



CAMBRIDGESHIRE AND PETERBOROUGH COMBINED AUTHORITY

Internal Audit Strategy 2020/21 - 2025/26 (including our internal audit plan 2022-2023)

Presented at the Audit & Governance Committee meeting of: 29 July 2022

This report is solely for the use of the persons to whom it is addressed.

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.

EXECUTIVE SUMMARY

Our Internal Audit Plan for 2022/23 is presented for consideration by the Audit & Governance Committee. During the year, we will continue to work with management and hold regular meetings to deliver an internal audit programme which remains flexible and 'agile' to ensure it meets your needs.

The key points to note from our plan are:



2022/23 Internal Audit priorities: Internal audit activity for 2022/23 is based on analysing your corporate objectives, risk profile and assurance framework as well as other factors affecting you in the year ahead, including changes within the sector. Our detailed plan for 2022/23 is included at Section 1.



Level of Resource: The level of resource required to deliver the plan for 2022/23 plan has been discussed and agreed with the Chief Finance Officer. In delivering your internal audit services we continue to embrace technology when undertaking operational audits. Through tools such as 4questionnaires, MS Teams meetings, secure web portals for audit data sharing (Huddle) and data analytics, our approach consists of a combination of both on-site client presence and remote auditing. RSM UK has in place policies designed to protect both its staff and clients, which is supported through our flexible working approach. This will strengthen our sampling and focus our audit testing. Refer to Appendix A.



Core Assurance: Following discussions with key members of the executive management team, the core areas of coverage for 2022/23 include **Data Protection, IT audit coverage, the Energy Hub and the Affordable Homes Programme**. We have also included a review of **succession planning arrangements** and we will also be building on the **subsidiary companies** review in 2021/22 by undertaking another review in 2022/23. We have also been asked to undertake a **Core Control Framework** review which will cover some key financial controls and key HR controls. Given the qualified Head of Internal Audit opinion in 2021/22, we have also agreed for coverage in 2022/23 on **Risk Management and Governance** to ensure that improvements are being made in both of these areas following qualified internal audit opinions, and the wider Governance concerns and associated improvement plan.



'Agile' approach: Our approach to working with you has always been one where we will respond to your changing assurance needs. By employing 'agile' or a 'flexible' approach to our service delivery, we are able to change the focus of audits / audit delivery; keeping you informed of these changes in our progress papers to the Audit & Governance Committee during the year.

