Item 5

3rd August 2022

Glasgow City Council

Finance and Audit Scrutiny Committee

Report by Head of Audit and Inspection

Contact: Duncan Black **Extension: 74053**

Internal Audit Annual Report 2021/22

Purpose of Report

The attached Internal Audit Annual Report provides members of the Committee with an overview of the work of Glasgow City Council's Internal Audit section for the year ended 31 March 2022.

The draft Annual Governance Statement for 2021/22 is included as an appendix to the report. This is informed by the Internal Audit Annual Report and will form part of the Council's audited 2021/22 Annual Accounts.

Recommendation

Members are asked to note the content of the report and refer the draft Annual Governance Statement to the City Administration Committee for approval as part of the Annual Accounts.

Ward No(s): Citywide: ☐

Local member(s) advised: Yes ☐ No ☐ consulted: Yes ☐ No ☐

Glasgow City Council

Internal Audit Annual Report

for the year ended

31 March 2022

Internal Audit Annual Report

for the year ended 31 March 2022

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1. INTRODUCTION

1.1 The Local Authority Accounts (Scotland) Regulations 2014 require the Council to review the effectiveness of its system of internal control annually and to assess the efficiency and effectiveness of the Internal Audit function. The Regulations also require the Council to approve an Annual Governance Statement.

1.2 The purpose of this report is to provide a review of the performance of Internal Audit for the year 2021/22 and to give an opinion on the adequacy of the Council's system of internal control. This review also applies to the organisations which make up the group accounts of Glasgow City Council, as well as the other section 106 bodies that the Council administers[1]. This report helps to inform the Council's 2021/22 Annual Governance Statement, which is included in the 2021/22 audited annual accounts. The draft 2021/22 Annual Governance Statement for the Council Group is included at Appendix 1.

A separate annual report and Annual Governance Statement has been prepared for the Strathclyde Pension Fund, Glasgow City Region City Deal Cabinet Joint Committee, and the Glasgow City Integration Joint Board for consideration at the relevant corporate body.

1.3 Internal Audit is an independent appraisal function within the Council. The objectives of Internal Audit are to:

- examine and evaluate internal control systems and governance arrangements within the Council;
- give assurances to elected Members and senior officials on the adequacy and robustness of these systems; and
- assist elected Members and officers of the Council in the effective discharge of their responsibilities.

1.4 Service Directors are responsible for ensuring that internal control arrangements are sufficient to address the risks facing their Services and Internal Audit assesses the adequacy of these arrangements. Internal Audit provides analyses, appraisals, recommendations, advice and information concerning the activities reviewed. Internal Audit reports directly to the Executive Director of Finance, and has unrestricted direct access to the Council's Chief Executive and the chair of the Finance and Audit Scrutiny Committee.

1.5 The work of Internal Audit is based on an annual audit plan which is prepared after a risk assessment of all potential audit issues identified by Internal Audit and Service Directors, and takes account of the work of the Council's external auditor, Audit Scotland. In 2021/22 the main components of the plan included reviews of:

- Financial Management and Monitoring;
- Risk management arrangements;
- Accounts Payable / Receivable;
- Payroll verification;
- Administration of grants, including Covid-19 related grants;

[1] West of Scotland Archaeology Service and West of Scotland European Forum.

- Procurement compliance;
- Capital projects, including City Deal funded projects;
- Governance arrangements;
- Performance management, including Statutory Performance Indicators; and
- Information Security and ICT Security assurance, including Cyber Security.

There were no fundamental changes to the audit plan that was approved on 17 March 2021, however some additional pieces of work were undertaken during the year, reflecting the need for an agile response to business needs and developments.

Internal Audit prepared separate plans for the Council's ALEOs and Partner Organisations. The audits undertaken provide assurance to these organisations and the results also inform the Council's Annual Governance Statement.

1.6 We also completed work outwith the annual audit plan, including:

- Investigations arising from whistleblowing reports;
- Reviews requested by Executive Directors, external bodies and other sources;
- National Fraud Initiative and other data matching exercises;
- Performance monitoring and reporting;
- Certification of grant claims; and
- Provision of advice to Services.

1.7 As set out in the annual audit plan, Internal Audit adheres to standards and guidelines laid down by relevant bodies and professional institutions. In particular Internal Audit is required to comply with the Public Sector Internal Audit Standards (PSIAS).

1.8 The PSIAS require Internal Audit to undertake annual compliance self-assessments and a 5-yearly external assessment. The latest external assessment was undertaken in 2021 by Birmingham City Council and was reported to the Finance and Audit Scrutiny Committee in May 2021. The resulting action plan is provided in Appendix 3 showing all actions have now been completed. The 2021/22 self-assessment and the Birmingham City Council's external assessment have confirmed that Internal Audit complies with the core principles of the PSIAS. A Quality Assurance and Improvement Programme (QAIP) is in place to further enhance the Internal Audit service (Appendix 3).

1.9 The performance of Internal Audit is also scrutinised by the appointed external auditor, Audit Scotland. This allows them, where appropriate, to place reliance on the work of Internal Audit and to plan their work without duplication of effort and unnecessary disruption to Services. Audit Scotland's review of Internal Audit as part of their external audit plan confirmed that Internal Audit has sound documentation standards and reporting procedures in place and complies with the main requirements of the PSIAS. They will seek to make use of the work of Internal Audit wherever possible.

1.10 During 2021/22 Internal Audit reported to the Council's Finance and Audit Scrutiny Committee and supported the work of the Operational Performance

and Delivery Scrutiny Committee. These committees are responsible for scrutinising arrangements within the Council and the ALEOs reported in the Council's Group Accounts.

1.11 The membership of both scrutiny committees comprised Members from all political parties. The committees continued to meet remotely during 2021/22, using video conferencing, on a regular basis in accordance with the normal cycle of Council meetings. The committees were chaired by a Member outwith the ruling administration and operated on a non-political basis.

1.12 The Finance and Audit Scrutiny Committee considered summaries of the assurance work undertaken by Internal Audit and received information on the number and type of fraud and irregularity investigations undertaken by Internal Audit. In addition, the Committee also considered Audit Scotland reports directly arising from work undertaken in Glasgow City Council and, where appropriate, the findings of national studies undertaken by Audit Scotland or the Accounts Commission.

1.13 The Operational Performance and Delivery Scrutiny Committee was responsible for scrutinising and monitoring the operational performance of all Council Services and scrutinising the performance of the Council's ALEOs.

1.14 Internal Audit has a team of six corporate fraud officers. This Corporate Fraud Team continue to investigate fraud and error covering a number of operational areas. A summary of this Corporate Fraud work is outlined in section 2.4 and 2.5 of this report.

2. REVIEW OF INTERNAL AUDIT 2021/22

2.1 ESTABLISHMENT

2.1.1 A summary of the Internal Audit staffing establishment as at 31 March 2022 is provided in Table 1 below.

Table 1. Audit Team – Establishment

		2021/22	2020/21
1	Number of CCAB Qualified staff (FTE)	**18.3**	18.3
2	Number of staff with a recognised counter fraud qualification (FTE)	**7**	7
3	Number of Trainees (FTE)	**3**	4
4	Training Days (incl. professional qualification)	**102**	138
5	Training Days per Staff Member	**3.6**	4.9
6	Sickness absence per staff member (annual target 5 days)	**5.4**	11.6

2.1.2 Recruiting and training high quality staff remains the preferred option for the delivery of the Internal Audit function. There are currently five trainees within Internal Audit. All trainees study for the CIPFA qualification. All Corporate Fraud & Investigations Officers have a recognised fraud qualification: either the Professionalism in Security (PINS) qualification or CIPFA's Counter Fraud Specialist Accreditation. Including CIPFA qualified staff, CIPFA trainees and qualified fraud officers, 100% of Internal Audit staff hold, or are working towards, a relevant qualification. In order to ensure the continuation of an effective and professional Internal Audit and Counter Fraud service, we have also recently recruited three CIPFA apprentices (who will work towards a masters degree in accountancy and the CIPFA professional qualification) and a new Cyber Security graduate apprentice.

2.1.3 In October 2021 Internal Audit worked with Gartner UK to develop a skills and training needs assessment. This involved the Head of Audit and Inspection setting expectations across core internal audit skills matrices, and then individuals self assessing their training needs across all relevant categories. Returns were also then verified by line management. The Gartner report confirmed that the team is generally meeting or exceeding required levels. The main area for development relates to ICT auditing and data analytics. This is being addressed through additional training opportunities and the recruitment of the Cyber Security graduate apprentice. In quarters three and four of 2021/22, Internal Audit experienced an unusually high turnover of experienced staff. This is consistent with the pattern across many parts of the Council Group but will have an impact on productivity and efficiency moving into 2022/23 as roles are backfilled.

