



**Glasgow City Council**

**Finance and Audit Scrutiny Committee**

**Report by Head of Audit and Inspection for 2024/25**

**Contact: Duncan Black**

**Extension: 74053**

**Item 3**

**18th June 2025**

### **Internal Audit Annual Report 2024/25**

#### **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 2025.

The draft Annual Governance Statement for 2024/25 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 2024/25 Annual Accounts.

#### **Recommendation**

Members are asked to:

- Note the content of the 2024/25 Internal Audit Annual Report;
- Note the content of the draft 2024/25 Annual Governance Statement; and
- Refer the draft 2024/25 Annual Governance Statement to the City Administration Committee for approval as part of the 2024/25 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 2025**

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## 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 2024/25 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 administers<sup>1</sup>. This report helps to inform the Council's 2024/25 Annual Governance Statement, which is included in the 2024/25 audited annual accounts. The draft 2024/25 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 2024/25 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;

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<sup>1</sup> West of Scotland Archaeology Service.

- Performance management, and
- Information Security and ICT Security assurance, including Cyber Security.

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 Internal Audit adheres to standards and guidelines laid down by relevant bodies and professional institutions. During 2024/25 Internal Audit was required to comply with the Public Sector Internal Audit Standards (PSIAS) as 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). From 1 April 2025, Internal Audit is required to comply with the requirements of the new Global Internal Audit Standards (in the UK Public Sector).

1.8 For the financial year 2024/25, 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 2024/25 self-assessment and external assessment undertaken in 2020/21 by Birmingham City Council have confirmed that Internal Audit conforms with the requirements of the PSIAS. The next external assessment is due in 2026, this will be testing compliance with the requirements of the Global Internal Audit Standards (in the UK Public Sector). A Quality Assurance and Improvement Programme (QAIP) is in place to further enhance the Internal Audit service (Appendix 2).

1.9 During 2024/25 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 2024/25, 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 2024/25

### 2.1 ESTABLISHMENT

- 2.1.1 As at 31 March 2024 there were 28.4 full-time equivalent (FTE) members of staff working in Internal Audit. These figures are further analysed in Table 1.

**Table 1. GCC Group Audit Team – Establishment (as at 31<sup>st</sup> March 2025)**

		2024/25	2023/24
1	Number of CCAB Qualified staff (FTE*)	13.8	17.7
2	Number of staff with a recognised Fraud Qualification (FTE)	4.6	4.6
3	Number of Trainees (FTE)	10	9
4	Number of technical staff (FTE)	1	1
5	Training Days (incl. professional qualification)	281	271
6	Training Days per Staff Member	9.9	8.7
7	Sickness absence per staff member (annual target < 5 days)	11.7	4.9

\* Full Time Equivalent

- 2.1.2 Table 1 shows that there has been a net reduction in the number of qualified staff from the previous year. The recruitment market for qualified accountants and auditors remains very challenging and therefore when staff accept external opportunities, it is currently difficult to backfill these posts. Our focus remains on “growing our own” through our graduate and apprentice trainee program. During 2024/25 there continued to be a high proportion of trainees in the team, currently there are eight trainees and two apprentices all studying towards a professional qualification. We also have a Cyber Security Officer whose role is more technical in the ICT security assurance activity.
- 2.1.3 There was also a spike in sickness absence, exceeding our target days. Management continued to apply the Council's Attendance Management Policies with support from colleagues in HR.
- 2.1.4 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.
- 2.1.5 During 2024/25 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.

- 2.1.6 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: 2024/25 Internal Audit Annual Performance Targets**

	Performance targets	2024/25	2023/24
1	Complete all required fieldwork to prepare the Annual Assurance Statement that is necessary to inform the council's Annual Governance Statement	<b>Complete</b>	Complete
2	Corporate Fraud and Investigations team – cover all key areas of the Corporate Fraud Workplan	<b>Complete</b>	Complete
3	Maintain British Standards Institute ISO 9001:2015 accreditation	<b>Compliant</b>	Compliant
4	Internal and External quality assessments against Public Sector Internal Audit Standards	<b>Compliant</b>	Compliant
5	Average client survey score (>3 out of 4)	<b>3.67</b>	3.59
6	Audit Glasgow - financial outturn within the approved annual budget for 2024/25	<b>Complete</b>	Complete

## 2.3 AUDIT PLAN MANAGEMENT – Planned Assurance Work

- 2.3.1 The 2024/25 Internal Audit Plan was reported to FASC in March 2024. The PSIAS and the GIAS 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, as reported to FASC in October 2024, including:

