



CAMBRIDGESHIRE AND PETERBOROUGH COMBINED AUTHORITY

Internal Audit Progress Report

11 March 2022

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CONTENTS

Contents..... 2

1 Key messages..... 3

Appendix A – Progress against the internal audit plan 2021/22..... 6

Appendix B – Other matters..... 8

Appendix C - Key performance indicators (KPIs) for 2021/22 delivery..... 11

For more information contact 12

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 finalised three reports since our previous meeting on 28 January 2022. The review completed on **Key Financial Controls** which focussed on Financial Reporting and General Ledger resulted in a **reasonable assurance** opinion.

The conclusions of the two other finalised reviews; **Fraud and Bribery Risk Assessment** and **One CAM – Governance and Decision Making** have been summarised in section two of this report below.

[\[To note\]](#)

2021/22 Internal Audit Delivery – In Progress



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. [\[To note\]](#)

2022/23 Internal Audit Plan – Progress Update



We have prepared a separate paper on the internal audit planning for 2022/23 which outlines the progress with the development of the Internal Audit plan for the forthcoming year. [\[To note\]](#)

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.


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



We have finalised three reports since the last meeting.

Assignment	Debrief Date	Opinion issued	Actions agreed		
			L	M	H
2021/22 Internal Audit Plan					
CAM Project – Governance and Decision-Making (4.21/22)	10 February 2022	Final report issued Advisory	2	1	0
<p>The Mayor had made pre-election statements that he would discontinue the CAM project, and this intention was re-stated post-election, which meant that the Directors of One CAM Limited considered that decisions needed to be taken to protect the solvency of the company, leading to the decision by the CPCA Chief Executive to terminate the task orders in place at that point.</p> <p>We identified a timeliness issue in that the decision to terminate the task orders had been agreed by the CPCA Chief Executive, One CAM Limited Chief Executive and other non-executive Directors of One CAM Limited and had been communicated to the contractors and CPCA staff by 28 May 2021, but Members were not briefed until 2 June 2021 and the CPCA Chief Executive’s ODN was not signed until 7 June 2021. Furthermore, the next CPCA Board meeting after the date of the ODN was 30 June 2021, but the ODN was not reported to the Board until 28 July 2021. We have agreed an action to ensure that ODNs are promptly signed and communicated to Board.</p> <p>However, we have found no evidence that the decision taken to terminate the task orders with the CAM project contractors was not in line with the governance arrangements as laid out in the Constitution of the Combined Authority, and the One CAM Limited Shareholder Agreement, although we did note that the CPCA may wish to make some amendments to the Constitution for clarity.</p> <p>We also do not consider that there was a conflict of interest or that the CPCA Chief Executive acted without consultation or without transparency. The dual roles of Chief Executive of CPCA and Director of One CAM Limited allowed the decision to terminate the task orders to be taken quickly for the benefit of both the CPCA and One CAM Limited.</p>					

Fraud and Bribery Risk Assessment (5.21/22) Our review found that the Combined Authority has some processes in place in order to mitigate potential fraud and bribery risk. However, there is an enhanced need for sufficient assurances, either internal or external, to be received over the continued and successful operation of those processes and there would be a benefit from carrying out work in the key areas such as: <ul style="list-style-type: none">• Training,• Fraud and Bribery Policy,• Pre-employment Checks,• Conflicts of Interest,• Gifts and Hospitality,• Cyber Risks; and• Financial Controls. This will not only further mitigate potential fraud and bribery risks, but also to provide reassurance that processes in place are mitigating against potential fraud and bribery risks.	23 February 2022	Final report issued Advisory	7 improvement areas suggested.		
Key Financial Controls – Financial Reporting and General Ledger (6.21/22) Our review confirmed that controls in place in relation to Financial Reporting and General Ledger were primarily well designed and complied with, for example reporting timeline, budget meetings, information presented to the Performance and Risk Committee and the Authority Board. In all instances we noted that the financial information reported to the Authority Board reconciled to source information from Agresso. As of 30 th November 2021, the Authority’s forecasted outturn was showing a favourable variance of forecast expenditure against approved budgets of £7million, mainly due to an increase in budgeted grant income from the successful Community Renewal Fund bids. However, whilst we noted that the current processes work for the centralised finance function, we noted weaknesses in the processes which may occur once the devolution of the finance responsibilities take place, which include budget holder training, review of bank reconciliations and suspense accounts and the lack of a formally signed IT service level agreement which covers: service management, service desk, end-user services, infrastructure, security, resilience, application, consulting and financial services.	28 February 2022	Final report issued 	5	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	Final report issued	7 areas for improvement suggested			April 2022	April 2022
Additional audit: One CAM - Governance and Decision Making	Final report issued	2	1	0	April 2022	April 2022
Key Financial Controls		5	2	0	April 2022	April 2022
Additional audit: Payroll	Fieldwork in progress				Was April 2022, now June 2022	
Capital Programme (replaced the Risk Management audit)	March 2022				June 2022	
Additional follow up: IT Control Framework Part 2	March 2022				June 2022	
Follow Up	March 2022				June 2022	
Subsidiary Governance	April 2022				June 2022	

