



Glasgow City Region - City Deal

Cabinet

Report by Head of Audit and Inspection, Glasgow City Council

Contact: William Hart, Chief Auditor

Extension: 74303

Item 8

2nd June 2020

2019/20 Internal Audit Annual Report and Annual Governance Statement

Purpose of Report:

To present the attached 2019/20 Internal Audit Annual Report and Annual Governance Statement

Recommendations:

It is recommended that the Cabinet:

- (1) note the Annual Report; and
- (2) approve the 2019/20 Annual Governance Statement

1. Introduction

- 1.1 The Local Authority Accounts (Scotland) Regulations 2014 require the effectiveness of the system of internal control to be reviewed annually. The Regulations also require an Annual Governance Statement to be approved.
- 1.2 The objective of this report is to provide a review of the performance of Internal Audit for the year 2019/20 and to give an opinion on the adequacy of the Glasgow City Region Cabinet system of internal control.
- 1.3 Internal Audit is an independent appraisal function based within Glasgow City Council (the Council), the lead authority of the Glasgow City Region Cabinet and City Deal. The objectives of Internal Audit, in the context of the Glasgow City Region Cabinet, are to:
 - examine and evaluate the internal control systems and governance arrangements of the Glasgow City Region Cabinet;
 - provide assurances to the Glasgow City Region Cabinet and senior officials on the adequacy and robustness of these systems; and
 - assist Cabinet Members and officers of Glasgow City Region Programme Management Office (PMO) in the effective discharge of their responsibilities.
- 1.4 The work of Internal Audit is based on an annual audit plan which is prepared after a risk assessment of all potential audit issues identified by Internal Audit and the Director of Regional Economic Growth and takes account of the work of the external auditor, Audit Scotland.
- 1.5 Internal Audit adheres to standards and guidelines laid down by relevant bodies and professional institutions. In particular Internal Audit is required to comply with the Public Sector Internal Audit Standards (PSIAS) which have been adopted by the Relevant Internal Audit Standard Setters (RIASS). The RIASS includes, among others, HM Treasury, the Scottish Government and the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 1.6 The PSIAS include key principles that public sector Internal Audit functions must follow and cover a range of areas including governance, performance standards and reporting requirements. As part of the standards, Internal Audit is required to undertake annual self-assessments. The PSIAS also introduced a requirement for an external assessment of an organisation's Internal Audit function, which must be conducted at least once every five years by a qualified, independent reviewer from outside of the organisation. The 2019/20 self-assessment and an external assessment undertaken in 2015/16 have confirmed that Internal Audit complies with the main requirements of the PSIAS.
- 1.7 The performance of Internal Audit is scrutinised by Audit Scotland. As the External Auditor of the Glasgow City Region Cabinet, this allows them, where appropriate, to place reliance on the work of Internal Audit and to plan their work without duplication of effort and unnecessary disruption to Services. Audit Scotland's

review of Internal Audit as part of their 2019/20 Glasgow City Council external audit plan confirmed that Internal Audit has sound documentation standards and reporting procedures in place and complies with the main requirements of the PSIAS. Internal Audit also maintains a Quality Assurance and Improvement Programme which outlines how we identify and implement actions which could improve the service we deliver.

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

2. The Role of the Head of Audit and Inspection

- 2.1 The CIPFA guidance in relation to "The Role of the Head of Internal Audit in Public Service Organisations" is intended to provide best practice for Heads of Internal Audit to achieve.
- 2.2 The role of the Head of Audit and Inspection in Glasgow City Council meets the principles set out in CIPFA's statement.

3. Review of Internal Audit 2019/20

Staffing

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

Audit plan management – Planned Assurance Work

- 3.2 During 2019/20 fieldwork for three specific assurance reviews, and additional follow-up reviews, was completed, with a total of 53 days allocated. The audit work covered:
 - Arrangements in place for dealing with matters which could pose a reputational risk to the Programme or Partnership. This included pro-active and reactive reputation management and compliance with the Communication, Marketing and Stakeholder Engagement Strategy.

- A review to gain assurance that the PMO and Member Authorities comply with key aspects of the revised Assurance Framework, including Business Case requirements and the appraisal process.
- The processes for ensuring that claims submitted by Member Authorities contain only actual and eligible expenditure, in compliance with Business Cases and conditions of grant.
- The implementation of recommended actions arising from previous audit work.

