



Item 3

19th June 2024

Glasgow City Council

Finance and Audit Scrutiny Committee

Report by Head of Audit and Inspection

Contact: Duncan Black

Extension: 74053

Internal Audit Annual Report 2023/24

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 2024.

The draft Annual Governance Statement for 2023/24 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 2023/24 Annual Accounts.

Recommendation

Members are asked to:

- Note the content of the 2023/24 Internal Audit Annual Report;
- Note the content of the draft 2023/24 Annual Governance Statement; and
- Refer the draft 2023/24 Annual Governance Statement to the City Administration Committee for approval as part of the 2023/24 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 2024

TABLE OF CONTENTS

1. Introduction
2. Review of Internal Audit 2023/24
3. 2023/24 Audit Issues
4. Opinion
5. Acknowledgements
6. Policy Implications
7. Recommendations

Appendix 1: Draft Annual Governance Statement 2023/24

Appendix 2: Quality Assurance and Improvement Programme

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 2023/24 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 other Section 106 bodies that the Council administers¹. This report helps to inform the Council's 2023/24 Annual Governance Statement, which is included in the 2023/24 audited annual accounts. The draft 2023/24 Annual Governance Statement for the Council Group is included at Appendix 1.

A separate annual report and Annual Governance Statement have been prepared for the Strathclyde Pension Fund, Glasgow City Region 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 Executive 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 as well as the chair of the Finance and Audit Scrutiny Committee, and ALEO Audit Committee Chairs.

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 Executive Directors. In 2023/24 the main components of the plan included reviews of:

- Financial Management and Monitoring;
- Risk management arrangements;
- Accounts Payable / Receivable;
- Payroll verification;
- Administration of grants;
- Procurement compliance;
- Capital projects;
- Governance arrangements;
- Performance management, and
- Information Security and ICT Security assurance, including Cyber Security.

¹ West of Scotland Archaeology Service.

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 Group 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
 - 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 2023/24 self-assessment and Birmingham City Council's external assessment have confirmed that Internal Audit complies with the core principles of the PSIAS, with the exception of the matters outlined at 3.2.4. A Quality Assurance and Improvement Programme (QAIP) is in place to further enhance the Internal Audit service (Appendix 2).
- 1.9 During 2023/24 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.
- 1.10 The membership of both scrutiny committees comprised Members from all political parties. The committees continued to meet in a hybrid model during 2023/24, with the option of attending in-person or using video conferencing. The committees were chaired by a Member outwith the ruling administration and operated on a non-political basis.
- 1.11 The Finance and Audit Scrutiny Committee considered summaries of the assurance work undertaken and received information on the number and type of fraud and irregularity investigations undertaken by Internal Audit.
- 1.12 The Operational Performance and Delivery Scrutiny Committee is responsible for scrutinising and monitoring the operational performance of all Council Services and scrutinising the performance of the Council's ALEOs.
- 1.13 Internal Audit has a team of four corporate fraud officers. This Corporate Fraud Team continues to investigate fraud and error covering a number of operational areas. A summary of this Corporate Fraud work is outlined in section 2.5 of this report.

2. REVIEW OF INTERNAL AUDIT 2023/24

2.1 ESTABLISHMENT

2.1.1 As at 31 March 2024 there were 30.4 full-time equivalent (FTE) members of staff working in Internal Audit. These figures are further analysed in Table 1.

Table 1: Audit Team Establishment

		2023/24	2022/23
1	Number of CCAB Qualified staff (FTE*)	17.7	16.7
2	Number of staff with a recognised Fraud Qualification (FTE)	4.6	5.5
3	Number of Trainees (FTE)	9	11
4	Training Days (incl. professional qualification)	271	323.5
5	Training Days per Staff Member	8.7	9.8
6	Sickness absence per staff member (annual target < 5 days)	4.9	1.8

2.1.2 Recruiting and training high quality professional team members remains the preferred option for the delivery of the Internal Audit function. During 2023/24 there continued to be a high proportion of trainees in the team, currently there are seven trainees and two apprentices all studying towards a professional qualification. One of these is our Cyber Security Officer whose role is more technical in the ICT security assurance activity.

2.1.3 All Corporate Fraud & Investigations Officers have a recognised fraud qualification - the Professionalism in Security (PINS) qualification. Including CIPFA qualified staff, CIPFA trainees, the Cyber Security Officer and qualified fraud officers, 100% of Internal Audit staff hold, or are working towards, a relevant qualification.

2.1.4 During 2023/24 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 UK Core Cities Chief Auditors Group and is a member of the Management Committee of the Scottish Local Authority Chief Internal Auditors Group (SLACIAG). These groups are very valuable forums through which best practice and audit and counter fraud intelligence is shared. 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. A new Data Analytics sub-group of SLACIAG was created during 2023/24 with the Glasgow team taking the lead on coordination of the group.

2.1.5 It was originally intended that the Core Cities would have launched a new Internal Audit benchmarking framework during 2023/24. Whilst some work has been completed by the group, the indicators and reporting are not yet at a mature enough stage for meaningful scrutiny by FASC. Further work is therefore required in this area in 2024/25.

2.1.6 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: 2023/24 Internal Audit Annual Performance Targets

	Performance targets	2023/24	2022/23
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	Complete
3	Maintain British Standards Institute ISO 9001:2015 accreditation	Compliant	Compliant
4	Internal and External quality assessments against Public Sector Internal Audit Standards	Compliant²	Compliant
5	Average client survey score (>3 out of 4)	3.59	3.31
6	Audit Glasgow - financial outturn within the approved annual budget for 2023/24	Complete	Complete

2.3 AUDIT PLAN MANAGEMENT – Planned Assurance Work

2.3.1 The 2023/24 Internal Audit Plan was reported to FASC in March 2023. The PSIAS require the plan to be subject to ongoing review to ensure it remains relevant and fit for purpose. Sufficient fieldwork has been completed to form the annual opinion, but it is noted that some changes were made to the original plan during the year, including:

- Bottle Deposit Return Scheme – Audit cancelled as national scheme was postponed.
- Final Contract Values – Audit deferred to 2024/25 plan to allow a more in-depth review to be undertaken.
- Revised Payroll Structure – Audit deferred to 2024/25 plan to align with revised implementation timeline.
- Glasgow Communities Fund – Management requested this audit to be deferred until August 2024 due to current pressures on resources. Internal Audit agreed to this but undertook a high level review of the controls in place, with detailed testing to be completed in quarter two 2024/25.
- Education Services Nursery Replacement System – This is a national system, and the replacement of the system has been delayed until later in 2024 at the earliest. Therefore, audit could not be undertaken in 2023/24.

