

**GLASGOW & CLYDE VALLEY STRATEGIC DEVELOPMENT PLANNING
AUTHORITY**

To: JOINT BOARD

Date: 12 June 2017

**Report by
Chief Auditor**

INTERNAL AUDIT ANNUAL REPORT 2016/17

1. SUMMARY

- 1.1 The Public Sector Internal Audit Standards require the Chief Auditor to prepare a report, at least annually, to senior management and the Board on the internal audit activity's purpose, authority, and responsibility, as well as performance relative to its plan.
- 1.2 The annual report must also provide an annual audit opinion on the overall adequacy and effectiveness of the Glasgow and Clyde Valley Strategic Development Planning Authority's internal control environment.
- 1.3 The Annual Report for Glasgow and Clyde Valley Strategic Development Planning Authority is attached at Appendix 1 and outlines the role of Internal Audit, the performance of the Internal Audit Team, the main findings from the internal audit work undertaken in 2016/17, and contains an audit assurance statement.

2. RECOMMENDATIONS

- 2.1 Members are invited to consider and note the contents of the Annual Report.
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Glasgow and Clyde Valley Strategic Development Planning Authority

Annual Report 2016-2017

**Finance & Resources
Internal Audit**

June 2017

Glasgow and Clyde Valley Strategic Development Planning Authority

Internal Audit Annual Report 2016/2017

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Glasgow and Clyde Valley Strategic Development Planning Authority

Internal Audit Annual Report

1 April 2016 – 31 March 2017

1. Introduction

1.1 As host Authority, Renfrewshire Council provides an internal audit service to Glasgow and Clyde Valley Strategic Development Planning Authority. This includes:

- The compilation of an annual audit plan following consideration and evaluation of those areas of greatest risk in the organisation's operation, and consultation with the Strategic Development Plan Manager;
- Delivery of the planned audit assignments;
- Follow up of previous audit recommendations;
- Provision of any ongoing advice and support on audit and risk management related matters;
- Provision of an Annual Report and Assurance Statement, and presentation to elected members at the Glasgow and Clyde Valley Strategic Development Planning Authority.

1.2 The Service operates in accordance with the Public Sector Internal Audit Standards which defines Internal Audit's role as:

".....an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."

1.3 In line with the Standards, the purpose of this Annual Report is to report on:

- The outcome of the planned Internal Audit reviews 2016/17 relating to the Glasgow and the Clyde Valley Strategic Development Planning Authority;
- The outcome of Internal Audit reviews of supporting Renfrewshire Council corporate systems;
- Internal audit performance;
- Planned audit work for 2017/18;
- The annual assurance statement which provides an opinion on the overall adequacy and effectiveness of the Planning Authority's internal control environment.

2. Responsibilities of Management and Internal Audit

- 2.1 It is the responsibility of management to ensure that the areas under their control are adequate and effective and that there is a sound system of internal control which facilitates the effective exercise of the organisation's functions and which includes arrangements for the management of risk.
- 2.2 Internal Audit is not a substitute for effective control exercised by management as part of their responsibilities. Internal Audit's role is to independently assess the adequacy of the risk management, internal controls and governance arrangements put in place by management and to undertake sufficient work to evaluate and conclude on the adequacy of those controls for the period under review.

3. Internal Audit Activity during 2016/2017

- 3.1 The Annual Report for 2015/2016 was submitted to the Joint Board on 13 June 2016.
- 3.2 The implementation rate of audit recommendations is a measure of operational culture and effectiveness. During 2016/17, 3 recommendations were followed up all have now been completed.
- 3.3 Internal Audit also carried out reviews of the main corporate systems operating within Renfrewshire Council which support the Authority's activity. The main findings in relation to these are summarised in table 1 below and Renfrewshire Council management have agreed to implement the audit recommendations made in relation to each review:

Table 1

Audit Area	Conclusion
Corporate Governance (Gifts and Hospitality)	<ul style="list-style-type: none">• Limited Assurance• Internal Audit have reviewed the level of awareness and compliance with the procedures for gifts and hospitality. Council management has agreed to review the documented procedures in place and develop training material to promote staff awareness and compliance.
Procurement (Tendering arrangements)	<ul style="list-style-type: none">• Substantial Assurance• No key risks were identified, although some recommendations were made in relation to retention of records, updating procedures and segregation of duties.