4. 2019/20 Audit issues

- 4.1 Where the audit opinion arising from an audit states that the control environment has been assessed as unsatisfactory the concerns highlighted are reported here and in the Annual Governance Statement. In 2019/20 there were no unsatisfactory or limited audit opinions issued.
- 4.2 Each member Local Authority Head of Internal Audit is required to submit an Assurance Statement for 2019/20 in relation to the control environment in their authority. All statements confirmed that there were no issues identified in 2019/20 which would have a significant impact on their authority's ability to deliver the City Deal [*to be confirmed prior to Cabinet*].
- 4.3 The Covid-19 pandemic which began in early 2020 is a significant event, impacting normal business operations and risk assessments. The pandemic did not impact on the audit work undertaken in 2019/20, however the effect on the control environment is being assessed and may result in changes to audit work planned for 2020/21.

5. 2019/20 Audit Work

- 5.1 All fieldwork due to be undertaken in 2019/20 has been completed. The results of the assurance audits undertaken have been agreed with the PMO. Internal Audit will undertake follow up work during 2020/21 to confirm implementation of the agreed recommendations. Cabinet will be provided with updates on this work.

6. Update on Governance Issues reported in 2018/19

- 6.1 There were no significant governance issues noted in the 2018/19 Governance Statement.

7. Opinion

- 7.1 Glasgow City Region Cabinet has a system of internal control designed to manage risk to a reasonable level. Internal controls cannot eliminate the risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.
- 7.2 Based on the audit work undertaken and the assurances provided by the member authorities, and notwithstanding any changes put in place to deal with the Covid-

19 pandemic at the end of 2019/20, it is my opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the governance and control environment which operated during 2019/20.

Duncan Black
Head of Audit & Inspection
Glasgow City Council

May 2020

Annual Governance Statement 2019/20

Role and responsibilities

The Glasgow City Region Cabinet is a Joint Committee established under Section 57 of the Local Government (Scotland) Act 1973, by the eight member authorities.

The lead body of the Joint Committee is Glasgow City Region Cabinet which meets six times annually. The Cabinet comprises the Leaders of the participating authorities and is responsible for the strategic direction of the organisation and for approving the annual budget and business plan. The Cabinet is supported by a Chief Executives' Group, and the Programme Management Office acts as a secretariat. The Cabinet takes advice from the Independent Commission on Urban Growth and the Glasgow City Region Economic Leadership Board.

The matters reserved to the member authorities for decision making which cannot be dealt with by the Cabinet are as follows:

- Any material financial decisions over and above what has been committed through the City Deal.
- Any amendment of the Joint Committee.
- Any requests for the addition of another local authority as member authority.
- Approval by a member authority to enter into a grant agreement in relation to a specific City Deal project.

Lead Authority

Glasgow City Council is the lead authority for the Glasgow City Region Cabinet and City Deal. As lead authority, the Council holds and disburses the City Deal grant funding through grant agreements with member authorities; manages the budget for the Programme Management Office (PMO); signs grant offers with the Scottish and UK Governments; and makes disbursements to member authorities and other bodies as appropriate under the terms of the grant agreement.

Cabinet meetings

Regular meetings of the Glasgow City Region Cabinet are held on an 8 weekly basis. Occasional ad hoc meetings are also held as required. Cabinet meeting dates are listed in the Council Diary which is available at:

<http://www.glasgow.gov.uk/councillorsandcommittees/calendar.asp>

Representation

The Glasgow City Region Cabinet is comprised of the Council Leaders (or their nominee) of each of the eight member authorities, and is chaired by the Leader of Glasgow City Council as lead authority.

Chief Executives' Group

A management group has been established comprising the Chief Executive of each of the member authorities (or their nominee). The group has responsibility on a collective basis for the overall supervision and management and for the monitoring of the performance of the PMO in delivering the City Deal. The group is chaired by the Chief Executive of Glasgow City Council as lead authority.

Programme Management Office

The PMO undertakes the administrative role required to support the Cabinet, its sub-groups and portfolios. The PMO is delivered by Glasgow City Council as lead authority, and the role includes:

- Provision of administrative and technical support services
- Preparation and circulation of meeting minutes and agendas
- Publishing the Cabinet processes and outcomes
- Facilitating engagement by the stakeholders, and
- Managing Cabinet communications including the Glasgow City Region website.

