



# CAMBRIDGESHIRE AND PETERBOROUGH COMBINED AUTHORITY

## Internal Audit Progress Report

28 January 2022

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# 1 Key messages

The internal audit plan for 2021/22 was approved at the April 2021 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.

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.

## 2021/22 Internal Audit Delivery – Completed

We have undertaken a follow up to review the progress made to implement the previously agreed management actions from the IT Control Framework Review (5.20.21).

We have also completed an audit on the effectiveness of controls in place to support and manage the delivery of the Adult Education Budget Strategy. This review has resulted in a **reasonable assurance** opinion.

The progress of these reviews has been included in section two of this report.

[To note]

## 2021/22 Internal Audit Delivery – In Progress

We have commenced our fieldwork for three reviews, two of which were not initially included in the Internal Audit Plan for 2021/22. The progress of each of these has been summarised below:

### Fraud and Bribery Risk Assessment

*We have commenced fieldwork in relation to the fraud and bribery risk assessment. We are currently liaising with the Chief Finance Officer in order to obtain relevant documents in order to carry out the review. On conclusion of fieldwork, we will provide the organisation with a fraud and bribery risk register that will include an assessment of the likelihood of occurrence and the financial, reputational and operational implications. The risks will be scored both inherently and residually, having regard for controls and assurances in place.*

### One CAM – Governance and Decision Making (Additional review)

*The Committee requested an audit of One CAM governance and decision-making. The fieldwork has finished, a draft report has been issued however, further debriefs are being arranged with key stakeholders following issue of the draft report. The final report will be presented to the next meeting.*

### Payroll (Additional review)

*We have commenced the fieldwork in relation to an additional request for a payroll audit, this was delayed due to CPCA staff sickness. We are currently liaising with the HR Business Partner and the Assistant HR Director in order to obtain relevant documents in order to carry out our review. [To note]*

## Responses to questions asked at previous meeting in September 2021

**Action recorded at the 24 September 2021 Audit and Governance Committee Meeting:** The Committee requested feedback on how the Internal Auditors could become involved in the development of policies and project management at the CPCA be provided within the next Internal Audit update:

**Development of policies** – An effective way to use an Internal Audit (IA) team is to consult with the auditors when policies are being developed to ensure that good practice points have been considered. The IA team could therefore provide a ‘critical friend’ review of such policies, where appropriate, at the development stage. Please note that it is managements responsibility to propose / approve (as appropriate) the final policy and ensure they are adhered to.

**Project Management** – We have been working with Officers on a joint working protocol which streamlines the approach for planning, delivery and reporting of internal audit work. As part of this, it was agreed that IA may be requested to participate in continuous/ongoing assurance activities and this could for example include a Project. The IA team could also be requested to sit in on project management meetings (for live projects) and provide ongoing advice / a critical friend review in relation to different aspects of the project (governance, risks, issues etc). Clearly the IA team could also be requested to undertake assurance or advisory reviews of projects, including lessons learnt reviews. We have agreed with Officers that any such work in relation to projects will be discussed and agreed on a case by case basis, with updates provided to the Committee via our progress reports.

**Independence and objectivity will remain a core consideration during the delivery of any additional work, and should any concerns arise, these will be reported to the Audit and Governance Committee, and the Chief Executive and Chief Finance Officer. [To note]**

## Other Matters

**Changes to planned delivery 2021/22** – We have summarised the changes to delivery of the current internal audit plan that have been made since the committee in September 2021 in Appendix B of this report.

**Grant Funding reviews** – We have summarised the grant funding reviews undertaken by RSM. We have completed reviews on seven grants since the last audit committee and these have been summarised in Appendix B of this report. A further grant funding review is in progress.

