



# CAMBRIDGESHIRE AND PETERBOROUGH COMBINED AUTHORITY

## Internal Audit Progress Report

30 September 2022

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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 (including the remaining audits from the 2021/22 internal audit plan). 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

Since the last meeting we have issued three further final reports:

- Follow Up (Reasonable Progress);
- Subsidiary company governance (minimal assurance);
- Capital programme – monitoring and reporting (reasonable assurance).

Two other reports remain in draft:

- Payroll
- IT Control Framework (Part 2).

We are awaiting comments from management ahead of finalising the above reports. [\[To note\]](#)

## Additional 2021/22 internal audit activity

As part of our contract with you we are asked from time to time to undertake ad-hoc reviews. One of these reviews was around Community Land Trusts. This report has been issued in draft and whilst we have received feedback from management that they are content with the report, we are awaiting the provision of action owners and implementation dates, to allow us to issue a final report. We were also asked by Officers to undertake an Analysis of Government Procurement Card Expenditure and Expenses. The draft report has been issued and work is ongoing to finalise this report. [\[To note\]](#)

## 2022/23 Internal Audit Delivery

The fieldwork for the risk management audit is in progress, and the final report is expected to be presented to the next Audit & Governance Committee (AGC) meeting.

Remaining audits are in the process of being scoped, however please note that we have been asked to postpone the IT Audit until later in the year due to the transition period which is currently underway. [\[To note\]](#)

## 2 Reports


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

We have finalised three reports since the last meeting.

#### 2021/22 internal audit plan

Assignment	Debrief Date	Opinion issued	Actions agreed		
			L	M	H
<b>Capital programme – monitoring and reporting</b> <p>Our review confirmed that controls in relation to key areas such as programme approval, the development of highlight reports and monitoring of the programme by the CAB were well designed. For example, we found there was regular presentation of Budget Monitor Reports and challenge and scrutiny of these by the Board members. We also found that the Authority had developed Assurance and Monitoring and Evaluation Frameworks, and a 10 Point Guide for Project Management which provided detailed guidance on developing and monitoring capital projects.</p> <p>However, we found significant weaknesses in the monitoring of the capital programme and the accuracy of data reported to the PARC. More specifically, we reviewed a sample of performance figures presented to the latest meetings of the PARC, the Transport and Infrastructure Committee and the CAB, and found that inaccurate reporting had been presented to the PARC and Transport and Infrastructure Committee (to at least one of their meetings). We noted the differences between source and actuals ranged from £220k to £250k which could ultimately lead to decisions being made in relation to the Capital Programme utilising inaccurate financial information.</p> <p>Furthermore, we noted a significant variation in the reporting to the Transport and Infrastructure Committee which included a variation of £3.5m without clear notes to explain the reason for the variation where the actual spend figure for the Soham Station project had fallen from £10.1m presented to the September 2021 meeting (based on July 2021 information) to £6.6m presented to the November 2021 meeting (based on August 2021 information). It was subsequently identified that this was due to accruals incorrectly left in the calculation from previous months that had not been identified. However, it was evident that an explanation of this was not captured within meeting minutes or clear from papers presented. This led to the agreement of four medium priority management actions.</p>	12/04/22	Reasonable Assurance	2	2	0



Assignment	Debrief Date	Opinion issued	Actions agreed		
			L	M	H
<b>Follow up</b> Of the 10 agreed management action considered in this review, consisting of six medium and four low priority actions, we found that one medium and four low priority actions had been fully implemented, one medium priority action had been partly implemented, one medium priority action had not yet been implemented, and three medium priority actions had been superseded. In one case, although the medium priority action had been implemented, we agreed a new low priority action due to a further issue being identified.	28/06/22	Reasonable Progress	1	2	0
<b>Subsidiary company governance</b> Our review identified significant issues requiring management attention, including a lack of operational and financial performance reporting from the subsidiary companies to the CPCA, and a lack of oversight from the CPCA regarding the operations of its subsidiaries. In addition, evidence was not provided during the audit to confirm that the business plans of subsidiary companies were being subject to regular review by the CPCA in line with Shareholder Agreements, whilst for one subsidiary, evidence of an initial business plan was not provided. Furthermore, we identified issues with the risk registers for the CPCA's operational subsidiary companies, including a lack of separation between planned actions and implemented controls, and a lack of specific and measurable actions. We were also unable to confirm that a Programme Management Committee had been established for the Business Growth Company, as required by its Shareholders Agreement.  We did, however, confirm that the Boards of each subsidiary company were meeting at the frequencies required per their Shareholder Agreements, and were reviewing progress and financial performance reports. We also confirmed that Shareholder Agreements were in place for each company, detailing their main governance arrangements including schedules of protected matters requiring shareholder approval, and we were provided with examples demonstrating compliance with these schedules, although signed copies of these Agreements could not be provided during the audit to confirm their existence. We also confirmed that the CPCA had arranged for company secretarial support to be provided to its subsidiary companies during 2022/23 by an external provider, with this support including governance and regulatory support, as well as training for the Directors of the companies.	01/06/22	Minimal Assurance 	0	3	2