There were also delays in commencing a number of ICT related planned audits due to issues with engagement by CGI. Whilst it is the Head of Audit's view that sufficient coverage has been obtained to inform the annual opinion, the following reviews were amended:

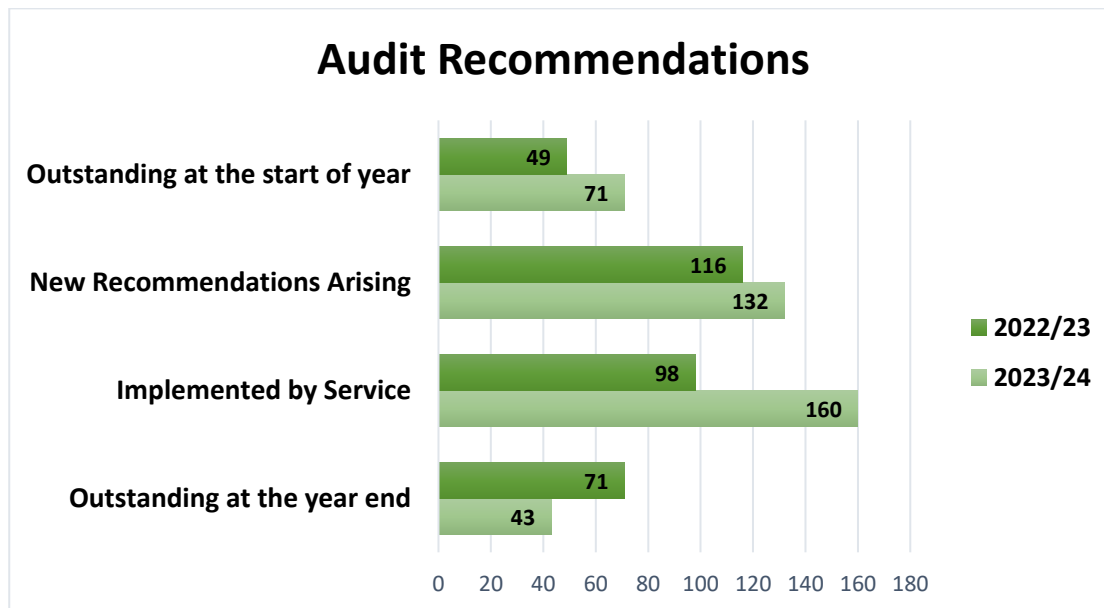
² The only area of non-compliance relates to the matters disclosed at 3.2.4.

- IT Problem Management – deferred to 24/25.
- Network Security - Agreed that assurance would be obtained through Internal Audit involvement in FICT related forums.
- IT Security Schedules – Internal Audit was advised that a security review is now being undertaken as part of FICT. This will be monitored by Internal Audit during 2024/25.
- Legacy Device Collection and Device Control Management – A risk based decision was made to focus CGI dependent resources instead on the Cyber Incident Response Management audit.

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 2023/24, Services satisfactorily implemented 160 audit recommendations (98 in 2022/23). At the year-end, 43 recommendations remained outstanding – this is a reduction in comparison with the figure of 71 at the end of 2022/23. It is important that Council Management continue to focus on implementing audit recommendations within agreed timescales to ensure the effective management of risk.

Table 3: Audit Recommendations Implementation



2.3.3 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 £145,000. A full internal audit service is provided to Shetland Islands Council, Scottish Canals and Loch Lomond and Trossachs National Park Authority. Other ad hoc work has also been provided for other Scottish Local Authorities, including Perth and Kinross Council and East Renfrewshire Council.

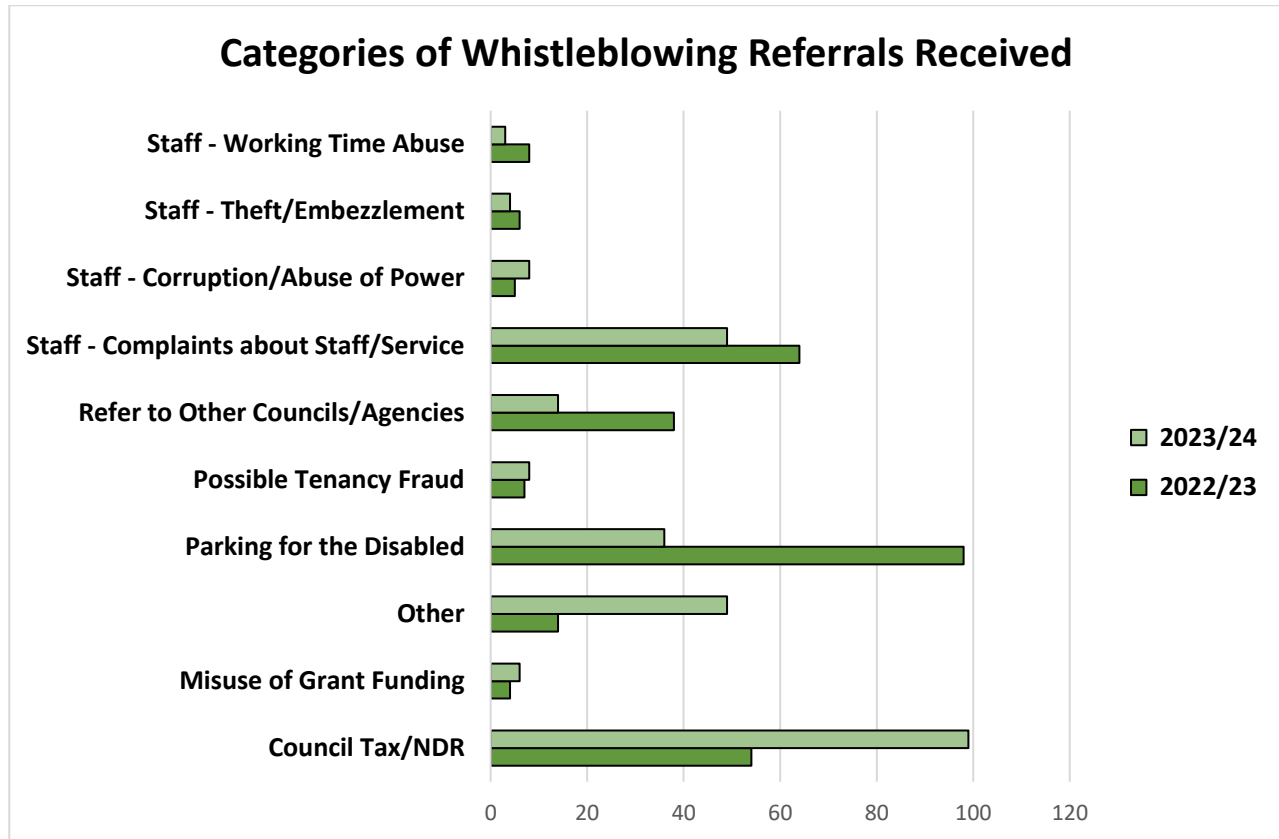
2.3.4 In addition to the income generated from the Audit Glasgow initiative, the joint work across public sector organisations and sectors has greatly enhanced the cross-learning and sharing of best practice. It has also proven popular with team members