2.1.4 During 2021/22 Internal Audit continued to ensure effective planning and joint working with the Internal Audit Services of the other organisations within the Glasgow City Region Cabinet and the Health and Social Care Integration Joint Boards covering the Greater Glasgow Health Board area. The Head of Audit and Inspection also attends quarterly meetings of the Core Cities Chief Auditors Group, and the Scottish Local Authority Chief Internal Auditors Group. Joint working was also undertaken with the Director of Assurance at the Wheatley Housing Group in the provision of internal audit services for the City Building Glasgow LLP joint venture.

2.1.5 The Council's Executive Compliance Unit (ECU) reports into the Head of Audit and Inspection. The ECU ensures compliance with Elected Members remuneration legislation and relevant council policies and procedures for senior officers across the council family. The ECU also books travel for Council officers and Elected Members, and undertakes research activities in order to respond to complex Freedom of Information requests. Resources in ECU can also be called upon to assist with planned and unplanned audit work and investigations.

2.2 PERFORMANCE

Table 2. 2021/22 Internal Audit Annual Service Plan and Improvement Report (ASPIR) targets

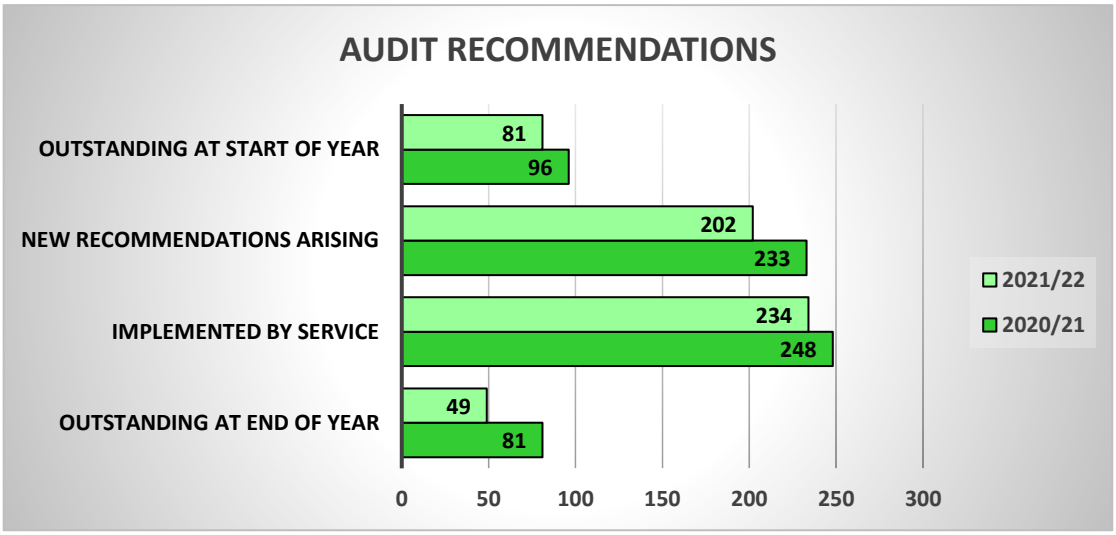
	ASPIR target	**2021/22**	2020/21
1	Complete all required fieldwork to prepare the Annual Assurance Statement that is necessary to inform the council's Annual Governance Statement	**Complete**	Complete
2	Corporate Fraud and Investigations team – cover all key areas of the Corporate Fraud Workplan	**Complete**	Some elements suspended *
3	Maintain British Standards Institute ISO 9001:2015 accreditation	**Compliant**	Compliant
4	Internal and External quality assessments against Public Sector Internal Audit Standards	**Compliant**	Compliant
5	Audit Scotland annual review of Internal Audit against Public Sector Internal Audit Standards	**Compliant**	Compliant
6	Average client survey score (out of 4)	**3.57**	3.3

* In March 2020, the decision was made to suspend most of the fraud workplan due to the COVID-19 pandemic. Elements were restarted over the course of 2020/21 as restrictions allowed.

2.3 AUDIT PLAN MANAGEMENT – Planned Assurance Work

2.3.1 All required assurance fieldwork in the amended audit plan for 2021/22 has been completed for the Glasgow City Council Group. The findings from our assurance reports are formally reported to the Finance and Audit Scrutiny Committee (or relevant ALEO committee). All audit recommendations are fully followed-up by Internal Audit and the results of these are also reported to the appropriate Committee.

2.3.2 During 2021/22, Services satisfactorily implemented 234 audit recommendations (248 in 2020/21). At the year-end, 49 recommendations remained outstanding – this is a significant reduction in comparison the figure of 81 at the end of 2020/21 and shows a continuing trend of reducing this figure year on year. This is a positive position given the significant pressures on Council officers and the hard work of officers in Services is recognised by Internal Audit.



2.3.3 There are eleven outstanding recommendations at the year-end which have been identified as higher risk, due to the length of time they are overdue and/or the effect on key controls. These are:

- Four recommendations relating to disaster recovery plans and back-up testing. These are key control areas, and the recommendations are up to three years overdue.
- Two recommendations within Education Services to ensure staff are appropriately train on health & safety and business continuity – these are up to three years overdue.
- One recommendation in Neighbourhoods, Regeneration & Sustainability (NRS) to monitor performance in vehicle maintenance is five years overdue.
- One NRS recommendation to manage financial contributions received from developers is three years overdue.
- One NRS recommendation ensure appropriate contractual arrangements are in pace for a large service contract is three years overdue.
- One recommendation in NRs to ensure sample checks are undertaken on fuel transactions is three years overdue.
- One recommendation in Social Work Services (SWS) to develop a training matrix for key posts is four years overdue.

The Head of Audit and Inspection has attended the Council Management Team to remind service leads of the need to implement all actions on a timely basis, with a particular focus on these specific recommendations. Full follow up audit reports will be reported frequently to the Finance and Audit Scrutiny Committee throughout the year in accordance with the Committee's workplan.

2.3.4 As part of the Audit Glasgow initiative, we continued to undertake audit assignments and provide support to other public sector organisations, generating income in the year of £160,000, and £520,000 over the lifetime of the project to date. A full internal audit service is provided to Shetland Islands Council, Scottish Canals and Loch Lomond and Trossachs National Park Authority. The contract with Shetland Islands Council was re-tendered in May

2022 and Audit Glasgow has recently been confirmed as the successful bidder for a further three year period (plus option of two-year extension). Other ad hoc work has also been provided for other Scottish Local Authorities. During the year Internal Audit also continued to undertake audit assurance work as required by outside agencies that provide grant income to Service departments.

2.3.5 In addition to the income generated from the Audit Glasgow initiative, the joint work across public sector organisations and sectors has greatly enhanced the cross-learning and sharing of best practice. It has also proven popular with team members who gain experience of other parts of the public sector that would not normally be open to them.

2.4 AUDIT PLAN MANAGEMENT – Fraud Response Work

2.4.1 During 2021/22 324 whistleblowing incidents were logged compared with 230 in 2020/21. Whilst this represents an increase from 2020/21, the numbers of referrals remain significantly below those typically received prior to the COVID-19 pandemic. Most of the reduction relates to a drop off in blue-badge parking referrals. As at 31 March 2022, 85 of the 324 cases were classified as work in progress. A summary of the cases and the outcomes of the completed cases is shown in tables 4 and 5.

Table 4. Whistleblowing cases dealt with by the audit team and Service departments – Analysis of Case Types

	Whistleblowing by Type	No of Cases	
		2021/22	2020/21
	1. Type of Case		
	1.1 Cases involving GCC Employees		
1	Misuse of equipment, typically vehicles and PCs	**3**	5
2	Working Time Abuse	**12**	1
3	Theft / embezzlement	**16**	12
4	Breaches of the council's rules about the procurement of goods, services and construction works	**1**	0
5	Abuse of position / power	**3**	0
6	Complaints about quality of service / staff	**43**	52
7	Corruption	**1**	2
8	Other – Council	**1**	4
9	**Sub Total**	**80**	**76**
10	**1.2 Other Cases**		
11	Council Tax / NDR	**73**	74
12	Benefit Fraud (DWP)	**27**	24
13	Parking for the Disabled	**101**	4
14	Tenancy Issues / Fraud	**14**	9
15	Misuse of grant funding by external organisations or financial mismanagement of organisations in receipt of grant funding	**9**	20
16	Houses in Multiple Occupancy / Landlord Registration	**0**	3
17	Planning / Licensing Issue	**2**	2
18	Possible Child Protection Issues	**1**	1
19	Other councils, other agencies or insufficient information to pursue	**5**	1
20	Other – Non Council	**10**	12
21	Insufficient Information to Pursue	**2**	4
22	**Sub Total**	**244**	**154**
23	**Total**	**324**	**230**

Table 5. Whistleblowing cases dealt with by the audit team and Service departments – Analysis of Outcomes

