



# West Midlands Combined Authority

## Internal Audit Report: Organisational Change Management Arrangements 2022 – 2023

**Report Date:** 27 March 2023

**Report Distribution:** Linda Horne, Executive Director of Finance  
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## 1. Executive summary

### Introduction

An audit of the organisational change management arrangements was undertaken as part of the approved internal audit plan for 2022-2023.

### Objectives, potential risks, and scope of audit work

Our audit was conducted in conformance with the Public Sector Internal Audit Standards and considered the following:

Objectives:	A review of the management arrangements for recruitment and changes to the establishment, including departmental restructuring, ensuring the adoption of and compliance with the Managing Organisational Change Policy and Changes to Establishment Policy.
Potential Risks:	<ul style="list-style-type: none"> <li>• Unauthorised organisational changes.</li> <li>• Organisational change decision making is ineffective, inappropriate, or non-compliant.</li> <li>• Changes to the establishment are not made in an open and transparent manner.</li> <li>• Potential changes to the establishment are not communicated clearly to employees, unions etc.</li> </ul>
Scope:	<p>The scope of the audit will include a high-level review of the application of and compliance with WMCA policy, process, and procedure when:</p> <ul style="list-style-type: none"> <li>• deciding to undertake a recruitment exercise</li> <li>• undertaking a restructure or making a change to the approved establishment</li> </ul> <p>A review of the Managing Organisational Change Policy and Changes to Establishment Policy will be undertaken as part of the above.</p>
Limitations to the scope of our audit:	This review will be restricted to the above areas.

### Overall conclusion

Our audit provides **Satisfactory** assurance over the adequacy of the controls reviewed as part of the process to mitigate risks to an acceptable level.

No Assurance	Limited	Satisfactory	Substantial
Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.	<b>There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.</b>	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

### Key issues identified

We rate each issue identified based on the following:

<b>Red</b> Action is imperative to ensure that the objectives for the area under review are met	<b>Amber</b> Action is required to avoid exposure to significant risks in achieving objectives	<b>Green</b> Action is advised to enhance risk control or operational efficiency
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We have identified one **amber** issue where improvement could be made, arising from the following:

- Changes to the establishment are being undertaken without prior appropriate approvals.

A copy of this report will be presented to the Audit, Risk and Assurance Committee.

### Examples of good practice identified

During our work we identified the following examples of good practice in the management of risk, as achieved through the effective design and application of controls:

- HR have produced a guide called How to Recruit. This provides guidelines for managers on the recruitment process to be followed when either requesting approval to recruit to a post in the establishment or when changes to the establishment are required.
- A review of the approval to recruit process found that in all cases tested, the appropriate documentation and processes had been applied. Where a recruitment exercise was completed, the individual had been appointed in accordance with the information on the recruitment approval form.
- Separate procedures had been developed for changes to the establishment depending on the value of the change – (under or over £100,000).

### Acknowledgement

Several employees gave their time and co-operation during this review. We would like to record our thanks to all the individuals concerned.

## 2. Findings and recommendations

**Action is required to avoid exposure to significant risks in achieving objectives  
Amber**

### 1. Changes to the establishment

#### Findings:

A sample of three changes to the establishment that cost over £100,000 was tested to ascertain they had been appropriately approved and followed procedures. It was noted that:

- in one instance, the business case to change the establishment for Integrated Transport Services - Phase 3 Reorganising Proposals, that there was no evidence of approval by the Head of HR, or the Executive Finance Director before the post was recruited to. However, details had been presented previously to Senior Leadership Team but evidence of this had not been retained by HR.
- in one instance no evidence of approval by the Executive Director for Finance could be located.

A sample of changes to the establishment under £100,000 was tested to ascertain they had been appropriately approved and the established procedures applied. The following was noted:

- in one instance the workflow remained at HR approval pending even though a recruitment exercise had been completed.
- the change to establishment procedure states that proposed structure changes which are less than £100,000 will be approved by the Head of HR and Deputy 151 officer. It was found that the Head of HR had approved four of the five changes, but none had been approved by a Deputy 151 officer. From discussions with HR, it is understood that the process had been amended to approval being given by either post. However, procedures had not been updated to reflect this.
- It was also noted that initially, an establishment change was valued under £100,000 and the appropriate workflow applied. Subsequently, the management accountant valued the change as over £300,000, requiring approval by the Executive Director for Finance. However, due to the initial workflow route, the accountant's comments were not acted on.

#### Implications:

- Unauthorised changes may be made.
- Organisational change decision making is ineffective, inappropriate, or non-compliant.

#### Recommendations:

- i) HR should ensure that appropriate approvals and evidence are retained in the Nintex SharePoint workflow to support all changes to the establishment.
- ii) Requests to make changes to the establishment should be fully approved before recruitment exercises are undertaken.
- iii) The documented procedures for recruitment and changes to the establishment should be reviewed and updated to ensure that they are still appropriate.

#### Agreed Actions:

The issues identified above are acknowledged. Work is currently being undertaken to move the changes to the establishment process into Business World (Unit 4). Each stage of the process will be built into the workflow, including review and, approval. Documentation to support the process will be attached (where applicable) before it can progress to the next stage. The recruitment

**Action is required to avoid exposure to significant risks in achieving objectives  
Amber**

authorisation form, job evaluation and change to employment forms are also going to be moved into Business World (Unit 4). Once this process has been finalised, procedures will be updated .

**Responsible Officer:**

Laurence Adams, Head of Human Resources  
Jayne Shearer, HR Service Centre Manager

**Target Date:**

30 April 2023

## Limitations inherent to the internal auditor's work

This report has been prepared solely for the Combined Authority in accordance with the terms and conditions set out in the terms of reference. Internal audit does not accept or assume any liability of duty of care for any other purpose or to any other party. This report should not be disclosed to any third party, quoted, or referred to without prior consent. Internal audit has undertaken this review subject to the limitations outlined below.

### Internal control

- Internal control systems, 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 the occurrence of unforeseeable circumstances.

### Responsibilities of management and auditors

- It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance for the prevention and detection of irregularities and fraud. Internal audit work should not be a substitute for management's responsibilities for the design and operation of these systems.
- Internal audit endeavours to plan audit work so that it has a reasonable expectation of detecting significant control weakness and if detected, will carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.
- Accordingly, these examinations by internal auditors should not be relied upon solely to disclose fraud or other irregularities which may exist.

Stage	Date
Draft issued	09 March 2023
Exit meeting	20 March 2023
Final issued	27 March 2023
ARAC reporting date	30 March 2023
ARAC meeting date	18 April 2023