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APPENDIX B

GLASGOW CITY COUNCIL ANNUAL AUDIT REPORT 2022/23 - ACTION PLAN PROGRESS

Classification of Recommendations
Grade 1: Key risks and/or significant deficiencies which are either critical to the achievement of strategic objectives or significant risks to material compliance with regulatory compliance. Consequently management needs to address and seek resolution urgently.
Grade 2: Risks or potential weaknesses which impact on objectives and compliance, or impact the operation of a single process, and so require prompt but less urgent immediate action by management
Grade 3: Less significant issues and/or areas for improvement which we consider merit attention but do not require to be prioritised by management.

No.	Recommendation	Grading	Responsible Officer	Implementation Date	Management Update
1	Financial Statement Timetable Management should ensure that a realistic timetable for both financial statement production and the audit are developed. This should ensure that there is sufficient capacity within the finance team to support this alongside business as usual activities.	Grade 1	Head of Corporate Finance	June 2024	Will be considered as apart of the 2023-24 accounts
2	Financial Statement Working Papers Management should ensure that the 2023/24 financial statement working papers and technical accounting papers reflect the additional requirements for the 2022/23 audit and ensure that these are provided in line with the financial statement timetable.	Grade 1	Head of Corporate Finance	June 2024 but may require more time for some aspects	Report to FMSG and Finance Managers circulated. Will be considered as Part of the 2023-24 accounts

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3	Disclosure Checklist Management should ensure that the Code amendments are fully reflected, ideally through the completion of a disclosure checklist to ensure the financial statements remain Code compliant on an annual basis.	Grade 2	Head of Corporate Finance	Ongoing - date of finalised implementation to be agreed with audit as part of 23/24 planning arrangements	Will be considered as apart of the 2023-24 accounts
4	Income and expenditure recognition Management should ensure that a lessons learned review is performed of the income and expenditure errors identified through the 2022/23 audit to identify improvements and ensure they do not occur in future years.	Grade 2	Head of Corporate Finance	April 2024	Report to FMSG and Finance Managers circulated. Will be considered as Part of the 2023-24 accounts
5	Accounting for Depreciation The Council should ensure that depreciation is accounted for in line with Code requirements. This should include ensuring depreciation is charged when an asset is brought into use and ensure that asset useful lives are subject to regular review with appropriate consideration given to updated useful lived included within the asset valuation reports.	Grade 1	Head of Corporate Finance	June 2024	Will be considered as apart of the 2023-24 accounts
	Bank Accounts The Council should continue to take steps to mitigate the risk of fraud from inactive accounts.				We have been working with RBS, Education, and the SW banking team to review these accounts. They are split into 3 Customer Identification Numbers (CINs) on the RBS side and the Education and SW accounts are in a separate CIN from our main accounts. We have identified those that have not been used by Education and Social Work for some time and are working to gain agreement to close them.

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6		Grade 2	Head of Customer Operations / Head of Corporate Finance	Ongoing - in line with business as usual	Accounts payable have a robust process for the adding and deletion of master data records. In addition to this, there are a number of internal controls that are in place to help mitigate any potential fraudulent activity. These controls are as follows: * segregation of roles with regards to the management of master data - only designated staff within CBS have access to approve master data records * the processing of Non-Purchase Order invoices is contained within one separate team * internal quality control document used when processing a Non-Purchase Order invoice ensuring correct bank details and preventing duplicate invoices * audit recommendation in place to ensure each Non-Purchase Order invoice has been approved by an Authorised Signatory
7	Journal Review While our audit work did not identify any indications of management override, we recommend that interim arrangements are put in place to review or authorise journals before posting and that the Council ensures that new systems include the functionality to have fully integrated control functions to ensure segregation of duties.	Grade 1	Head of Corporate Finance	Ongoing - to be discussed as part of 2023/24 audit planning	Will be considered as apart of the 2023-24 accounts