4. Review of Internal Audit Performance

- 4.1 In previous years internal audit measured performance against a range of measures set annually by the Director of Finance and Resources. In 2016/17, Internal audit were in the process of implementing a new audit management system, during this phased implementation period it was only possible to measure the percentage completion of the audit plan for the year. Table 2 shows the actual performance against targeted performance for the year.

Table 2

Internal Audit Performance 2016/17		
Performance measure	Target 2016/17	Actual 2016/17
% completion of audit plan for the year*	95%	91.8%

* this measures the completion percentage as at 31 March. 100% of the plan is ultimately delivered through the finalisation of the outstanding elements in the new financial year.

- 4.2 Actual performance for the year is 3.2% below the target performance level. This was due to the actual level of resources available being lower than had been planned for, due to vacancies and maternity leave. The 95% targeted completion was achieved by the end of April 2017.
- 4.3 The Chief Auditor is required to develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit including conformance with the PSIAS. During 2016/17, an external quality assessment was undertaken, as required by the PSIAS once every five years. The assessment was undertaken as a peer review by West Lothian Council and concluded that the internal audit service was well managed and effective. A small number of recommendations for improvement were made and these have been added to the quality assurance and improvement programme for implementation during 2017/18.
- 4.4 External Audit

External Audit's review of the internal audit service concluded that the internal audit service operates in accordance with the Public Sector Internal Audit Standards (PSIAS) and has sound documentation standards and reporting procedures in place.

4.5 Risk Management

The responsibility for co-ordinating risk management activity across the council and its associated bodies lies with internal audit. Risk management performance is detailed in Renfrewshire Council's risk management annual report.

5. Planned Work for 2017/18

- 5.1 Following a risk based assessment of the activities of the Glasgow and Clyde Valley Strategic Development Planning Authority and consultation with the Strategic Development Plan Manager, the audit plan provides for ad-hoc advice, reactive investigative work, follow-up of previous audits and risk management advice.
- 5.2 An annual report for 2016/2017 will also be provided to the Joint Committee.

6. Audit Assurance Statement

- 6.1 Internal Audit has performed its work in accordance with the role defined in paragraph 1.2. The audit work performed has been reported to the Strategic Development Plan Manager, and to the Joint Committee in this annual report. Where areas for improvement in internal control have been identified appropriate recommendations have been made, and accepted for action by management.
- 6.2 In view of the continued challenges common to all public bodies, there will be a requirement for the council and the bodies for which it is host authority to exercise very close scrutiny over expenditure, and both areas will continue to receive due internal audit attention.
- 6.3 It is not feasible for the system of internal control to be without any weakness. It is important to balance the risks involved in accepting systems limitations with the consequences if a problem emerges. Internal Audit recognises this and assesses this in its reporting mechanism.
- 6.4 In this context, it is considered that a reasonable level of assurance can be placed upon the adequacy and effectiveness of the Glasgow and Clyde Valley Strategic Development Planning Authority's internal control, risk management and governance arrangements, as evidenced by:-
 - The results of the audit work in 2016/17 in relation to the corporate systems which supported the Glasgow and Clyde Valley Strategic Development Planning Authority's activities.
 - Management action to respond to audit recommendations.

- management self assessment of internal control, risk management and governance arrangements.
- The regular review and updating of the Local Code of Corporate Governance by the Council in accordance with the CIPFA/SOLACE framework for corporate governance requirements and of the corporate governance arrangements within the Glasgow and Clyde Valley Strategic Development Planning Authority.

Signed

A black rectangular box redacting the signature of the Chief Auditor.

Chief Auditor

Date

12 June 2017