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

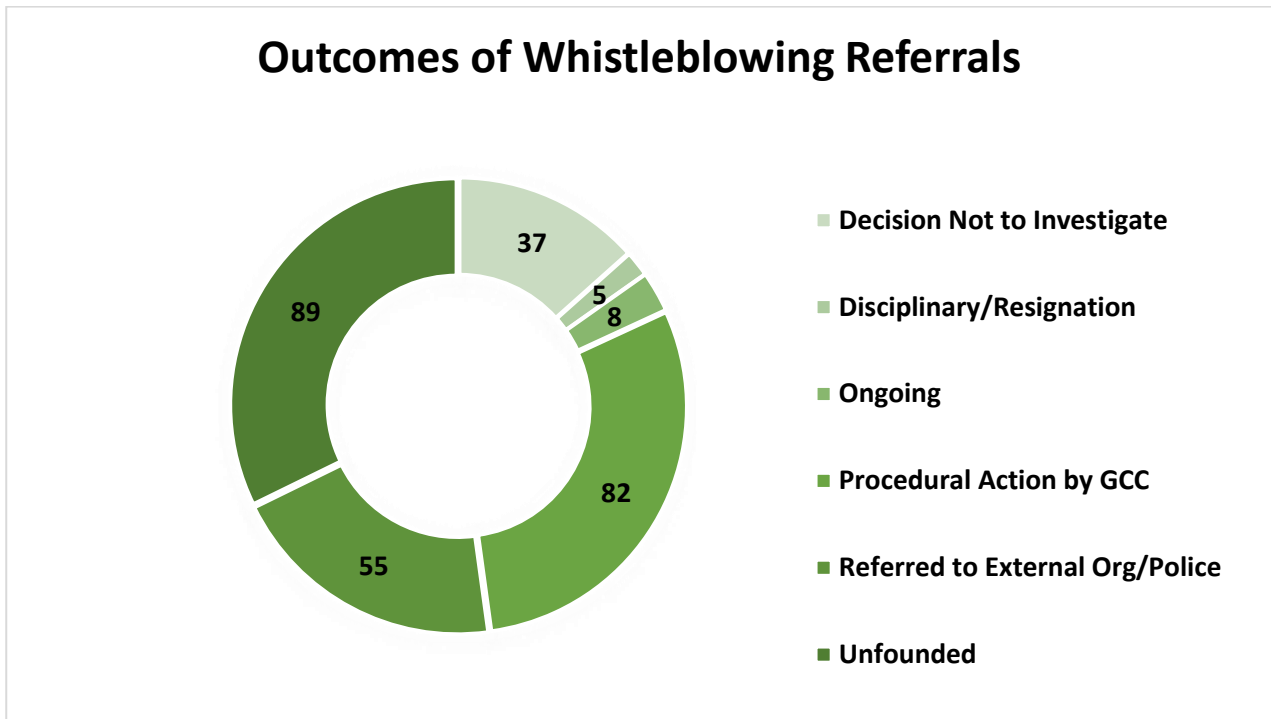
2.4.1 During 2023/24, 276 whistleblowing incidents were logged, compared with 298 in 2022/23. A summary of the categories of referrals received is highlighted below.

Table 4: Whistleblowing referrals 2023/24



2.4.2 As at 31 March 2024, investigations for 268 of the referrals had been concluded, and 8 remained ongoing. The outcomes of these referrals are noted below.

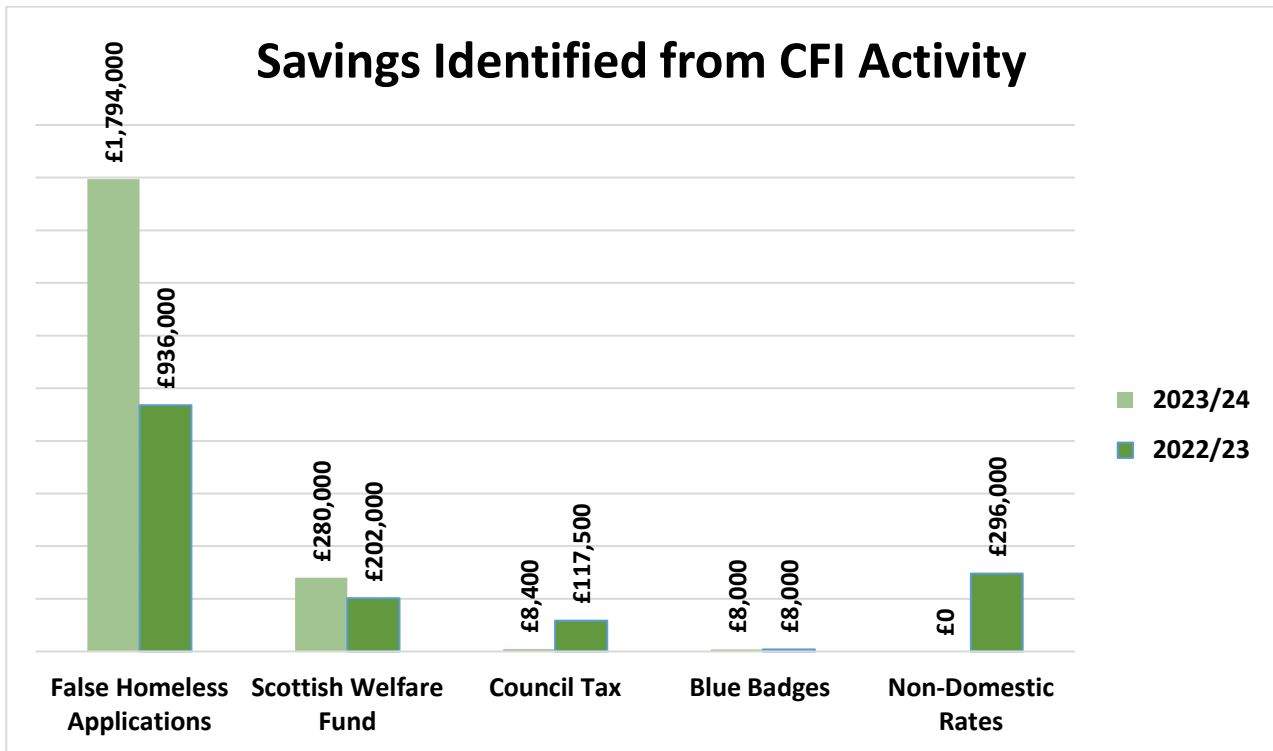
Table 5: Whistleblowing referrals - outcomes