	Type of incident / Outcome	Total	Ongoing	Unfounded	Disciplinary Action/ Resignation	Decision Taken not to245 Investigate	Procedure Change / Action by GCC	Referred to Police for Investigation	Referred to ALEOs	Referred to Other LAs/External Orgs	Other	Investigation Inconclusive
	1.1 Cases involving GCC Employees											
1	Misuse of equipment, in particular vehicles and PCs	**3**	0	1	1	0	1	0	0	0	0	0
2	Working Time Abuse	**12**	4	6	2	0	0	0	0	0	0	0
3	Theft / embezzlement	**16**	5	5	0	2	3	0	0	0	0	1
4	Breaches of the Council's rules about the procurement of goods, services and construction works	**1**	0	0	0	0	1	0	0	0	0	0
5	Abuse of position / power	**3**	3	0	0	0	0	0	0	0	0	0
6	Complaints about quality of service / staff	**42**	7	22	1	5	7	0	0	0	0	0
7	Corruption	**1**	0	1	0	0	0	0	0	0	0	0
8	Other – Council	**1**	1	0	0	0	0	0	0	0	0	0
9	**Sub Total**	**79**	**20**	**35**	**4**	**7**	**12**	**0**	**0**	**0**	**0**	**1**
	1.2 Other Cases											
10	Council Tax / NDR	**74**	38	27	0	1	2	0	0	6	0	0
11	Benefit Fraud (DWP)	**27**	0	0	0	0	0	0	0	27	0	0
12	Parking for the Disabled	**101**	6	5	0	0	90	0	0	0	0	0
13	Misuse of grant funding by external orgs. or financial mismanagement of orgs. in receipt of grant funding	**14**	8	4	0	0	2	0	0	0	0	0
14	Tenancy Issues / Fraud	**9**	8	1	0	0	0	0	0	0	0	0
15	Houses in Multiple Occupancy / Landlord Registration	**0**	0	0	0	0	0	0	0	0	0	0
16	Planning / Licensing Issue	**2**	1	0	0	0	1	0	0	0	0	0
17	Possible Child Protection Issues	**1**	0	0	0	1	0	0	0	0	0	0
18	Other Council / Other Agency	**5**	0	0	0	0	1	1	0	3	0	0
19	Other – Non Council	**10**	4	2	0	0	2	0	0	2	0	0
20	Insufficient Information to Pursue	**2**	0	0	0	2	0	0	0	0	0	0
21	**Sub Total**	**245**	**65**	**39**	**0**	**4**	**98**	**1**	**0**	**38**	**0**	**0**
22	**Total**	**324**	**85**	**74**	**4**	**11**	**110**	**1**	**0**	**38**	**0**	**1**
23			**26%**	**23%**	**1%**	**3%**	**34%**	**0%**	**0%**	**12%**	**0%**	**0%**

2.4.2 Of the whistleblowing incidents investigated by the audit team, 79 involved Glasgow City Council employees; 42 of these related to complaints about the quality of service or behaviour of employees. Of the 239 cases concluded, 23% (74 cases) were deemed to be unfounded after investigation and 34% (110 cases) resulted in action taken by GCC or changes to procedures. 4 cases involved disciplinary action or resignation by a member of staff.

2.5. CORPORATE FRAUD & INVESTIGATIONS TEAM (CFI)

2.5.1 In 2020/21 there was significant disruption to the fraud workplan due to the COVID-19 pandemic. Corporate Fraud officers were tasked with assisting with the Council response to the pandemic, assisting with business critical activity in other service areas. During 2021/22 all activities were restarted as soon as restrictions allowed. There was therefore some residual disruption to some activity into 2021/22, mainly around entering private homes. From March 2022 all activity was able to be undertaken as normal.

2.5.2 This pandemic disruption has had a significant impact on the savings the team usually generate for Council Services and ALEOs over the past two years, and the wider public purse. In 2019/20, the team identified savings in the region of £1million for the Council, and another £2million for other public bodies. The disruption to the normal workplan has impacted the team's ability to record the savings generated in the usual way, but we estimate that around £380k was identified in 2020/21, primarily relating to fraudulent homelessness applications. Additional savings were also identified from the fraud team reviewing COVID-19 support grants. For 2021/22, £1.2m of savings have been identified as set out in the following table.

	CFI area of activity	**Savings identified in 2021/22 (£'000)**
1	Council tax discounts and exemptions	307
2	Council Tax Reduction Scheme	139
3	Non-Domestic Rates (Small Business relief)	97
4	Blue Badge Parking *	7
5	False homeless applications	650
6	Total	1,200

** There are additional blue badge savings relating to the use of paid bays by fraudulent blue badge users. These are not included in the figure above, however, assuming a reasonable use of the spaces identified, the continued fraudulent use identified could have resulted in loss of parking income to the Council of around £580,000.*

2.6. NATIONAL FRAUD INITIATIVE

2.6.1 After submitting data in October 2020 for the 2020/21 National Fraud Initiative (NFI), the Council received 19,205 matches to investigate in January 2021. Subsequent matches have been released by the Cabinet Office giving a revised total matches of 19,916. A breakdown of these matches is shown in Table 6.

Table 6. National Fraud Initiative Outcomes 2020/21

	Priority	Match Type	Total Number of Matches Received	
1	**High**	Benefit Matches	473	
2		Council Tax Reduction Scheme	4,038	
3		Non Domestic Rates Matches	67	
4		Pension Matches	3,028	
5		Payroll Matches	256	
6		Blue Badge / Residents Parking	1,256	
7		Creditors	8,840	
8		Procurement Matches	27	
9		Business Grants	154	
10		**Total High Priority Matches**		**18,139**
11	**Medium**	Benefit Matches	98	
12		Council Tax Reduction Scheme	223	
13		Non Domestic Rates Matches	448	
14		Pension Matches	1	
15		Blue Badge / Residents Parking	2	
16		**Total Medium Priority Matches**		772
17	**Low**	Benefit Matches	39	
18		Council Tax Reduction Scheme	887	
19		Procurement Matches	70	
20		Payroll Matches	9	
21		**Total Low Matches**		**1,005**
22		**Total Matches to be investigated**		**19,916**

2.6.2 Work is continuing on investigating the matches from the 2020/21 NFI exercise, and new data will be submitted in October 2022 for the 2022/23 exercise.

Table 7 – Summary of NFI work undertaken to 31 March 2022

	Investigation Details	Number of Cases		Value £	
1	**Total of on-going Investigations**		**21**		
2	Errors Identified	430			
3	Fraud Cases Identified	227			
4	Matches Cleared	1,269			
5	**Total of Completed Investigations**		**1,926**		
6	Council Tax Reduction Scheme Overpayments			£124,956	
7	Housing Benefit Overpayments			£131,154	
8	Non Domestic Rates Overpayments			£127,451	
8	**Total Value of Errors / Fraud Identified**				**£383,561**

2.7 AUDIT PLAN MANAGEMENT – Governance

2.7.1 The audit team continued to play a leading role in the review of Corporate Governance in Service departments and ALEOs. Each Service/ALEO is required to complete a self assessment questionnaire, which is continually updated, and provides information which helps in the formulation of the Annual Governance Statement. The responses to the questionnaires are scrutinised and a rolling programme of further audit work is undertaken. All planned audit work for 2021/22 has been completed.

2.8 THE ROLE OF THE HEAD OF AUDIT and INSPECTION

2.8.1 The CIPFA guidance in relation to "The Role of the Head of Internal Audit in Public Service Organisations" is intended to provide best practice for Heads of Internal Audit (HIAs) to achieve, and for audit committees to measure Internal Audit against. The statement sets out an overarching principles-based framework which applies across the UK public sector. It states that the HIA plays a critical role in delivering an organisation's strategic objectives by:

- championing best practice in governance and management, objectively assessing the adequacy of the management of existing risks, and commenting on responses to emerging risks and proposed developments; and
- giving an objective and evidence-based opinion on all aspects of governance, risk management and internal control.

2.8.2 To perform this role, the HIA must:

- be a senior manager with regular and open engagement across the organisation, particularly with the leadership team and with the audit committee;
- lead and direct an internal audit service that is resourced to be fit for purpose; and
- be professionally qualified and suitably experienced.

2.8.3 For each principle, the statement sets out the governance arrangements required within an organisation to ensure that HIAs are able to operate effectively and perform their core duties. The statement also sets out the core responsibilities of the HIA.

2.8.4 The role of the Head of Audit and Inspection in Glasgow City Council continues to meet the principles set out in CIPFA's statement.

3. 2021/22 AUDIT ISSUES

General Comments

3.1 Audit issues identified during 2021/22 generally fell into the following categories:

3.1.1 Procedures

- Lack of documented procedures or a failure to update them for changes in business processes or service delivery.
- Lack of awareness of existing procedures/guidelines.
- Failure to adhere to documented procedures leading to errors and inconsistent practices.

Where procedures are inadequate, do not exist or are not available to staff, poor or inconsistent practices may develop.