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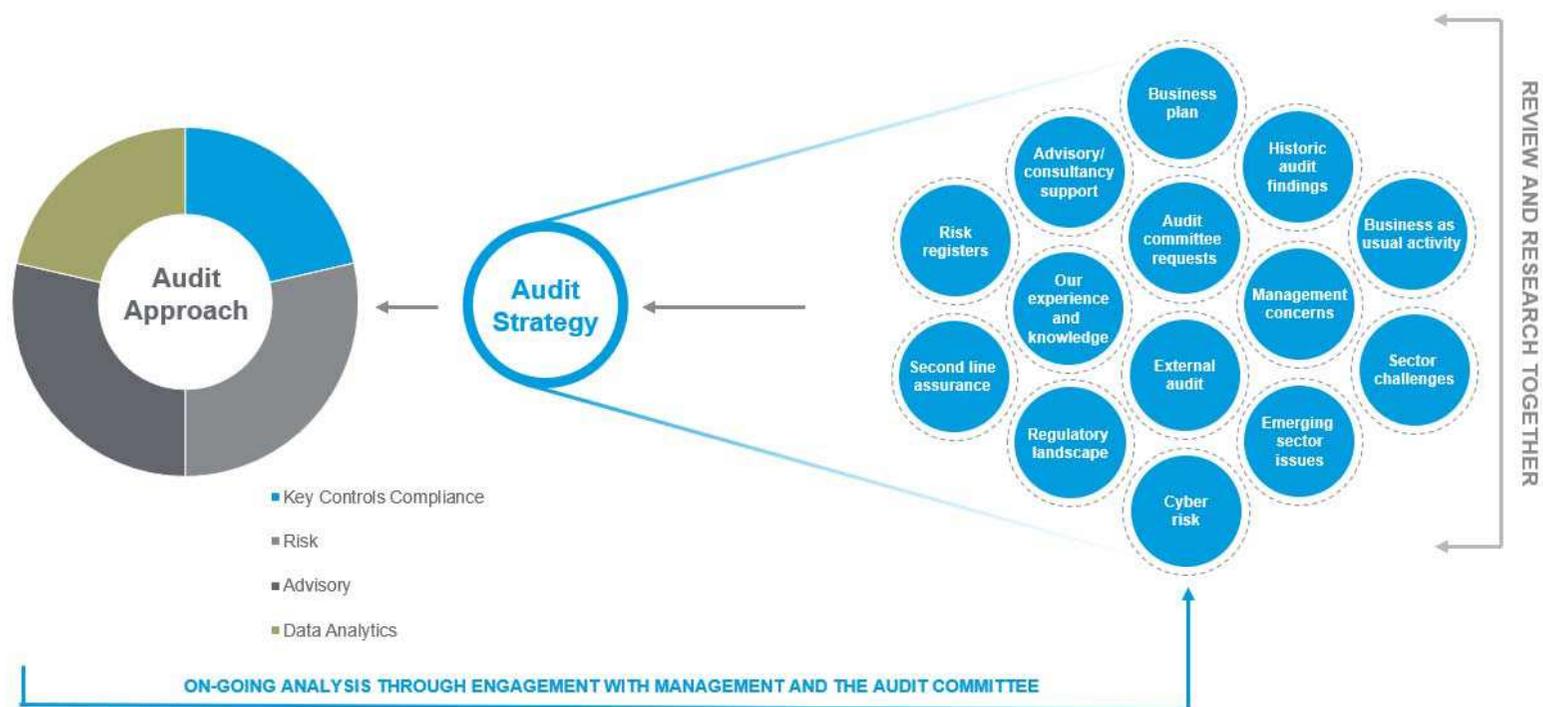
1. YOUR INTERNAL AUDIT PLAN 2022/23

Our approach to developing your internal audit plan is based on analysing your corporate objectives, risk profile and assurance framework as well as other, factors affecting Cambridgeshire and Peterborough Combined Authority in the year ahead, including changes within the sector.

Risk management processes

In developing our Internal Audit Strategy, we have met with key Officers to gain an understanding of the current issues faced by the Combined Authority. We have also reviewed the latest version of the Corporate Risk Register to gain an understanding of the key risks facing the organisation together with the controls in place to manage them, along with the key sources and documents referred to below. It should however be noted that we have not formally revisited / reviewed the risk management arrangements at the Authority since our partial assurance opinion in 2020/21. We have therefore agreed to include coverage in this area, in the form of a specific risk management audit in 2022/23 to ensure that progress has been made to address the previously agreed management actions.

Figure A: Audit considerations – sources considered when developing the Internal Audit Strategy.



Based on our understanding of the organisation, the information provided to us by stakeholders, and the regulatory requirements, we have developed an annual internal plan for the coming year and updated the high level strategic plan (see Section 2 and Appendix B for full details).

2. INTERNAL AUDIT PLAN 2022/23

The table below shows each of the reviews that we propose to undertake as part of the internal audit plan for 2022/23. The table also details the strategic risks which may warrant internal audit coverage, noting that the Authority has recently updated the risk register. This review of your risks allows us to ensure that the proposed plan will meet the organisation's assurance needs for the forthcoming and future years. As well as assignments designed to provide assurance or advisory input around specific risks, the strategy also includes: time for tracking the implementation of actions and an audit management allocation.

Objective of the review (Strategic risk)	Audit approach	Proposed timing	Proposed Audit & Governance Committee
CPCA Strategic risk: Information governance and security			
<p>Data Protection – deep dive</p> <p>As per the ICO Decision – IC – 138801 – J4CO, no further action from the ICO was deemed necessary in relation to the personal data breach reported on 5 November 2021 by the CPCA however, it was recommended that the CPCA investigate the causes of this incident to ensure that they understand how and why it occurred, and what steps needed to be taken to prevent it from happening again.</p> <p>Our review will consider staff and member contracts, policies, training and awareness, password requirements, and detective controls.</p>	Risk-based	June 2022	September 2022
<p>IT Audit</p> <p>Following the minimal assurance opinion provided on the 2020/21 IT Control Framework Review, we will carry out an assessment of a core IT area to ensure that effective controls are in place.</p> <p>Specific coverage will be agreed between our Technology Risk Assurance Partner and the Authority but could include deep dives into individual areas such as Cyber Security, IT Hardware or Software, General IT Controls, Business Continuity and Disaster Recovery.</p>	TBC	September 2022	January 2023
CPCA Strategic risk: Senior staff transition			
<p>Succession planning</p> <p>The Combined Authority has seen some significant senior staffing changes over the last 12 months. We will undertake a review of the arrangements in place to ensure that any changes are planned for, that key responsibilities and decisions continue in the event of change and that formal arrangements are in place to transfer knowledge ahead of any departures.</p>	Risk-based	August 2022	December 2022