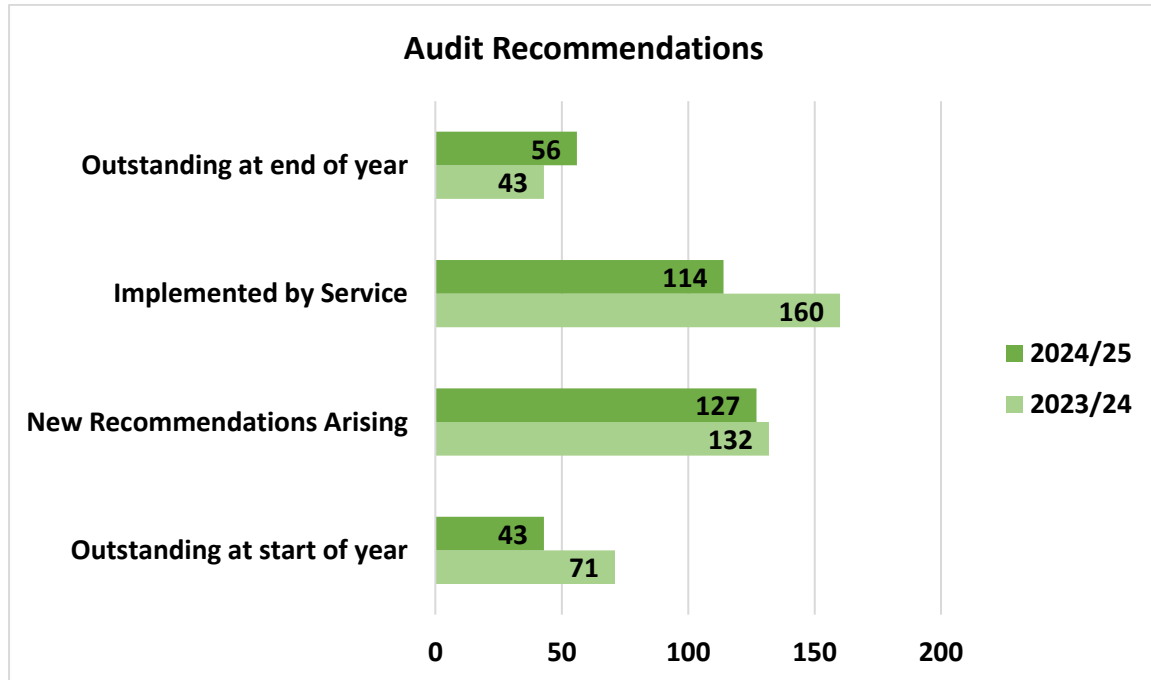
Area	Audit Title	
Section 95	Treasury	Deferred to 2025/26
Revenues and Benefits	Water Direct	Deleted
Procurement	Corporate Procurement Manual	Deferred to 2025/26
Procurement	One Time Vendor Use	Deleted
ICT	AI Strategy	Deferred to 2025/26
ICT	ERP Replacement - IT Arrangements	Deferred to 2025/26
ICT	Supply Chain IT Assurance	Deleted
ICT	Security Working Group (SWG) Validation	Deleted
ICT	Mobile Device Management	Deferred to 2025/26
ICT	Security Assessment Framework	Deleted
General Assurance	Revised Payroll Structure	Deleted
General Assurance	SEEMIS Data Management	Deferred to 2025/26
General Assurance	Purchasing of Supplies	Deleted
General Assurance	School Travel Assistance	Deleted
General Assurance	Workforce and Succession Planning	Deferred to 2025/26

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 2024/25, Services satisfactorily implemented 114 audit recommendations (160 in 2023/24). At the year-end, 56 recommendations remained outstanding – this is a slight increase in comparison with the figure of 43 at the end of 2023/24. It is important that Council Management continue to focus on implementing audit recommendations within agreed timescales to ensure the effective management of risk. The table below provides details in relation to the implementation of previously agreed audit recommendations.



**Table 3: Audit Recommendations Implementation**



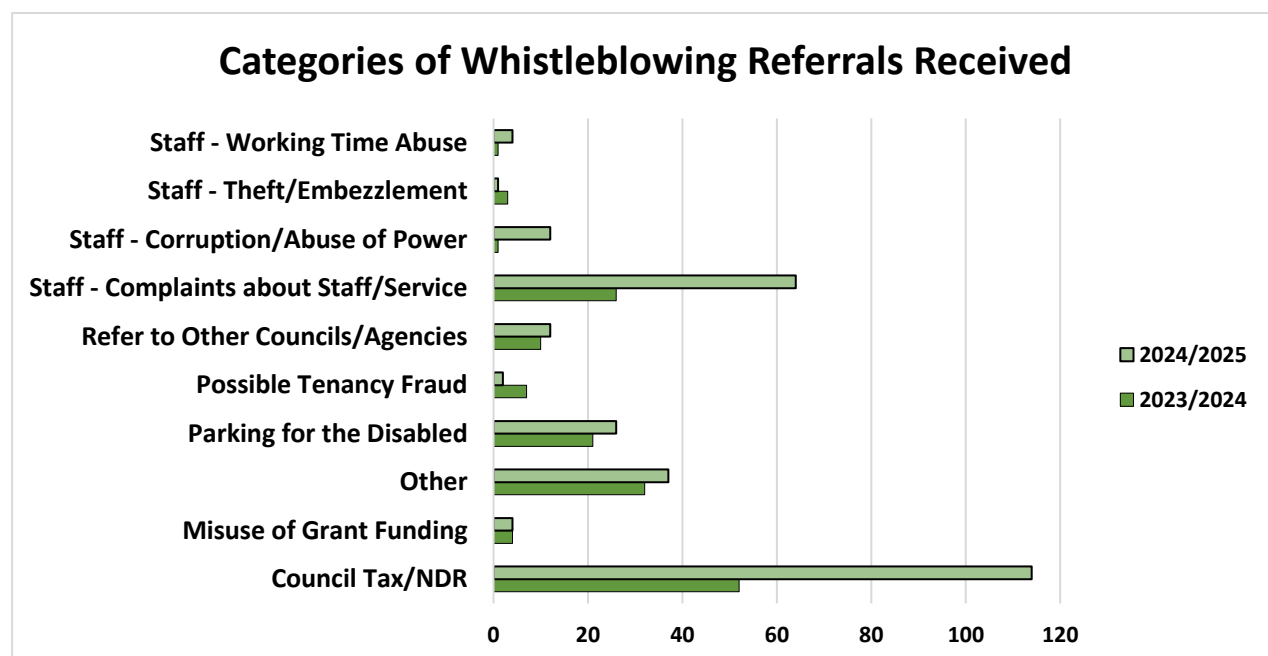
2.3.3 As part of the Audit Glasgow initiative, we continued to undertake audit assignments and provide support to other public sector organisations, generating income in the year of £129,000. A full internal audit service was provided to Shetland Islands Council, Scottish Canals and Loch Lomond and Trossachs National Park Authority. Other ad hoc work has also been provided for other Scottish Local Authorities, including Fife Council, Western Isles Council, East Renfrewshire Council and Inverclyde 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