3.1.2 ICT, Information Security and Physical Security

- User access management (generic users, admin accounts, and infrequent user access reviews).
- Segregation of duties between input and authorisation processes.
- Inadequate ICT inventory controls.
- Strengthening of password policies for certain applications.
- Disaster recovery – comprehensive DR plans not always in place at an application or enterprise level and no testing plans or tests undertaken.
- Identification of out-of-support network infrastructure.
- Limitations in data loss prevention controls.

Failure to adequately secure and control access to information has potential implications for business continuity and the Council's obligations under Data Protection. Failure to hold data securely and report any data breaches within required timescales may lead to adverse reputational and financial impacts on the Council. ICT security controls are also increasingly critical as cyber threats increase and the Council becomes ever more reliant on electronic systems.

3.1.3 General governance

- Audit recommendations are not always being implemented in a timely manner in line with agreed timeframes.
- Failure to maintain a full audit trail.
- Lack of segregation of duties.
- Some gaps in arrangements for ensuring completion of Disclosure Checks.
- Incomplete or not up-to-date officer training.
- Failure to fully involve "2nd line" functions (eg Corporate Procurement Unit, Governance and Corporate HR).
- Improvements to organisational culture in certain areas.
- Complaints handling arrangements.
- Reconciliation and monitoring controls (eg for grants).
- Failure to complete corporate or expected training.

Without adherence to suitable governance arrangements for business processes there may be an increased risk that decision are taken by unauthorised officers or resources are not expended appropriately.

3.2 Update on Governance Issues reported in 2020/21

3.2.1 There remains an ongoing disconnect between the Council's Business Continuity (BC) Plan assumptions for ICT recovery times, and the provisions for Disaster Recovery (DR) in DR plans. Whilst it is recognised that the inherent resilience of the corporate network and key applications has been enhanced in recent years, gaps remain between BC plan requirements and application level DR plans provided by the Council's ICT provider. There is also still inadequate formal DR plan testing taking place.

3.2.2 In the 2020/21 Annual Governance Statement, specific mention was made of two other significant matters identified by Internal Audit:

- Suspicious payment activity by a third party leading to concerns around potential money laundering. These investigations have been concluded and the relevant third parties informed.

- The identification of a fraud within the Strathclyde Pension Fund, with a family member of a deceased pensioner continuing to receive a pension over a prolonged period, to the value of circa. £300,000. Investigations have concluded that this was an isolated historic case and that the existing control framework is sufficient to prevent any similar fraudulent activity. The outcome of the investigations were reported to the Strathclyde Pension Fund Committee on 2 March 2022

3.3 Specific Issues

3.3.1 Where the audit opinion arising from an audit states that the control environment has been assessed as unsatisfactory the concerns highlighted are reported in the Annual Governance Statement. During 2021/22 one unsatisfactory report was issued by Internal Audit relating to the Council's current ICT arrangements. A detailed report was presented to the Finance and Audit Scrutiny Committee on 26 January 2022, outlining concerns relating to ICT security and ICT contract management arrangements. A detailed action plan has been agreed with management and these actions will be monitored by Internal Audit and progress reported to the Finance and Audit Scrutiny Committee during 2022/23. The latest information shows slippage in the remediation plan and so the Council Group remains exposed to significant risk in this area. The Head of Audit and Inspection has therefore qualified the annual opinion in relation to these matters, which cut across a number of Council priorities and operational areas.

4. Opinion

4.1 The Council has a system of internal control designed to manage risk to a reasonable level. Internal controls cannot eliminate the risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

4.2 Based on the audit work undertaken, the assurances provided by Service Directors and Managing Directors/Chief Executives of subsidiaries and relevant associates, it is the Head of Audit and Inspection's opinion that limited assurance can be placed upon the adequacy and effectiveness of the

governance and control environment which operated during 2021/22 in the council and its subsidiaries and relevant associates.

5. Acknowledgements

5.1 I would like to take this opportunity to express my thanks to all staff from Internal Audit and the Corporate Fraud and Investigations team for their hard work and commitment throughout the past year. I would also like to thank the many officers in Services and ALEOs who assisted audit staff in the execution of their duties.

Duncan Black
Head of Audit & Inspection
Glasgow City Council

July 2022

6. POLICY AND RESOURCE IMPLICATIONS

Resource Implications:

Financial:	*No direct financial impacts as a result of the report.*
Legal:	*No new legal issues.*
Personnel:	*No direct personnel impacts.*
Procurement:	*No relevant procurement impacts.*
Council Strategic Plan:	Supports the theme of a Well Governed City.

Equality Impacts:

Does the proposal support the Council's Equality Outcomes 2017-22	
What are the potential equality impacts as a result of this report?	*No significant impact identified*

Sustainability Impacts:

Environmental:	*No relevant environmental issues identified.*
Social:	*No relevant social issues identified.*
Economic:	*No relevant economic issues identified.*
Privacy and Data Protection impacts:	*There are some matters referred to that relate to the conduct of individuals. Some details have been necessarily excluded.*

7. Recommendations

Members are asked to note the content of the report and refer the draft Annual Governance Statement to the City Administration Committee for approval.

Appendix 1: 2021/22 Draft Annual Governance Statement

1. Scope of responsibility

1.1 Glasgow City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for. Under the Local Government in Scotland Act 2003, the Council also has a statutory duty to make arrangements to secure best value, which is to ensure continuous improvement in the way its functions are exercised, and to ensure public funds and assets are used economically, efficiently and effectively.

1.2 In discharging these responsibilities, elected members and senior officers must ensure proper arrangements for the governance of the Council's affairs and facilitate the effective exercise of its functions, which includes the management of risk and stewardship of the resources at its disposal.

1.3 Collectively known as the Council Family, the Council has established various subsidiaries and associates to deliver services more effectively. While these organisations are required to implement their own organisational governance and management structures and arrangements, they also form part of the overall governance and control environment of the Council Family. The Corporate Management Team operates to consider matters of common interest across the Council Family.

2. The purpose of the governance framework

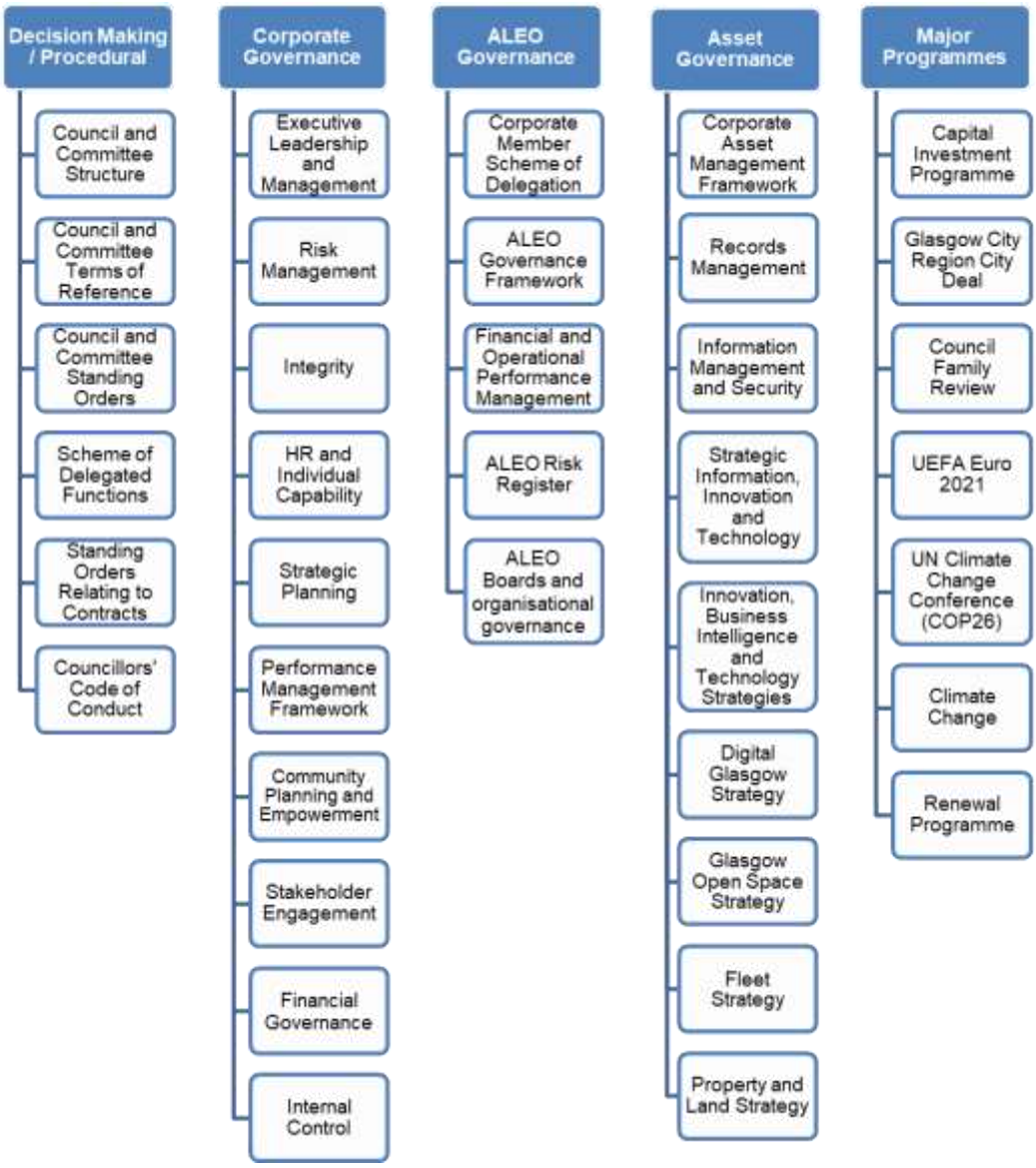
2.1 The Council's governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled. Through the framework, the Council is accountable to, engages with, and leads its communities. The framework enables the Council to monitor the achievement of the strategic objectives set out in the Council's Strategic Plan 2017-2022 (which is currently in the process of being updated) and to consider whether those objectives have led to the delivery of appropriate, cost-effective services and outcomes.