Objective of the review (Strategic risk)	Audit approach	Proposed timing	Proposed Audit & Governance Committee
CPCA Strategic risk: Energy hub			
<p>Energy Hub</p> <p>This is expected to be one of the biggest spend areas for the Combined Authority in 2022/23, and this could warrant potential coverage and assurance in a number of different areas. We have therefore agreed with Officers an allowance within the 2022/23 audit plan for this area and a detailed scoping exercise will be undertaken to further understand the areas of focus.</p>	Risk-based	November 2022	March 2023
Other internal audits			
<p>Risk Management</p> <p>A review of the risk management arrangements in place at the Combined Authority, with a specific focus on the revised risk management framework and updated Corporate Risk Register. We will also be following up the seven medium priority management actions agreed in the 2020/21 audit to ensure these have been implemented.</p>	Key Controls	October 2022	January 2023
<p>Governance</p> <p>The specific coverage for this review is to be scoped and determined with management, but could include coverage relating to the Improvement Plan relating to some of the Governance weaknesses identified at the Authority in 2021/22. The External Auditors have identified significant weakness in the Authority's governance arrangements, and the Internal Audit opinion for 2021/22 is a qualified opinion and some Governance coverage in 2022/23 is appropriate to ensure improvements are being made in a timely manner.</p>	TBC	TBC	TBC
<p>Subsidiary Companies – deep dives</p> <p>Following on from the overarching review around subsidiary company governance undertaken as part of the 2021/22 internal audit plan, we will undertake a further review into a specific subsidiary company. The final report for the 2021/22 audit should be issued by the July 2022 meeting and we will provide a further update on the specific area of focus later in the year.</p>	Deep dive	October 2022	January 2023
<p>Affordable Housing Programme</p> <p>This programme was expected to end at 31 March 2022, however it is anticipated the delivery of the programme will continue for potentially a further two years. We will therefore undertake a review of the control framework in place.</p>	Risk-based	September 2022	December 2022

Objective of the review (Strategic risk)	Audit approach	Proposed timing	Proposed Audit & Governance Committee
<p>Core Control Framework</p> <p>Review covering key corporate control areas such as Finance and HR which would also capture controls around the application of the Scheme of Delegation.</p>	Key controls	September 2022	December 2022
Other Internal Audit Activity			
<p>Grants</p> <p><i>Following the completion of a number of grant returns in 2022/23 which require the sign off of both the Chief Executive and the Chief Internal Auditor we have included a note within the internal audit plan to undertake reviews in our capacity of the CPCA Chief Internal Auditor on the use of grant funding received, which will include review of evidence to substantiate compliance against grant terms. Fees will be agreed separately. Some of these Grants also require the involvement of our grant specialists and authorised individual to sign off grant claims. We will liase directly with the CFO and Deputy CFO with regards to this work.</i></p>	N/A	Ongoing	N/A
<p>Follow up</p> <p>To meet internal auditing standards, and to provide assurance on action taken to address actions previously agreed by management.</p>	Follow Up	January 2023	March 2023
<p>Advice and Consultancy</p> <p>To provide advice on an ongoing basis on all aspects of governance, risk management and internal control.</p>	N/A	Ongoing	Ongoing
<p>Management</p> <p>This will include:</p> <ul style="list-style-type: none"> • Annual planning • Pre audit and governance committee meetings • Preparation for, and attendance at, audit and governance committee • Regular liaison and progress updates • Liaison with external audit and other assurance providers • Preparation of the annual opinion. 	N/A	Ongoing	Ongoing

A detailed planning process will be completed for each review, and the final scope will be documented in an Assignment Planning Sheet. This will be issued to the key stakeholders for each review.