2.5. CORPORATE FRAUD & INVESTIGATIONS TEAM (CFI)

2.5.1 During 2023/24, the work of the CFI team has identified savings of over £2.09m for the Council and the wider public purse – this is an increase on the identified savings of £1.55m identified in 2022/23. These savings are noted below.

Table 6: Corporate Fraud and Investigations activity 2023/24



** 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 approximately £1.1 million.*

2.6. NATIONAL FRAUD INITIATIVE

2.6.1 After submitting data in October 2022 for the 2022/23 National Fraud Initiative (NFI), in January 2023 the Council received 22,918 matches to investigate. Subsequent matches have been released and the total now is 28,029. A breakdown of these matches is shown in Table 7.

Table 7: National Fraud Initiative Matches 2022/23

	Priority	Match Type	Total Number of Matches Received	
1	High	Benefit Matches	365	
2		Council Tax Reduction Scheme	3,586	
3		Pension Matches	3,111	
4		Payroll Matches	207	
5		Blue Badge / Residents Parking	1,752	
6		Creditors	17,352	
7		Procurement Matches	31	
8		Total High Priority Matches		26,404
9	Medium	Benefit Matches	52	
10		Council Tax Reduction Scheme	121	
11		Non Domestic Rates	219	
12		Pension Matches	1	
13		Blue Badge / Residents Parking	1	
14		Licences	1	
15		Total Medium Priority Matches		395
16	Low	Benefit Matches	13	
17		Council Tax Reduction Scheme	1,050	
18		Procurement Matches	69	
19		Payroll Matches	98	
20		Total Low Matches		1,230
21		Total Matches to be investigated		28,029

2.6.2 Work is continuing on investigating the matches from the 2022/23 NFI exercise, and new data will be submitted in October 2024 for the 2024/25 exercise. Matches are categorised as high, medium or low priority with high priority matches being considered first. All categories of matches have been reviewed. However, as the number of matches received is so high, work will not continue where results are not being identified, therefore all individual matches will not be reviewed.

Table 8 – Summary of NFI work undertaken to 31 March 2024

	Investigation Details	Number of Cases		Value	
1	Total of on-going Investigations		31		
2	Errors Identified	56			
3	Matches Cleared	7,621			
4	Total of Completed Investigations		7,677		
5	Pension Overpayments			£50,919	
6	Housing Benefit Overpayments			£35,317	
7	Total Value of Errors Identified				£86,236

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.

2.7.2 As outlined in the 2023/24 Internal Audit Plan, a proportion of time was allocated to organising and coordinating risk workshops within a sample of functional areas across the Council and its ALEOs. The sessions were outlined at Service / ALEO senior management teams with a focus on the Three Lines of Defence model, before agreeing specific sections and teams to hold the workshops. The workshops focussed on outlining the key risks operationally, and to challenge current levels of mitigation and control, treatment, and how that was formalised in terms of the risk management framework. Initial findings are summarised below and further workshops are planned for 2024/25.

- Many areas had a high level of risk awareness and maturity, in particular, where there were clear statutory duties, or life and limb areas.
- There were a number of instances where management could describe their functional areas well and the associated risks and mitigations, however the operational risk registers either were not in place or did not fully capture the risks and controls being described.
- Generally there was low awareness of the Three Lines of Defence model, and the assurance being provided from second line functions. Any assurance from second line functions was not being formally captured.

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. 2023/24 AUDIT ISSUES

General Comments

3.1 Audit issues identified during 2023/24 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).
- Disaster recovery control weaknesses.
- Application and patch management.

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

- Gaps in stock management controls in City Building, contributing to a misappropriation of stock through suspected fraudulent actions by an individual.
- Staff changes and leavers processes not being complied with.
- Compliance with expected Capital and Project Management governance processes.
- Incomplete Business Continuity Plans.
- Absence of reconciliation controls in some areas.
- Lack of adequate record management arrangements and audit trail retention.
- Insufficient training available to staff/training in place not undertaken by all relevant staff.
- Insufficiently detailed operational risk registers.

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

3.2 Update on Governance Issues reported in previous years

ICT Service and Security

- 3.2.1 The 2021/22 Annual Governance Statement included the unsatisfactory audit opinion relating to ICT security and service delivered via the Council's provider. The improvements required are being progressed by the Council through an agreed action plan. Whilst a number of higher risk areas are now mostly mitigated, there are other areas where remediation is still ongoing. Therefore the Council Group remained exposed to significant risk in this area during 2023/24. The Council's Future of ICT project, and the planned recruitment of a Cyber Security Manager, will seek to address remaining issues.

SAP P1 Incident

- 3.2.2 In January 2023, a failed update to the Council's SAP ERP system resulted in a significant period of downtime for this key system, impacting Accounts Payable/Receivable, Payroll, Treasury and Banking, and Financial Ledger reporting. This also impacted on the ability to report financial performance between January and March 2023. The system was fully functional for 2023/24 and the 2022/23 outturn position was verified and reported following additional assurance activity over transactions occurring in the affected period. A lessons learned exercise has been conducted by the Council and its ICT provider. Internal Audit has completed a review of the actions undertaken following the incident to mitigate the risk of a reoccurrence. Based on the audit work carried out a reasonable level of assurance can be placed upon the control environment relating to the lessons learned process. However, two recommendations have been agreed with management and these will be monitored for completion during 2024/25.

