Glasgow City Council

Finance and Audit Scrutiny Committee

Item 4

28th September 2022

Report by Head of Audit and Inspection

Contact: Duncan Black Extension: 74053

ARMS LENGTH EXTERNAL ORGANISATIONS INTERNAL AUDIT UPDATE REPORT

Purpose of Report

To present to the Finance and Audit Scrutiny Committee details of the internal audit work undertaken at the Arms-Length External Organisations (ALEOs) within the Council group.

Note:

In most cases one of four opinions is expressed within audit reports:

1. The control environment is satisfactory i.e. audit testing found no concerns with the control environment.
2. A reasonable level of assurance can be placed upon the control environment i.e. audit testing found no major weaknesses in the control environment but some improvements could be made.
3. A limited level of assurance can be placed upon the control environment i.e. improvements are necessary to ensure the control environment is fit for purpose.
4. The control environment is unsatisfactory i.e. significant improvements are required before any reliance can be placed upon the control environment.

Recommendations

The Committee is asked to:

1) Note the content of the report, and
2) Instruct the Head of Audit & Inspection to provide a further report to the Finance and Audit Scrutiny including an update on the implementation of actions arising from the audits undertaken.

Ward No(s): Citywide: ☐

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

1. Introduction

1.1 The Internal Audit annual opinion, which informs the Council group's Annual Governance Statement in the Financial Statements, includes the Council's ALEOs. The Finance and Audit Scrutiny Committee therefore has an interest in the outcomes of audits at the Council's ALEOs that have an impact upon the governance arrangements within the Council's group.

1.2 Glasgow City Council's Internal Audit function is also the appointed Internal Auditor for the following ALEOs (and relevant subsidiaries) within the Council's group:

- City Building (Glasgow) LLP;
- City Building (Contracts) LLP;
- City Property (Glasgow) LLP;
- Glasgow Life; and
- Jobs & Business Glasgow.

1.3 Each ALEO has its own agreed Internal Audit plan that is approved by the Audit Committee or Board of the organisation. The audit plan is developed following the same process as that of Glasgow City Council. The outcomes from the audits undertaken at each of the ALEOs are reported to the Audit Committee/Board of the ALEO in the first instance.

1.4 All ALEOs within the Council group are also required to complete and submit to Internal Audit an annual self-assessment questionnaire on the governance arrangements within the organisation. These questionnaires are sample checked on a rolling basis to confirm reliability and the outcomes help inform the annual opinion.

1.5 This report provides a summary to the Council's Finance and Audit Scrutiny Committee of the Internal Audit activity relating to ALEOs in the period March 2022 to August 2022.

2. Results of audits undertaken at ALEOs

2.1 The table below provides summary details of the assurance audits completed at ALEOs, the opinion of the audit and the number and priority of recommendations.

Audit Title	Opinion	Number and Priority of Recommendations			
		High	Medium	Low	Opportunity for Improvement
City Building (Glasgow) LLP (CBG)					
Repairs Management (Glasgow City Council)	Reasonable	0	5	1	0
Repairs Management (Wheatley Housing Group)	Audit has identified some areas where the repairs service could be improved for tenants	1	1	0	0
Travel, accommodation and expenses in relation to delivery of services to Dumfries and Galloway Housing Partnership	Audit has identified a number of areas where management require to take action to address current control deficiencies	3	2	0	0
Culture	Some opportunities to improve existing arrangements to improve culture	0	0	0	8
City Building (Contracts) LLP (CBC)					
Repairs Management	Reasonable	1	3	1	0
City Property (Glasgow) LLP					
Dilapidations	Reasonable	1	6	1	0
Starters and Leavers	Reasonable	0	3	0	0
Financial Governance	Reasonable	0	0	2	0
Changes to the control environment	Satisfactory	0	0	0	1
Glasgow Life					
Early Retirement/Voluntary Redundancy	Reasonable	0	0	1	2
Conventions	Reasonable	0	4	0	0
Freedom of Information Requests	Reasonable	0	2	0	0
Establishment visits	Reasonable	1	8	1	0
Jobs & Business Glasgow					
IT Dependent Services	Reasonable	1	2	1	0
TOTAL		**8**	**36**	**8**	**11**

2.2 There are a number of audits currently being undertaken at the ALEOs where the fieldwork is ongoing and the summary results will be reported in the next Internal Audit ALEO update report to the Finance and Audit Scrutiny Committee.

2.3 As with all internal audit recommendations, the Head of Audit and Inspection will monitor the implementation of recommendations outlined above, with further updates on implementation provided to the Finance and Audit Scrutiny Committee as part of the next Internal Audit ALEO update report.

3. Implementation of Actions Arising

3.1 The last report to Committee, in March 2022, noted the recommendations made to the ALEOs in the reporting period November 2021 to February 2022 plus recommendations outstanding from a previous review. Since this time, work has been undertaken to follow up on these recommendations to confirm implementation. The current status is detailed in Appendix One.

3.2 Of the 56 recommendations, 19 (34%) have been completed, 18 (32%) have been partially completed, 18 (32%) are outstanding and 1 (2%) is no longer relevant. Revised implementation dates have been agreed for all outstanding overdue recommendations and these will be followed up and reported back to Committee until fully implemented.

4. Recommendations

4.1 The Committee is asked to:

1) Note the content of the report, and
2) Instruct the Head of Audit & Inspection to provide a further report to the Finance and Audit Scrutiny Committee including an update on the implementation of actions arising from the audits undertaken.

APPENDIX 1

ALEO	Number of Recommendations															
	Made	Not yet due for completion			Completed			Outstanding			Partially Implemented			No Longer Relevant		
		H	M	L	H	M	L	H	M	L	H	M	L	H	M	L
City Building (Glasgow) LLP	10	-	-	-	0	2	2	0	2	1	2	1	0	-	-	-
City Building (Contracts) LLP	3	-	-	-	-	-	-	0	2	1	-	-	-	-	-	-
City Property (Glasgow) LLP	9	-	-	-	0	3	0	0	3	1	2	0	0	-	-	-
Glasgow Life	21	-	-	-	2	4	3	4	3	1	1	2	0	1	-	-
Jobs & Business Glasgow	13	-	-	-	0	3	0	-	-	-	3	6	1	-	-	-
TOTAL	56	-	-	-	2	12	5	4	10	4	8	9	1	1	0	0