2.1 Working with other assurance providers

The Audit & Governance Committee is reminded that internal audit is only one source of assurance and through the delivery of our plan we will not, and do not, seek to cover all risks and processes within the organisation.

We will however continue to work closely with other assurance providers, such as external audit to ensure that duplication is minimised, and a suitable breadth of assurance obtained.

APPENDIX A: YOUR INTERNAL AUDIT SERVICE

Your internal audit service is provided by RSM UK Risk Assurance Services LLP. The team will be led by Dan Harris as your Head of Internal Audit, supported by Anna O’Keeffe as your client manager.

Core team

The delivery of the 2022/23 audit plan will be based around a core team. However, we will complement the team with additional specialist skills where required, for example the use of Technology risk assurance specialists, data analytics specialists and HR Consulting specialists.

Conformance with internal auditing standards

RSM affirms that our internal audit services are designed to conform to the Public Sector Internal Audit Standards (PSIAS).

Under PSIAS, internal audit services are required to have an external quality assessment every five years. Our risk assurance service line commissioned an external independent review of our internal audit services in 2021 to provide assurance whether our approach meets the requirements of the International Professional Practices Framework (IPPF), and the Internal Audit Code of Practice, as published by the Global Institute of Internal Auditors (IIA) and the Chartered IIA, on which PSIAS is based.

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.

Conflicts of interest

We are not aware of any relationships that may affect the independence and objectivity of the team, and which are required to be disclosed under internal auditing standards.

APPENDIX B: INTERNAL AUDIT STRATEGY 2020/21-2025/26

The table below shows an overview of the audit coverage to be provided through RSM's delivery of the internal audit strategy. This has been derived from the process outlined in Section 1 above, as well as our own view of the risks facing the sector as a whole.

Assurance Provided		Internal Audit – Third Line of Assurance (Independent review / assurance)					
		2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Red	Red - Minimal Assurance / Poor Progress						
Amber/red	Amber/red - Partial Assurance / Little Progress						
Amber/green	Amber/green - Reasonable Assurance / Reasonable Progress						
Green	Green - Substantial Assurance / Good Progress						
Advisory / AUP	Advisory / AUP						
IDEA	IDEA						
Audit Area	Risk Ref						
Energy hub	10			✓			
Climate Change Strategy	8					✓	
Environment, Social and Governance (ESG Maturity)	8				✓		✓
Partnerships and Collaboration						✓	
Strategic Planning and Partnerships	5				✓		
The Business Board					✓		✓
Local Industry Strategy						✓	
Local Transport Plan					✓		
Skills Strategy						✓	
Adult Education Budget			✓				
COVID 19 – Capital Grants		✓					
Affordable Housing Programme				✓			

IT Controls Assessment / IT Strategy	6	✓	✓	✓	
Cyber Security/ Network Security	6		✓		✓
Information Governance / Data Protection	6		✓		✓
Digitalisation	6				✓
Declarations of Interest				✓	
Corporate Governance – specific topic(s) TBC				✓	✓
Governance, Transparency and Decision Making <i>(2020/21 - Appointments to Boards and Committees sponsored by the Combined Authority)</i>		✓	✓	✓	
CAM Project – Governance and Decision Making			✓		
Cross Charging of Corporate Services				✓	
Subsidiary Company Governance			✓	✓	✓
Project Planning and Delivery <i>(2020/21 - COVID-19 – Impact of COVID-19 on delivery of Projects)</i>	4	✓		✓	✓
Business Continuity and Disaster Recovery				✓	✓
Procurement and Contract Management					✓
Fraud Risk Assessment			✓		✓
Capital Programme		✓			✓
Financial Planning and Delivery	2			✓	
People Management / HR Policies / Succession planning	3, 13		✓		✓
Staff Health and Wellbeing	3			✓	
Equality Diversity and Inclusion	3				✓
Recruitment	3				✓

Data Quality and Performance Management				✓		
Grant Verification	✓	✓	✓	✓	✓	✓
Risk Management	✓		✓	✓	✓	
Key Financial Controls/Core control framework	✓	✓	✓	✓	✓	✓
Payroll			✓		✓	
Follow Up	✓	✓	✓	✓	✓	✓
HR Policies review (request by AGC March 22)				✓		
Whistleblowing					✓	

APPENDIX C: INTERNAL AUDIT CHARTER

Need for the charter

This charter establishes the purpose, authority and responsibilities for the internal audit service for Cambridgeshire and Peterborough Combined Authority. The establishment of a charter is a requirement of the Public Sector Internal Audit Standards (PSIAS) and approval of the charter is the responsibility of the audit and governance committee.