Servitor Upgrade

- 3.2.3 During 2022/23 an unsatisfactory Internal Audit report was issued to City Building (Glasgow) LLP in relation to an upgrade to its Servitor system. The audit concluded that expected project management processes were not fully followed in implementing the new Servitor system. This resulted in significant operational and financial issues immediately following go-live in July 2022. There was also a significant impact on transactional activity between CBG and Council Services/ALEOs, with a subsequent significant impact on CBG's cash flows. The ability to produce accurate management accounts and the production of the GCC Group financial statements were also adversely impacted.

Of the original four recommendations, two have been implemented, with two high priority recommendations ongoing as at May 2024. These relate to the finalisation of Servitor reconciliations and rectification of Servitor interfacing issues.

City Building

- 3.2.4 During 2022/23 Internal Audit investigated a number of whistleblowing allegations relating to City Building. Significant compliance matters covering key governance, procurement and HR practices were identified. This resulted in a delay to the signing of the 2021/22 City Building financial statements, and a qualification by the external auditor on the 2022/23 Council Group's accounts. Council and Wheatley Housing Group Management, as Joint Venture Members, appointed Brodies LLP to undertake a forensic investigation.

The City Building external auditor signed the 2021/22 Accounts in March 2024. Their Annual Audit Findings Report noted that they had "identified a significant deficiency in respect of the overall control environment within the business". The 2022/23 City Building accounts are not yet signed. In response to the investigation findings, a City Building Glasgow Partnership Steering Group was established jointly by the Council and the Wheatley Housing Group senior officers to review City Building. The workstreams of the review included governance, procurement, HR and finance with an action plan agreed by all parties. To date 36 actions have been signed off as complete, with a further 49 in the process of being reviewed. The remaining 42 recommendations are ongoing at various stages.

The Public Sector Internal Audit Standards (1110.A1) state:

"The internal audit activity must be free from interference in determining the scope of internal auditing, performing work and communicating results. The chief audit executive must disclose such interference to the board and discuss the implications."

During 2023/24 there have been instances where Internal Audit has not been able to operate in compliance with this element of the Standards in relation to City Building. Internal Audit has ongoing concerns around CBG Executive Management culture in relation to the role of audit and governance, which is undermining normal audit processes and relationships. The Council's Section 95 officer has also had cause to write to the Joint Venture members outlining similar concerns. A response outlining their instructions for corrective action by CBG has been provided by the Joint Venture members.

3.3 Specific Issues

Scottish Events Campus Limited (SEC)

- 3.3.1 During 2023/24, an external health and safety audit was conducted which highlighted a number of areas for improvement. A robust remediation plan was immediately implemented and appropriate mitigations put in place to ensure the continued safe operation of the SEC venues. An augmented programme of internal and external health and safety audits is also being introduced. Scrutiny on progress is being reported through the SEC Board.

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, and noting the issues outlined at Section 3 above, 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 2023/24 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

June 2024

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 grand challenge: *Enable Staff to Deliver Essential Services in a Sustainable, Innovative and Efficient Way for our Communities.*

Equality and Socio-Economic Impacts:

Does the proposal support the Council's Equality Outcomes 2021-2025

What are the potential equality impacts as a result of this report? No significant impact identified

Climate Impacts:

Does the proposal support any Climate Plan actions? Please specify:

What are the potential climate impacts as a result of this proposal? No relevant climate impact issues identified

Will the proposal contribute to Glasgow's net zero carbon target?

Privacy and Data Protection impacts:

Are there any potential data protection impacts as a result of this report Y/N *There are some matters referred to that relate to the conduct of individuals. Some details have been necessarily excluded.*

If Yes, please confirm that a Data Protection Impact Assessment (DPIA) has been carried out *No DPIA deemed necessary.*

7. Recommendations

Members are asked to

- Note the content of the 2023/24 Internal Audit Annual Report;
- Note the content of the draft 2023/24 Annual Governance Statement; and
- Refer the draft 2023/24 Annual Governance Statement to the City Administration Committee for approval as part of the 2023/24 Annual Accounts.

Appendix 1: 2023/24 Draft Annual Governance Statement

❖ 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. Purpose of the Council

- 2.1 The [Council Plan 2022-27](#) reflects the political priorities of the council for the next five years. The council has set the framework for strong corporate governance by having a clear vision and values which are outlined below:

Our vision is to support a fair and sustainable city where everyone gets to contribute and all can benefit from a flourishing Glasgow.

Our values are set out in our City Charter and have been developed in consultation with citizens and staff. They are to:

- Be an open, transparent and easily accessible organisation which communicates freely with city residents and involves them in decision making
- Be fairer and more equal giving everyone in Glasgow the chance to flourish and improve their life chances and choices. Work to uphold and protect people's basic human rights including treating them with dignity, fairness, equality, and respect, regardless of their background
- Promote pride in what the city has achieved, its people, its heritage, its facilities and appearance and be proud to live and work in Glasgow
- Work in partnership allowing people to contribute and for ideas from any source to be heard and considered.

- 2.3 There are **risks and challenges** too, to delivery of our plan:

- The Council's budget continues to be under significant pressure. The same goes for many other institutions and businesses in the city and for our residents. The pressures come at exactly the same

time as the demand on our services is likely to grow. A cost of living crisis for citizens is combining with a cost of doing business crisis for local companies. We must respond to this challenge creatively and in ways which maintain our core services, especially for our most vulnerable citizens.

- How we resource a relatively rapid transition to net zero carbon emissions by 2030 is a huge issue. We are going to have to think about new ways of working and raising funds to achieve this in time. We shall need to take measures too to make sure that people and businesses can make it through this transition in good shape. We don't want a repetition of what happened to our people in the difficult transition away from heavy industry.
- There are likely to be big changes across the broader public sector which would be challenging at any time. The council itself needs to manage its own workforce so that we maintain a strong ethos of public service, bring on a younger generation of new staff and respect the dignity and quality of life of our existing workers. In the longer term there are social changes on the horizon which we need to be planning for right now. More people will be living on their own, for instance. Loneliness and social isolation came to the fore during the pandemic and the shift to single person households is going to affect public services in ways which we can't yet fully imagine. Whilst Glasgow continues to have the lowest median age (36) of any council in Scotland, we know too that we need to plan for greater demand on services from older people – whilst still addressing the challenges of poor health, addictions and increasingly mental health issues across the whole population.