3. The governance framework

3.1 The main features of the Council's governance framework are enshrined in the Council's Local Code of Corporate Governance (the Code), which is consistent with the principles, and reflects the requirements of, the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) Framework: Delivering Good Governance in Local Government. The Code is regularly reviewed and evidences the Council's commitment to achieving good governance and demonstrates how it complies with recommended governance standards.

3.2 A key part of the Code, the Council has embedded a system of risk management and internal control. While providing reasonable assurance, these systems cannot, however, provide absolute assurance or certainty in entirely eliminating the risk of the Council failing to achieve its aims and objectives; incurring material errors; losses; fraud or breaches of laws and regulations.

3.3 The Council's governance framework is set out in the diagram below. At the start of the COVID-19 pandemic, the Council responded by making changes to some of its governance arrangements. By 1 April 2021 these had now reverted back to normal practices, although the use of virtual meetings remains in place for many Council and Committee meetings.



External and Internal Audit and other regulatory inspections

3.4 The main features of the governance framework in operation across 2021/22 included:

(a) Committee and decision-making structure:

- a City Administration Committee - responsible for discharging all of the Council's functions, except those reserved to the Council and those matters specifically delegated to committees;
- two Scrutiny Committees - responsible for holding Services and subsidiaries and relevant associates to account;
- five City Policy Committees - responsible for reviewing policies and overseeing implementation of Council Plan commitments within remit;
- a Contracts and Property Committee - responsible for approving relevant contract matters and deciding on relevant property matters, and
- quasi-judicial and other committees.

Agendas, papers and minutes for Committees are publicly available and the majority of meetings are webcast with a library of previously webcast meetings available on the Council's website.

(b) The Scheme of Delegated Functions sets out the delegations made to committees, the Lord Provost/Depute Lord Provost and officers under the principle that decisions should be made at the lowest or most local level consistent with the nature of the issues involved. The most recent update to the Scheme of Delegation was approved by the Council on 19 May 2022.

(c) The Council operates Codes of Conduct for employees and elected members are required to adhere to the nationally prescribed Councillors' Code of Conduct.

(d) The Council approved its Strategic Plan 2017-2022 on 2 November 2017. This established seven cross-cutting priority themes: for Glasgow to have a thriving economy; excellent and inclusive education, and resilient and empowered neighbourhoods and to be a vibrant city; a healthier city; a sustainable and low carbon city, and a well governed city that listens and responds. The Strategic Plan continues to set out the vision and values of the city and reflects the challenges ahead and the need for the Council to remain focussed on budget strategy; service reform; making best use of workforce and assets, and continuing to explore partnership working and service integration.

Throughout 2021/22, the Plan continued to provide strategic direction. The Strategic Plan continued to be monitored through the Annual Performance Report, which was reported to the City Administration Committee on 30 September 2021, and through reporting to the Operational Performance and Delivery Scrutiny Committee until March 2022.

(e) The Corporate Performance Management Framework sets out how the Council monitors, manages and reports progress and performance to management, elected members and the public. This includes performance against delivery of the Strategic Plan, service performance, equalities, benchmarking and citizens' views on services. In 2019/20, a suite of outcome-based indicators, with a baseline reference point of 2017, was introduced. On 15 September 2021, a report was presented to the Operational Performance and Delivery Scrutiny Committee (OPDSC) on progress against the Strategic Plan. Throughout 2021/22, the OPDSC continued to receive performance reports from Services and ALEOs, which included information on the impact of Covid-19 on priorities, including the issues and challenges faced; the impact on services delivered, and recovery activity.

(f) The ten year Glasgow Community Plan was published in October 2017. This is the Glasgow Community Planning Partnership's (GCPP) Local Outcomes Improvement Plan that sets out shared priorities for the city. It identifies inclusive growth as a key objective for the city supported by three focus areas of economic growth, resilient communities and a fairer more equal Glasgow, as well as two enabling priority areas of childcare and transport. The Plan complements the partnership working taking place in the city and is published along with ten locality plans setting out how issues within specific communities across the city will be addressed.

The Plan is supported by the Social Recovery Taskforce, established to set out a shared vision to drive the city's response to the impact of Covid in relation to a broad range of themes. The priorities
of the Taskforce and its workstreams are embedded in the new Community Action Plan (2022 to 2025) and Performance Management Framework for the Glasgow Community Planning Partnership. Reports on the Taskforce were presented to the Wellbeing, Empowerment, Community and Citizen Engagement City Policy Committee during 2021/22.

(g) The Council has a defined process for responding to Asset Transfer Requests and Participation Requests, both of which build on existing channels for communities to enter into dialogue regarding service design and delivery. An annual report on progress on Asset Transfer Requests was presented to the Wellbeing, Empowerment, Community and Citizen Engagement City Policy Committee (WECCE) on 3 March 2022.

On 25 February 2021, the People Make Glasgow Communities programme was launched. This programme works across the Council Family and builds on the Property and Land Strategy 2020-2030 and ongoing work to empower communities to make their own decisions, and meet the changing needs of neighbourhoods.

(h) The Council's approach to risk management is well embedded. The Corporate Risk Management Policy and Framework, and the Pentana risk management system, continue to

operate across the Council Family and the Framework is subject to regular review. The Corporate Risk Register is supplemented by Service and ALEO Risk Registers; a Risk Register specifically recording the risks to the Council which arise by virtue of providing services through subsidiaries and relevant associates, and programme and project Risk Registers. The Council operates a Risk Management Forum which considers risks across the Council Family and regular reports are provided to the Corporate Management Team and the Finance and Audit Scrutiny Committee.

(i) Implemented in July 2017, the Council's Business Continuity Policy and Framework continued to be applied across Council Services and continues to form the basis of the review and update of Business Impact Analyses and Business Continuity Plans. The Framework underpinned the Council's response to Covid-19, including the prioritisation of services, recovery and resources. Lessons learned workshops have informed opportunities for improvement in business continuity arrangements. Work is ongoing to continually review, test and update service plans. The Policy and Framework was reviewed by the Business Continuity community in 2021/22 and updated to reflect these lessons and experiences.

(j) A publicised Whistleblowing Policy is in place and is publicised throughout the Council and community. Effective counter fraud and anti-corruption arrangements are in place and are consistent with the main principles set out in the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption (2014).

(k) An integral part of the stewardship of Council funds, the Financial Regulations, Management and Control: A Code of Practice aims to ensure that the Council's financial transactions are conducted in a manner which demonstrates openness, integrity and transparency. The most recent update to the Code of Practice was approved by the Council on 19 May 2022. Since 2004, financial management and reporting has been undertaken through the SAP software package which provides ledger, accounts payable, accounts receivable and banking services. In August 2019, a Financial Controls Framework was published for the Council Family, setting out the existing seven key controls and how they are applied operationally to mitigate risk and vulnerability to fraud and error. This was relaunched in March 2022.

(l) The statutory Complaints Handling Procedure, which manages and monitors formal contact with members of the public, and the associated reports to senior management and the Operational Performance and Delivery Scrutiny Committee, continued to operate in 2020/21. The most recent report was presented to OPDSC on 20 October 2021.

(m) Approved by the City Administration Committee on 14 June 2018, the Corporate Procurement and Improvement Strategy 2018-2022 sets out the vision, objectives and actions that direct and govern procurement activities across the Council Family. The Standing Orders Relating to Contracts are regularly reviewed and define how the Council will conduct the business of procuring works, goods and services. The most recent update to the Standing Orders Relating to Contracts was approved by the Council on 19 May 2022.

(n) Structural changes across the Council Family have driven the need to review and align asset governance arrangements. The Corporate Asset Management Framework for 2021-2024 creates a consistent reporting model across the seven asset classes (property, information, ICT, infrastructure, open spaces, fleet, and the civic Collections) and key objectives for each, aligned to the Council's seven priority strategic themes, to inform how the Council shapes its assets to deliver outcomes. This will ensure the Council knows and efficiently uses assets to support service delivery and facilitate collaboration across the Council Family to achieve an improved asset base.

