

GMCA Audit Committee

Date: 23 July 2025

Subject: Review of Internal Audit Effectiveness

Report of: Steve Wilson, Group Chief Finance Officer

PURPOSE OF REPORT

As the Officer responsible for the effective functioning of the Internal Audit Service, the Group Chief Finance Officer must be satisfied that the Internal Audit Service is operating effectively.

The Head of Internal Audit conducts an annual review of the effectiveness of its ongoing quality assurance arrangements to ensure audit work undertaken confirms with the relevant professional standards.

This report sets out the assessment for 2024/25 and actions proposed to ensure ongoing effectiveness and quality of the GMCA Internal Audit service.

RECOMMENDATIONS:

Audit Committee is requested to consider and comment on the report.

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Equalities Impact, Carbon, and Sustainability Assessment:

N/A

Risk Management

N/A

Legal Considerations

N/A

Financial Consequences - Capital

N/A

Financial Consequences - Revenue

N/A

Number of attachments included in the report:

BACKGROUND PAPERS: N/A

TRACKING/PROCESS	
Does this report relate to a major strategic decision, as set out in the GMCA Constitution?	No
EXEMPTION FROM CALL IN	
Are there any aspects in this report which means it should be considered to be exempt from call in by the relevant Scrutiny Committee on the grounds of urgency?	No
TfGMC	Overview & Scrutiny Committee
N/A	N/A

1 Introduction

- 1.1 Under the new Global Internal Audit Standards (GIAS) UK Public Sector that came into force on 1 April 2025, the Chief Audit Executive must report annually on the results of quality assessment carried out under GIAS 12.1 (Internal Quality Assessment), including progress against development action plans to address any instances of non-conformance. This continues the approach taken previously under the Public Sector Internal Audit Standards (PSIAS) which applied during 2024/25.
- 1.2 Whilst much of the day-to-day practices do not change, the internal audit team will need to gradually assess and evidence their conformance against the new professional standards, with full conformance expected by the end of 2025/26. Key examples of changes under the new requirements include:
- A mandate for Internal Audit outlining its primary purpose, scope, roles and responsibilities and any impairments (Standard 6.1).
 - An Internal Audit Strategy a strategic statement on how the service will be delivered (Standard 9.2).
 - Expanded standards on ethics and professionalism.
 - Internal Audit Plans should support the achievement of the organisations objectives (Standard 9.4).
- 1.3 This report provides an assessment of the effectiveness of the GMCA Internal Audit service for 2024/25 and sets out plans for monitoring and measuring effectiveness going forward.

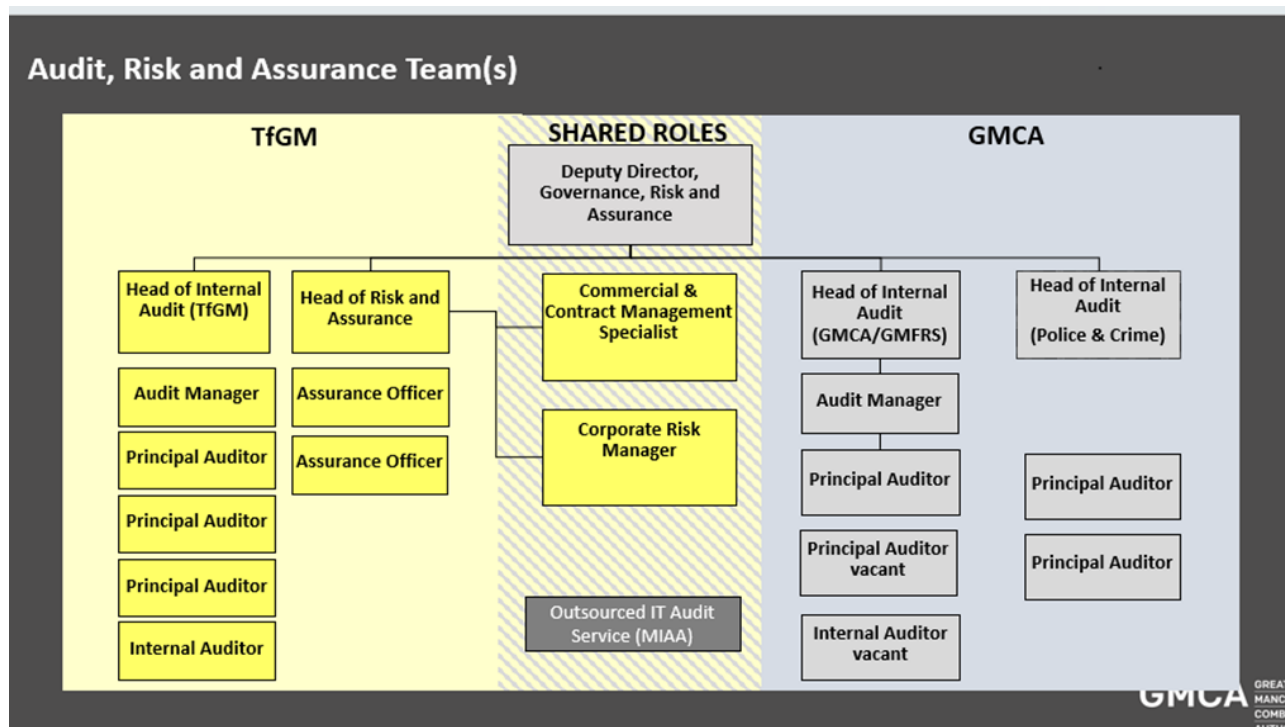
2 Assessment of Internal Audit Effectiveness for 2024/25