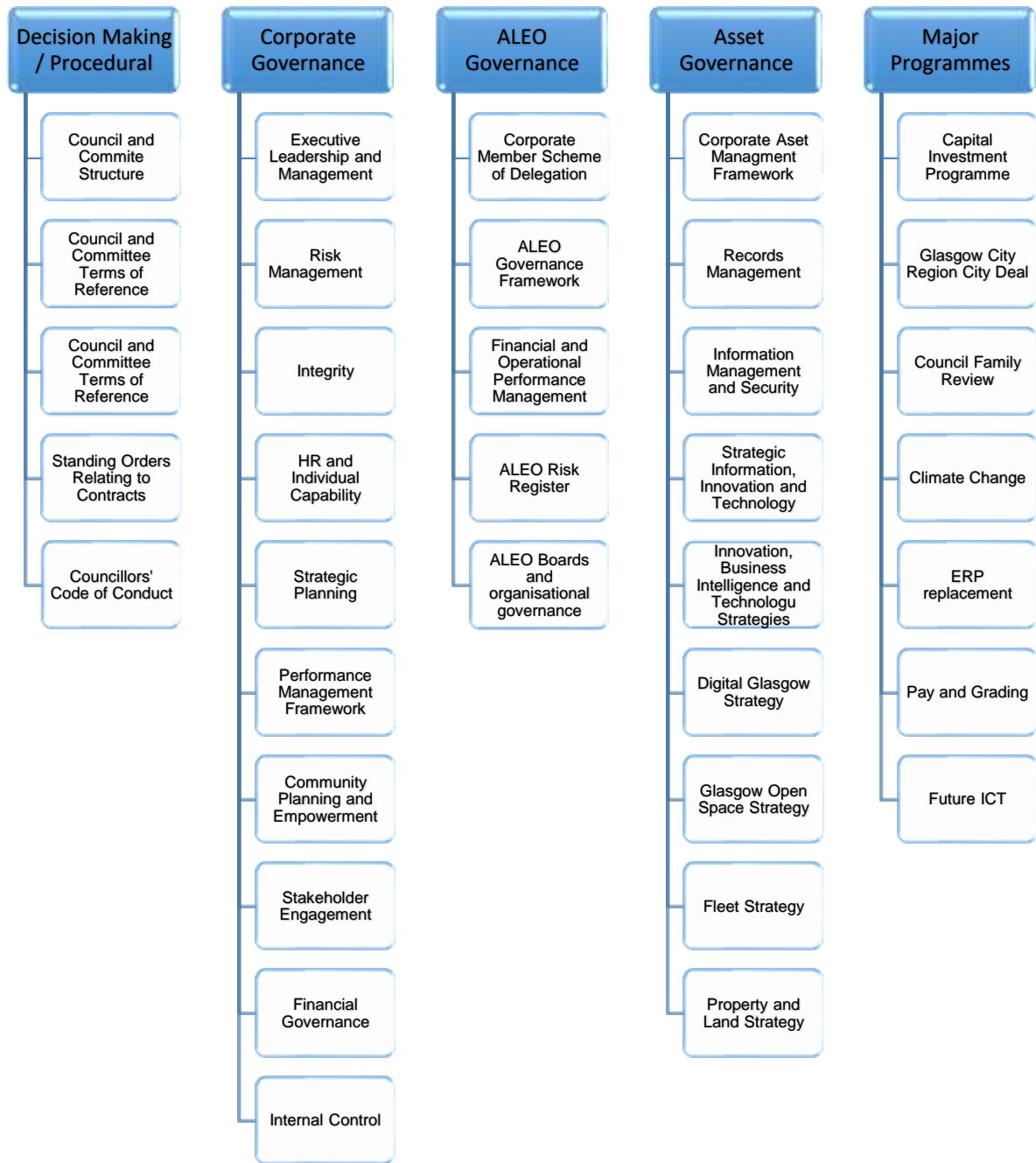
3. The purpose of the governance framework

- 3.1 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 Strategic Plan 2022-2027](#) and to consider whether those objectives have led to the delivery of appropriate, cost-effective services and outcomes.

4. The governance framework

- 4.1 The governance framework comprises the culture, values, systems, and processes by which the council is directed and controlled. It describes the way the council is accountable to communities. It enables the council to monitor the achievement of its strategic objectives and consider whether these objectives have led to the delivery of appropriate and cost-effective services.
- 4.2 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.
- 4.3 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.

4.4 The Council's governance framework is set out in the diagram below.



External and Internal Audit and other regulatory inspections

4.4 The main features of the governance framework in operation across 2023/24 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 statutory 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 in January 2024.

(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 the [Council Strategic Plan 2022-2027](#) on 27 October 2022. In order to ensure that the Plan clearly articulates its purpose it has been structured into Grand Challenges and their supporting Missions. The Grand Challenges are as follows:

- Reduce poverty and inequality in our communities;
- Increase opportunity and prosperity for all our citizens;
- Fight the climate emergency in a just transition to a net-zero Glasgow;
- Enable staff to deliver essential services in a sustainable, innovative and efficient way for our communities.

These Grand Challenges and their Missions are underpinned by Commitments which Services are undertaking to work towards the goal of each Mission. The Council agreed that the Strategic Plan will be subject to an annual review to reflect the volatility of outside pressures and budget constraints. There is a transparent change control process in place to assist this.

In order to transition from the previous Strategic Plan, an update on that 2017-2022 Plan and its seven themes was included in the Annual Performance Report, which was reported to the City Administration Committee on 30 September 2021. The new Strategic Plan is scrutinised and monitored by the Operational Performance and Delivery Scrutiny Committee (OPDSC). At the November 2022 Committee it was agreed to schedule the reporting of the Strategic Plan through a Cost Of Living lens; requesting

that services report on areas relevant to Cost of Living within their Strategic Plan Missions and Commitments. This responds to the priorities laid out in the Strategic Plan in response to the Council's motion in June 2022 agreeing cost of living measures should be prioritised. As well as existing Commitments, new activity initiated or prioritised as a response to the crisis has been reflected in performance reporting to OPDSC through the reporting of emerging Commitments. Initially in 2022/23 the OPDSC continued to receive performance reports from Services and ALEOs with a focus on Cost of Living priorities; however in 2023/24 the lens was widened to incorporate more areas of strategic delivery and commitments that had emerged as part of our agreed approach to the Plan being a live document.

