

1. Introduction

- 1.1 The Local Authority Accounts (Scotland) Regulations 2014 require the effectiveness of the system of internal control to be reviewed annually. The Regulations also require an Annual Governance Statement to be approved.
- 1.2 The objective of this report is to provide a review of the performance of Internal Audit for the year 2018/19 and to give an opinion on the adequacy of the Glasgow City Region Cabinet system of internal control.
- 1.3 Internal Audit is an independent appraisal function based within Glasgow City Council (the Council), the lead authority of the Glasgow City Region Cabinet and City Deal. The objectives of Internal Audit, in the context of the Glasgow City Region Cabinet, are to:
- examine and evaluate the internal control systems and governance arrangements of the Glasgow City Region Cabinet;
 - provide assurances to the Glasgow City Region Cabinet and senior officials on the adequacy and robustness of these systems; and
 - assist Cabinet Members and officers of Glasgow City Region Programme Management Office (PMO) in the effective discharge of their responsibilities.
- 1.4 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 the Director of Regional Economic Growth and takes account of the work of the external auditor, Audit Scotland.
- 1.5 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) which have been adopted by the Relevant Internal Audit Standard Setters (RIASS). The RIASS includes, among others, HM Treasury, the Scottish Government and the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 1.6 The PSIAS include key principles that public sector Internal Audit functions must follow and cover a range of areas including governance, performance standards and reporting requirements. As part of the standards, Internal Audit is required to undertake annual self-assessments. The PSIAS also introduced a requirement for an external assessment of an organisation's Internal Audit function, which must be conducted at least once every five years by a qualified, independent reviewer from outside of the organisation. The 2018/19 self-assessment and an external assessment undertaken in 2015/16 have confirmed that Internal Audit complies with the main requirements of the PSIAS.
- 1.7 The performance of Internal Audit is scrutinised by Audit Scotland. As the External Auditor of the Glasgow City Region Cabinet, 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 2018/19 Glasgow City Council 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. Internal Audit also maintains a Quality Assurance and Improvement Programme which outlines how we identify and implement actions which could improve the service we deliver.

- 1.8 The operation of Glasgow City Region Cabinet and, in particular, the PMO uses and relies on a number of the Council systems, processes and controls. As such, any matters arising from the review of the Council's system of internal control are considered for relevance to the Cabinet.
- 1.9 It is the responsibility of the Internal Audit sections of each member local authority of Glasgow City Region Cabinet to carry out appropriate audit work on their authority's systems, processes and controls, and where appropriate, we place reliance on their work. Any significant issue that could impact on the ability of an authority to deliver a project under its control will be considered for inclusion in the Annual Governance Statement.

2. The Role of the Head of Audit and Inspection

- 2.1 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 to achieve.
- 2.2 The role of the Head of Audit and Inspection in Glasgow City Council meets the principles set out in CIPFA's statement.

3. Review of Internal Audit 2018/19

Staffing

- 3.1 The Head of Audit and Inspection has reviewed the current number of staff within Internal Audit and the skills of the team and has concluded that it is adequately resourced and has the necessary skills to carry out its function.

Audit plan management – Planned Assurance Work

- 3.2 During 2018/19 fieldwork for three specific assurance reviews, and additional follow-up reviews, was completed, with a total of 54 days allocated. The audit work covered:
 - The arrangements in place across the City Region member authorities to identify the sources of assurance that the Cabinet can rely on for the governance, risk management and control processes over the City Deal programme.
 - The arrangements to gain assurance that the City Deal programme risk register is subject to regular monitoring and review. Also to confirm that mitigating actions which are identified in the risk register to minimise the likelihood and / or impact of risks which may materialise, are in place.

- A review of the processes within the Region PMO for monitoring and reporting on the financial performance of the City Deal programme, to ensure that Cabinet is presented with accurate, reliable and up-to-date information.
- The implementation of recommended actions arising from previous audit work.

4. 2018/19 Audit issues

- 4.1 Where the audit opinion arising from an audit states that the control environment has been assessed as unsatisfactory the concerns highlighted are reported here and in the Annual Governance Statement. In 2018/19 there were no unsatisfactory or limited audit opinions issued.
- 4.2 Each member Local Authority Head of Internal Audit is required to submit an Assurance Statement for 2018/19 in relation to the control environment in their authority. All statements confirmed that there were no issues identified in 2018/19 which would have a significant impact on their authority's ability to deliver the City Deal [*to be confirmed prior to Cabinet*].

5. 2018/19 Audit Work

- 5.1 All fieldwork due to be undertaken in 2018/19 has been completed. The results of the assurance audits undertaken have been agreed with the PMO. Internal Audit will undertake follow up work during 2019/20 to confirm implementation of the agreed recommendations. Cabinet will be provided with updates on this work.

6. Update on Governance Issues reported in 2017/18

- 6.1 There were no significant governance issues noted in the 2017/18 Governance Statement.

7. Opinion

- 7.1 Glasgow City Region Cabinet 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.
- 7.2 Based on the audit work undertaken and the assurances provided by the member authorities, it is my opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the governance and control environment which operated during 2018/19.

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