**Sector Updates** - We have also included some sector updates 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
<b>2021/22 Internal Audit Plan</b>				
<p><b>Follow Up of the IT Control Framework Review (5.20.21)</b></p> <p>We have undertaken follow up to review the progress made to implement the previously agreed management actions from the IT Control Framework Review (5.20.21). This report identified ten management actions, comprising of six <b>High priority</b> management actions, and four <b>Medium priority</b> management actions.</p> <p><b>Management actions due for implementation as at 31 October 2021</b></p> <p>Four management actions were due for implementation at the time of the review. For three of these four management actions we obtained evidence to confirm they had been implemented, for the final action, we noted the action was not implemented at the time of review. The action that has not been implemented is in relation to the CPCA maintaining sufficient IT specialism/expertise amongst its workforce, or alternatively, considering the use of a shared staff member with IT expertise from another Local Authority. This is being considered as part of the analysis of operating models to determine the future of the Combined Authority's ICT provision.</p> <p><b>Management actions not yet due for implementation as at 31 October 2021</b></p> <p>We have also captured the progress made by Socitm Advisory and CPCA against the six actions which were marked for implementation by 31 December 2021 and have noted the progress of these in section three below. In summary, five actions are in the process of being implemented of which two demonstrated sufficient progress to allow us to deprioritise the management action rating. One action is not yet implemented however, all six of these actions are due for implementation by 31 December 2021.</p>	Final report issued	1	1	1
<p><b>Adult Education Budget (3.21/22)</b></p> <p>Our review confirmed that controls in relation to Adult Education Budget were primarily well designed and complied with, for example in relation to the use of a Commissioning Strategy and Local Economic Recovery Strategy, maintenance of funding rules, approval of due diligence, setting agreements with providers and the content of them, monitoring performance quality and reconciling independent training provider data.</p> <p>However, we noted weaknesses in relation to the completion of all aspects of due diligence and independent review of occupancy reconciliations for grant funded providers.</p>		3	2	0



## Appendix A – Progress against the internal audit plan 2021/22

Assignment	Timing / Status / Opinion issued	Actions agreed			Target Audit Committee (as per previous audit committee)	Actual Audit Committee
		L	M	H		
Additional follow up: IT Control Framework	Final report issued	1	1	1	N/A	November 2021
Adult Education Budget		3	2	0	January 2022	January 2022
Fraud Risk Assessment	Fieldwork in progress	0	0	0	Was January 2022, now April 2022	
<b>Additional audit:</b> One CAM - Governance and Decision Making	Draft report issued	0	0	0	Was January 2022, now April 2022	
<b>Additional audit:</b> Payroll	Fieldwork in progress	0	0	0	Was January 2022, now April 2022	
Key Financial Controls	January 2022	0	0	0	April 2022	
Risk Management	February 2022	0	0	0	April 2022	
Follow Up	March 2022	0	0	0	April 2022	
HR Policies	TBC – Deferred to 22/23 plan	0	0	0	<b>Was January 2022, now TBC</b>	
Subsidiary Governance	April 2022	0	0	0	July 2022	
Removed: Use of Data	N/A				N/A	N/A

## Appendix B – Other matters

### Changes to the audit plan

There have been the following changes to the Audit Plan since the previous meeting:

Audit/Area	Change Proposed
<b>Remove: Use of Data</b>	Following discussions with senior management, we have been asked to remove a review Use of Data as this is no longer a priority area for the Combined Authority as the function has now been brought in house. <b>The Audit Committee are asked to note the amendment of the timing of this audit.</b>
<b>Delay: HR Policies</b>	Following discussions with senior management, we have been asked to delay a review of HR Policies due to the delay in planned externally commissioned work within this area and ensuring the scopes of these piece of work compliment work being completed by parties. <b>The Audit Committee are asked to note the amendment of the timing of this audit.</b>

### Changes reported to previous meetings

Audit/Area	Change Proposed
<b>Addition: Payroll</b>	Following discussions with senior management, we have been asked to undertake a review of Payroll following some recent concerns identified. This review will be undertaken in collaboration with subject matter experts, RSM Employer Services Limited. <b>The Audit Committee are asked to note the addition of this audit to 2021/22 internal audit delivery plan.</b>

