within our internal audit reports, reflecting the level of assurance the board can take:



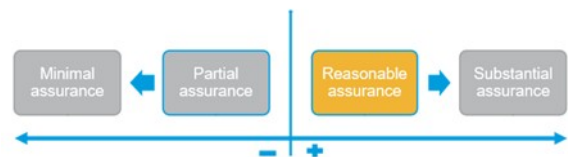
Taking account of the issues identified, the board can take minimal assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective.

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.

YOUR INTERNAL AUDIT TEAM

Daniel Harris, Head of Internal Audit

Daniel.Harris@rsmuk.com

(+44) 07792 948767

Jay Desai, Client Manager

Jay.Desai@rsmuk.com

(+44) 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.

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

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