



Glasgow City Council

Finance and Audit Scrutiny Committee

Report by Head of Audit and Inspection

Contact: Duncan Black Extension: 74053

Item 5

3rd October 2018

**ARMS LENGTH EXTERNAL ORGANISATIONS
INTERNAL AUDIT UPDATE REPORT (JANUARY TO AUGUST 2018)**

Purpose of Report

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

Note:

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

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

Recommendations

The Committee is asked to:

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

Ward No(s):

Citywide:

Local member(s) advised: Yes No

consulted: Yes No

1. Introduction

- 1.1 The Internal Audit annual opinion, which informs the Council group's Annual Governance Statement in the Financial Statements, includes the Council's ALEOs. The Finance and Audit Scrutiny Committee therefore has an interest in the outcomes of audits at the Council's ALEOs that have an impact upon the governance arrangements within the Council's group.
- 1.2 Glasgow City Council's Internal Audit function is also the appointed Internal Auditor for the following ALEOs (and relevant subsidiaries) within the Council's group:
 - City Building (Glasgow) LLP;
 - City Building (Contracts) LLP;
 - City Parking (Glasgow) LLP;
 - City Property (Glasgow) LLP;
 - Community Safety Glasgow;
 - Cordia (Services) LLP;
 - Glasgow Life; and
 - Jobs & Business Glasgow.
- 1.3 Each ALEO has its own agreed Internal Audit plan that is approved by the Audit Committee or Board of the organisation. The audit plan is developed following the same process as that of Glasgow City Council. The outcomes from the audits undertaken at each of the ALEOs are reported to the Audit Committee/Board of the ALEO in the first instance.
- 1.4 All ALEOs within the Council group are also required to complete and submit to Internal Audit an annual self-assessment questionnaire on the governance arrangements within the organisation. These questionnaires are sample checked on a rolling basis to confirm reliability and the outcomes help inform the annual opinion.
- 1.5 This report provides a summary to the Council's Finance and Audit Scrutiny Committee of the Internal Audit activity relating to ALEOs in the period January to August 2018.

2. Results of audits undertaken at ALEOs

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

Audit Title	Opinion	Number and Priority of Recommendations		
		High	Medium	Low
City Building (Glasgow) LLP				
Risk Management	Reasonable assurance	0	0	3
Financial Planning	Reasonable assurance	0	1	6
Business Continuity Planning and Disaster Recovery	Reasonable assurance	0	7	2
Governance	Reasonable assurance	0	1	4
Performance Management	Reasonable assurance	0	2	5
Interactions between City Building (Glasgow) LLP and City Building (Contracts) LLP	Reasonable assurance	0	1	1
City Building (Contracts) LLP				
n/a (Note 1)		-	-	-
City Parking (Glasgow) LLP				
Financial Management	Reasonable assurance	0	4	3
Cash Management	Reasonable assurance	2	1	4
City Property (Glasgow) LLP				
Abnormal costs process	Reasonable assurance	0	3	2
Disaster Recovery	Reasonable assurance	1	0	0
Community Safety Glasgow				
Alarm Receiving Centre (2 nd Review)	Reasonable assurance	0	1	2
Business Continuity Planning	Reasonable assurance	1	2	2
Third party arrangements	Limited assurance	4	6	1
Cordia (Services) LLP				
Cash Count Spot Checks	Limited assurance	3	6	1
Glasgow Life				
Subvention	Reasonable assurance	0	2	3
Lessons Learned from Employment Tribunal	N/a(Note 2)	1	0	0
Artistic Events Governance arrangements	Limited assurance	0	4	1
Records Management	Limited assurance	2	2	0
Sports Interactions	Report completed. To be presented to the Glasgow Life Audit Committee (December 2018)			
Capital review	Report completed. To be presented to the Glasgow Life Audit Committee (December 2018)			
Jobs & Business Glasgow				
Business Continuity Planning	Limited assurance	2	6	2
Financial Management	Reasonable assurance	0	4	2
Information Security at Employability Hubs	Reasonable assurance	2	6	0
Performance Management	Reasonable assurance	1	3	0
Governance Framework (including compliance with Office of the Scottish	Reasonable assurance	1	6	3

Audit Title	Opinion	Number and Priority of Recommendations		
		High	Medium	Low
Charity Regulator requirements)				
Third party arrangements	Report completed. To be presented to the Jobs & Business Glasgow Audit Committee (November 2018)			
TOTAL		20	68	47

Notes:

- (1) The review of charging arrangements between City Building (Glasgow) LLP and City Building (Contracts) LLP provided joint assurance.
- (2) The scope of the audit included reviewing progress against recommendations made by Legal Services and an assurance opinion was not required.

2.2 There are a number of audits which although complete, have not yet been presented to the relevant ALEO Audit Committee/Board. There are also audits currently being undertaken at ALEOs where the fieldwork is nearing completion and the summary results will be reported in the next Internal Audit ALEO update report to the Finance and Audit Scrutiny Committee.

2.3 As with all internal audit recommendations, the Head of Audit and Inspection will monitor the implementation of recommendations outlined above, with further updates on implementation provided to the Finance and Audit Scrutiny Committee as part of the next Internal Audit ALEO update report.

3. Implementation of Actions Arising

3.1 The last report to Committee, in January 2018, noted that there were 32 recommendations made to the ALEOs in the reporting period April to December 2017. Since this time, work has been undertaken to follow up on these recommendations to confirm implementation. The current status is detailed in the table below:

ALEO	Number of Recommendations												
	Made	Not yet due for completion			Completed			Outstanding			No Longer Relevant		
		H	M	L	H	M	L	H	M	L	H	M	L
City Building (Glasgow) LLP	17					8	9						
City Property (Glasgow) LLP	4					3			1				
Community Safety Glasgow	8					8							
Glasgow Life	3					2	1						
TOTAL	32	-	-	-	-	21	10	-	1	-	-	-	-

4. Recommendations

4.1 The Committee is asked to:

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