- 2.1 The following attributes have been considered when assessing the effectiveness of the Internal Audit service.
- The structure and resourcing of the Internal Audit service.
 - Ongoing performance monitoring against the professional standards and the Internal Audit Development Plan.
 - Delivering audit work in the most appropriate areas on a prioritised (risk) basis.
 - Implementation of Internal Audit recommendations.
 - Audit Committee reporting.

- 2.2 The overall conclusion of this assessment is that the work undertaken by Internal Audit during 2024/25 conformed with the relevant professional standards (Public Sector Internal Audit Standards - PSIAS). Further work is required to develop and strengthen our ability to evidence full compliance against the new Global Internal Audit Standards (GIAS) UK Public Sector for 2025/26.
- 2.3 Details of the assessment for each of the attributes are provided below in Sections 3-9.

3 Internal Audit Structure and Resourcing

- 3.1 The Structure of the Internal Audit service in 2024/25 is shown below.



- 3.2 The GMCA Internal Audit Team had an establishment of 2.8FTE delivering audit and assurance activity across GMCA and GMFRS and has responsibility for Counter Fraud arrangements in GMCA. It was recognised that the team had insufficient capacity to deliver on its mandate across these areas and agreement was given to create two additional roles in the structure. An Audit Manager role was created, with successful promotion to this post managed internally and an Internal Auditor role was created, and we are seeking to recruit to this post. Permission to appoint to the vacant Principal

Auditor role was only initially given for a 12-month fixed term contract, but difficulties in recruiting have led to the role being advertised as a permanent appointment. The changes to the structure are aimed at providing additional capacity given the increasing breadth and complexity of GMCA activities. As in previous years, we utilise external support for our technical ICT/Digital assurance work. The resource position will need to be kept under review during 2025/26.

- 3.3 Recent changes to the role of the Deputy Director of Audit and Assurance have seen the role take on responsibility for Governance and Scrutiny services within the GMCA Group. This interim arrangement means that whilst the role in principle retains strategic oversight of the Internal Audit Service, the role of the 'Chief Audit Executive' is delegated to the Head of Internal Audit.
- 3.4 Under the new professional standards there is a requirement for an Internal Audit Strategy to support the Internal Audit Charter and Mandate. We are developing the Strategy which will set out our vision for the future and how the service will be delivered and developed to support the increasing demand for internal audit services as the organisation continues to grow in size and complexity. The audit Charter and Mandate was approved by Audit Committee in March 2025
- 3.5 The "second line assurance" roles of the Corporate Risk Manager and Contract & Commercial Management Specialist, both seconded from TfGM on a part time basis also report to the Deputy Director, Governance Audit and Assurance and provide "second line" assurance to GMCA.