(o) Information and data security and records management have a high profile within the Council. In 2021/22, the Council continued to operate the Information Security and Integrity Board to oversee the development, maintenance, and operation of the information governance framework. The Board is supported by a series of sub-groups to ensure information security policies, processes and guidance continue to be fit for purpose; that these are communicated and staff receive the required training; that information security and cyber risks are identified and mitigated, and that the required levels of cyber and information security controls and defences are identified, applied and implemented. In 2021/22, the Council did not make any reports to the Information Commissioner's Office (ICO) in relation to information security breaches.

Maintaining Public Services Network (PSN) accreditation is key to the Council's effective sharing of information with third party organisations, which in turn underpin a number of core Council services. The Council's PSN compliance was due for renewal in 2017. Technical ICT issues, primarily relating to a legacy call handling system, meant the Council was unable to apply for reaccreditation at that time. Remediation activities continue to progress. The completion of these activities has however been impacted by re-prioritisation of resources to support business continuity initiatives related to Covid-19. Business planning to progress and implement the planned remediation activities remains a high priority and has now been re-baselined. The Council continues to engage with the Government Digital Service. A formal IT Health Check was undertaken in June 2021 but there were delays in obtaining the required Remediation Action Plan, compounded by staff absences/turnover, and the Code of Connection submission was rejected as incomplete in March 2022. Business planning to progress and implement the planned remediation activities remains a high priority. The Council continues to engage with the Government Digital Service and the formal IT Health Check is being planned for later in 2022/23, in conjunction with the progress of the Security Action Plan. In 2019/20, the Council secured accreditation to the Cyber Essentials Plus standard.

(p) The Council Family structure is subject to continual review to ensure it remains fit for purpose, delivers best value and takes account of new and emerging matters and requirements, including legislative changes. In recent years, the Council Family Review programme has implemented structural changes and this continued in 2021/22. During the year, a comprehensive review of Glasgow Life was initiated and this is ongoing into 2022/23.

(q) The ALEO Governance Framework operates at political, strategic and operational levels to govern and oversee the relationship between the Council and its subsidiaries and relevant associates. These arrangements continued to apply throughout 2021/22. The ALEO

Governance Framework was reviewed in 2021/22 and a number of enhancements identified. Once finalised, these will be rolled out in 2022/23 as part of the Performance Management Framework

(r) The impact of the Covid-19 pandemic continues to affect all aspects of society and the role and operation of the Council and its workforce. It has increased demand for existing and additional Council services and presents further financial pressures during 2021/22 and in the years ahead. Building on the delivery of previous change programmes as an integral part of meeting financial constraints while fulfilling key priorities, the Council developed a Renewal Programme Strategy and Governance Framework that set out the vision, principles and objectives for bringing together the challenges, opportunities and aspirations to support the recovery of services and wider social and economic recovery across the city for the longer-term. This was overseen by a Renewal Programme Board and Political Oversight Group. As part of the development of the new Council Plan, it is anticipated that the key elements of this Renewal Programme will be incorporated into the new Council Plan from 2022.

(s) The Council regularly publishes information about itself and the services it provides and makes the information available in a wide variety of forms and formats. The Council engages with stakeholders, including citizens, in a number of ways, including the annual Household Survey of over 1,000 citizens to establish views on matters ranging from service delivery to the development of strategy. Results of the 2021 Glasgow Household Survey were reported to the Operational Performance and Delivery Scrutiny Committee on 15 September 2021. A dedicated web page provides a Consultation Hub to co-ordinate consultation with residents and businesses.

(t) In May 2018, the Council produced its first City Charter, an informal agreement between the Council and citizens that lists shared commitments, aims and standards. Created and developed through consultation with citizens, it sets out citizens' vision for Glasgow, how the Council and citizens can work together and play their part in improving the city and respective roles, responsibilities and rights. The principles of the Charter underpin major programmes across the Council Family, including People Make Glasgow Communities and People Make Glasgow Greener, and will continue to shape how the Council engages with citizens and re-designs services.

4. Review of effectiveness

4.1 The Council's governance arrangements set out above operated across 2021/22 and were regarded as fit for purpose in accordance with the governance framework. The governance framework is continually reviewed to reflect best practice, new legislative requirements and the expectations of stakeholders. The effectiveness of the framework, including the system of internal control, is considered at least annually and is informed by:

(a) The work of the members of the Corporate Management Team, including statutory officers, who have responsibility for the development and maintenance of the governance environment. Throughout 2021/22, arrangements continued to operate to

ensure that officers were clear on their role and responsibilities and that officers were compliant with the CIPFA Statements on “The Role of the Chief Financial Officer in Local Government” and “The Role of the Head of Internal Audit in Public Service Organisations 2019”.

(b) Oversight by the Director of Legal and Administrative Services, who was the Council’s Monitoring Officer for 2021/22.

(c) The Head of Audit and Inspection’s annual report and the work of the Internal Audit section. The latest external quality review of the section was completed in April 2021 and reported to the Finance and Audit Scrutiny Committee on 5 May 2021. This report concluded that the section conforms with the requirements of the Public Sector Internal Audit Standards 2017 (PSIAS). The Internal Audit section continues to hold BSi quality accreditation under ISO9001:2015 and Audit Scotland continue to use the work of the section in the execution of their annual audit plan. Internal Audit continue to present a register of all outstanding audit recommendations to the Finance and Audit Scrutiny Committee on a regular basis. The Internal Audit Plan for 2021/22 was approved by the Finance and Audit Scrutiny Committee on 17 March 2021 and all required fieldwork has been completed.

(d) Observations made by external auditors and other review agencies and inspectorates.

(e) The completion of a self-assessment questionnaire by Service Directors and Managing Directors/Chief Executives of subsidiaries and relevant associates. This questionnaire is aligned to the principles contained in the CIPFA/SOLACE Framework: Delivering Good Governance in Local Government, and requires assessments to be made of the extent to which arrangements within each Service/organisation comply with these principles. The responses to the questionnaires are confirmed on a sample basis by Internal Audit, as part of a rolling programme of corporate governance reviews.

(f) The completion of signed statements of internal control by all Service Directors and the Managing Directors/Chief Executives of subsidiaries and relevant associates. Such statements were received for 2021/22, declaring that “There are, in my opinion, no significant matters that require to be raised in this Certificate, which is provided to support Glasgow City Council's Statement of Internal Control for the financial year 2021/22, as it is my opinion that the procedures which have been designed to ensure proper governance and financial control are operating adequately”. There was one issue highlighted in these returns, relating to a review of ICT security in 2021/22 (see 7.1, below).

(g) The exercising, by the two Scrutiny Committees, of respective remits including scrutiny of the performance of Services, subsidiaries and relevant associates, including financial management, statutory and other performance, and outcomes set through the GCPP Community Plan, which are relevant to partnership working and monitoring internal financial control, corporate risk management and corporate governance, and receiving and considering summaries of internal and external audit reports. In accordance with the Council's Standing Orders, all Committees are required to undertake an annual evaluation of effectiveness. An independent assessment of each Council Committee was undertaken during 2021/22, having been delayed due to the COVID-19 pandemic. These reviews were completed by senior officers independent of the Committee to be reviewed and the results were consolidated and reported to the Operational Performance and Delivery Scrutiny Committee on 9 February 2022.

4.2 Senior officers have been advised on the implications of the result of the review of the effectiveness of the governance framework by Internal and External Audit and plans to address weaknesses and ensure continuous improvement of the systems are in place.

5. Governance Developments and Future Activity

5.1 Following publication of a Best Value Assurance Report on the Council by Audit Scotland, on behalf of the Accounts Commission, the Council approved its BVAR Action Plan in September 2018. Updates on the BVAR Action Plan were presented to Finance and Audit Scrutiny Committee on 13 March 2019 and 11 September 2019. The final update was presented on 11 March 2020 and noted that the majority of the specific agreed actions were complete with those actions forming part of longer-term ongoing plans, for example, homelessness and Thriving Places, continuing to progress, with oversight by, and reports to, existing governance structures, including the Corporate Management Team and City Administration Committee.

5.2 The following activity is planned, in relation to the governance framework, in 2022/23:

- Develop a new Council Plan following the May 2022 Local Government elections, incorporating any residual actions from the Council's existing Renewal Programme, and reflecting the Glasgow Community Plan.
- Review of the Council's Performance Management Framework, incorporating the work of the Operational Performance and Delivery Scrutiny Committee from 2021/22.
- Continued implementation of the recommendations arising from the Best Value Assurance Report.
- Continuation of the Council Family Review, finalising the review of Glasgow Life, and enhancing the Council's ALEO Governance framework.
- Progressing implementation of a new pay and grading scheme.
- Conclusion of a review of the Corporate Risk Management Policy and Framework.