### Grant Funding work undertaken by RSM

Audit/Area	Work Undertaken by RSM
<b>Grant Funding</b>	<p>We have completed seven reviews on grant funding received by the Combined Authority since the last audit committee, these specifically relate to the grant funding noted below, two of which is pass-through funding (Local Transport Capital Block Funding) whereby expenditure is incurred by constituent councils and therefore they provide their own assurance however we are required to confirm that the CPCA have paid the constituent councils in line with the decisions made by the Mayor and other grants where expenditure is incurred by the Combined Authority. We have summarised the grants below:</p> <ul style="list-style-type: none"><li>• Peer Network Funding to Local Enterprise Partnerships (LEPS) in 2020- 2021</li><li>• 2020-2021 EU Transition Business Readiness Growth Hub Grant Funding to Local Enterprise Partnerships (LEPS)</li></ul>

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- Growth Hub Funding to Local Enterprise Partnerships (LEPS) in 2020-2021
  - Supplemental Growth Hub Funding to Local Enterprise Partnerships (LEPS) in 2020-2021
  - Local Transport Capital Block Funding (Integrated Transport and Highway Maintenance) No.31/5036
  - Local Transport Capital Block Funding (Pothole and Challenge Fund) No.31/5072
  - Additional Dedicated Home to School and College Transport grant
- 

## Annual Opinion 2021/22

The Audit and Governance Committee should note that the assurances given in our audit assignments are included within our Annual Assurance report. In particular the Audit and Governance 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. We have only finalised one IT Control Framework Follow Up report to date, and we will continue to provide further updates as the year progresses.

## Information briefings and Sector updates

### [Councils' role supporting the digital skills pipeline](#)

The Local Government Association's (LGA) online resource, alongside its 'LG Inform forecasts for digital employment', outlines the key roles councils play in supporting local skills progression and highlights a number of successful interventions undertaken to date.

### [Local auditor reporting on local government](#)

The Public Accounts Committee (PAC) has published a report on local government in England, in which it warns that 'without urgent action from government, the audit system for local authorities may soon reach breaking point.' The PAC report follows a [National Audit Office report published in March on the timeliness of local auditor reporting](#), which identified that 55 per cent of local authority 2019-20 audit opinions missed the extended statutory deadline of 30 November 2020.

The PAC report makes a series of recommendations for the Ministry of Housing, Communities and Local Government (MHCLG) including that it:

- works with the Financial Reporting Council and accounting institutions to implement quicker training and accreditation to increase the number of suitably qualified auditors;
- ensures that the Public Sector Audit Appointments' (PSAA) next procurement brings fees into line with the cost of the audit work; and
- writes to the committee by September 2021 setting out its plans to get local audit back on timetable, its contingencies should more audit firms leave the market and how will it address the need for strong system leadership now.

### [Boosting value for money in the council finance system](#)

The MHCLG has announced plans to strengthen council finances, reduce risk to public funds and ensure councils are delivering value for money for the taxpayer. Changes to the capital finance system will see improvements in the way that risks are monitored and will drive effective decision-making and ensure council funds are spent effectively.

The MHCLG has launched a [consultation](#) on its proposals for how the new regulator, the Audit Reporting and Governance Authority (ARGA) (which replaces the Financial Reporting Council (FRC)), should act as the system leader for local audit within a new, simplified local audit framework. Alongside this consultation, the government has published two responses to previous local audit consultations – [allocating £15m to local bodies to help with the costs of audit](#), and [changes to regulations that will help to provide greater flexibility in payments for audits](#).



## Local Authority Capital Finance Framework

The MHCLG has published a policy paper setting out its proposals for local authority capital finance and provides an update on the government's work so far. It clarifies objectives, what the MHCLG will do to meet them and what is expected from local authorities.

This document sets out the government's plans for strengthening the current system while protecting the principles of local decision making. It sets out plans for both improving the MHCLG's role as steward of the local government financial system, by ensuring that it has the data to effectively monitor risks in a timely way, and to strengthen the current capital system so that it remains effective in driving good decision making and preventing excessive risk.

## Appendix C - Key performance indicators (KPIs) for 2021/22 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%	100%		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

This takes into account changes agreed by management and the Audit Committee during the year.

## 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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