

APPENDIX 1



INTERNAL AUDIT PLAN 2018 / 2019 PROGRESS REPORT

ANNUAL REPORT

1. Introduction
2. Summary of Audit Reviews

This report has been prepared for the use of Members and management of the Cambridgeshire and Peterborough Combined Authority. Details may be made available to specified external organisations, including external auditors, but otherwise the report should not be used or referred to in whole or in part without prior consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended for any other purpose.

The matters raised in this report are only those that came to our attention during the course of our work – there may be weaknesses in governance, risk management and the system of internal control that we are not aware of because they did not form part of our work programme, were excluded from the scope of individual audit engagements or were not brought to our attention. The opinion is based solely the work undertaken as part of the agreed Internal Audit plan.

1. **INTRODUCTION**

- 1.1 The purpose of this report is to bring the Audit and Governance Committee up to date with the progress made against the delivery of the 2018 / 2019 Internal Audit Plan.
- 1.2 The Committee has a responsibility to review the effectiveness of the system of internal controls and to monitor arrangements in place relating to corporate governance and risk management arrangements. Internal Audit is an assurance function which provides an independent and objective opinion to the organisation on the control environment, comprising risk management, control and governance. This work update provides the Committee with information on recent audit work that has been carried out to assist them in discharging their responsibility by giving the necessary assurances on the system of internal control.
- 1.3 The information included in this progress report will feed into, and inform our overall opinion in our Internal Audit Annual Report issued at the year end. Where appropriate each report we issue during the year is given an overall opinion based on the following criteria:

TABLE 1: ASSURANCE RATINGS	
Opinion / Assurance	Description
SUBSTANTIAL	The internal control system is well designed to meet objectives and address relevant risks, and key controls are consistently applied. There is some scope to improve the design of, or compliance with, the control framework in order to increase efficiency and effectiveness.
REASONABLE	The internal control system is generally sound but there are some weaknesses in the design of controls and / or the inconsistent application of controls. Opportunities exist to strengthen the control framework and mitigate further against potential risks.
LIMITED	The internal control system is poorly designed and / or there is significant non-compliance with controls, which can put the system objectives at risk. Therefore, there is a need to introduce additional controls and improve compliance with existing ones to reduce the risk exposure for the Authority.
NO	There are significant weaknesses in the design of the internal control system, and there is consistent non-compliance with those controls that exist. Failure to improve controls will expose the Authority to significant risk, which could lead to major financial loss, embarrassment or failure to achieve key service objectives.

2. **SUMMARY OF AUDIT REVIEWS COMPLETED**

2.1 The original Internal Audit Plan for 2018 / 2019 was agreed by this Committee in March 2018 and is detailed below.

TABLE 2: AUDIT PLAN 2018 / 2019		
FINANCIAL ARRANGEMENTS		
TREASURY MANAGEMENT	Review of the operation of key controls including treasury management segregation, review and authorisation; third party services and assurances and the prudential code compliance.	10
CORPORATE GOVERNANCE		
GOVERNANCE	Follow up to the 2017 / 2018 audit review.	5
PROGRAMMES, PROJECTS, AND CONTRACTING		
PROJECTS	Processes and procedures. Compliance with funding agreements / scheme delivery to timescales and outputs. Covering the various workstreams (Fiscal; Transport; Infrastructure; Housing and Skills). Specific project reviews will be determined during the year as schemes get approved / risk assessed etc.	30
CONTRACTS	Contract processes and procedures. These will link in with projects (above) as they are approved. Areas which could be covered include specification design; tenders, evaluation and awarding of contracts; monitoring; and post contract review.	20
GRANTS		
GRANT CLAIMS	Review and certification of external funding claims in line with the various grant conditions and that monies are appropriate spent and accounted for	10
INITIAL ALLOCATION OF DAYS		75

2.2 The Audit Plan is re-profiled throughout the year when the risks profile of the Combined Authority changes and to react to emerging issues, management requests or Audit and Governance Committee requests. Following on from its initial approval, additional reviews have been requested (identified in Table 3). This has increased the number of days to be delivered from 75 to 105 days. This is reflected in the Service Level Agreement provided to Finance.