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

Assignment	Timing / Status / Opinion issued	Actions agreed			Target AGC	Actual AGC
		L	M	H		
Additional audit: Payroll	DRAFT report issued 18 July 2022				December 2022 (September 2022)	
<b>Capital programme – monitoring and reporting (replaced the Risk Management audit)</b>	<b>FINAL – Reasonable Assurance</b>	<b>2</b>	<b>2</b>	<b>0</b>	<b>September 2022 (June 2022)</b>	<b>September 2022</b>
Additional follow up: IT Control Framework Part 2	DRAFT report issued 13 April 2022				December 2022 (September 2022)	
<b>Follow Up</b>	<b>FINAL – Reasonable Progress</b>	<b>1</b>	<b>2</b>	<b>0</b>	<b>September 2022 (June 2022)</b>	<b>September 2022</b>
<b>Subsidiary company governance</b>	<b>FINAL – Minimal Assurance</b>	<b>0</b>	<b>3</b>	<b>2</b>	<b>September 2022 (June 2022)</b>	<b>September 2022</b>
Community Land Trusts	DRAFT report issued 24 May 2022				December 2022 (September 2022)	
Analysis of Government Procurement Card Expenditure and Expenses	DRAFT report issued 16 December 2021 Revised DRAFT issued 12 May 2022				December 2022 (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	DRAFT report issued 26/08/22				January 2023 (September 2022)	
Succession planning	17 October 2022				January 2023	
Risk management	Fieldwork in progress				January 2023	
Affordable housing programme*	14 November 2022				March 2023	
Net zero hub	2 November 2022				January 2023	
Core control framework	12 December 2022				March 2023 (January 2023)	
Subsidiary companies – deep dives	16 January 2023				March 2023	
IT Audit	6 February 2023*				March 2023 (January 2023)	
Follow up	20 March 2023				June 2023	
Governance	20 February 2023				June 2023	

\* please see explanation of change below

## Appendix C – Other matters

### Changes to the audit plan

There have been the following changes to the 2022/23 internal audit plan:

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 are in discussions with management about the potential scope of the audit and whether it remains appropriate to be included within the plan, or whether it should be replaced with something else.
IT Audit	A scoping meeting has been 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.

### Grant Funding work undertaken by RSM to date

Audit/Area	Work Undertaken by RSM
Grant Funding	<p>Work continues to be undertaken by our specialist team on grant funding received by the Combined Authority. This includes the following:</p> <p>These specifically relate to the grant funding noted below, one 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>Transforming Cities Fund – 2021/22 and Peer to peer Network grants claim 2021/22</li><li>BSOG Devolved LTA Funding 2022/23</li><li>Skills bootcamps Wave 3</li><li>Local Transport Capital Block Fundings 2021/22</li></ul>

### 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.

## Information briefings and Sector updates

RSM's [Technical Update Series 2022](#) commences on 20 September.

This virtual event series will feature three bespoke sessions where we will bring you the latest practical guidance on the various emerging issues and technical accounting developments.

### Session one: Managing tax in taxing times

Tuesday 20 September 2022

10am – 11.30am

Led by experienced specialists, our tax technical update considers the impact of recent UK and international tax developments on businesses and business owners and will focus on tax issues affecting key decisions, HMRC's compliance focus, and issues to be aware of in managing tax costs.

### Session two: Financial reporting – What's on the horizon?

Wednesday 28th September 2022: 10am – 11.30am

Our experts will navigate the ever-evolving financial reporting landscape. This session will focus on regulatory themes, expected GAAP developments, and how clients can bring their 'front end' narrative reporting to life. We'll also discuss why clients may want to adopt some ESG reporting early for competitive advantage.

### Session three: People Advisory Services – Top 10 people regulatory compliance risks in 2022

Tuesday, 4 October 2022: 10am – 11.30am

Our People Advisory Services experts will be helping clients to spot the top 10 people regulatory compliance risks in their organisations and explore the options to manage and mitigate those risks.

To find out more about each of the sessions and to register, [click here](#).

## Appendix C - Key performance indicators (KPIs) for 2022/23 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%	N/A		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%	N/A		Response time for all general enquiries for assistance	2 working days	100%	
Final report issued within 3 days of management response	100%	N/A		Response for emergencies and potential fraud	1 working days	N/A	
<b>Notes</b>							
The above KPIs take into account changes agreed by management and the Audit & Governance 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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