The internal audit service is provided by RSM UK Risk Assurance Services LLP (“RSM”).

We plan and perform our internal audit work with a view to reviewing and evaluating the risk management, control and governance arrangements that the organisation has in place, focusing in particular on how these arrangements help you to achieve its objectives. The PSIAS encompass the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) as follows:

- Core principles for the professional practice of internal auditing;
- Definition of internal auditing;
- Code of ethics; and
- The Standards.

Mission of internal audit

As set out in the PSIAS, the mission articulates what internal audit aspires to accomplish within an organisation. Its place in the IPPF is deliberate, demonstrating how practitioners should leverage the entire framework to facilitate their ability to achieve the mission.

“To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight”.

Independence and ethics

To provide for the independence of internal audit, its personnel report directly to Dan Harris (acting as your head of internal audit). The independence of RSM is assured by the internal audit service reporting to the chief executive, with further reporting lines to the monitoring officer and chief financial officer.

The head of internal audit has unrestricted access to the chair of audit and governance committee to whom all significant concerns relating to the adequacy and effectiveness of risk management activities, internal control and governance are reported.

Conflicts of interest may arise where RSM provides services other than internal audit to Cambridgeshire and Peterborough Combined Authority. Steps will be taken to avoid or manage transparently and openly such conflicts of interest so that there is no real or perceived threat or impairment to independence in providing the internal audit service. If a potential conflict arises through the provision of other services, disclosure will be reported to the audit and governance committee. The nature of the disclosure will depend upon the potential impairment and it is important that our role does not appear to be compromised in reporting the matter to the audit and governance committee. Equally we do not want the organisation to be deprived of wider RSM expertise and will therefore raise awareness without compromising our independence.

Responsibilities

In providing your outsourced internal audit service, RSM has a responsibility to:

- Develop a flexible and risk based internal audit strategy with more detailed annual audit plans. The plan will be submitted to the audit and governance committee for review and approval each year before work commences on delivery of that plan.
- Implement the internal audit plan as approved, including any additional tasks requested by management and the audit and governance committee.
- Ensure the internal audit team consists of professional audit staff with sufficient knowledge, skills, and experience.
- Establish a quality assurance and improvement program to ensure the quality and effective operation of internal audit activities.
- Perform advisory activities where appropriate, beyond internal audit's assurance services, to assist management in meeting its objectives.
- Bring a systematic disciplined approach to evaluate and report on the effectiveness of risk management, internal control and governance processes.
- Highlight control weaknesses and required associated improvements together with corrective action recommended to management based on an acceptable and practicable timeframe.
- Undertake follow up reviews to ensure management has implemented agreed internal control improvements within specified and agreed timeframes.
- Report regularly to the audit and governance committee to demonstrate the performance of the internal audit service.

For clarity, we have included the definition of 'internal audit', 'senior management' and 'board'.

- Internal audit – a department, division, team of consultant, or other practitioner (s) that provides independent, objective assurance and consulting services designed to add value and improve an organisation's operations. The internal audit activity helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes.
- Management team who are the team of individuals at the highest level of organisational management who have the day-to-day responsibilities for managing the organisation.

- Combined Authority Board - The highest level governing body charged with the responsibility to direct and/or oversee the organisation's activities and hold organisational management accountable. Furthermore, "board" may refer to a committee or another body to which the governing body has delegated certain functions (eg an audit and governance committee).

