

Glasgow City Council Internal Audit

Annual Audit Plan 2020/21

1. Introduction

- 1.1 The Public Sector Internal Audit Standards require the Head of Audit and Inspection to submit the annual audit plan to an appropriate Audit Committee for approval. This report outlines the proposed annual audit plan for Glasgow City Council for 2020/21.

2. Background

- 2.1 Internal Audit is an assurance function that primarily provides an independent and objective opinion on the control environment within Glasgow City Council and its Group. The annual audit plan is designed to assist the Head of Audit and Inspection in formulating that opinion. The plan also includes work which does not directly contribute to the annual governance statement such as participation in project or system implementation.
- 2.2 In developing the annual audit plan, Internal Audit held discussions with senior officers in all Services and the Council's Arms Length External Organisations (ALEOs). Corporate and Service risk registers have also been considered.
- 2.3 Changes in organisational structures, system developments, changes in working practices and legislative requirements create a constantly changing control environment. Taking these factors into account, the highest risk areas are brought forward in the annual audit plan. Risk is assessed by considering various factors. These include the potential financial impact if controls fail, any changes or new processes/systems that have been implemented and the assessment of senior officers and auditors regarding the effectiveness of controls in key areas. These risk scores are weighted and the highest composite scoring areas are prioritised in the audit plan.
- 2.4 In recent years, internal audit has undertaken a number of significant investigations into instances and allegations of non-compliance with Council's policies, procedures and controls. Whilst the action required and matters arising from these investigations have been reported and acted upon accordingly, we have developed a response programme, which continues to inform the audit plan. This includes specific audits of organisational culture and Board operations, and spot check compliance audits focussing on declarations and procurement matters.
- 2.5 Internal Audit work will be undertaken in accordance with the Public Sector Internal Audit Standards 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). Internal Audit has a quality framework in place to ensure compliance with these Standards and has been subject to a validated external quality assessment that confirmed compliance. Internal Audit is also compliant with the international standard ISO9001:2015.
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3. Internal Audit Reporting

- 3.1 The audit plan shows the outputs which Members and senior officers can expect from Internal Audit during 2020/21.
- 3.2 Internal Audit will issue reports showing audit findings on directly provided Council Services to Executive Directors, highlighting any control weaknesses, together with recommendations for improvement, and will present summary reports to the Finance and Audit Scrutiny Committee (FASC). Any significant area of control weakness will be reported in the annual governance statement.
- 3.3 The audit findings relating to ALEOs will be reported to their Chief Executive or Managing Director and, where appropriate, the Board or Audit Committee of the ALEO. Internal Audit will normally be represented at each Board or Audit Committee where audit reports are considered. All reviews which result in a “control environment is unsatisfactory” opinion will also be considered to determine if the findings should be reported to FASC after they have been considered by the relevant ALEO.
- 3.4 Internal Audit is also the auditor for the Strathclyde Pension Fund, the Glasgow City Integration Joint Board and the Glasgow City Region Cabinet (which is responsible for the implementation of the Glasgow City Region City Deal). The audit plans and related reports relating to these entities are reported to the relevant Committee/Cabinet. We also continue work jointly with the Wheatley Group to provide Internal Audit services to City Building (Glasgow) LLP.
- 3.5 Internal Audit will provide FASC with summary reports on the performance of the section. These will also outline the usage made of the Council’s Whistleblowing facilities. Reporting of investigations will be dealt with in the manner most appropriate to the circumstances and findings of the investigation.