4 Ongoing performance monitoring against the professional standards and the Internal Audit Development Plan.

- 4.1 With effect from 1 April 2025, the Public Sector Internal Audit Standards (PSIAS) were replaced by the Global Internal Audit Standards (GIAS) in the UK Public Sector. This new regime is made up of the Institute of Internal Auditors' Global Internal Audit Standards (GIAS), and the Application Note: Global Internal Audit Standards in the UK Public Sector (the Application Note').
- 4.2 CIPFA has also produced a 'Code of Practice for the Governance of Internal Audit in UK Local Government' (the Code'). The purpose of the Code is to ensure that the essential conditions for the governance of internal audit can be met in a local

Government context. The Code is intended for local authorities, to support them in establishing effective internal audit arrangements and in providing oversight and support for internal audit.

- 4.3 The Internal Audit Charter is a key document governing GMCA's internal audit function and the updated Charter considers the requirements and expectations of the GIAS, Application Note, and the Code.

External Quality Assessment

- 4.4 There is a requirement for an external quality assessment (EQA) of compliance with the professional standards every five years. This was last undertaken in 2021/22, which concluded that the work of the Internal Audit service was compliant overall.
- 4.5 There remain a small number of recommendations that continue to be developed, these include:
- **Development of an assurance map** – this work is ongoing as part of the readiness work linked to the GMCA Integrated Settlement, Trailblazer Devolution, the development of the single assurance framework, external governance review and wider Group structures.
 - **Introduction of data and analytics** – the team does not currently utilize specialist data analytics software tools, but good data analytics skills exist within the team which is applied as part of routine work. The mix of skills will continue to be considered alongside resource requirements.
 - **Counter Fraud** - There is some counter fraud activity undertaken by the Head of Internal Audit, but no dedicated specialist counter fraud resource to support on proactive counter fraud risk management.
- 4.6 The next EQA will be due in 2026/27 and the North West Chief Audit Executive's Group has established a peer review process between the constituent authorities which would meet the requirement of an independent external assessment.

Ongoing Quality Assurance

- 4.7 The Internal Audit Service maintains appropriate ongoing quality assurance arrangements to ensure audit work undertaken confirms with the relevant professional standards. This includes:

- The maintenance of an audit procedures manual, audit Charter and Mandate, job descriptions and roles.
- The completion of an annual declaration of interest for internal audit staff.
- Regular 1-2-1 discussions and 6 monthly staff performance appraisals and objective setting.
- Membership of professional Bodies and peer networks.
- Professional training and attendance on relevant training courses and webinars
- All engagements are appropriately supervised. Weekly team meetings provide updates on progress of each audit assignment and provide an opportunity to discuss audit findings and subsequent work to be undertaken.
- The Head of Internal Audit agrees the objectives, scope and timing of audit work.
- The Head of Internal Audit reviews the working papers for all engagements and draft reports prior to issue.
- The Head of Internal Audit reviews all final reports, agreed actions and levels of assurance prior to issue.
- Internal Quality Control checklists are used to ensure consistency in process and compliance with standards.
- Qualitative feedback from audit clients is sought for inclusion in final reports.

4.8 Periodic Reviews

- Internal Audit regularly reports progress against the Internal Audit plan to SLT and Audit Committee and other relevant boards.
- Performance against Internal Audit KPIs is reported annually to the Audit Committee.
- Internal Audit undertakes a risk assessment process annually to develop the Internal Audit Plan, and the plan is kept under review.
- The Head of Internal Audit undertakes an annual review of the effectiveness of Internal Audit, compliance with the Quality Assurance and Improvement Plan (QAIP) and a self-assessment of compliance with the professional standards.
- Feedback on the effectiveness of the Internal Audit Service and the Head of Internal Audit is sought from the Treasurer, Chief Executive and Audit Committee Chair.

- Any significant areas of non-compliance with the standards that are identified through internal assessment will be reported in the Head of Internal Audit's Annual Report and used to inform the Annual Governance Statement (AGS). There were no significant areas of non-compliance identified for 2024/25.