Client care standards

In delivering our services we require full cooperation from key stakeholders and relevant business areas to ensure a smooth delivery of the plan. We proposed the following KPIs for monitoring the delivery of the internal audit service:

- Discussions with senior staff at the client take place to confirm the scope six weeks before the agreed audit start date.
- Key information such as: the draft assignment planning sheet are issued by RSM to the key auditee six weeks before the agreed start date.
- The lead auditor to contact the client to confirm logistical arrangements at least 15 working days before the commencement of the audit fieldwork to confirm practical arrangements, appointments, debrief date etc.
- Fieldwork takes place on agreed dates with key issues flagged up immediately.
- A debrief meeting will be held with audit sponsor at the end of fieldwork or within a reasonable time frame.
- Draft reports will be issued within 10 working days of the debrief meeting and will be issued by RSM to the agreed distribution list / Huddle.
- Management responses to the draft report should be submitted to RSM.
- Within three working days of receipt of client responses the final report will be issued by RSM to the assignment sponsor and any other agreed recipients of the report.

Authority

The internal audit team is authorised to:

- Have unrestricted access to all functions, records, property and personnel which it considers necessary to fulfil its function.
- Have full and free access to the audit and governance committee.
- Allocate resources, set timeframes, define review areas, develop scopes of work and apply techniques to accomplish the overall internal audit objectives.
- Obtain the required assistance from personnel within the organisation where audits will be performed, including other specialised services from within or outside the organisation.

The head of internal audit and internal audit staff are not authorised to:

- Perform any operational duties associated with the organisation.
- Initiate or approve accounting transactions on behalf of the organisation.
- Direct the activities of any employee not employed by RSM unless specifically seconded to internal audit.

Reporting

An assignment report will be issued following each internal audit assignment. The report will be issued in draft for comment by management, and then issued as a final report to management, with the executive summary being provided to the audit and governance committee. The final report will contain an action plan agreed with management to address any weaknesses identified by internal audit.

The internal audit service will issue progress reports to the audit and governance committee and management summarising outcomes of audit activities, including follow up reviews.

As your internal audit provider, the assignment opinions that RSM provides the organisation during the year are part of the framework of assurances that assist the board in taking decisions and managing its risks.

As the provider of the internal audit service we are required to provide an annual opinion on the adequacy and effectiveness of the organisation's governance, risk management and control arrangements. In giving our opinion it should be noted that assurance can never be absolute. The most that the internal audit service can provide to the board is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes. The annual opinion will be provided to the organisation by RSM UK Risk Assurance Services LLP at the financial year end. The results of internal audit reviews, and the annual opinion, should be used by management and the Board to inform the organisation's annual governance statement.

Data protection

Internal audit files need to include sufficient, reliable, relevant and useful evidence in order to support our findings and conclusions. Personal data is not shared with unauthorised persons unless there is a valid and lawful requirement to do so. We are authorised as providers of internal audit services to our clients (through the firm's terms of business and our engagement letter) to have access to all necessary documentation from our clients needed to carry out our duties.

Quality Assurance and Improvement

As your external service provider of internal audit services, we have the responsibility for maintaining an effective internal audit activity. Under the standards, internal audit services are required to have an external quality assessment every five years. In addition to this, we also have in place an internal quality assurance and improvement programme, led by a dedicated team who undertake these reviews. This ensures continuous improvement of our internal audit services.

Any areas which we believe warrant bringing to your attention, which may have the potential to have an impact on the quality of the service we provide to you, will be raised in our progress reports to the audit and governance committee.

Fraud

The audit and governance committee recognises that management is responsible for controls to reasonably prevent and detect fraud. Furthermore, the audit and governance committee recognises that internal audit is not responsible for identifying fraud; however internal audit will be aware of the risk of fraud when planning and undertaking any assignments.

Approval of the internal audit charter

By approving this document, the internal audit strategy, the audit and governance committee is also approving the internal audit charter.

FOR FURTHER 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.

Our report is prepared solely for the confidential use of Cambridgeshire and Peterborough Combined Authority, and solely for the purposes set out herein. This report should not therefore be regarded as suitable to be used or relied on by any other party wishing to acquire any rights from RSM UK Risk Assurance Services LLP for any purpose or in any context. Any third party which obtains access to this report or a copy and chooses to rely on it (or any part of it) will do so at its own risk. 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 and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by any person's reliance on representations in this report.

This report is released to you on the basis that it shall not be copied, referred to or disclosed, in whole or in part (save as otherwise permitted by agreed written terms), without our prior written consent.

We have no responsibility to update this report for events and circumstances occurring after the date of this report.

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