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8	Valuation Updates The Group and Council should ensure that valuations are properly assessed at the balance sheet date to reflect all information available including the latest market information. Management should ensure that City Property have details of all capital additions to assets due to be revalued in year to ensure they can be reflected in valuations.	Grade 2	Valuation and Disposals Manager (City Property) Head of Corporate Finance	June 2024	This is mainly a Finance action to ensure CP has all the relevant information available. To assist with this CP have set up regular meetings with Finance to ensure all the information is captured. CP will also track all new additions/capital expenditure information to ensure ease of access to the information for the team. Manager will track information has been requested and not received from departments ie. plans/drawings and escalate this if not received. Will be considered as apart of the 2023-24 accounts.
9	Valuation Review City Property should implement a more formal, robust peer and supervisor review process, including but not limited to pre-emptively identifying the issues raised in this report. Management should also satisfy itself these checks have been completed in line with its responsibilities around use of specialists.	Grade 1	Valuation and Disposals Manager (City Property)	June 2024	In 2022-2023 not all valuations were peer reviewed due to volume, short timescales and resources. In 2023-2024 all reports from all categories were peer reviewed and the main areas to review were highlighted to the team following audits feedback. We have added a tracking column on our valuation masterlist where the manager can track. For 2024-2025, 100% peer review is programmed in the deadline dates. The manager has also set up regular valuation 1:1s with all valuers to improve valuation process and will peer review a report prior to each meeting to identify any issues early in the year.
10	Valuation Programme and Assets not Revalued Management should ensure that Group assets are included as part of the rolling asset valuation programme and assets not subject to valuation.	Grade 2	Head of Corporate Finance	June 2024	Will be considered as apart of the 2023-24 accounts

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11	Heritage Asset Existence Management should extend their own existence testing performed in respect of heritage assets to ensure that the sample size is commensurate to both the volume and value of heritage assets. Confirmation of completion of this exercise alongside a summary of the work performed should be provided to central finance.	Grade 2	Head of Museums and Collections	June 2024	1. Review 2009 Audit Policy arrangement. 2. Draft new audit proposal for review by GCC Finance: * asset coverage (collection type, £ value area, in store, on display) * number of assets/audit * process: frequency, random aspect, reporting to central finance and recording process 3. Factor in findings from GCC internal audit ref 2324084 (Collections Management Processes) due May/June 2024 4. Meet central finance to finalise audit process 5. Implement 6. Bind into Collections Agreement contract review
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12	<p>Heritage Asset Records</p> <p>Recognising the significance of the collections and the significant work required to catalogue in a consistent manner, management should have a clear timetable in place for completion of the cataloguing projects which take into account both resources available and the risk associated with not having a complete collection catalogue. This plan should give due consideration to what level of detail should be held, the costs associated with the project and how and when regular updates to members should be provided.</p>	Grade 1	Head of Museums and Collections	Ongoing up to 2029	<p>1. Review data in Museums Collections Documentation Policy and Plan 2024-29 (covers Museums and Library Special Collections heritage assets) and expand project detail therein.</p> <p>2. Define difference between 'cataloguing' and 'inventory' and verify inventory baseline standards as required by each collection area</p> <p>3. Based on the above, verify:</p> <p>* Timescale to complete new (remaining) inventory on current resources after factoring in core obligations to maintain inventory of assets inventoried to date.</p> <p>* Timescale to complete new (remaining) inventory with augmented resources and associated project costs</p> <p>4. Factor in findings from GCC internal audit 2324084 (Collections Management Processes) due May/June 2024</p> <p>Factor in GCC Finance collections insurers insurance renewal requirements regarding Library Special Collections</p> <p>6. Present findings to GCC Finance and agree delivery programme August/September 2024</p> <p>7. Agree reporting route re inventory progress with GCC as part of Collections Agreement contract review</p>
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13	Infrastructure Assets While there remains some uncertainty around the future accounting requirements for infrastructure assets, the Council should ensure that in line with the Scottish Government request, work is undertaken to address the information deficits to ensure timely adoption of the permanent solution.	Grade 1	Executive Director of Finance	Ongoing - date of finalised implementation to be agreed with audit as part of 23/24 planning arrangements	Discussions will take place with the Auditor on additional requirements as part of the 23/24 Audit Planning process.
14	PPE Existence The Council should ensure that: * Assets owners should be assigned and reminded of their responsibilities to maintain detailed supporting records for Council assets * An annual sample check of existence of equipment is performed * An impairment assessment is performed to identify assets which may no longer be in use or may be damaged/lost, and * A review of the policy for capitalising equipment is performed to consider the approach for low value moveable equipment	Grade 1	Head of Corporate Finance	April 2024	Report circulated to Capital Board. Will be considered as apart of the 2023-24 accounts