4. Internal Audit Outputs in 2020/21

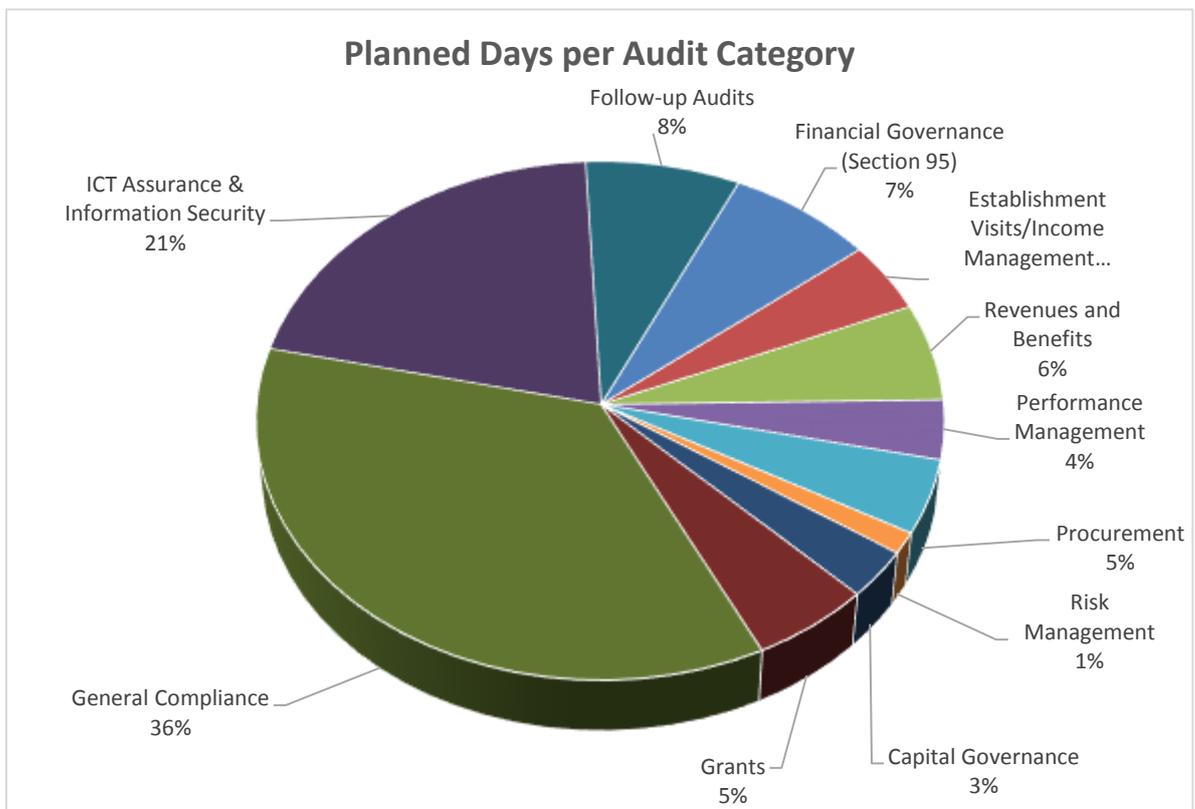
- 4.1 The main output of Internal Audit in 2020/21 will be the Head of Audit and Inspection’s annual report. This is used to inform the Council’s Annual Governance Statement, which is incorporated into the Council’s financial statements. This provides assurance to Members of the Council and senior officers on issues of control within the Council, its group companies and partners. A separate Annual Governance Statement will be prepared for the Strathclyde Pension Fund, the Glasgow City Integration Joint Board, the Glasgow City Region Cabinet and other small statutory bodies.
 - 4.2 The annual report will be based principally on the work undertaken by Internal Audit during the year to complete the audit plan. As noted above, the audit plan has been developed following a risk based assessment of the Council’s key systems, processes and procedures. The key system areas we will cover in 2020/21, and on which we will provide assurance, are shown in Appendix 1, together with the main control risks associated with these areas.
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- 4.3 In addition to providing assurance on the key areas shown in Appendix 1, we will also provide assurance by delivering a range of services under the general heading of “other assurance activities”. The key areas of work in 2020/21 and the assurance that can be taken from our work are described in Appendix 2.
- 4.4 Internal Audit is also required to spend time on areas which do not directly contribute to the Annual Governance Statement but are a necessary part of the operation of the section. Examples of such work are shown in Appendix 3.

5. Resources

- 5.1 In 2020/21 approximately 3,480 days will be available to carry out assurance or assurance-related audit work. Of this, approximately 2,720 days (78.2%) have been set aside to cover issues directly affecting the Annual Governance Statement. 760 days (21.8%) have been allocated for investigations and other work, which includes participation in the National Fraud Initiative (NFI) and investigating Whistleblowing allegations. Although not always direct assurance work, these audits help inform audit planning and the opinion in the Annual Governance Statement.

An approximate breakdown of planned days per audit category (excluding ALEOs and partner organisations) is provided in the chart below.



- 5.2 The audit plan is based on a funded budget of 29 FTE members of staff (including the Corporate Fraud and Investigations team). An organisational chart outlining the structure of the Internal Audit Team is provided at Appendix 4.
- 5.3 Where appropriate, internal audit will work in conjunction with “2nd line” control structures within the Council. For example, the Corporate Governance team within the Chief Executive’s Department, Corporate HR, the Corporate Procurement Unit, and the Strategic Innovation and Technology team. This will prevent duplication of effort and will make best use of the assurance activity across all areas.
- 5.4 Planned audit assurance work should be completed within the resources available provided there is no significant increase in the budget required to undertake demand led work, such as special investigations arising from Whistleblowing.
- 5.5 The Public Sector Internal Audit Standards require that the audit plan should be kept under review to identify any amendments required to reflect changing priorities and emerging risks. FASC will be kept up to date with any material adjustments to the audit plan in 2020/21. An update on internal audit performance will also be provided in a mid-year report.

