



# CAMBRIDGESHIRE AND PETERBOROUGH COMBINED AUTHORITY

## Internal Audit Progress Report

**24 March 2023**

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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.



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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.

## Additional 2021/22 internal audit activity



As reported at the previous Committee, we were 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 issued **two final reports** from the 2022/23 internal audit plan – **Net Zero Hub – Governance** and **Follow Up**.

We have also issued **one further draft report** from the 2022/23 internal audit plan (Affordable Housing Grant Programme). We are undertaking some further testing following responses from management and the final report will be presented at the next meeting.

The fieldwork for the Core Control Framework audit is now complete, and the report is within the RSM quality assurance process.

The remaining audits are in progress and the intention is to bring final reports from the remaining audits to the next Audit & Governance Committee (AGC) meeting.

Change to 2023/24 IA plan - Management have requested a deferral of the Governance review due to the ongoing internal work in this area. Further details are included at Appendix C. [\[To note\]](#)

## 2022/23 Head of Internal Audit Opinion



Please see below commentary regarding the 2022/23 annual report and Head of Internal Audit opinion. Whilst we are not yet in a position to present that opinion to management or the Audit and Governance Committee, we have advised the S73 Officer and the Chair of the Committee that it is expected that we will issue a qualified opinion on the risk management, governance and internal control arrangements for 2022/23 (in line with our 2021/22 opinion).

[\[To note\]](#)

## 2023/24 Planning



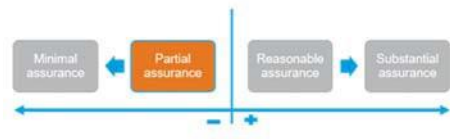
We also have on the agenda today, our proposed Draft Internal Audit Plan Areas for 2023/24 for consideration and prioritisation.

[\[To discuss\]](#)

## 2 Reports

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

We have issued two final reports since the last meeting from the 2022/23 Internal Audit Plan.

Assignment	Debrief Date	Opinion issued	Actions agreed		
			L	M	H
<p><b>Net Zero Hub – Governance (5.22/23)</b></p> <p>We noted a governance structure, whilst in deliberation, had not been defined for GSENZH. Furthermore, we identified a number of control weaknesses, including reviewing and updating the Constitution, the Accountable Body Agreement, and the GSENZH Board Terms of Reference.</p> <p>In terms of risk management, we noted the escalation process for NZH-related risks had not been defined in the Accountable Body Agreement. We also noted both the GSENZH Risk Register had 147 omitted entries and varying information headers. We further noted the 12 out of 20 open risks had not been reviewed in the last 12 months and did not record a risk review frequency.</p> <p>We did identify central government grants had been ring-fenced, meaning budget virements were prohibited, and underspent grants totally to £96m had been approved by the CPCA Board to return to BEIS and has in place the Sustainable Warmth Project Board governed by a Terms of Reference.</p>	22 February 2023		1	3	1
<p><b>Follow Up (6.22/23)</b></p> <p>The following audits were considered during this review;</p> <ul style="list-style-type: none"> <li>Adult Education Budget (3.21/22)</li> <li>CAM Project Governance and Decision Making (4.21/22)</li> <li>Key Financial Controls (6.21/22)</li> <li>IT Controls – Follow Up (7.21/22)</li> <li>Capital Programme – Monitoring and Reporting (8.21/22)</li> <li>Follow Up (12.21/22)</li> </ul>	2 March 2023	<b>Reasonable Progress</b>	0	6	0

Assignment

Debrief Date

Opinion issued

Actions agreed

L M H

As part of this audit, we reviewed the implementation of 11 medium, and one high priority management actions agreed during the above reviews. Taking account of the issues identified in our opinion CPCA had demonstrated **Reasonable Progress** in implementing agreed management actions.