5 Delivering audit work in the most appropriate areas on a prioritised (risk) basis.

- 5.1 The internal audit plan for 2024/25 was developed in early 2024 after undertaking a detailed risk assessment. The plan was kept under review with changes being reported to the Audit Committee as required.

6 Implementation of Internal Audit Recommendations

- 6.1 Internal Audit tracks the implementation of audit actions against a headline target of 85% completion. Quarterly update reports are provided to GMCA Audit Committee and to SLT on the status of audit actions including any overdue actions and reasons for delay.

7 Audit Committee Reporting

- 7.1 Internal Audit have provided progress updates to each Audit Committee meeting held in 2024/25 (July, October, January and March) in line with the agreed work programme. The reports include updates on the team structure and resources, work undertaken during the period, a summary of the findings from reports issued and details of any significant changes to the audit plan.
- 7.2 Internal Audit regularly seeks and values feedback from audit sponsors on the quality of work undertaken to allow us to continuously monitor our performance and the value-added element of the service. The general feedback is positive in terms of the approach taken to delivery of work and value added. Some of the comments received on work completed this year are shown in **Appendix A**.
- 7.3 In addition, Internal Audit has several performance metrics which track progress against plan completion, elapsed time and audit action implementation. Details of these are shown at **Appendix B**.

8 Looking ahead – Internal Audit Development Plan 2025/26

- 8.1 The Head of Internal Audit has developed an Internal Audit Development Plan **Appendix C** which identifies areas for improvement, based on this assessment of Internal Audit Effectiveness. The plan will be monitored throughout the year and progress reported to the Audit Committee annually.
- 8.2 The Internal Audit Development Plan will work in conjunction with the Quality Assurance and Improvement Plan (QAIP) which is designed to provide reasonable assurance to stakeholders that Internal Audit:
- Performs its work in line with the Internal Audit Charter and Mandate (approved annually by the Audit Committee) and incorporates changes introduced by the Global Internal Audit Standards in the UK Public Sector.
 - Operates in an effective and efficient manner.
 - Is perceived by stakeholders as adding value to GMCA.

Appendix A: Quality Assessment: Examples of feedback received from Audit Sponsors from work completed.

Audit	Audit Sponsor Comment
Leavers Process - Compliance	<i>The findings shown in the audit report are, in my and my team's opinion, an accurate representation of the audit process that was carried out thoroughly and diligently.</i>
NFCC – Fire Standards	<i>I would like to extend my appreciation to the audit team for their thorough review and insightful findings regarding the implementation of NFCC Fire Standards within GMFRS. The audit has highlighted several areas of good practice, as well as opportunities for improvement, which will be instrumental in enhancing our processes and ensuring compliance with the standards.</i>
Supporting Families programme	<i>With current uncertainty around the future of the Supporting Families programme it is unclear whether this will be the last GM Supporting Families audit undertaken. What is clear from the latest report is that the audit continues to be a helpful tool in providing the necessary assurances and insight on delivery of the programme at a local, city-regional and national level.</i>
Fire fighter Attraction, Recruitment and Selection	<i>Many thanks for sight of the first-class report and I can see that the service was equally complimentary about the work you carried out to deliver the audit. Well done and many thanks once again.</i>
Equality Impact Assessments	<i>GMFRS - We have worked hard to improve and embed the EIA process. We welcome this audit and its recommendations which will help us to take our EIA process further forward and help us to make further</i>

	<i>improvements to make our services and policies as inclusive as possible. We will agree an action plan with timelines and allocate owners of each action.</i>
New Public Procurement Act Readiness Assessment	<i>Found this approach really helpful, clearly steering us to better outputs. I appreciate the assurance provided. Think we have now addressed most of the recommendations, although our approach will remain an area of continuous improvement.</i>
JESIP Principles	<i>I am pleased to acknowledge receipt of the JESIP assurance report and to note the positive findings. The report reflects the dedication and diligence of our teams in maintaining strong governance, compliance, and operational effectiveness.</i> <i>I would like to extend my appreciation to GMCA Internal Audit Team for their thorough review and valuable insights. These findings reinforce our commitment to continuous improvement and adherence to best practices. While the report provides a strong level of assurance, we remain committed to sustaining and further enhancing these standards across our organisation.</i>
Lessons Learned Review - PPE	<i>I accept the report's findings and undertake to address the subsequent actions through the Service's Performance Board chaired by the DCFO. I commissioned the review to ensure the organisation learnt from the events which took place. Equally, I considered this was best achieved using the Authority's Internal Audit function because of its independence and impartiality. I acknowledge and am grateful for the work of the team in producing the report and confident the actions once implemented will eliminate any future re-occurrence.</i>