Assignment	Timing / Status / Opinion issued	Actions agreed			Target Audit Committee (as per previous audit committee)	Actual Audit Committee
		L	M	H		
HR Policies	Deferred to 22/23 plan				N/A	N/A
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
Replace: Risk Management with Capital Programme	Following discussions with senior management, we have been asked to defer a review of Risk Management to 22/23 as this is an area being further developed by the Combined Authority. This was replaced with an audit of the Capital Programme to support our 2021/22 opinion. The Audit Committee are asked to note the replacement of this audit within the 2021/22 internal audit delivery plan.

Changes reported to previous meetings

Audit/Area	Change Proposed
Addition: Payroll	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. The Audit Committee are asked to note the addition of this audit to 2021/22 internal audit delivery plan.
Remove: Use of Data	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. The Audit Committee are asked to note the amendment of the timing of this audit.
Delay: HR Policies	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. The Audit Committee are asked to note the amendment of the timing of this audit.

Grant Funding work undertaken by RSM to date

Audit/Area	Work Undertaken by RSM
Grant Funding	<p data-bbox="477 272 2110 421">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 data-bbox="526 437 1921 659" style="list-style-type: none">• Peer Network Funding to Local Enterprise Partnerships (LEPS) in 2020- 2021• 2020-2021 EU Transition Business Readiness Growth Hub Grant Funding to Local Enterprise Partnerships (LEPS)• 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 finalised five reports to date none of which have resulted in negative assurance opinions. We therefore anticipate issued a position head of internal audit opinion at the year end, although this will be informed by the remaining audits ongoing / yet to be undertaken.

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

Local government finance system: overview and challenges

The Public Accounts Committee (PAC) has published a report following its review from the Department for Levelling Up, Housing and Communities (DLUHC) and HM Treasury about local government finance in England. Key findings include:

- the sector is facing a wide range of risks that have built up during the period of sustained financial pressure on local authorities;
- the PAC are 'concerned' that the DLUHC is 'worryingly complacent in its view that the spending review will put local services on a sustainable footing'; and
- it is still not clear how the government will take a strategic, cross-government approach to rationalising local authority funding, which is particularly important for 'cross-cutting priorities like net zero and levelling up.'

The ICAEW published its [response to the report](#), stating 'the government must publish detailed plans to fix this crisis as soon as possible, to give confidence to firms bidding for future audits and to ensure that measures to boost market capacity can be successful.'

[More information](#)

Supporting local economic growth

The National Audit Office (NAO) has published a report which considers the lessons the DLUHC has learned from a long history of implementing local growth policies. It examines how it has applied these lessons to the one-year UK Community Renewal Fund and the following place-based interventions:

- Levelling Up Fund;
- UK Shared Prosperity Fund;
- Towns Fund; and
- Freeports.

[More information](#)

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							
The above KPIs take into account changes agreed by management and the Audit Committee during the year.							

FOR MORE INFORMATION CONTACT

Daniel Harris – Head of Internal Audit

Email: Daniel.Harris@rsmuk.com

Telephone: 07792 948767

Jay Desai – Manager

Email: Jay.Desai@rsmuk.com

Telephone: 07436 268278

Anna O’Keeffe – Senior Manager

Email: Anna.O’Keeffe@rsmuk.com

Telephone: 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.

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