- (e) The [Performance Manual](#) 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. During 2022/23 an in depth review of the Council's Performance Manual was conducted. The updated manual was presented to OPDSC in autumn 2023 and there have been two follow up reports to the Committee on areas of development including dashboards and the use of case studies in performance reporting. The Manual will be updated to Committee on an annual basis. Also as part of the Council's ongoing work to review Council performance; Internal Audit have commenced an audit in May 2024 in conjunction with Corporate Policy and Governance Team. This audit and review will also reflect on the findings of the recent Audit Scotland and Accounts Commission [report](#).
- (f) The [Glasgow Community Plan 2024-34](#) details a city-wide, shared priority local outcome of Family Poverty | Reducing Poverty & Inequalities in Glasgow's Communities. Details of this outcome and the enablers to assist the achievement of the outcome are outlined in the Plan, as is how the Partnership should organise itself to ensure good outcomes and effective decision making.

The Glasgow Community Plan was approved by the Glasgow Community Planning Partnership's Strategic Partnership on 13 February 2024. Within 12 months of this plan being approved, a Citywide Action Plan (CAP) will be set by the Partnership detailing the actions partners will take to reduce Family Poverty and inequalities in Glasgow's communities. The CAP will be supplemented with associated and interconnected local action plans for each of the 23 Area Partnerships. These will have an explicit link to statutory responsibilities and city-wide priorities of the partners, providing strategic focus for 'one plan for one area'.

The Partnership will evaluate the current implementation of Locality Planning in Glasgow (Thriving Places) and recommendations will be put in place to ensure an integrated approach, reducing duplication, and putting into operation one plan for one area. The Partnership will set a Performance Management Framework detailing the outcomes for short (1 year), medium (3 years) and long term (10 years). These outcomes will state clearly and specifically what will be different for the communities of Glasgow in relation to Family Poverty.

- (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. The [People Make Glasgow Communities](#) 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. It has been agreed that during 2024/25 the Council's Corporate Management Team will sit as a Risk Board every six months and that this will include 'deep dives' into a sample of corporate risks.
- (i) Implemented in July 2017, the Council's Business Continuity Policy and Framework continues 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 is reviewed and refreshed every two years, with the latest re-launch in May 2024. Through the Business Continuity Forum (BCF), an officer forum chaired by SIIT, the business continuity community continues to drive improvements in planning; share information and experiences, and support the Council's ability to sustain service delivery in the event of disruption. At the start of 2024, membership of the BCF was formally expanded to include ALEOs. Representation of the wider Council Family is allowing for broader engagement and participation and feedback on this approach has been positive. The annual BC workplan continues to drive engagement and the review, testing and updating of business continuity materials and richer understanding of corporate priorities and dependencies across the Council Family.

- (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. A Financial Controls Framework is in place 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 2023/24. The most recent report was presented to OPDSC on [15 November 2023](#).

- (m) The [2023 – 2027 Council Sustainable Procurement Strategy](#) was approved by the City Administration Committee on 23 March 2023 and 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) The Council's asset management arrangements are evolving to ensure a more collaborative arrangement between all seven asset classes (property, information, ICT, infrastructure, open spaces, fleet, and the civic Collections) and key objectives for each are aligned to the Council's Strategic Plan grand challenges and missions. This will inform how the Council shapes its assets to deliver outcomes and ensure the Council knows and efficiently uses assets to support service delivery and achieve an improved asset base.
- (o) Information and data security and records management have a high profile within the Council. In 2023/24, the Council continued to operate both the Information Security and Integrity Board and Extended Information Security 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 2023/24, the Council made four reports to the Information Commissioner's Office (ICO) in relation to information security breaches. No action was taken by the ICO.

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 achieved PSN certification during 2023/24 following a gap of some years. The council is engaging with its ICT provider to ensure accreditation is maintained in 2024/25. The council is due to be audited by the Department for Work and Pensions (DWP) in 2024/25 to assess our compliance with the DWP Memorandum of Understanding which addresses in detail how DWP data is protected and used.

- (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 2023/24. During the year, a comprehensive review of City Building (Glasgow) LLP was commenced and work is ongoing to conclude this piece of work. The latest update on the Council Family Review in relation to Glasgow Life (concluded in 2022/23) was presented to the Operational Performance and Delivery Scrutiny Committee on [7 February 2024](#).
- (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 2023/24. The Council Family Review programme has identified some potential enhancements to the ALEO Governance Framework and these were reported to OPDSC on [31 May 2023](#), with a further update to the [7 February 2024](#) meeting.

- (r) 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 2023 Glasgow Household Survey were reported to OPDSC on [13 September 2023](#). A dedicated web page provides a [Consultation Hub](#) to co-ordinate consultation with residents and businesses.

5. Review of effectiveness

5.1 The Council's governance arrangements set out above operated across 2023/24 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 2023/24, 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 Administration, who was the Council's Monitoring Officer for 2023/24.
- (c) The Head of Audit and Inspection's annual report and the work of the Internal Audit section. The latest external 5-yearly 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. 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 2023/24 was approved by the Finance and Audit Scrutiny Committee on [23 March 2023](#).
- (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 2023/24, 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 2023/24, as it is my opinion that the procedures which have been designed to ensure proper governance and financial control are operating adequately”.
- (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. Self assessments for all Committees have been undertaken during 2023/24:
- [Operational Performance and Delivery Scrutiny Committee](#)
 - [Finance and Audit Scrutiny Committee](#)
 - [Wellbeing, Equalities, Communities, Culture and Engagement City Policy Committee](#)
 - [Economy, Housing, Transport and Regeneration City Policy Committee](#)
 - [NetZero and Climate Progress Monitoring City Policy Committee](#)
 - [Education, Skills and Early Years City Policy Committee](#)
 - [Environment and Liveable Neighbourhoods City Policy Committee](#)
- (h) The [CIPFA Financial Management Code](#) provides guidance for good and sustainable financial management in local authorities. By complying with the principles and standards within the code authorities will be able to demonstrate their financial sustainability. Council management undertook a self-assessment against the Financial Management Code during 2023/24, which confirmed overall compliance with the Code's requirements.

5.2 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.