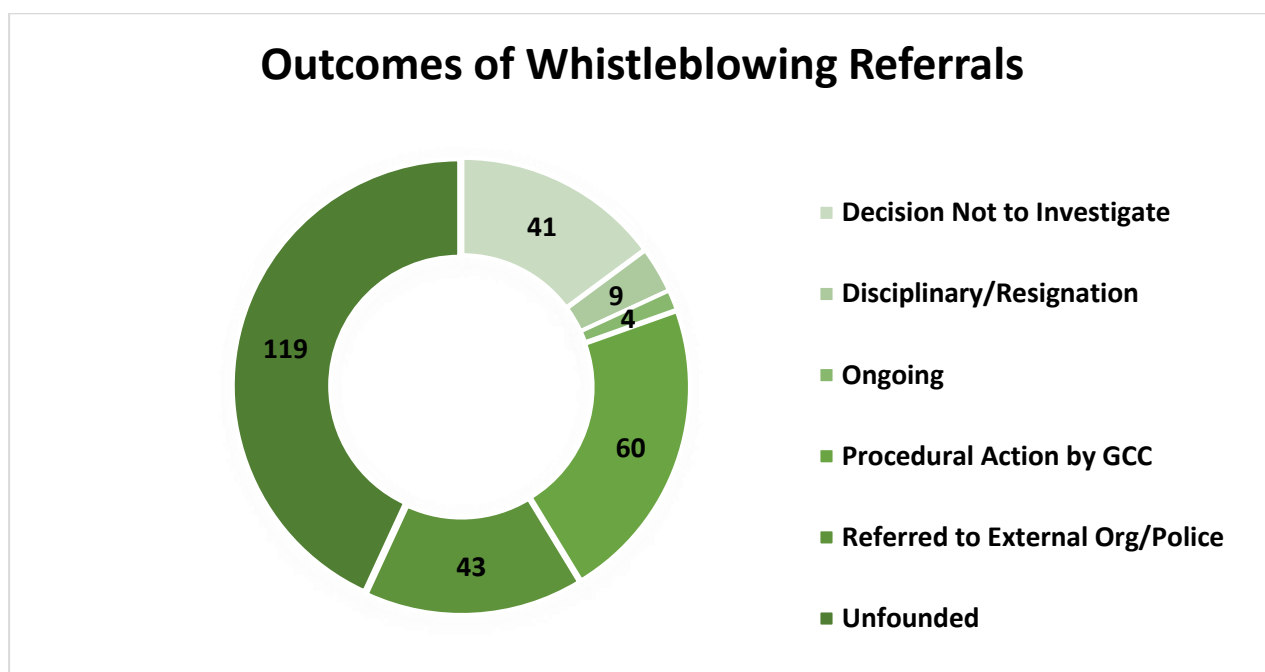
2.4.1 During 2024/25, 276 whistleblowing incidents were logged, which is the same as in the previous year. A summary of the categories of referrals received is highlighted below.

**Table 4: Whistleblowing referrals 2024/25**



2.4.2 As at 31 March 2024, investigations for 272 of the referrals had been concluded, and 4 remained ongoing. The outcomes of these referrals are noted below.