6. Update on significant governance issues previously reported

6.1 There remains an ongoing disconnect between the Council's Business Continuity (BC) Plan assumptions for ICT recovery times, and the provisions for Disaster Recovery (DR) in DR plans. Whilst it is recognised that the inherent resilience of the corporate network and key applications has been enhanced in recent years, gaps remain between BC plan requirements and application level DR plans provided by the Council's ICT provider. There is also still inadequate formal DR plan testing taking place.

6.2 In the 2020/21 Annual Governance Statement, specific mention was made of two other significant matters identified by Internal Audit:

- Suspicious payment activity by a third party leading to concerns around potential money laundering. These investigations have been concluded and the relevant third parties informed.
- The identification of a fraud within the Strathclyde Pension Fund, with a family member of a deceased pensioner continuing to receive a pension over a prolonged period, to the value of circa. £300,000. Investigations have concluded that this was an isolated historic case and that the existing control framework is sufficient to prevent any similar fraudulent activity. The outcome of the investigations were reported to the Strathclyde Pension Fund Committee on 2 March 2022.

7. Significant governance issues

7.1 Where the audit opinion arising from an audit states that the control environment has been assessed as unsatisfactory the concerns highlighted are reported in the Annual Governance Statement. During 2021/22 one unsatisfactory report was issued by Internal Audit relating to the Council's current ICT arrangements. A detailed report was presented to the Finance and Audit Scrutiny Committee on 26 January 2022, outlining concerns relating to ICT security and ICT contract management arrangements. A detailed action plan has been agreed with management and these actions will be monitored by Internal Audit and progress reported to the Finance and Audit Scrutiny Committee during 2022/23. The latest information shows slippage in the remediation plan and so the Council Group remains exposed to significant risk in this area. The Head of Audit and Inspection has therefore qualified the annual opinion in relation to these matters, which cut across a number of Council priorities and operational areas.

8. Internal Audit Opinion

8.1 The Council has a system of internal control designed to manage risk to a reasonable level. Internal controls cannot eliminate the risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

8.2 Based on the audit work undertaken, the assurances provided by Service Directors and Managing Directors/Chief Executives of subsidiaries and relevant associates, it is the Head of Audit and Inspection's opinion that limited assurance can be placed upon the adequacy and effectiveness of the governance and control environment which operated during 2021/22 in the council and its subsidiaries and relevant associates.

9. Certification

It is our opinion that limited assurance can be placed upon the adequacy and effectiveness of the systems of governance and internal control that operate in Glasgow City Council and its subsidiaries and relevant associates and that the arrangements in place for the whole of 2021/22 were fit for purpose. The self-assessments, the statements of internal control signed by Service Directors and Managing Directors (of subsidiaries and relevant associates) and the work undertaken by Internal Audit has shown that, with the exception of those matters listed above, the arrangements in place are operating as planned. Improvements are specifically required in relation to ICT. We propose over the coming year to take steps to address these matters and officers will monitor and report on their implementation.

We will continue to review and enhance, as necessary, our governance arrangements.

Councillor Susan Aitken	Annemarie O'Donnell
Leader of the Administration	Chief Executive

Appendix 2: Internal Audit Charter

Internal Audit Charter
(November 2021)

1. Introduction

The Internal Audit Charter formally defines the purpose, authority and responsibility of Internal Audit, in accordance with the Public Sector Internal Audit Standards (PSIAS) adopted by the Relevant Internal Audit Standard Setters.

Internal Audit is led by the Head of Audit and Inspection and reports directly to the Executive Director of Finance with open access to the Chief Executive.

The Internal Audit Charter will be reviewed and reported to Senior Management and Committee as appropriate.

2. Definitions

The PSIAS include specific definitions that have been interpreted as:

Chief Audit Executive – the Head of Audit and Inspection

Board – the appropriate Council Committee with responsibility for audit matters

Senior Management – Council senior officers

3. Purpose

Internal Audit is defined within the PSIAS as an independent, objective assurance and consulting activity designed to add value and improve an organisations operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes

4. Internal Audit Mission

The mission of Internal Audit is to enhance and protect organisational value by providing risk based and objective assurance, advice and insight.

The purpose and mission of Internal Audit are achieved through the delivery of the Internal Audit plan which informs the Head of Audit and Inspection's annual opinion on the adequacy of the Council's system of internal control including the arrangements in subsidiary bodies that are incorporated into the Council's group. This annual opinion is provided to the Chief Executive, senior Council officers and Elected Members. It is management's responsibility to implement and maintain effective internal control systems within its area of responsibility. It is Internal Audit's role to assist management by reviewing and evaluating the effectiveness of those control systems.

5. Role of the Head of Audit and Inspection

The CIPFA guidance in relation to "The Role of the Head of Internal Audit in Public Service Organisations" is intended to provide best practice for Chief Audit Executives to achieve, and for Boards to measure Internal Audit against. The statement sets out an overarching principles-based framework which applies across the UK public sector. It states that the Chief Audit Executive plays a critical role in delivering an organisation's strategic objectives by:

- championing best practice in governance and management, objectively assessing the adequacy of the management of existing risks, and commenting on responses to emerging risks and proposed developments; and

- giving an objective and evidence-based opinion on all aspects of governance, risk management and internal control.

6. Authority

Internal Audit's authority is derived from policies, procedures, rules and regulations established by the Council. These include, but are not limited to, the Financial Regulations, the Whistleblowing and Response Policy and the Code of Conduct.

Internal Audit:

- Has unrestricted access to all Council records, cash, property, assets and people, where necessary on demand and without prior notice;
- Can obtain information and explanations as it considers necessary to satisfy the probity of any matter under consideration;
- Can require the production of any records and other such property as is deemed necessary, and
- Requires all senior officers to report all actual or perceived losses (cash, stock, equipment or data), all suspected or actual instances of theft, embezzlement, fraud, corruption or any other impropriety.

7. Scope

The scope of Internal Audit's work includes:

- All Council systems, processes, policies, plans and procedures;
- Use and safeguarding of resources and assets, including data;
- Governance and risk management processes;
- Commissioning and procurement;
- Projects and programmes;
- Whistleblowing and Fraud, including investigation of allegations of fraud and corruption;
- All subsidiary and associate organisations that form part of the Council group;
- Strathclyde Pension Fund;
- Glasgow City Integration Joint Board;
- Glasgow City Region Cabinet, and
- Other section 106 bodies.

8. Resourcing and Audit Planning

In line with PSIAS requirements Internal Audit develops a risk based audit plan which enables the Head of Audit and Inspection to provide an annual opinion on the adequacy of the Council's system of internal control. The plan is developed through an assessment of risk and assurance needs and is sufficiently flexible to reflect changing organisational risks and priorities. It is submitted to the appropriate Council Committee with responsibility for audit.

The annual audit plan sets out the planned audit resources for the year with the objective of giving an evidence-based opinion. It is the Head of Audit and Inspection's responsibility to ensure that Internal Audit is adequately resourced in order to carry out its function. The team is made up of a mix of qualified staff (in the main CIPFA qualified accountants) and CIPFA trainees.

Internal Audit complies with relevant Council policies and procedures and Internal Audit's standard operating procedures manual.

9. Independence and Objectivity

The PSIAS define independence as "freedom from conditions that threaten the ability of the Internal Audit activity to carry out its responsibilities in an unbiased manner". To assist Internal Audit to carry out the role and constructively challenge senior managers of the Council, the Head of Audit and Inspection holds a sufficiently senior position in the Council. Senior Officers and those charged with governance have input into the annual audit plan however they do not direct the plan.

Auditors challenge, on the basis of objective evidence, decisions, policies or practices they consider inappropriate or in need of improvement, no matter who is involved in the decision making. It is essential for Council officers and Elected Members to recognise Internal Audit's role and responsibilities and accept Internal Audit comment and advice in this spirit, giving a reasoned response if they take a different view.

Internal Auditors exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activities or processes audited. They make a balanced assessment of relevant circumstances and are not unduly influenced in forming judgements by their own interests or others.

Objectivity and independence in the provision of advice and guidance are maintained, and conflicts of interest avoided. Internal Audit has no operational responsibility for, or authority over, activities audited and all officers undertaking audit work are required to complete declarations of interest annually, including "nil" returns. Where Internal Audit officers are deemed to have operational involvement, they must remove themselves from any related Internal Audit activity.

10. Other Work

Internal Audit will consider all requests for additional work, outwith the audit plan, on agreement with relevant senior officers. This includes attendance at working groups and offering advice and guidance.

In addition Internal Audit will seek opportunities to share expertise with other public sector organisations, where resources permit and where there is no impact on the

ability to deliver the level of assurance required to enable the Head of Audit and Inspection to provide an annual opinion to the Council group.

11. Quality

All Internal Audit work is undertaken in compliance with the PSIAS and is subject to regular internal quality reviews, with the results of these reviews reported to a Quality Management Review Team. External quality reviews are also undertaken through a 5-yearly external quality assessment. Internal Audit is also ISO9001 quality accredited by the British Standards Institution, which is reviewed annually, the current certification being ISO9001:2015.