6. Governance Developments and Future Activity

- 6.1 In June 2021, Audit Scotland and the Accounts Commission published a revised Code of Audit Practice. The Code explains the revised arrangements for the audit of Best Value, this is now based on an annual thematic report. Ernst and Young (EY) have been appointed by the Accounts Commission as external auditor of Glasgow City Council for financial years 2022/23 to 2026/27, this includes all Best Value Audits during this period.
- 6.2 For the 2022/23 financial year, EY completed the Best Value Audit on the theme of 'Leadership of the development of the new local strategic priorities by Councils following the local government elections in May 2022', the audit specifically focussed on:
- The clarity of the council's vision and priorities
 - How effectively community views have been reflected
 - The alignment of financial, workforce, asset and digital plans
 - How the priorities reflect the need to reduce inequalities and climate change.
- 6.3 The Council engaged fully with EY throughout the audit process. The best value audit report, recommendations and management responses contained within have been agreed by officers as factually correct and achievable for implementation. An action plan for the recommendations has been agreed, with full implementation expected by 31 March 2025.
- 6.4 For the 2023/24 financial year, the theme for Best Value auditing is 'Workforce Innovation', specifically focussing on:
- How effectively the Council's workforce plans are integrated with its strategic plans and priorities
 - How effectively the council is using hybrid and remote working and other innovative working practices to achieve service and staff benefits
 - What innovative practices the council is using to develop its future workforce capacity
 - How effectively the council is measuring the impact of its workforce planning
- 6.5 The council will fully engage with EY throughout the audit process, which is scheduled to be through the Summer of 2024.

7. Update on significant governance issues previously reported

ICT Service and Security

- 7.1 The 2021/22 Annual Governance Statement included the unsatisfactory audit opinion relating to ICT security and service delivered via the Council's provider. The improvements required are being progressed by the Council through an agreed action plan. Whilst a number of higher risk areas are now mostly mitigated, there are other areas where remediation is still ongoing. Therefore the Council Group remained exposed to significant risk in this area during 2023/24. The Council's Future of ICT project, and the planned recruitment of a Cyber Security Manager, will seek to address remaining issues. The Council's Future of ICT project, and the planned recruitment of a Cyber Security Manager, will seek to address remaining issues.

SAP P1 Incident

- 7.2 In January 2023, a failed update to the Council's SAP ERP system resulted in a significant period of downtime for this key system, impacting Accounts Payable/Receivable, Payroll, Treasury and Banking, and Financial Ledger reporting. This also impacted on the ability to report financial performance between January and March 2023. The system was fully functional for 2023/24 and the 2022/23 outturn position was verified and reported following additional assurance activity over transactions occurring in the affected period. A lessons learned exercise has been conducted by the Council and its ICT provider. Internal Audit has completed a review of the actions undertaken following the incident to mitigate the risk of a reoccurrence. Based on the audit work carried out a reasonable level of assurance can be placed upon the control environment relating to the lessons learned process. However, two recommendations have been agreed with management and these will be monitored for completion during 2024/25.

Servitor Upgrade

- 7.3 During 2022/23 an unsatisfactory Internal Audit report was issued to City Building (Glasgow) LLP in relation to an upgrade to its Servitor system. The audit concluded that expected project management processes were not fully followed in implementing the new Servitor system. This resulted in significant operational and financial issues immediately following go-live in July 2022. There was also a significant impact on transactional activity between CBG and Council Services/ALEOs, with a subsequent significant impact on CBG's cash flows. The ability to produce accurate management accounts and the production of the GCC Group financial statements were also adversely impacted.

Of the original four recommendations, two have been implemented, with two high priority recommendations ongoing as at May 2024. These relate to the finalisation of Servitor reconciliations and rectification of Servitor interfacing issues.

City Building

- 7.4 During 2022/23 Internal Audit investigated a number of whistleblowing allegations relating to City Building. Significant compliance matters covering key governance, procurement and HR practices were identified. This resulted in a delay to the signing of the 2021/22 City Building financial statements, and a qualification by the external auditor on the 2022/23 Council Group's accounts. Council and Wheatley Housing Group Management, as Joint Venture Members, appointed Brodies LLP to undertake a forensic investigation.

The City Building external auditor signed the 2021/22 Accounts in March 2024. Their Annual Audit Findings Report noted that they had "identified a significant deficiency in respect of the overall control environment within the business". The 2022/23 City Building accounts are not yet signed. In response to the investigation findings, a City Building Glasgow Partnership Steering Group was established jointly by the Council and the Wheatley Housing Group senior officers to review City Building. The workstreams of the review included governance, procurement, HR and finance with an action plan agreed by all parties. To date 36 actions have been signed off as complete, with a further 49 in the process of being reviewed. The remaining 42 recommendations are ongoing at various stages.

The Public Sector Internal Audit Standards (1110.A1) state:

“The internal audit activity must be free from interference in determining the scope of internal auditing, performing work and communicating results. The chief audit executive must disclose such interference to the board and discuss the implications.”

During 2023/24 there have been instances where Internal Audit has not been able to operate in compliance with this element of the Standards in relation to City Building. Internal Audit has ongoing concerns around CBG Executive Management culture in relation to the role of audit and governance, which is undermining normal audit processes and relationships. The Council’s Section 95 officer has also had cause to write to the Joint Venture members outlining similar concerns. A response outlining their instructions for corrective action by CBG has been provided by the Joint Venture members.

8. Significant governance issues

8.1 Scottish Events Campus Limited (SEC)

During 2023/24, an external health and safety audit was conducted which highlighted a number of areas for improvement. A robust remediation plan was immediately implemented and appropriate mitigations put in place to ensure the continued safe operation of the SEC venues. An augmented programme of internal and external health and safety audits is also being introduced. Scrutiny on progress is being reported through the SEC Board.

9. Internal Audit Opinion

9.1 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.

9.2 Based on the audit work undertaken, the assurances provided by Service Directors and Managing Directors/Chief Executives of subsidiaries and relevant associates, and noting the issues outlined at Sections 7 and 8 above, 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 2023/24 in the council and its subsidiaries and relevant associates.

10. 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. 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. However, improvements are specifically required in relation to ICT services and resilience, health and safety arrangements at SEC, and governance arrangements at City Building. Work is ongoing 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

Leader of the Administration

Susanne Millar

Chief Executive

Appendix 2: Quality Assurance and Improvement Programme (QAIP)

1. 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.

2. Internal Assessment

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

3. 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.

4. 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.

5. 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. 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 February 2024 and confirmed compliance.

Internal Audit participates in the Core Cities Internal Audit benchmarking framework. Further work is required as the framework matures to ensure meaningful reporting to FASC.

6. 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.