Support Groups

A number of support groups have been created to support the delivery of the City Deal and share knowledge and information. The remit of these groups has been agreed by the Chief Executives and includes the following areas:

- Lead Officers Group
- Finance Strategy Group
- Communications and Marketing Group
- Audit

Scope of responsibility

As the lead authority for the Glasgow City Region Cabinet, Glasgow City Council is responsible for ensuring that its business, including that of the PMO, is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a statutory duty to make arrangements to secure best value under the Local Government in Scotland Act 2003.

In discharging this overall responsibility, the Cabinet is responsible for putting in place proper arrangements (known as the governance framework) for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk. Key elements of the governance framework are noted below. The framework was in place throughout 2019/20.

The Council has approved and adopted a Local Code of Corporate Governance (the Code), which is consistent with the principles 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. A copy of The Code is available on the council's website at:

<https://glasgow.gov.uk/index.aspx?articleid=17539>

The work of the Cabinet is governed by the Code and by its Assurance Framework. This includes requirements for the preparation and production of a number of key policy documents including an Economic Strategy, a Procurement Strategy and a Risk Management Strategy. These documents set out the Cabinet's objectives together

with the main risks facing the programme and the key controls in place to mitigate those risks. A Risk Register is maintained to facilitate detailed risk monitoring, and an Annual Implementation Plan is produced each year to support the Programme Business Case, which is the business case for overall delivery of the Programme. Scrutiny is provided by Internal Audit and by the Cabinet's External Auditor, Audit Scotland.

The Cabinet complies with the CIPFA Statement on "*The Role of the Chief Financial Officer in Local Government 2010*". The Glasgow City Council Executive Director of Finance has overall responsibility for the PMO's financial arrangements and is professionally qualified and suitably experienced to lead the finance function and to direct finance staff.

Review of effectiveness

The Council and Glasgow City Region Cabinet have systems of internal control designed to manage risk to a reasonable level. Internal controls cannot eliminate risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is an ongoing process designed to identify and prioritise the risks to the achievement of the Glasgow City Region Cabinet's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised.

The Assurance Framework is subject to regular review to ensure that it provides an effective governance platform for the Cabinet. A revised Assurance Framework was implemented operationally during 2019/20.

Update on Significant Governance Issues Previously Reported

There were no significant governance issues reported in 2018/19.

Internal Audit Opinion

Assurance work undertaken within the Glasgow City Region Cabinet in 2019/20 included:

- A review of arrangements in place for dealing with matters which could pose a reputational risk to the Programme or Partnership. This included pro-active and reactive reputation management and compliance with the Communication, Marketing and Stakeholder Engagement Strategy.
- A review to gain assurance that the PMO and Member Authorities comply with key aspects of the revised Assurance Framework, including Business Case requirements and the appraisal process.
- The processes for ensuring that claims submitted by Member Authorities contain only actual and eligible expenditure, in compliance with Business Cases and conditions of grant.
- The implementation of recommended actions arising from previous audit work.

Glasgow City Council's Head of Audit and Inspection has confirmed that there are no significant governance issues that require to be reported as a result of the work undertaken by Internal Audit in 2019/20 in relation to the remit of the Glasgow City

Region Cabinet, and no significant governance issues have been reported by the Internal Audit teams of the member authorities during the year. However the Covid-19 pandemic which began in early 2020 is a significant event, impacting normal business operations and risk assessments. The effect on the control environment is being assessed and may result in changes which will be considered during 2020/21.

Certification

It is our opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the systems of governance that operate in the Glasgow City Region Cabinet. We consider the governance and internal control environment operating during 2019/20 to provide reasonable and objective assurance that any significant risks impacting on the Glasgow City Region Cabinet's ability to achieve its objectives will be identified and actions taken to avoid or mitigate the impact.

Where areas for improvement have been identified and action plans agreed, we will ensure that they are treated as priority and progress towards implementation is reviewed by the Chief Executives' Group and the Cabinet.

We will continue to review and enhance, as necessary, our governance arrangements and will consider the impact of the Covid-19 pandemic during 2020/21.

**Council Leader and
Chair, Glasgow City Region Cabinet
(Susan Aitken
O'Donnell)
May 2020**

**Chief Executive
Glasgow City Council
(Annemarie**

May 2020