12. Performance

Internal Audit's Quality Assurance and Improvement Programme (QAIP) is designed to provide reasonable assurance to the various stakeholders of Glasgow City Council Internal Audit Services that Internal Audit:

1. Performs its work in accordance with this Audit Charter, which is consistent with the Public Sector Internal Audit Standards, Definition of Internal Auditing, Code of Ethics and ISO 9001: 2015,
2. Operates in an efficient and effective manners; and
3. Is adding value and continually improving Internal Audit operations.

The Head of Audit and Inspection is ultimately responsible for the QAIP, which covers all types of Internal Audit activities, including Audit Glasgow activity. The QAIP includes both internal and external assessments. Internal assessments are both ongoing and periodical and external assessments are undertaken at least once every five years.

The Head of Audit and Inspection reports every six months to the Finance and Audit Scrutiny Committee regarding team performance in relation to their Annual Service Plan and Improvement Report (ASPIR) targets. This includes measures on fieldwork completion, ISO 9001 and PSIAS compliance.

Appendix 3: Quality Assurance and Improvement Programme (QAIP)

Introduction

Internal Audit's Quality Assurance and Improvement Programme (QAIP) is designed to provide reasonable assurance to the various stakeholders of Glasgow City Council Internal Audit Services that Internal Audit:

- Performs its work in accordance with its Audit Charter, which is consistent with the Public Sector Internal Audit Standards, Definition of Internal Auditing, Code of Ethics and ISO 9001: 2015,
- Operates in an efficient and effective manners; and
- Is adding value and continually improving Internal Audit operations.

The Head of Audit and Inspection is ultimately responsible for the QAIP, which covers all types of Internal Audit activities, including Audit Glasgow activity. The QAIP must include both internal and external assessments. Internal assessments are both ongoing and periodical and external assessments must be undertaken at least once every five years.

Internal Assessment

Internal assessment is made up of both ongoing reviews and periodic reviews.

Ongoing reviews

Ongoing assessments are conducted through:

- Audit Manager supervision of audit assignments.
- Audit Manager review of electronic working papers and associated evidence during each audit assignment.
- Audit policies and procedures used for each audit assignments including the Audit Manual, and Quality Policies and Guidance Notes to ensure compliance with applicable planning, fieldwork and reporting standards.
- Customer surveys for audit assignments to gain client feedback which feeds through to improvement plans and opportunities for improvement.
- Analysis of key performance indicators to manage Internal Audit effectiveness and efficiency.
- All draft and final reports are reviewed by a member of the Internal Audit Senior Management team prior to issue.

Periodic reviews

Periodic assessments are designed to assess conformance with the Audit Charter, the Public Sector Internal Audit Standards, Definition of Internal Auditing, the Code of Ethics and the Quality procedures and are conducted through:

- Internal quality audits undertaken in accordance with the Internal Audit Quality Procedures.
- Review of internal audit performance key performance information by the Senior Management team.
- Regular Managers meetings to discuss ongoing performance issues and delivery of the Audit Plan.
- Regular activity and performance reporting to the Financial Services Leadership Team.
- Annual self assessment review of compliance with the Public Sector Internal Audit Standards.
- 6 monthly activity and performance reporting to the Corporate Management Team.
- 6 monthly activity and performance reporting to Elected Members through the Finance and Audit Scrutiny Committee.
- Head of Audit and Inspection's Annual Report to Elected Members on internal audit activity for the previous year.

External Assessment

External Assessment will appraise and express an opinion about Internal Audits conformance with Standards.

An External Quality Assessment (EQA) will be conducted every five years by a qualified, independent assessor from outwith the Council. The current EQA was undertaken by Birmingham City Council during 2020/21 and is therefore not due again until 2025/26. The EQA undertaken by Birmingham City Council identified four actions to improve on current arrangements. These are noted in the action plan at the end of the QAIP. All actions have now been completed.

An annual review, and three-year re-certification review is undertaken by British Standards assessors as a requirement of our ISO9001:2015 accreditation. The latest review was undertaken in March 2022 and confirmed compliance.

Audit Scotland (the Council's External Auditors) undertake an annual assessment of Internal Audit as part of their annual external audit planning process.

Reporting

Internal Assessments – reports on internal assessments are reported to the Internal Audit Senior Management Team, the Financial Services Leadership Team and the Council Finance and Audit Scrutiny Committee.

External Assessments – results of external assessments will be reported to the Council Committee responsible for Audit matters, the Chief Executive and Executive Director of Finance.

Follow up – the Head of Audit and Inspection will be responsible for implementing all agreed actions arising from both internal and external assessments within the agreed timeframes.

Actions arising from the External Quality Assessment 2021 by Birmingham City Council

4. Recommendations

01. PSIAS 1000 Purpose, Authority and Responsibility

PSIAS Requirement

The Chief Audit Executive (CAE) to produce and periodically review the internal audit charter and present it to senior management and the board for approval**.**

Matters Arising

Glasgow Internal Audit Services Audit Charter is dated March 2017 and covers the key criteria laid out within the Standards.

Action Plan

Recommendation 01:	**Management Response:**
Review the Audit Charter and present it to the Finance and Audit Scrutiny Committee for approval. Consider including the Mission of Internal Audit as defined by the Standards within the Charter.	Accepted. The Audit Charter will be reviewed, updated where necessary and thereafter taken to FASC. Thereafter annually the Audit Charter will be reviewed and updated and included as an Appendix to the Annual Audit Plan presented to FASC for approval. **Officer Responsible:** Senior Audit Manager **Agreed Implementation date:** 31 May 2021 and annually thereafter **Status July 2022: Completed** The Audit Charter has been reviewed and is included at Appendix 2

4. Recommendations

02. PSIAS 1200 Proficiency and Due Professional Care

PSIAS Requirement

The CAE to define the skills and competencies for each level of auditor and periodically assess individual auditors against these.

Matters Arising

We note that formal corporate role descriptions and person specifications are in place that define key competency areas for each grade. Additionally, a corporate Performance, Coaching and Review process is established and operational which considers the skills, behaviours and objectives of individual employees.

Action Plan

Recommendation 02:

Consider developing a training strategy that sets out the current and future skills; together with delivery options; required to fulfil the Mission of Internal Audit and support the Council in delivering its strategic objectives and priorities.

Management Response:

Accepted.

An internal project has just commenced for the Head of Audit and Inspection to document the skills expected for each role within the Internal Audit Team. Thereafter each Manager will assess the skills of the staff within their team and each team member will also be given the opportunity to self assess their skills against the expectations.
Assistance with this project is being provided by Gartner – our advisory partner.
This exercise will help identify any skills gaps and training requirements for team members going forward.

Officer Responsible:
Head of Audit and Inspection
Agreed Implementation date:
Initial exercise to be undertaken by 30 June 2021

Status July 2022: Completed
This review was completed in 2021/22 and findings reported by Gartner to the Head of Audit and Inspection.

4. Recommendations

03. PSIAS 2110 Governance

PSIAS Requirement

Internal audit should assess whether the organisations IT governance supports its strategies and objectives.

Matters Arising

Review of the work completed and audit plan identified coverage of IT security arrangements to ensure that systems are appropriately controlled, and information protected.

Action Plan

Recommendation 03: Consider the inclusion of a specific IT Strategy review in the audit plan.	**Management Response:** Accepted. The ICT Strategy was subject to an internal audit around 4 years ago, resulting in a number of actions for management. Since then, management have been developing a more comprehensive and updated Strategy. Internal Audit has been keeping abreast of these developments through the Head of Audit and Inspection attending the Digital Board. With the strategy now finalised by management, time has been set aside in the 2021/22 Audit Plan to undertake a further audit of the ICT Strategy for the Council. **Officer Responsible:** Head of Audit and Inspection **Agreed Implementation date:** Complete as review included within the 2021/22 Audit Plan (presented to FASC 17 March 2021) **Status July 2022: Completed** ICT Strategy review included in 2022/23 Internal Audit Plan.

4. Recommendations

04. PSIAS 2200 Engagement Planning

PSIAS Requirement

Internal auditors to have regard to resource requirements, fraud and value for money concerns when planning engagements.

Matters Arising

Guidance on producing Terms of Reference (TOR) and standard templates are in place these seek to ensure that a standard approach is adopted, and key areas are addressed.

Action Plan

Recommendation 04: Consider reviewing the guidance and standard TOR template to include internal auditors' responsibilities in relation to fraud and value for money.	**Management Response:** Accepted. The standard TOR template is due to be reviewed in Q1 of 2021/22 and consideration will be given to including our responsibilities in relation to fraud and value for money. **Officer Responsible:** Chief Auditor **Agreed Implementation date:** 30 June 2021 **Status July 2022: Completed** The standard TOR has been updated and now reflects these other responsibilities.