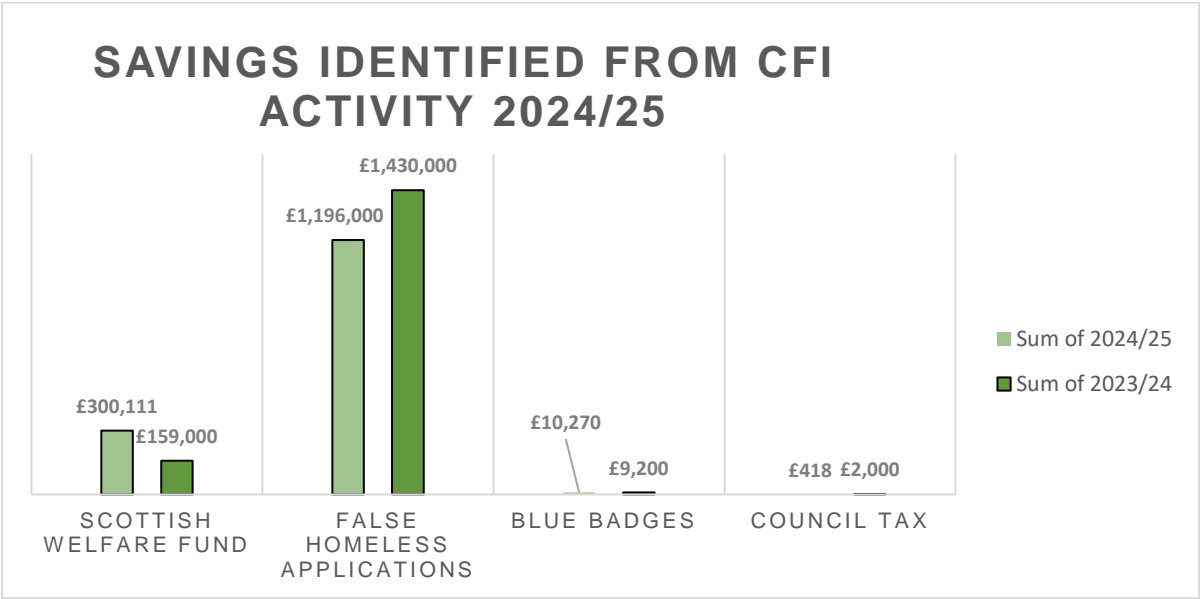
**Table 5: Whistleblowing referrals – outcomes**



## **2.5. CORPORATE FRAUD & INVESTIGATIONS TEAM (CFI)**

2.5.1 During 2024/25, the work of the CFI team has identified savings of over £1.5m for the Council and the wider public purse – this is a decrease on the identified savings of £2.09m identified in 2023/24. These savings are noted below.

Table 6: Corporate Fraud and Investigations activity 2024/25



*\* 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 £1.2million.*

**2.6. NATIONAL FRAUD INITIATIVE**

2.6.1 After submitting data in October 2024 for the 2024/25 National Fraud Initiative (NFI), in December 2024 the Council received 18,377 matches to investigate. Subsequent matches have been released and the total now is 18,716. A breakdown of these matches is shown in Table 7.

Table 7: National Fraud Initiative Matches 2024/25

	Priority	Match Type	Total Number of Matches Received	
1	High	Benefit Matches	250	
2		Council Tax Reduction Scheme	2,450	
3		Pension Matches	2,775	
4		Payroll Matches	165	
5		Blue Badge / Residents Parking	2,060	
6		Creditors	10,015	
7		Procurement Matches	21	
8		Total High Priority Matches		17,736
9	Medium	Benefit Matches	39	
10		Council Tax Reduction Scheme	165	
11		Non Domestic Rates	325	
12		Pension Matches	1	

13		Blue Badge / Residents Parking	1	
14		Licences	2	
15		<b>Total Medium Priority Matches</b>		<b>533</b>
16	<b>Low</b>	Benefit Matches	69	
17		Council Tax Reduction Scheme	258	
18		Procurement Matches	63	
19		Payroll Matches	57	
20		<b>Total Low Matches</b>		<b>447</b>
21		<b>Total Matches to be investigated</b>		<b>18,716</b>

2.6.2 Work has recently started on investigating the matches from the 2024/25 NFI exercise, and an update on the progress made with the matches will be provided in our 6-monthly update report to FASC later in 2025.

**Table 8 – Summary of NFI work undertaken to 31 March 2025**

	Investigation Details	Number of Cases		Value	
1	<b>Total of on-going Investigations</b>		<b>225</b>		
2	Errors Identified	4			
3	Fraud Cases Identified	7			
4	Matches Cleared	491			
5	<b>Total of Completed Investigations</b>		<b>502</b>		
6	Council Tax Reduction Scheme			£24,314	
7	<b>Total Value of Errors / Fraud Identified</b>				<b>£24,314</b>

## **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.

## **2.8 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. 2024/25 AUDIT ISSUES**

#### **General Comments**

3.1 Audit issues identified during 2024/25 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).
- Multi factor authentication for cloud applications.
- Archiving/deletion of data arrangements within systems.
- Disaster recovery – comprehensive DR plans not always in place at an application or enterprise level and no testing plans or tests undertaken.

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 for the correct length of time, hold it 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

- Lack of back up documentation being available or retained.
- 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

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.

### 3.1.4 Follow up

As at 28 April 2025 there were 56 recommendations outstanding. As previously reported to Committee, some of these are significantly overdue from the originally planned implementation date. The breakdown of the outstanding recommendations is provided in the table below.

**Table 9: Number of outstanding recommendations**

	High	Medium	Low	Total
Number of outstanding recommendations	21	34	1	56

## 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 Managed Service provider. The improvements required are being progressed by the Council through an agreed action plan. Since then, considerable work has been undertaken to deliver improvements to the Council's security environment, including technical, governance, reporting and risk management aspects and 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 risk in this area during 2024/25. Through the Road to Multi-Source Strategy (R2MS), management intend to work with Managed Service Providers to mitigate the risks, in this complex and ever-changing area, as much as possible during 2025/26.

### *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 has been fully functional throughout 2023/24 and 2024/25 with no similar issues experienced. All management actions identified following the incident have also now been implemented.

