Glasgow City Council

Finance and Audit Scrutiny Committee

Report by Head of Audit and Inspection

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Item 4

22nd October 2025

ARMS LENGTH EXTERNAL ORGANISATIONS
INTERNAL AUDIT UPDATE REPORT

Purpose of Report

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

Note:

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

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

Recommendations

The Committee is asked to:

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

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

1. Introduction

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

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

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

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

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

1.5 This report provides a summary to the Council's Finance and Audit Scrutiny Committee of the Internal Audit activity relating to ALEOs in the period March 2025 to September 2025.

2. Results of audits undertaken at ALEOs

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

Audit Title	Opinion	Number and Priority of Recommendations			
		High	Medium	Low	Opportunity for Improvement
City Building (Glasgow) LLP					
Performance Management (Note 1)	Unsatisfactory	4	0	0	0
City Property (Glasgow) LLP					
Starters and Leavers	Reasonable	0	0	2	0
Community Asset Transfer	Reasonable	0	1	2	0
Payroll Verification	Satisfactory	0	0	0	0
Compliance with Funders Governance Requirements	Satisfactory	0	0	0	0
Compliance with Landlord Responsibilities	Reasonable	1	3	0	0
Glasgow Life					
Asset Management	Reasonable	1	1	1	0
Payroll Verification	Satisfactory	0	0	0	0
Jobs & Business Glasgow					
Property Management Service Delivery	Reasonable	0	4	0	0
Payroll Verification	Reasonable	0	0	1	0
TOTAL		**6**	**9**	**6**	**0**

Notes:

1. This audit was undertaken to review both the strategic and operational performance management arrangements in place within City Building to ensure that they are fit for purpose and provide the Members, senior management and the Board with relevant and accurate information, with a specific focus on the performance management arrangements around the repairs service for Wheatley Homes Glasgow (WHG) and Glasgow City Council (GCC). The four high priority recommendations relate to (1) The creation of a Performance Management Framework including strategic and operational performance measures. (2) A full end to end review of the repairs workflow with a view to creating a fundamentally more integrated process. (3) Documenting finance team tasks in relation to clearing repairs charging differences held in suspense accounts, and the creation of clear year end processes that are well understood by CBG finance. (4) Providing GCC clients with the required management information to enable effective scrutiny throughout the year and at year end.

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

3. Implementation of Actions Arising

3.1 As with all internal audit recommendations, the Head of Audit and Inspection monitors the implementation of all audit recommendations and reports progress to the ALEO Audit Committee. The current status is detailed in Appendix One.

3.2 Of the 50 recommendations, 34 (68%) have been completed, 1 (2%) is not yet due, and 15 (30%) are outstanding. Revised implementation dates have been agreed for all outstanding overdue recommendations and these will be followed up and reported back to Committee until fully implemented.

4. Recommendations

4.1 The Committee is asked to:

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

APPENDIX 1

ALEO	Number of Recommendations												
	Made	Not yet due for completion			Completed			Outstanding			No Longer Relevant		
		H	M	L	H	M	L	H	M	L	H	M	L
City Building (Glasgow) LLP	2	-	-	-	0	1	0	1	0	0	-	-	-
City Property (Glasgow) LLP	6	-	-	-	2	3	1	-	-	-	-	-	-
Glasgow Life	28	0	0	1	4	13	1	5	4	0	-	-	-
Jobs & Business Glasgow	14	-	-	-	2	3	4	2	3	0	-	-	-
TOTAL	**50**	**0**	**0**	**1**	**8**	**20**	**6**	**8**	**7**	**0**	**0**	**0**	**0**