6. Corporate Fraud and Investigations Team

- 6.1 The work plan for the Corporate Fraud & Investigations (CFI) Team for 2020/21 will include the following areas:
- Council Tax Discounts and Exemptions – ensuring that, where an exemption or relief (including single person discount) has been awarded, there is still an entitlement to the reduction.
 - Council Tax Reduction Scheme – ensuring that reductions in place are still applicable.
 - Non Domestic Rates – ensuring exemptions are only awarded where there is an entitlement to the discount (e.g. charitable relief, empty property discount and small business relief).
 - National Fraud Initiative (NFI) – this is a data matching exercise, run every two years by the Cabinet Office to help prevent and detect fraud. We will lead the investigation of matches from the most recent exercise.
 - Scottish Welfare Fund – ensuring that applications for Community Care Grants (requests for goods) are only awarded where there is a genuine need for the goods.
 - Homelessness – ensuring that persons presenting themselves as homeless are genuine homeless cases.
 - Misuse of Blue Badge parking permits – investigating cases where it has been alleged that a blue badge parking permit is being misused.
 - Insurance Claims – assisting with investigating whether insurance claims submitted against the Council are genuine.
 - Glasgow Guarantee – verifying that applicants are eligible.
 - Whistleblowing – investigating other types of allegations which are made through the Council’s Whistleblowing hotline/internet reporting facility.
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- 6.2 An update on the outcomes achieved by the CFI team will be provided in an annual fraud report, and a six-monthly update report.

7. Audit Glasgow

- 7.1 Audit Glasgow is the name Internal Audit uses when providing services for external organisations. In 2020/21 Audit Glasgow will consider any opportunities which arise in this area. However the key focus will continue to be the provision of an internal audit function for Glasgow City Council, its ALEOs and related bodies. Any additional services will only be considered if it has no impact on the ability of the department to provide its core function.

8. Recommendation

- 8.1 Committee is asked to agree to the implementation of the Audit Plan for 2020/21.
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Audit Outputs - Key System Areas and Control Risks

Financial Governance (Section 95)

1. Financial Management and Monitoring – work in this area will include assessing controls relating to budget monitoring and budgetary control.

Risk – that system controls and processes may not be effective, increasing the risk of errors in financial and budgetary management and reporting.

2. Accounts Receivable – audit work will examine elements of the process for ensuring that debts are identified and raised timeously and accurately and that debts are managed appropriately.

Risk – the controls in place may not be fully effective, which could result in the Council failing to maximise its income.

3. Accounts Payable – in 2020/21 audit work will provide assurance on the operation of the creditors process.

Risk – that payment liabilities may not be correctly recognised in the Council's ledger system, or the Council may not pay the correct amount for goods and services.

4. Payroll – reviews in this area will focus on ensuring that the correct payroll processes are followed for all employees. A payroll verification exercise will be undertaken across Council ALEOs.

Risk – increased possibility of incorrect payment of salaries and wages which may result in a financial loss.

Capital Governance

5. Glasgow City Region – City Deal – in 2020/21 audit work will be undertaken to review the arrangements in place in relation to capital projects which Glasgow City Council are responsible for as part of the City Deal.

Risk – that effective controls may not be in place for the governance of capital projects which are part of the City Deal.

6. Capital Projects – the 2020/21 plan will include assurance work on the governance arrangements for a range of capital projects. This will cover projects which are not part of the City Deal.

Risk – that governance arrangements for capital projects may be inadequate, increasing the risk that projects will be delayed or generate significant budget variances.

Establishments / Income Management

7. Income Management, Collection & Security – this includes a review of controls relating to how income is collected in various service departments. It will examine the security arrangements which are designed to minimise the risk of loss or misappropriation.

Risk – income is not properly recorded or may be lost or misappropriated.

Grants activity

8. Grants – the audit plan will include an examination of the controls in place for the administration of various grants that are awarded by the Council, including the new Glasgow Communities Fund.

Risk – grants are awarded to groups, organisations or individuals who may not be eligible or payments may be made in error.

Procurement assurance

9. Procurement – the audits in this area will assess compliance with the Council's Procurement Manual and Standing Orders.

Risk – that the appropriate tendering procedures may not be followed, increasing the risk that procurement rules may be broken and the Council may not obtain best value.

General compliance

10. Governance – the governance programme covers a range of activities designed to ensure that the Council family has, and can provide evidence of, robust governance arrangements. The audit work includes the collation and testing of governance questionnaire responses and a review of risk management arrangements. We will also use findings from recent investigations to inform specific additional assurance activities across the governance and internal control framework.

Risk – that the Council may not adequately control its operations leading to its key objectives not being achieved or the inappropriate use of resources.

Performance management assurance

11. Performance Management Framework – audits in this area will review aspects of the Council's performance monitoring regime, including the collation of Statutory Performance Indicators.
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Risk – that the Council may not achieve its key objectives due to inadequate or incomplete performance monitoring arrangements.

