



Internal Audit Progress and Performance Update

February 2025

1. Introduction

- 1.1 The Internal Audit service for East Cambridgeshire District Council provides 210 days to deliver the 2024/25 Annual Audit Plan.
- 1.2 The Public Sector Internal Audit Standards (the Standards) require the Audit Committee to satisfy itself that it is receiving appropriate assurance about the controls put in place by management to address identified risks to the Council. This report aims to provide the Committee with details on progress made in delivering planned work, the key findings of audit assignments completed since the last Committee meeting and an overview of the performance of the audit team.

2. Performance

Delivery of the 2024/25 Audit Plan

- 2.1 At the time of reporting, 100% of audit work is either complete or underway. Progress on individual assignments is shown in Table 1.

Are clients satisfied with the quality of the Internal Audit assignments?

- 2.2 To date, four survey responses have been received in relation to feedback on completed assignments for the 2024/25 audit plan. This is summarised in Table 3.

Based upon recent Internal Audit work, are there any emerging issues that impact upon the Internal Audit opinion of the Council's Control Framework?

- 2.3 Since the last Audit Committee update, the Internal Audit team has finalised three audit reports. The key findings were as follows:

Medium term financial strategy (MTFS)

The Council's Medium-Term Financial Strategy (MTFS) should set a robust financial framework for the Council's plans over the next four years which supports the delivery of the Council's priorities within a context of an annual balanced budget. The MTFS for the period 2024/25 to 2027/28 was approved by Full Council on 20th February 2024. The audit reviewed the processes in place to inform the MTFS and alignment to associated strategies.

The MTFS provides a clear financial outlook with evidenced based assumptions that appear reasonable when compared to external forecasts and economic expectations. It is well aligned with the Council's strategic objectives, ensuring that financial resources are directed towards key priorities and service delivery goals.

The Council's Constitution clearly defines roles and responsibilities for financial monitoring and reporting ensuring accountability at all levels. The MTFS is developed collaboratively with senior officers, with regular updates and discussions involving members of the management team. It is subject to regular review by Council Members through the Finance and Assets Committee and there are mechanisms in place to address budget variances.

The MTFS identifies key financial risks such as government funding levels and inflationary pressures. However, the Council could benefit from formalising its approach to sensitivity analysis and scenario planning, documenting the best- and worst-case scenarios. This would allow for a more structured assessment of how changes in key financial assumptions might affect the Council's financial position in the medium term. Additionally, developing savings plans to address the future gaps identified in the MTFS would further enhance the Council's ability to manage financial risks and ensure the long-term sustainability of its resources.

Based on the work performed during the audit, assurance opinions were given as follows:

Assurance Opinion	
Control Environment	Good (Green)
Compliance	Substantial (Green)
Organisational Impact	Low (Green)

Bereavement Centre – project management – stage 1

Since the closure of the Mepal outdoor centre at the end of 2016 the site has suffered from antisocial behaviour, vandalism and arson. In response to this challenge, the Council has developed a green crematorium project with the objective to deliver a sustainable end use that will benefit residents and create jobs for local people, while protecting the natural assets of the site.

Based on the audit findings, appropriate governance and management arrangements are in place to ensure that the project is effectively managed to deliver its objectives. Some project documents remain under development, such as the benefits log, internal project plan and communications plan. A formal resource plan has not yet been prepared although a need for additional specialist procurement and communications support has been identified. Priority should be given to completing the resource plan and ensuring the necessary procurement support is in place prior to commencement of the tender process next February. This should help to ensure full compliance with Contract Procedure Rules and relevant procurement legislation. The Procurement Act 2023 has significant new transparency requirements which could have a major impact on tender preparations.

At the time of audit, the project timeline remained on track although the latest cost plan indicates a potential significant increase in costs over the approved budget, which is clearly identified as a key risk. A decision has been made to progress to tender stage so that actual costs can be determined with certainty and all options reported to Council for decision at that stage. In the meantime, monthly project highlight reports should be updated to ensure that all project costs are clearly reported in a timely manner.

The audit seeks to provide assurance over the project management arrangements. Subject to the implementation of the recommendations in this report, a sound overall

governance framework has been established at this stage and should provide a good foundation for managing the project going forward.