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15	<p>RAAC Assessment and Impact on Assets Valuations</p> <p>The Council should ensure complete surveys of their estate as a matter of urgency to ensure all buildings impacted by RAAC are identified. The results of these surveys should then be factored into any valuation or impairment assessment performed to inform the 2023/24 financial statements with ongoing monitoring after the balance sheet date.</p>	Grade 1	<p>Divisional Director, Property, Housing & Major Projects</p> <p>Head of Corporate Finance</p>	June 2024 (as surveys are completed)	<p>The property team has identified 266 properties (non-Education) that have been assessed as being "in scope" for possibly containing RAAC (The entire education estate has already been surveyed). As at 23/04/24, eight properties still required to be surveyed. Of the 266 properties identified, one operational location (2 buildings) has been confirmed as containing RAAC, the operational location is our Daldowie Training Complex, and one of the two buildings has been closed, and the other awaits the outcome of a more detailed technical survey and report. It is anticipated that all initial desk top surveys will be completed by the end of May 24, further technical surveys may be required. An assessment of the financial impact will be concluded when all surveys have been completed and plans have been prepared for how we deal with each scenario.</p>
16	<p>Common Good Fund Reporting</p> <p>Management should review the Common Good fund reporting to ensure that:</p> <ul style="list-style-type: none"> * Updates are presented on a frequent basis to note progress in maintaining an accurate and complete common good fund asset register * The Council's policy for accounting for Common Good fund assets is review in conjunction with both legislative requirements and the latest LASAAC guidance published in 2023 	Grade 2	<p>Head of Corporate Finance / Head of Legal</p>	December 2024	<p>Initial review of new guidance complete, discussions with legal on going.</p>

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17	Rights and Obligations The Council Group should ensure that the legal agreements in respect of this arrangement (the City Building Training Academy) are corrected urgently. The Council should perform lessons learned exercise to identify any other assets where the appropriate legal arrangements have not been put in place.	Grade 2	Head of Corporate Finance / Head of Legal	December 2024	A proposed new lease structure has been agreed between the parties and draft legal agreements have been prepared to reflect these arrangements. The draft legal agreements are currently with City Building's external solicitors and a response from them is awaited in order for these to be concluded. The need for legal colleagues to be involved at the onset of discussions affecting properties leased or intended to be leased by the Council has been reinforced, particularly where there is more than one part of the Council Family involved and where there is any level of capital expenditure planned.
18	PPP Schemes and Central Documentation Storage The Council should ensure that all documentation to support financial statement balances including relevant contracts and leases are retained in a central location to ensure that are readily available both for new finance team members and to support audit requests.	Grade 1	Head of Corporate Finance	June 2024	Will be considered as apart of the 2023-24 accounts

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19	SAP Outage Lessons Learned Management should ensure that appropriate disaster recovery plans are in place which include regular testing of the back ups for key systems. Disaster recovery plans should be reviewed following recent implementation to identify further areas for improvement.	Grade 1	Head of Information, Innovation and Technology	Ongoing and as agreed as part of future IT requirements	Since the SAP outage, CGI has conducted a programme of application back up and restore testing, across over 100 servers. This testing has provided assurance that back up and restores process are operating effectively and as expected. Work is continuing to progress the development of disaster recovery to support system resilience, and this is also a key focus on the Future of Digital and ICT Services (FICT) project.
20	Monitoring the Delivery of the 2024/25 Budget The Council should establish reporting arrangements to monitor the achievement of savings within the three year budget. This should include an assessment of the return on investment against key projects.	Grade 1	Director of Financial and Business Services	Current processes will continue	The achievement of savings is reported through the detailed monitoring reports reported to Finance & Audit Scrutiny Committee. The first report will be reported at Period 4. Future Income Generation projects will be progressed and reported to the Political Oversight Group with reports to committee as required.
21	Use of Reserve Balances: Budget Support Fund The Council should set clear criteria for the use of Budget Support Fund balances and report on the use of the Fund within regular budget monitoring reports.	Grade 1	Director of Financial and Business Services	Current processes will continue	Any draw from the Budget Support Fund, including its purpose, is reported in the Monitoring Reports to CAC and FASC.
22	Longer Term Financial Strategy There is a need to translate the three year budget into a longer term strategy to model the impact of a range of risks both on the Council's reserves and the priorities set out in the Strategic Plan.	Grade 1	Executive Director of Finance	Ongoing as part of annual budget process	This will be built into the Financial Forecast process as part of the 25/26 Budget Process.

