



Glasgow City Council

Finance and Audit Scrutiny Committee

Report by Head of Audit and Inspection

Contact: Duncan Black Extension: 74053

Item 4

30th September 2020

**ARMS LENGTH EXTERNAL ORGANISATIONS
INTERNAL AUDIT UPDATE REPORT**

Purpose of Report

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

Note:

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

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

Recommendations

The Committee is asked to:

- 1) Note the content of the report, and
- 2) Instruct the Head of Audit & Inspection to provide a further report to the Finance and Audit Scrutiny 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;
 - 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 March 2020 to August 2020.

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 (CBG)				
Schedule of Rates (Note 1)	Reasonable assurance	0	3	0
City Property (Glasgow) LLP				
Asbestos Surveys	Reasonable assurance	0	1	1
Risk Management	Reasonable assurance	0	0	2
Glasgow Life				
Attendance Management	Limited assurance	2	1	0
Protection of Vulnerable Group arrangements	Reasonable assurance (current arrangements) Unsatisfactory (historic arrangements)	1	2	0
Additional Payments	Reasonable assurance	0	2	0
Health & Safety	Reasonable assurance	0	3	0

Audit Title	Opinion	Number and Priority of Recommendations		
		High	Medium	Low
Travel and Expenses	Reasonable assurance	0	2	0
Jobs & Business Glasgow				
Health & Safety	Limited assurance	4	3	0
European Funding (Note 2)	Unsatisfactory	2	0	0
Property income and charging	Reasonable assurance	2	3	0
TOTAL		11	20	3

Notes:

1. In addition to the three recommendations for City Building (Glasgow) LLP, the review also highlighted three areas where action was required by the Council to improve the current arrangements. These recommendations have been agreed with management within Property and Land Services and will be followed up and reported back to Committee as part of the regular follow up report
 2. The review of European Funding compliance arrangements at Jobs & Business Glasgow (JBG) highlighted that whilst the control framework for EU Funding is now soundly designed, there are significant elements of non-compliance with eligibility rules, indicating that the monitoring and review controls over claims are not being effectively complied with. JBG Management have agreed the two high priority recommendations and both are due to be implemented by 30 September 2020. To date management have advised that a number of actions have been swiftly implemented following the audit review including additional checks, exception reports generated and regular meetings with staff to review exceptions. In addition refresher training has been arranged for staff and JBG staff are working with staff within Development & Regeneration Services (DRS) to ensure that both JBG and DRS staff are clear on and applying eligibility rules consistently.
- 2.2 There are a number of audits currently being undertaken at ALEOs where the fieldwork is underway 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 March 2020, noted the recommendations made to the ALEOs in the reporting period October 2019 to March 2020 plus recommendations outstanding from a previous review. Since this time, work has been undertaken to follow up on these recommendations to confirm implementation. The current status is detailed in the table in Appendix One.

3.2 Of the 96 recommendations, 25 (26%) have been completed, 34 (35.5%) have been partially completed, 35 (36.5%) are outstanding and 2 (2%) are not yet due for completion. Revised implementation dates have been agreed for all outstanding recommendations and these will be followed up and reported back to Committee until fully implemented.

4. Recommendations

4.1 The Committee is asked to:

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

APPENDIX 1

ALEO	Number of Recommendations															
	Made	Not yet due for completion			Completed			Outstanding			Partially Implemented			No Longer Relevant		
		H	M	L	H	M	L	H	M	L	H	M	L	H	M	L
City Building (Glasgow) LLP	5	-	-	-	-	1	-	-	4	-	-	-	-	-	-	-
City Parking (Glasgow) LLP	12	-	-	-	-	-	1	3	2	-	1	5	-	-	-	-
City Property (Glasgow) LLP	19	-	-	-	2	4	3	3	1	2	2	2	-	-	-	-
Glasgow Life	48	-	2	-	1	3	-	3	15	2	9	13	-	-	-	-
Jobs & Business Glasgow	12	-	-	-	-	9	1	-	-	-	-	2	-	-	-	-
TOTAL	96	-	2	-	3	17	5	9	22	4	12	22	-	-	-	-