## 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 2025/26 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 new Global Internal Audit Standards (in the UK Public Sector) (GIAS), which have been adopted by the Relevant Internal Audit Standard Setters (RIASS). The RIASS includes, among others, HM Treasury, the Scottish Government and the Chartered Institute of Public Finance and Accountancy (CIPFA).

1.6 As part of the standards, Internal Audit is required to undertake annual self-assessments. The GIAS also continue the 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 2025/26 self-assessment has confirmed that Internal Audit conforms with the requirements of the GIAS. The next external assessment is due to be undertaken by Leeds City Council in 2026/27. A Quality Assurance and Improvement Programme (QAIP) is in place to further enhance the Internal Audit service (Appendix 2).

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 2025/26

### 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 2025/26 fieldwork for three specific assurance reviews, and additional follow-up reviews, was completed, with a total of 53 days allocated. The audit work covered:

- Fair Work First Compliance – across member authorities.
- Clyde Mission and Heat Decarbonisation – review of governance arrangements.
- Investment Zones – Critical friend approach to providing advice and guidance.
- The implementation of recommended actions arising from previous audit work.

## 4. 2025/26 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 2025/26 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 2025/26 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. 2025/26 Audit Work

5.1 All fieldwork due to be undertaken in 2025/26 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 throughout 2025/26 in relation to the Glasgow City Region Investment Zones. The purpose of this was to assist in the development of an assurance framework, grant pass down agreements and queries around the expected level of controls in the compliance with the Memorandum of Understanding from the UK Government .

5.2 Internal Audit will undertake follow up work during 2026/27 to confirm implementation of agreed recommendations. Cabinet will be provided with updates on this work.

## 6. Update on Governance Issues previously reported

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 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. 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 2025/26.

**Jillian Campbell**
**Head of Audit & Inspection**
**Glasgow City Council** **June 2026**

**Annual Governance Statement 2025/26**

**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.

**Accountable Body**

Glasgow City Council is the accountable body for the Glasgow City Region Cabinet. As accountable body, 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 accountable body.

**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 accountable body.

**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 accountable body, 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 accountable body 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 2025/26.

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

The accountable body, 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 2025/26 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 2025/26 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 2025/26 included:

- Fair Work First Compliance
- Clyde Mission Heat Decarbonisation – Governance Arrangements
- Investment Zones – Critical Friend Approach
- 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 2025/26.

**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 2025/26 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**
**Chair, Glasgow City Region Cabinet**
**(Susan Aitken)**
***June 2026***

**Chief Executive**
**Glasgow City Council**
**(Susanne Millar)**
***June 2026***

**Glasgow City Council – Internal Audit**

**Quality Assurance and Improvement Programme (QAIP)**

**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 Global Internal Audit Standards, Application Note Global Internal Audit Standards in the UK Public Sector, CIPFA Code of Practice for the Governance of Interna Audit in UK Local Government, Definition of Internal Auditing 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.

**Internal Assessment**

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

**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.

**Periodic reviews**

- Performs its work in accordance with its Audit Charter, which is consistent with the Global Internal Audit Standards, Application Note Global Internal Audit Standards in the UK Public Sector, CIPFA Code of Practice for the Governance of Interna Audit in UK Local Government, Definition of Internal Auditing and ISO 9001: 2015,
- Operates in an efficient and effective manners; and
- Is adding value and continually improving Internal Audit operations.

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- 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 Global Internal Audit Standards, Application Note Global Internal Audit Standards in the UK Public Sector, CIPFA Code of Practice for the Governance of Interna Audit in UK Local Government, Definition of Internal Auditing 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 Global Internal Audit Standards.
- Regular activity and performance reporting to the Council’s Corporate Management Team.
- 6 monthly activity and performance reporting to Elected Members through the Council’s Finance and Audit Scrutiny Committee.
- Head of Audit and Inspection’s Annual Report to Elected Members on internal audit activity for the previous year.

**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 the next review will be undertaken by Leeds City Council in 2026/27.

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 2026.

**Reporting**

Internal Assessments – reports on internal assessments are reported to the Internal Audit Senior Management Team, the Financial Services Leadership Team and the Council’s 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.