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 2024/25 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, Ernst & Young.

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). 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).

1.6 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 an external assessment undertaken in 2021/22 have confirmed that Internal Audit complies with the main 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).

1.7 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 2024/25

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 2024/25 fieldwork for three specific assurance reviews, and additional follow-up reviews, was completed, with a total of 53 days allocated. The audit work covered:

- Shared Prosperity Fund (SPF) – Regional Project Compliance.
- Financial Monitoring - Phase 2.
- Gateway Readiness Review – Lessons Learned.
- The implementation of recommended actions arising from previous audit work.

4.   2024/25 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 2024/25 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 2024/25 in relation to the control environment in their authority. From the perspective of the Glasgow City Region Cabinet, no new significant governance issues have been reported by the Internal Audit teams of the member authorities during the year, however the issue reported in previous years in relation to ICT arrangements within Glasgow City Council has not yet been fully resolved (see section 6 below).

5.   2024/25 Audit Work

5.1   All fieldwork due to be undertaken in 2024/25 has been completed. The results of the assurance audits undertaken have been agreed with the PMO. Work by Internal Audit in a critical friend capacity was also undertaken in February 2025. The purpose of this piece of work was to lead on a lessons learned session relating to the GCR Gateway Review 2. The session aimed to assess successes, challenges, and areas for improvement to enhance future practices. An Internal Audit Briefing Note and Lessons Learned Reflection template was produced as a result of this work.

5.2   Internal Audit will undertake follow up work during 2025/26 to confirm implementation of agreed recommendations. Cabinet will be provided with updates on this work.

6.   Update on Governance Issues reported in 2024/25

6.1   As part of the Internal Audit plan for Glasgow City Council for 2021/22, one unsatisfactory audit opinion was issued in relation to ICT. Since then, considerable work has been undertaken to deliver improvements, and whilst a number of higher risk areas are now mostly mitigated, there are other areas where remediation is still ongoing. The improvements required do not specifically relate to the Cabinet and are currently being progressed within Glasgow City Council.

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, it is my opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the governance and control environment which operated during 2024/25.

Jillian Campbell
Head of Audit & Inspection
Glasgow City Council   **June 2025**

Annual Governance Statement 2024/25

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 four 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 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 or other programme.
- 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 project.

Lead Authority

Glasgow City Council is the lead authority for the Glasgow City Region Cabinet. As lead authority, the Council holds and disburses the City Deal and Shared Prosperity grant funding; 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 a quarterly basis. Occasional ad hoc meetings are also held as required. Cabinet meeting dates are listed in the Council Diary which is available at: https://onlineservices.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 projects 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 2024/25.

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://www.glasgow.gov.uk/article/1319/Local-Code-of-Corporate-Governance

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, Ernst & Young.

The Cabinet complies with the CIPFA Statement on "The Role of the Chief Financial Officer in Local Government 2016". The Glasgow City Council Executive Director of Financial Services 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.

The Cabinet complies with the requirements of the CIPFA Statement on "The Role of the Head of Internal Audit in Public Organisations 2019". The appointed Chief Internal Auditor has responsibility for the internal audit function and is professionally qualified and suitably experienced to lead and direct internal audit staff. The Internal Audit service generally operates in accordance with the CIPFA "Public Sector Internal Audit Standards 2017".

The lead authority, Glasgow City Council has assessed its compliance with the CIPFA Financial Management Code (2019), which became mandatory from 2021/22 onwards. The assessment in 2024/25 indicated the Council was compliant with each of the requisite financial management standards.

The lead authority, Glasgow City Council, has a publicised Whistleblowing Policy in place and 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).

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.

Update on Significant Governance Issues Previously Reported
As part of the Internal Audit plan for Glasgow City Council for 2021/22, one unsatisfactory audit opinion was issued in relation to ICT. Whilst a number of higher risk areas are now mostly mitigated, there are other areas where remediation is still ongoing. The improvements required do not specifically relate to the Cabinet and are currently being progressed within Glasgow City Council.

Significant Governance Issues

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 2024/25 in relation to the remit of the Glasgow City Region Cabinet. Each member Local Authority Head of Internal Audit is required to submit an Assurance Statement for 2024/25 in relation to the control environment in their authority. From the perspective of the Glasgow City Region Cabinet, no new significant governance issues have been reported by the Internal Audit teams of the member authorities during the year, however the issue reported in previous years in relation to ICT arrangements within Glasgow City Council has not yet been fully resolved.

Internal Audit Opinion

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.

Assurance work undertaken within the Glasgow City Region Cabinet in 2024/25 included:
- SPF Regional Project Compliance
- Financial Monitoring Phase 2
- Gateway Readiness Review – Lessons Learned
- A review of the implementation of recommended actions arising from previous audit work.

Based on the audit work undertaken and the assurances provided by the member authorities, it is the Head of Audit & 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.

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 2024/25 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.

Council Leader and   **Chief Executive**
Chair, Glasgow City Region Cabinet   **Glasgow City Council**
(Susan Aitken)   **(Susanne Millar)**
June 2025   *June 2025*