2.3 Progress against the works to date are as follows:

TABLE 3: AUDIT PLAN PROGRESS	
	Opinion
AUDITED AREAS COMPLETED	
<p>** NEW REQUIREMENT **</p> <p>BEIS LEP PROJECT GRANTS</p> <p>The Greater Cambridge and Greater Peterborough Local Enterprise Partnership (GCGP LEP) was a recipient of a grant from the Department for Business, Energy and Industry Strategy. When it ceased to operate as of 1 April 2018, its functions were transferred to the CPCA and was replaced by the Business Board.</p> <p>Internal Audit were commissioned to review the adequacy, or otherwise, of the financial records maintained and ensure that the grant sums claimed were in line with its conditions.</p> <p>The deadline for approval and return to BEIS was 25 June 2018.</p> <p><i>(This audit did not form part of the original audit plan as the LEP was at the time considered outside of scope of the CPCA).</i></p>	<p>Following review of the financial records maintained, supporting documentation and the grant conditions imposed, we were able to confirm that the monies claimed were appropriate.</p> <p>The grant letter was signed and issued in line with the timetable.</p>
<p>TRANSPORT GRANTS</p> <p>Four grants coordinated through the CPCA require a declaration to be sent to the Department for Transport, these being Capital Block Funding; Challenge Fund Tranche 2A; Local Transport Grant and Pothole Action Fund.</p> <p>Based on the determination letters, monies are spent separately by PCC and CCC. Where monies are spent directly by County they undertake a review of the appropriateness of spending and provided statement returns to that effect. Similar arrangements were undertaken by PCC.</p> <p>As Chief Internal Auditor for the CPCA, I have looked to place reliance on their works.</p>	<p>Following review of claims and completed statements we confirmed to DfT that monies had been spent in line with the determination letters.</p>

WORK IN PROGRESS**** NEW REQUIREMENT ******LEP GOVERNANCE (NEW REQUIREMENT)**

Discussions at the Informal Audit and Governance Committee meeting 22 May 2018 considered the LEP transfer into CPCA. It was noted that a temporary Business Board had been created to oversee a number of the decision making processes until such time that appropriate business leaders are appointed. A separate report at the Audit and Governance Committee in 28 September 2018 provided further details at to the arrangements in relation to the LEP and the Business Board going forward together with member appointments.

The LEP has to have its governance arrangements approved by February each year. A national study was undertaken earlier in 2018 – the Mary Ney review – and this reviewed the workings of all LEPs to build on best practice so as to provide recommendations to make all LEPs “best in class”. As a result of this the previous assurance framework has been extensively revised.

CPCA are due to have submitted their assurance framework in November.

We are in discussion with the CLGU – who review a number of LEPs periodically - so as to avoid duplication of effort and look to place reliance on the various works.

(This audit did not form part of the original audit plan as the LEP was at the time considered outside of scope of the CPCA).

PROJECTS: ADULT EDUCATION BUDGETS

Adult Education Budgets are due to be devolved to the CPCA from 2018 / 2019. A report was been submitted to the Board earlier in the summer as well as Audit and Governance Committee.

Our review has commenced in terms of obtaining various background documents, meetings with the Project Manager and also attending an Assurance and Knowledge Working Group with the Education and Skills Funding Agency and other MCAs on assurance processes and discussion for future proposals. A series of meetings have taken place throughout October and November and the last was scheduled for 16 November 2018.

This is expected to set out the final assurance and audit arrangements in relation the previous Readiness Conditions which MCAs should follow. We will then be able to provide appropriate scrutiny and practical solutions where necessary.

PROJECTS: EAST CAMBRIDGE TRADING COMPANY

Internal Audit has identified the allocation of monies for housing projects in relation to the East Cambridge Trading Co. Ltd as an area for review. We are currently liaising with East Cambridgeshires’ Internal Auditors to obtain details of any previous works undertaken in this area as well as our rights of access to the Trading Company. In addition, we plan to review the business case.

We have now received a number of documents / data to assist with this review.

FOLLOW UP: CORPORATE GOVERNANCE (SCOPE EXTENSION)

The original audit plan was to focus on areas which had not been developed or embedded previously. However, following the last Audit and Governance Committee meeting the scope for this review was extended to include additional areas which had been identified. The scope of the audit is attached (**APPENDIX 2**) and was circulated and agreed with the Chief Financial Officer.

Work is ongoing on the various workstreams at present and a separate report will be provided to Members as previously agreed.

FUTURE PROPOSALS

Since the last Audit and Governance Committee:

- No fraud / irregularities have been reported to Internal Audit
- No new areas have been identified, however the Audit Plan remains a fluid document which will be reviewed regularly.