Based on the work performed during the audit, assurance opinions were given as follows:

Assurance Opinion	
Control Environment	Good (Green)
Compliance	Good (Green)
Organisational Impact	Low (Green)

UK Shared Prosperity Fund (UKSPF)

In April 2022, the Department for Levelling Up, Housing and Communities (now the Ministry of Housing, Communities and Local Government) launched the UK Shared Prosperity Fund (UKSPF). The UKSPF replaced the European Structural Investment Programme (ESIF) and aims to build pride in place and improve life chances. East Cambridgeshire District Council was allocated £839,851 from the UKSPF to be spent over three financial years between April 2022 and March 2025. In September 2022, the Department for Environment, Food and Rural Affairs (DEFRA) launched an additional Rural England Prosperity Fund (REPF) which provides top-up funding to UKSPF for eligible local authorities. It replaced the European LEADER and rural growth programmes and aims to support the rural economy and communities. The Council was allocated £550,000 from the REPF to be spent over two financial years between April 2023 and March 2025. This audit sought assurance on the Council's governance arrangements and financial management of the UKSPF and REPF funds.

In summary, the audit found that the purpose, scope and objectives of the UKSPF and REPF have been defined. Established governance structures are in place to oversee the management and delivery of projects and regular reports are provided to the Cambridgeshire and Peterborough Combined Authority (CPCA) who are the lead local authority for the region. The Finance and Assets Committee receive updates on UKSPF and REPF projects, however officers should provide a detailed briefing to Members on overall progress. Also, whilst programme level risks are monitored by the CPCA, officers should maintain a local risk register to formally monitor risks and issues at a project level.

Testing of a sample of projects found that processes are in place to support the delivery of projects and, where applicable, procurement rules have been adhered to. Similarly, testing of a sample of business grants awarded found that applications have been assessed and authorised in line with the approved eligibility criteria. Expenditure across UKSPF and REPF projects is recorded and monitored against the budget. It has been suggested that Finance officers review guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA) on the accounting of capital projects to ensure that the capital elements of UKSPF and REPF funds have been appropriately accounted for.

Based on the work performed during the audit, assurance opinions were given as follows:

Assurance Opinion	
Control Environment	Substantial (Green)
Compliance	Good (Green)
Organisational Impact	Low (Green)

2.4 Implementation of audit recommendations by officers

Where an Internal Audit review identifies any areas of weakness or non-compliance with the control environment, recommendations are made and an action plan agreed with management, with timeframes for implementation.

Since the last Audit Committee meeting, two agreed actions have been implemented by officers. An overview is provided in Table 2.

At the time of reporting, there are three actions which are overdue for implementation - all of which are less than three months overdue and relate to private sector housing.

Table 1 - Progress against 2024/25 Internal Audit Plan

Assignment	Planned start	Status	Assurance sought	Assurance Opinion			Comments
				Control Environment	Compliance	Org impact	
Key financial systems							
Bank reconciliations	Q4	Fieldwork underway					
Accounts payable	Q4	Fieldwork underway					
Payroll	Q3	Draft report issued					
Accounts receivable	Q4	Fieldwork underway					
Treasury management	Q4	Draft report issued					
Medium term financial strategy	Q3	Final report issued	Assurances over the processes in place to inform the medium term financial strategy and linking this to associated strategies.	Good (Green)	Substantial (Green)	Low (Green)	See section 2.3
Key policy compliance							
Decision making and delegations	Q1	Final report issued	To provide assurance over compliance with the Council's Constitution and scheme of delegation in relation to decision making and evidence of compliance with delegated powers.	Moderate (Amber)	Good (Green)	Medium (Amber)	Reported in November 2024
UK Shared Prosperity Fund (UKSPF)	Q3	Final report issued	To provide assurance over the use of UKSPF monies (£839k); compliance with the terms and conditions; and consistent application of approved criteria for awarding grant monies.	Good (Green)	Good (Green)	Low (Green)	See section 2.3

				Assurance Opinion			
Assignment	Planned start	Status	Assurance sought	Control Environment	Compliance	Org impact	Comments
Procurement compliance	Q4	Fieldwork underway					
Risk based audits							
Major project – Bereavement Centre	Q1	Final report issued	To provide assurance over the project management arrangements in place to support delivery of this major projects on budget, within timescales and to expected standards. To include assurances at key stages of the project in relation to risk/issue management, governance and decision making, communications, project resources, project planning, quality management, benefits realisation and cost management.	Good (Green)	Good (Green)	Low (Green)	See section 2.3
Supporting vulnerable people	Q1	Final report issued	To seek assurance on the arrangements for supporting vulnerable customers and meeting legal duties (i.e. domestic abuse / antisocial behaviour / safeguarding arrangements / financial advice); adapting to and providing for emerging needs (i.e. cost of living / asylum contingency and dispersal / refugees); and ensuring support mechanisms including cost of living support funds have been designed to meet the needs of the right people and administered in accordance with expected controls.	Substantial (Green)	Good (Green)	Low (Green)	Reported in November 2024
Housing allocations and homelessness	Q4	Fieldwork underway					
Planning service review	Q4	Planning					

