

**Manchester City Council
Report for Information**

Report to: Audit Committee – 14 June 2022
Subject: Internal Audit Service Review Update
Report of: Head of Audit and Risk Management

Summary

It is the role of the Audit Committee to “oversee and provide assurance to the Council on the provision of an effective internal audit service and the main issues arising from Internal Audit work”.

This report provides a short overview of progress of a service review across the Audit and Risk Management Division and implications for the internal audit service.

Recommendations

The Committee is recommended to note the service review update and receive further progress reports.

Wards Affected: ALL

Environmental Impact Assessment - the impact of the issues addressed in this report on achieving the zero-carbon target for the city
None

Equality, Diversity and Inclusion - the impact of the issues addressed in this report in meeting our Public Sector Equality Duty and broader equality commitments
None

Manchester Strategy outcomes	Summary of how this report aligns to the OMS/Contribution to the Strategy
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	An effective internal audit service is an integral part of the Council's governance arrangements. It helps to maintain and develop good governance and risk management and provides independent assurance over the effectiveness of the Council's systems of control. This contributes to being a well-run Council and indirectly to the achievement of organisational objectives and the OurManchester Strategy.
A highly skilled city: world class and home grown talent sustaining the city's economic success	
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	
A liveable and low carbon city: a destination of choice to live, visit, work	
A connected city: world class infrastructure and connectivity to drive growth	

Full details are in the body of the report, along with any implications for:

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue = None

Financial Consequences – Capital = None

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Background documents (available for public inspection):

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy, please contact one of the contact officers above.

- Internal Audit reports to Audit Committee
- Public Sector Internal Audit Standards - PSIAS
- Role of the Head of Internal Audit (CIPFA)
- The Effective Internal Auditor (CIPFA)
- Internal Audit: Untapped Potential (CIPFA and IIA)

1.0 Introduction

- 1.1. It is the role of the Audit Committee to “oversee and provide assurance to the Council on the provision of an effective internal audit service and the main issues arising from Internal Audit work”.
- 1.2. In discharging this role the Audit Committee have requested an update on a review of the Internal Audit Service to obtain assurance over progress.

2.0 Background

- 2.1 The Audit Risk Management Service comprises the Internal Audit team as well as the Risk and Resilience; Insurance and Claims; and Health and Safety teams. In response to savings requirements and in developing service structures to meet current and future needs a review of capacity, roles and responsibilities is underway.
- 3.2 For Internal Audit the review is designed to ensure there is alignment to key risk areas and that there is sufficient capacity and capability within the service to sustain an excellent audit function in alignment with the Internal Audit Strategy reported to Audit Committee in April 2021.
- 3.3 The approach to the service review has been informed by sources including the Public Sector Internal Audit Standards and a range of good practice documents issued by the Chartered Institute of Internal Audit Auditors and the Chartered Institute of Public Finance and Accountancy. The Service is well respected and has delivered excellent work across a wide range of functions and responsibilities, including delivery of a critical role in the Covid19 response and recovery arrangements of the Council over the last two years. Whilst the Service remains effective, as part of the Quality Assurance Improvement Action Plan and service strategy there are planned areas of focus for further development that include:
 - investment in detailed assurance mapping and reporting;
 - deeper integration of other sources of assurance in audit planning and assurance reporting;
 - data driven audit and use of data analytics / whole population testing
 - agile and lean approaches to audit planning and delivery; and
 - enhanced collaborative working, especially with colleagues across Bolton Council but also within the health and care system and across other partnerships in Manchester.
- 3.3 These areas are acknowledged as opportunities for development not just for the service in Manchester but for the wider public sector internal audit profession and are reflected in CIPFA’s most recent relevant publication ‘Internal Audit: Untapped Potential’. This report also highlights the national challenges faced in recruiting internal audit professionals, so the service review and positive strategy for internal audit in Manchester is designed to ensure that we retain, develop and attract the best possible people to the Service.
- 3.4 The review has taken longer than planned as a result of the ongoing impacts of covid19 response and recovery, capacity and aspects of change in areas other than internal audit that required additional analysis and engagement

outside of the service. The review was also paused to ensure the effective integration and alignment of the audit, insurance and health and safety functions of Operational Housing as part of the second phase of the Northwards Housing transfer.

- 3.4 Whilst work on the proposed internal audit structure was substantially completed by December 2021 it was decided that this should not progress further until the whole service review was complete, to ensure that there was effective alignment of structures and services across the four teams. This will help ensure for example that the benefits of links between risk management and internal audit are maximised.
- 3.5 In the interim the Service created opportunities for three successful secondments into the team and the Deputy Head of Service has been actively leading the direct delivery of audit work across the Neighbourhoods and Growth and Development directorates. Whilst these have been short-term measures and will be addressed through substantive posts in the proposed structure it has provided additional capacity to support delivery of the 2020/21 and 2021/22 audit plans.
- 3.6 Communications with the team are ongoing through updates provided on progress and engagement in wider service development activity, discussions at 121s and through team meetings. Colleagues have remained positive, professional and focused on critical service delivery. The outcomes of their great work continue to be recognised through feedback and reflected in a range of nominations for individuals and teams across the Service received for the annual Awards for Excellence.

3.0 Update

- 3.1 At the time of this report all of the organisational change information required to progress the review has been submitted to the HR&OD Service for review. This includes the business case for change, budgets, updated role profiles and job evaluation documents. The HR&OD Service are reviewing these and once this is complete the review will move to the formal stage of Trades Union and staff consultation.
- 3.2 It is obviously important and in accordance with Council policies and process for organisational change that affected staff and their representatives are briefed and are advised of the approach, proposed changes and timescales in advance of any public reporting so that they have opportunity to provide comment and input in the process.
- 3.5 Following consultation the formal process of matching, assessment and recruitment to any vacant posts will proceed.
- 3.6 Audit Committee will be provided with further updates as this process progresses.