Appendix B: Performance Metrics

Activity	#	Performance Indicator	Type	Description	How calculated	Target	Actual	Comments
Delivery of audit plan	1	Completion of audit plan	Quantitative	Measure of final reports (completed audits) and grant certifications issued.	Number of engagements where final reports/certifications have been issued / number of engagements in the plan.	90% by year end	94%	This considers changes to the plan agreed during the year. Two audits were carried forward to 2025/26 plan.
	2	Elapsed time of audits	Quantitative	The relevance and impact of audit work diminishes over time due to the timeliness of the findings and opinion. Audits should therefore not be prolonged over an extended period. This KPI measures audits and grant certifications.	% of audits with a total elapsed time from fieldwork start to draft report issue < 3 months.	<3 months	73%	Generally, our elapsed time is less than 3 months. Responsive and time-critical work has impacted on completion of planned work.
Audit action implementation	3	Quality of agreed audit actions	Qualitative	It is important that audit actions are practical, reasonable and will be effective in mitigating any risks identified during the audit.	This measures feedback from Audit Sponsors and Management in response to audit findings and agreed actions to mitigate identified risks.	90%	100%	No rejected actions
	4	Audit actions implemented (rolling 12 months)	Quantitative	Audit action implementation is an important indicator of the value of internal audit as well as a reflection of the quality and feasibility of the agreed actions and dates.	Audit actions implemented / total audit actions (over last 12 months)	85%	91%	This was at the end of Q4 2024/25. Consistently tracking above target during the year.

Audit action implementation	5	Historic open audit actions	Quantitative	There may be reasons that audit actions cannot be implemented within timescales, but they should be either implemented or superseded. Old, open actions should be kept to a minimum. Implementation is management's responsibility, but IA have a role to play in ensuring actions are implementable and in confirming that they have been implemented.	Number of audit open audit actions >6 months past target implementation date. 1-3 would be Amber, >3 Red.	0	2	Minimal. There are 2 longstanding open actions that relate to the implementation of new systems and processes.
Internal Audit Effectiveness	6	Audit process and Customer Satisfaction	Qualitative	The audit process should be efficient and effective, with stakeholders feeling suitably engaged throughout the process and product at the end of an audit.	This measures feedback from Audit Sponsors and Management in response to individual assignments and quality of work undertaken.	100%	100%	Audit Sponsor comments included in all final published audit reports.

Appendix C: Internal Audit Development Plan 2025/26

This plan has been developed to enhance the effectiveness of the GMCA Internal Audit Function. Regular progress reports will be provided to Audit Committee.

Action	Source	Responsibility / Commentary	Responsible
Compliance with the Global Internal Audit Standards (GIAS) UK Public Sector and Application Note for Public Sector (Including the CIPFA Code of Practice for the Governance of Internal Audit in the UK Public Sector)	Global IIA and CIPFA Guidance	To work towards demonstrating and evidencing full compliance following the transition to the new Standards. Update audit methodologies, including the Audit Manual, Audit Charter and Mandate and IA Strategy. Ongoing quality assurance arrangements	Deputy Director, Governance, Audit and Assurance supported by the Head of Internal Audit and quality assurance supported by the Audit Committee.
Keep resources under review	Audit Committee	With increasing breadth and of GMCA activities, it is important that there are sufficient internal audit resources to meet the mandate for GMCA/GMFRS and provide sufficient assurance work that will support the internal audit opinion as well as to support activities such as counter-fraud and whistleblowing.	Deputy Director, Governance, Audit and Assurance supported by the Group CFO and Audit Committee.