Assignment	Planned start	Status	Assurance sought	Assurance Opinion			Comments
				Control Environment	Compliance	Org impact	
Grant claims	All year	Complete					
Governance and Counter Fraud							
Counter Fraud support / promotion / policies	TBC	As required	Not applicable – consultancy work.	Daily monitoring of Report Fraud mailbox			
National Fraud Initiative	TBC	As required	Not applicable – consultancy work.				
Risk management support and real time assurances	Q1 – Q4	Ongoing	Ongoing assurances over the controls listed in the Risk Register and supporting embedding of risk management.	Assurances provided on risk entries throughout the year.			
Annual Governance Statement support	Q1	Complete		N/A			

Table 2 - Implementation of agreed management actions

	'High' priority recommendations		'Medium' priority recommendations		'Low' priority recommendations		Total	
	Number	% of total	Number	% of total	Number	% of total	Number	% of total
Actions due and implemented since last Committee meeting	1	100%	-	-	1	33%	2	40%
Actions overdue by less than three months	-	-	1	100%	2	67%	3	60%
Actions overdue by more than three months	-	-	-	-	-	-	-	-
Totals	1	100%	1	100%	3	100%	5	100%

Table 3: Customer satisfaction

At the completion of each assignment, the auditor issues a customer satisfaction questionnaire (CSQ) to each client with whom there was a significant engagement during the assignment. The standard CSQ asks for the client's opinion on four key aspects of the assignment. The responses received in the year to date are set out below.

Aspects of Audit Assignments	Not applicable	Outstanding	Good	Satisfactory	Poor
Design of Assignment	-	4	-	-	-
Communication during Assignments	-	4	-	-	-
Quality of Reporting	-	4	-	-	-
Quality of Recommendations	-	3	1	-	-
Total	-	15	1	-	-

Glossary

At the completion of each assignment the Auditor will report on the level of assurance that can be taken from the work undertaken and the findings of that work. The table below provides an explanation of the various assurance statements that the Committee might expect to receive.

Compliance Assurances		
Level	Control environment assurance	Compliance assurance
Substantial	There is a sound system of internal control to support delivery of the objectives.	The control environment is operating as intended with no exceptions noted which pose risk to delivery of the objectives.
Good	There is generally a sound system of internal control, with some gaps which pose a low risk to delivery of the objectives.	The control environment is generally operating as intended with some exceptions which pose a low risk to delivery of the objectives.
Moderate	There are gaps in the internal control framework which pose a medium risk to delivery of the objectives.	Controls are not consistently operating as intended, which poses a medium risk to the delivery of the objectives.
Limited	There are gaps in the internal control framework which pose a high risk to delivery of the objectives.	Key controls are not consistently operating as intended, which poses a high risk to the delivery of the objectives.
No	Internal Audit is unable to provide any assurance that a suitable internal control framework has been designed.	Internal Audit is unable to provide any assurance that controls have been effectively applied in practice.

Organisational Impact	
Level	Definition
High	The weaknesses identified during the review have left the Council open to a high level of risk. If the risk materialises it would have a high impact upon the organisation as a whole.
Medium	The weaknesses identified during the review have left the Council open to medium risk. If the risk materialises it would have a medium impact upon the organisation as a whole.
Low	The weaknesses identified during the review have left the Council open to low risk. This may have a low impact on the organisation as a whole.

Limitations and responsibilities

Limitations inherent to the internal auditor's work

Internal Audit is undertaking a programme of work agreed by the Council's senior managers and approved by the Audit Committee subject to the limitations outlined below.

Opinion

Each audit assignment undertaken addresses the control objectives agreed with the relevant, responsible managers.

There might be weaknesses in the system of internal control that Internal Audit are not aware of because they did not form part of the programme of work; were excluded from the scope of individual internal assignments; or were not brought to Internal Audit's attention.

Internal control

Internal control systems identified during audit assignments, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgement in decision making; human error; control processes being deliberately circumvented by employees and others; management overriding controls; and unforeseeable circumstances.

Future periods

The assessment of each audit area is relevant to the time that the audit was completed in. In other words, it is a snapshot of the control environment at that time. This evaluation of effectiveness may not be relevant to future periods due to the risk that:

- The design of controls may become inadequate because of changes in operating environment, law, regulatory requirements or other factors; or
- The degree of compliance with policies and procedures may deteriorate.

Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management; internal control and governance; and for the prevention or detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

Internal Audit endeavours to plan its work so that there is a reasonable expectation that significant control weaknesses will be detected. If weaknesses are detected additional work is undertaken to identify any consequent fraud or irregularities. However, Internal Audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected, and its work should not be relied upon to disclose all fraud or other irregularities that might exist.