Information technology and information security

12. Information Technology and Security – audits in this area will test the procedures, processes and arrangements designed to ensure that systems are appropriately controlled and information is protected. Auditors will consider and assess information security issues throughout the course of all audits undertaken as part of the Audit Plan. Specific work will be undertaken to provide assurance over the security arrangements for core applications and the process for managing software licences within the Education estate.

Risk – that sensitive or confidential data relating to individuals or organisations may be lost or accessed without authority, leading to a potential financial loss if the Information Commissioner levies a fine on the Council. There is also a risk that a failure in the Council's IT provision may impact on service delivery.

Group assurance activity

13. Internal Audit services provided to ALEOs and Partner Organisations – Internal Audit provides services for most of Glasgow City Council's ALEOs. The audits undertaken provide assurance to these organisations and the results also inform the Annual Governance Statement.

Risk – the Council channels significant expenditure through its ALEOs and partner organisations which, if not effectively managed, could lead to a reduction in financial control.

Non-Compliance Assurance

14. Where non-compliance issues have been identified during an investigation, Internal Audit will undertake further assurance work to ensure any control weaknesses have been addressed.

Risk – if the Council does not address control weaknesses that have been identified during an investigation, there is a potential risk that those weaknesses could be exploited.

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Audit Outputs – Other Assurance Activities

1. **Special Investigations** – Internal Audit will undertake a range of special investigations including, where required, fraud investigations and specialist forensic computer analysis. Reports on the results of our work will be passed on to Police Scotland and/or regulatory bodies where appropriate. Auditors will provide evidence to disciplinary hearings as required. Internal Audit will also operate the Council's Whistleblowing hotline and internet reporting facility. Any control weaknesses identified will be examined and recommendations will be made to address them. These audits also help inform the Annual Governance Statement.

Assurance – that referrals to Internal Audit are investigated thoroughly, professionally and impartially and that, where appropriate, recommendations for system and procedural improvements are made.

2. **National Fraud Initiative (NFI) and other Data Matching exercises** – Internal Audit will take the lead in co-ordinating the Council's response to the matches arising from the NFI data match. We will also carry out other data matching exercises and data analytics in conjunction with other Services.

Assurance – that any fraud involving the persons identified in the data match is identified and pursued, and that improvements to procedures and practices are introduced as a result.

3. **Procedural Advice** – Internal Audit will continue to provide procedural advice to Services and will participate in various forums, governance boards and working groups.

Assurance – that sound procedural advice is provided which helps to ensure the development of strong controls.

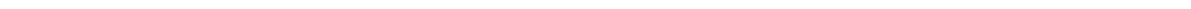
4. **Review of Documents, Processes and Procedures** – Internal Audit will respond to Services' and ALEOs' requests for reviews of their processes or procedural documentation. The output will be the provision of advice and guidance which helps to ensure that strong controls are built into processes and procedures at an early stage.

Assurance – that adequate internal controls are built into systems, processes and procedures as they are developed.

5. **Follow-up Visits** – in 2020/21 Internal Audit will undertake a programme of follow up audits in line with agreed recommendation implementation dates.
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Summary reports will be presented to the FASC (or the relevant Board or Committee) detailing the findings of these follow up audits.

Assurance – that actions identified by Internal Audit and agreed by Services and ALEOs to strengthen controls are fully implemented.



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Audit Outputs – Work not Directly Contributing to the Annual Governance Statement

1. **Staff working groups** – these include various Financial Services groups and boards. The aim of our participation on groups is to provide advice and guidance where required and, where appropriate, to represent Internal Audit within Financial Services. We will continue this provision during 2020/21.
2. **Professional activities** - this includes participation in the Scottish Local Authority Chief Internal Auditors' Group and the UK Core Cities Audit Group. Internal Audit's contribution includes participation at meetings, occasionally hosting those meetings and delivering presentations on audit related matters, including assurance and fraud work. The aim is to share information, and provide examples of best practice and to learn from others' examples. We will continue this participation during 2020/21.
3. **Freedom of Information (FOI) and Subject Access Requests (SAR)** – Internal Audit helps to ensure that the Council complies with FOI and SAR requests. This will continue in 2020/21.
4. **Procurement Approvals** – Together with Legal Services, Internal Audit considers and approves requests from Services to make direct awards to suppliers, in compliance with the Council's Standing Orders.
5. **Information Security** – Internal Audit responds to reports of potential or actual information security breaches.
5. **Other areas** – Internal Audit staff receive appropriate professional training in accordance with their roles within the section. This includes supporting trainee auditors to achieve membership of CIPFA and ensuring staff receive appropriate training through Council programmes and GOLD courses.

We also participate in hosting delegations from abroad.

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Organisational Chart