### *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 during 2022/23. Whilst City Building continues to investigate potential improvements to repairs systems and workflows, all original audit recommendations have now been implemented.

### *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. Council and Wheatley Housing Group Management, as Joint Venture Members, appointed Brodies LLP to undertake a forensic investigation. This resulted in a delay to the signing of the City Building financial statements, and a qualification by the external auditor on the 2022/23 and 2023/24 Council Group's accounts.

The City Building external auditor signed the 2021/22 Accounts in March 2024 and the 2022/23 Accounts in March 2025. Work has commenced on the audit of the 2023/24 City Building Accounts.

During 2023/24 the Head of Audit and Inspection reported instances where Internal Audit had not been able to operate in compliance with certain elements of the Public Sector Internal Audit Standards in relation to City Building, outlining concerns around CBG Executive Management culture in relation to the role of audit and governance. The Council's Section 95 officer also had cause to write to the Joint Venture members outlining similar concerns. A response outlining their instructions for corrective action by CBG was issued by the Joint Venture members. A new Managing Director was appointed in January 2025 and these concerns are now being addressed.

### *Scottish Events Campus Limited (SEC)*

- 3.2.5 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. Management have made significant improvements in arrangements during 2024/25, including the appointment of additional specialist health and safety teams and a new digital incident reporting system. Scrutiny on progress continues to be reported through the SEC Board and a series of internal and external health and safety audits are scheduled for 2025/26.

## **3.3 Specific Issues**

### *Senior Officer Exit Payments*

- 3.3.1 Following publication of the Council's 2023/24 Remuneration Report, concerns were raised with the Chief Executive by the Leader of the Council and the City Treasurer regarding payments made to five former Senior Officers as part of their exits from Council employment. The Council also received questions and requests



under Freedom of Information legislation. An initial review of the underlying documentation and process relating to these packages was carried out by the council's Monitoring Officer and Head of Audit and Inspection.

The Chief Executive then instructed Brodies LLP to undertake an independent, external investigation into the circumstances in which the payments were made and the approval processes which led to them. Thereafter Brodies instructed a Kings Counsel to prepare an Opinion to confirm the findings of this review. The scope of this review and detailed findings were considered by the Finance and Audit Scrutiny Committee on 11 March 2025. The Brodies review, supported by the KC, highlighted a number of significant governance issues and recommended a number of improvements to the Council's governance arrangements.

Management have developed enhanced governance arrangements, procedural changes and updates to the Council's Scheme of Delegated Functions to address the issues and recommendations highlighted by Brodies. These were considered by the Wellbeing, Equalities, Communities, Culture and Engagement City Policy Committee on 17 April 2025 before being approved by the City Administration Committee on 8 May 2025. Changes to the Scheme of Delegated Functions and Committee Terms of Reference were approved by Full Council on 15 May 2025. A full review of the Scheme of Delegation is planned for 2025/26. The Internal Audit plan for 2025/26 (approved by the Finance and Audit Scrutiny Committee on 26th March 2025) includes specific reviews to provide assurance on the concerns and recommendations arising from the Brodies report present to the Finance and Audit Scrutiny Committee on 11th March 2025. The Head of Audit and Inspection will provide updates on progress with these actions to the Finance and Audit Scrutiny Committee.

#### *City Building – Performance Management*

- 3.3.2 As part of the 2024/25 City Building Internal Audit plan, a comprehensive review of Performance Management arrangements was undertaken relating to the repairs service provided to Wheatley Housing Group, the Glasgow City Council Group and other third party clients. The audit opinion was unsatisfactory due to the absence of a formal performance management framework and the identification of issues relating to the underlying repairs workflow and data accuracy. Management are in the process of establishing a new performance management framework and have committed to a full review of the repairs workflow and associated ICT support systems.

#### **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 reasonable assurance can be placed upon the adequacy

and effectiveness of the governance and control environment which operated during 2024/245 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 for 2024/25**  
**Glasgow City Council**

**June 2025**

*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.*

## **6. Recommendations**

Members are asked to

- Note the content of the 2024/25 Internal Audit Annual Report;
- Note the content of the draft 2024/25 Annual Governance Statement; and
- Refer the draft 2024/25 Annual Governance Statement to the City Administration Committee for approval as part of the 2024/25 Annual Accounts.