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23	Budget Monitoring Reports The Council should review the content and focus of the budget monitoring reports to ensure that they reflect key indicators to monitor financial resilience and support elected member scrutiny.	Grade 2	Director of Financial and Business Services	December 2024	Not yet started. This will be considered in conjunction with the Review of Effectiveness work with FASC.
24	CIPFA Financial Management Code The FASC should consider an updated self-assessment against the Financial Management Code as part of the wider improvement actions following conclusion of the 2022/23 annual accounts.	Grade 2	Head of Corporate Finance	June 2024	Will be considered as apart of the 2023-24 accounts
25	National Fraud Initiative The Council should formally agree a prioritisation of the actions related to the NFI programme internally and through engagement with Audit Scotland, as the leader of the NFI programme in Scotland.	Grade 2	Director of Financial and Business Services	Ongoing	Our approach remains to focus on those data matches categories that have the highest accuracy and are most likely to generate savings. We will proactively reach out to Audit Scotland to advise them of our progress on this basis every quarter, starting June 2024.
26	Monitoring of Investment Programme The Council should ensure that capital monitoring arrangements provide clear and concise reporting against individual programme progress and budgets.	Grade 2	Director of Financial and Business Services	December 2024	Not yet started. This will be considered in conjunction with the Review of Effectiveness work with FASC.
27	Financial Management Capacity The Council needs to critically reassess the sufficiency of its financial management capacity in the context of audit findings, the underlying financial statement control weaknesses, and the anticipated challenges going forward.	Grade 1	Director of Financial and Business Services	June 2024	Recruitment to vacant Corporate Finance posts due to be considered by Financial Services Workforce Planning Group.

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28	Annual Governance Statement The Council should review the content of the Annual Governance Statement against the requirements of good practice to ensure that risks and accountability are fully explained.	Grade 2	Head of Internal Audit	Ongoing	The Annual Governance Statement for 2023/24 will be drafted during May 2024 in line with normal reporting timescales. The 2023/24 process will include consideration of good practice as outlined by EY. On track for completion by 30 June 2024.
29	Significant Governance Actions The improvement actions in relation to the significant governance matters at City Building must be concluded at pace.	Grade 1	Director of Financial and Business Services	June 2024	Implementation of actions is continuing with oversight by a Steering Group made up of the Chief Executives of both the Council and Wheatley Group.
30	Organisational Capacity The Council must ensure that clear roles and responsibilities are established in a robust accountability framework.	Grade 1	Director of Financial and Business Services	Ongoing in line with policies and procedures	This recommendation referred to 3 significant projects - Future of ICT, Pay & Grading and ERP Replacement. Each of these projects has its own governance arrangements which follow the council's guidelines including setting out clear roles and responsibilities. There is also regular engagement between the leads for each of the projects to ensure alignment of interdependencies.
31	The Council's self-assessment identified a range of improvements to the audit committee arrangements. Improvement actions should be adopted prior to the next committee meeting cycle.	Grade 2	Head of Internal Audit	June 2024	A paper will be brought to the 19 June 2024 FASC meeting providing an update on progress.

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32	The Council should consider its performance reporting arrangements to ensure it is compliant with statutory performance indicator requirements.	Grade 1	Head of Corporate Policy and Governance	September 2024	It was agreed with the Operational Performance and Delivery Scrutiny Committee that a planned and coordinated pause of the Annual Performance Plan (APR) would take place in 2023 in order to allow the new arrangements for the scrutiny of the new Strategic Plan 2023-2027 to bed in. This was an audited and planned process. The APR will be reported as planned in September 2024, fulfilling statutory performance indicator requirements.
33	The Council must prioritise the implementation of recommendations in relation to cyber security as a matter of urgency.	Grade 1	Head of Strategic Information, Innovation and Technology / Head of Internal Audit	Ongoing	Work is continuing towards completion of the Security Action Plan. Recruitment is ongoing for a Cyber Security Manager to support work in this critical function.
34	The Council should prepare an IFRS 16 implementation readiness assessment in advance of the standard coming into effect in April 2024.	Grade 2	Head of Corporate Finance	Ongoing - date of finalised implementation to be agreed with audit as part of 23/24 planning arrangements	Will be considered as apart of the 2023-24 accounts
35	Low Emission Zone reporting The Council should ensure a review of the legislative requirements is performed to ensure that the statutory reporting requirements can be met.	Grade 2	Head of Corporate Finance	June 2024	Will be considered as apart of the 2023-24 accounts

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