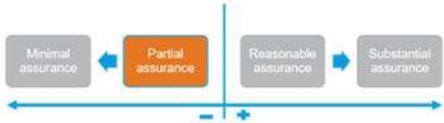
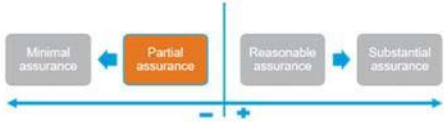
Of the 12 management actions agreed, we confirmed:

- Two actions (one medium, one high) had been implemented and evidence was provided to verify this;
- Four medium actions have now been superseded;
- Three medium actions were in progress; and
- Three medium actions were not yet implemented.

## Appendix A – Progress against the Internal Audit Plan 2021/22 – remaining audit only

Assignment	Timing / Status / Opinion issued	Actions agreed			Target AGC	Actual AGC
		L	M	H		
Analysis of Government Procurement Card Expenditure and Expenses	DRAFT report issued 16 December 2021				TO BE CONFIRMED	
	Revised DRAFT reports issued 12 May 2022 and 28 September 2022					

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

Assignment	Timing / Status / Opinion issued	Actions agreed			Target AGC	Actual AGC
		L	M	H		
Data Protection – Deep Dive	FINAL – Advisory (significant issues identified)	2	9	1	January 2023	December 2022
Risk Management		0	6	0	January 2023	January 2023
Net Zero Hub - Governance		1	3	1	March 2023	March 2023
Follow Up	Reasonable Progress	0	6	0	June 2023	March 2023
Affordable Housing Grant Programme	Draft report issued 12 January 2023 (Revised draft issued 6 March 2023 and further testing being undertaken)				Was March 2023 - now June 2023	
Core Control Framework	Fieldwork Complete – In RSM quality Assurance process.				June 2023	
IT Audit	Fieldwork in Progress				June 2023	
Subsidiary Companies – Deep Dives	Fieldwork in Progress				June 2023	
Governance*	-				June 2023	2023/24 tbc

\* please see Appendix C

## Appendix C – Other matters

### Changes to the audit plan

Since the last meeting there has been the following change requested by Authority Management in regard to the 2022/23 internal audit plan:

Audit/Area	Change Proposed
Governance	<p>It has been requested by the Chief Officer - Legal and Governance &amp; Monitoring Officer (Interim) that this review is deferred to 2023/24 due to the ongoing revisions to the governance structure and framework as a result of the Authority's internal governance review that has highlighted a number of weaknesses that are currently being addressed.</p> <p>It is proposed that Internal Audit undertake a two stage approach to governance in 2023/24, with a first stage review to assess the development and structure of the revised framework, with stage two to be undertaken later in the programme to assess the operation of the revised governance framework.</p>

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 January 2023.
Succession Planning	<p>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 asked to delay the audit to summer 2023, and it is to form part of the 2023/24 internal audit plan as discussed at the previous Committee.</p> <p><b>Further Update since Jan 23 meeting</b> - We have since agreed with management to utilise the budget by expanding the coverage of the Subsidiary Companies – Deep Dive review to encompass coverage of both one Growth Company and one Property Company.</p>



## Annual Opinion 2022/23

The Audit and Governance Committee should note that the assurances given in our audit assignments are included within our Annual Report. In particular, the Committee should note that any negative assurance opinions will need to be noted in the annual report and may result in a qualified or negative annual opinion (this includes follow up reviews, assurance opinions and advisory reviews with any significant weaknesses).

We have issued two final reports to date with negative assurance opinions. We also note that the advisory review of Data Protection – Deep Dive identified a number of significant control weaknesses (one high and nine medium priority actions). The outcomes from these three reviews will impact our year end opinion. We will also take into account the reviews from the remainder of the programme (when complete) and the ongoing best value notice inspection and the authorities

We will also take into discuss with Officers and take into account the progress made by the authority in 2022/23 to address the findings from the governance review conducted by Governance First Limited (which highlighted a wide range of improvement actions required in the area of governance). This coupled with the Best Value Notice will also be taken into account when preparing our annual opinion.

Whilst we are not yet in a position to present that opinion to management or the Audit and Governance Committee, we have advised the S73 Officer and the Chair of the Committee that it is expected that we will issue a qualified opinion on the risk management, governance and internal control arrangements for 2022/23 (in line with our 2021/22 opinion).

## 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.

## 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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