## APPENDIX 1

### ❖ 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.

- 2.2 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

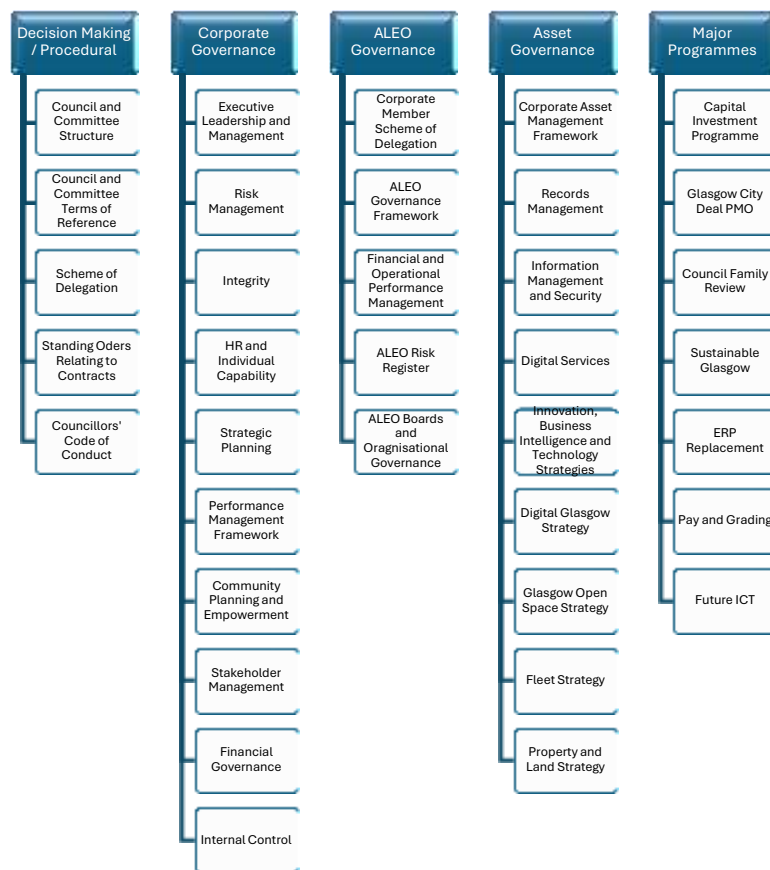
growing due to the complex needs of many of our families. Big changes across the broader public sector are both required and challenging and the council is working with a number of local and national partners to drive whole system change through service reform and innovation, both to respond to the needs of citizens and the need to secure budget sustainability in a challenging environment. Upstream pressures such as an ageing population, an increase in demand for additional support needs, mental health challenges and public health challenges can only be tackled through transformation and innovation while continuing to be able to set balanced budgets and deal with business as usual pressures.

### **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 four Grand Challenges and over 200 commitments set out in the [Council Strategic Plan 2022-2027](#).

### **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 commitments and consider whether these 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 currently under detailed review, taking into account the 2025 Addendum to the Delivering Good Governance Framework, and is expected to be concluded by end 31 March 2026. The current version remains relevant 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

4.5 The main features of the governance framework in operation across 2024/25 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 most appropriate level consistent with the nature of the issues involved in order to ensure that services are delivered effectively and that there is the required degree of accountability and political oversight. In response to governance issues identified with senior officer exit payments (as detailed in Section 7 below), the Council has made updates to the Scheme of Delegation in May 2025.

The Council operates Codes of Conduct for employees and elected members are required to adhere to the nationally prescribed Councillors' Code of Conduct. Both Codes of Conduct incorporate the Seven Principles of Public Life (known as the Nolan Principles). This is an area of focus for the Council, with additional training for officers and elected members planned for 2025/26. Internal Audit is also including a bank of time for culture audits within the 2025/26 Internal Audit Plan.

- (c) 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.

The Strategic Plan is scrutinised and monitored by the Operational Performance and Delivery Scrutiny Committee (OPDSC). The following Grand Challenge Missions were subject to scrutiny during 2024/25:

Committee	Grand Challenge	Missions
<a href="#">10 April 2024</a>	GC 3	1 - Deliver sustainable transport and travel aligned with the city region 2 - Become a net zero carbon city by 2030
<a href="#">8 May 2024</a>	GC 4:	1 - Create safe, clean and thriving neighbourhoods
<a href="#">5 June 2024</a>	GC1	2 - Meet the learning and care needs of children and their families before and through school. 3 - Improve the health and wellbeing of our local communities.
<a href="#">4 Sept 2024</a>	Committee training	



<a href="#">2 Oct 2024</a>	GC2	2 - Support the growth of an innovative, resilient and net zero carbon economy 3 - Raise attainment amongst Glasgow's children and young people
<a href="#">6 Nov 2024</a>	GC3	1: Deliver sustainable transport and travel aligned with the city region
<a href="#">4 Dec 2024</a>	GC4	2: Run an open, well governed council in partnership with all our communities 3: Enable staff to deliver a sustainable and innovative council structure that delivers value for money
<a href="#">15 Jan 2025</a>	GC1	1: End child poverty in our city using early intervention to support families 2: Meet the learning and care needs of children and their families before and through school 3: Improve the health and wellbeing of our local communities 4: Support Glasgow to be a city that is active and culturally vibrant
<a href="#">12 Feb 2025</a>	GC2	1: Support Glasgow residents into sustainable and fair work 2: Support the growth of an innovative, resilient and net zero carbon economy 3: Raise attainment amongst Glasgow's children and young people
<a href="#">12 Mar 2025</a>	GC3	1: Deliver sustainable transport and travel aligned with the city region 2: Become a net zero carbon city by 2030.

The Committee has continued to receive updates from officers on the ongoing review of the Performance Manual and approach to reporting. The complexity of reporting progress from a large number of Commitments contained in the report, highlighted by the Annual Audit Report by EY, has been acknowledged and work is ongoing to continue to use the annual review of the Strategic Plan to further refine these.

- (d) 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.
- (e) 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. A new Performance Framework for the Partnership was approved by the Executive Board in March 2025 and sets out a citywide approach to reporting outcomes most relevant to the lives of Glasgow's communities, highlighted as a priority within the revised Statutory Performance Information Direction in December 2024. Local action plans are placed through the work of the Communities Team of the council and will continue to be developed as Ward Plans for each of the 23 Area Partnerships are refined. The Performance Framework details the outcomes for short (1 year), medium (3 years) and long term (10 years).

- (f) 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.
- (g) 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. A review of the Risk Management Policy and Framework is underway and is due to be completed and relaunched in Q4 2025/26. 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 in [June](#) and [November](#) of 2024. It was agreed that from 2024/25 the Council's Corporate Leadership Team will sit as a Risk Board every six months and that this will include 'deep dives' into a sample of corporate risks. The Risk Boards have proved successful and the initiative has been retained. The deep dive of risks has been aligned to topical issues / significant risks and correlates with the key governance challenges outlined within sections 6 and 7 of this statement and where relevant major programmes outlined in the chart in section 4.4. The Board has sat three times to a date and has covered the following - climate, HR capability and capacity and most recently the ERP replacement,
- (h) 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 Digital Services with membership across the Council Family, 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. Representation of the wider Council Family is allowing for broader engagement and participation and feedback on this approach continues to be 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.

Through the Road to Multi-Source Strategy, enhancements to disaster recovery arrangements are also being progressed to improve the Council's resilience.

- (i) 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). In response to governance issues identified with senior officer exit payments (as detailed in Section 7 below), the Whistleblowing Policy will be reviewed and relaunched during 2025/26.
- (j) 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 May 2025.
- (k) 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 in respect of social work complaints was presented to OPDSC on [6<sup>th</sup> November 2024](#) and in respect of all other council services on [4<sup>th</sup> December 2024](#).
- (l) 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 Annual Procurement Report for 2024/25 will be published in September 2025, providing details of:
  - the eight actions delivered against the Sustainable Procurement Strategy 2023;
  - a summary of the regulated procurements that have been completed over the last two years, with a review of whether those procurement complied with the council's procurement strategy;
  - a summary of any community benefits requirements imposed as part of regulated procurement that were fulfilled during the year covered by the report;
  - a summary of any steps taken to facilitate the involvement of support business in regulated procurements during the year covered by the report; and
  - a summary of the regulated procurement the council expects to commence in the next two financial years.

A link to the current and previous annual procurement reports can be found here - [Corporate Strategy/Annual Report - Glasgow City Council](#)

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.

- (m) 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.
- (n) Information and data security and records management have a high profile within the Council. In 2024/25, 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. Elements of these arrangements were the subject of Internal Audit reports during the year with actions agreed to address issues identified. In 2024/25, the Council made one report to the Information Commissioner's Office (ICO) in relation to an information security breach. No action was taken by the ICO.  
In October 2024, the ICO issued and published a formal Reprimand in relation to the Council's failure to meet its statutory duties in the handling of Subject Access Requests (SARs) and served an Assessment Notice on the Council. The Assessment Notice entitled the ICO to carry out a compulsory audit of the Council's handling of SARs which was undertaken in December 2024. Following the ICO's compulsory audit the Council has a number of recommendations to implement to improve its handling of SARs.

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 and we are currently accredited until May 2026. The Council is also accredited to the Payment Card Industry Data Security Standard. The council was 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. This audit also identified no high priority areas for improvement. In 2025/26 the Council will be looking to achieve Cyber Essentials Plus certification in addition to the current accreditations.

- (o) 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 2024/25. During the year, the comprehensive review of City Building (Glasgow) LLP remained ongoing, this will conclude during 2025/26. 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 [12 March 2025](#).

- (p) 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](#). The noted enhancements specifically in relation to Risk Governance and renewed oversight of City Policies and Strategies have further reported on at OPDSC on [12 March 2025](#) and are now considered to be embedded within the ALEO governance framework.
- (q) 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 2024 Glasgow Household Survey were reported to OPDSC [on 2 October 2024](#). 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 2024/25.
- (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 new Global Internal Audit Standards (in the UK Public Sector) were launched during 2024/25 and Internal Audit has recently updated the Internal Audit Charter. Work is currently progressing on the gap analysis of the current arrangements against the new arrangements. 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 2024/25 was approved by the Finance and Audit Scrutiny Committee on [20 March 2024](#).

- (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 2024/25:
  - [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 2024/25, 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 Work is ongoing to further focus the leadership and governance processes to support Public Service Reform within the council and with partners. Led by the newly-named Corporate Leadership Team (to replace the former Corporate Management Team) the work focuses on budget sustainability and innovation to achieve whole system change. Working with Scottish Government, UK Government, the City Region and other local authorities, examples such as the Child Poverty Programme and Innovation Accelerators are being used to further develop this work.

- 6.2 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.

- 6.3 For the 2023/24 financial year, EY completed the Best Value Audit on the theme of 'Workforce Innovation', the audit specifically focussed on:

- How effectively the Council's workforce plans integrate with its strategic plans and priorities
- How effectively digital technology has been used to support workforce productivity
- What innovative practices the Council has used to develop its future workforce
- How effectively is the Council measuring the impact of its workforce planning approach.

- 6.4 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. The report was considered by Finance and Audit Scrutiny Committee (FASC) on [21 May 2025](#). An action plan for the recommendations has been agreed, with full implementation expected by 31 July 2026.

- 6.5 The 2023/24 Annual Audit Report by EY was considered by the Finance and Audit Scrutiny Committee on [30 April 2025](#). The report contained a number of important conclusions and recommendations for the Council, covering:

- Financial sustainability considerations
- Governance, reflecting the issues noted in section 7 below.

- Financial management capacity
- Performance management reporting

A number of recommendations were made by EY in 2024/25 across the Annual Audit Report and Best Value report and Finance and Audit Scrutiny Committee gets regular updates on these.

## **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 Managed Service provider. The improvements required are being progressed by the Council through an agreed action plan. Since then, considerable work has been undertaken to deliver improvements to the Council's security environment, including technical, governance, reporting and risk management aspects and 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 risk in this area during 2024/25. Through the Road to Multi-Source Strategy (R2MS), management intend to work with Managed Service Providers to mitigate the risks, in this complex and ever-changing area, as much as possible during 2025/26.

### 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 has been fully functional throughout 2023/24 and 2024/25 with no similar issues experienced. All management actions identified following the incident have also now been implemented.

### City Building 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 during 2022/23. Whilst City Building continues to investigate potential improvements to repairs systems and workflows, all original audit recommendations have now been implemented.



## City Building Whistleblowing

- 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. Council and Wheatley Housing Group Management, as Joint Venture Members, appointed Brodies LLP to undertake a forensic investigation. This resulted in a delay to the signing of the City Building financial statements, and a qualification by the external auditor on the 2022/23 and 2023/24 Council Group's accounts.

The City Building external auditor signed the 2021/22 Accounts in March 2024 and the 2022/23 Accounts in March 2025. Work has commenced on the audit of the 2023/24 City Building Accounts.

During 2023/24 the Head of Audit and Inspection reported instances where Internal Audit had not been able to operate in compliance with certain elements of the Public Sector Internal Audit Standards in relation to City Building, outlining concerns around CBG Executive Management culture in relation to the role of audit and governance. The Council's Section 95 officer also had cause to write to the Joint Venture members outlining similar concerns. A response outlining their instructions for corrective action by CBG was issued by the Joint Venture members. A new Managing Director was appointed in January 2025 and the Head of Audit and Inspection has confirmed in the 2024/25 Internal Audit Annual Report that these concerns are now being addressed.

## Scottish Events Campus Limited (SEC)

- 7.5 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. Management have made significant improvements in arrangements during 2024/25, including the appointment of additional specialist health and safety teams and a new digital incident reporting system. Scrutiny on progress continues to be reported through the SEC Board and a series of internal and external health and safety audits are scheduled for 2025/26.

## Senior Officer Exit Payments

- 7.6 Following publication of the Council's 2023/24 Remuneration Report, concerns were raised with the Chief Executive by the Leader of the Council and the City Treasurer regarding payments made to five former Senior Officers as part of their exits from Council employment. The Council also received questions and requests under Freedom of Information legislation. An initial review of the underlying documentation and process relating to these packages was carried out by the council's Monitoring Officer and Head of Audit and Inspection.

The Chief Executive then instructed Brodies LLP to undertake an independent, external investigation into the circumstances in which the payments were made and the approval processes which led to them. Thereafter Brodies instructed a Kings Counsel to prepare an Opinion to confirm the findings of this review. The scope of this review and detailed findings were considered by the Finance and Audit Scrutiny Committee on [11 March 2025](#). The Brodies review, supported by the KC, highlighted a number of significant governance issues and recommended a number of improvements to the Council's governance arrangements.

Management have developed enhanced governance arrangements, procedural changes and updates to the Council's Scheme of Delegated Functions to address the issues and recommendations highlighted by Brodies. These were considered by the Wellbeing, Equalities, Communities, Culture and Engagement City Policy Committee on [17 April 2025](#) before being approved by the City Administration Committee on [8 May 2025](#). Changes to the Scheme of Delegated Functions and Committee Terms of Reference were approved by Full Council on [15 May 2025](#). A full review of the Scheme of Delegation is planned for 2025/26. The Internal Audit plan for 2025/26 (approved by the Finance and Audit Scrutiny Committee on 26<sup>th</sup> March 2025) includes specific reviews to provide assurance on the concerns and recommendations arising from the Brodies report present to the Finance and Audit Scrutiny Committee on 11<sup>th</sup> March 2025. The Head of Audit and Inspection will provide updates on progress with these actions to the Finance and Audit Scrutiny Committee.

## **8. Significant governance issues**

### City Building – Performance Management

- 8.1 As part of the 2024/25 City Building Internal Audit plan, a comprehensive review of Performance Management arrangements was undertaken relating to the repairs service provided to Wheatley Housing Group, the Glasgow City Council Group and other third party clients. The audit opinion was unsatisfactory due to the absence of a formal performance management framework and the identification of issues relating to the underlying repairs workflow and data accuracy. Management are in the process of establishing a new performance management framework and have committed to a full review of the repairs workflow and associated ICT support systems.

## **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 reasonable assurance can be placed upon the adequacy and effectiveness of the governance and control environment which operated during 2024/25 in the council and its subsidiaries and relevant associates.

## **10. Certification**

It is our opinion that reasonable 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 senior officer exit payments, ICT services and resilience, 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  
xx June 2025

Susanne Millar  
Chief Executive  
xx June 2025

## **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 2026. 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 2025 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.